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ECLIX GROUP REPORTS FY20 RESULTS

Eclix Group Limited (ASX: ECX, “Eclix” or “Group”) today announces its full year results for the year ended 30 September 2020, and provides details on the “Strategic Pathways” that will underpin the next phase of the Group’s growth following the successful execution of the Simplification Plan.

Highlights for the year ended 30 September 2020 (FY20)

Group—performance turnaround in FY20

- Successful return to its core operating model with Group net profit after tax of \$18.2 million for FY20 (versus a loss of \$341.5 million for FY19)
- Against a challenging macroeconomic backdrop, the core fleet and novated business delivered a solid result, reflecting the defensiveness of the underlying business

Core—delivered growth despite external challenges in 2020

- Core Earnings before Interest, Tax, Depreciation, Amortisation (“EBITDA”) of \$85.4m (\$90.6m post AASB16), representing a like for like growth rate of 4.3% versus FY19
- Core cash Net Profit After Tax & Amortisation (“NPATA”) of \$47.5m, up 2.2% compared to FY19
- Assets under Management or Finance (“AUMOF”) reduced by 4.1%, reflecting lower new business writings (NBW) in the period, as a result of the impact of COVID-19

Non-core—divestment program complete

- Non-core EBITDA loss of \$14.2 million (\$13.2 million loss post AASB16), reflecting contribution from Carloans.com.au & Georgie (divested in May 2020) and Right2Drive (divested in August 2020)

Simplification Plan—executed one year ahead of schedule

- All six non-core divestments completed between July 2019 and August 2020
- \$15m cost reduction target exceeded on an annualised basis
- 56% reduction in gross corporate debt, down from \$350m to \$155m, ahead of \$175m target
- 80% change to the executive team over the last 16 months
- Post Simplification, Eclix is a pure-play fleet management platform, with a clear focus on growth in its three target markets—Corporate, Novated and SME (“Strategic Pathways”)

Core business performance

The core fleet and novated business demonstrated its defensive qualities in FY20, delivering growth in both EBITDA and NPATA, successfully managing through a COVID-19 disrupted environment for seven months of this financial year.

Net operating income before provisions was flat, and saw outperformance in “end of lease” income, with positive trends in the used vehicle markets in both Australia and New Zealand.

As previously announced to the ASX on 3 September 2020, since COVID-19 emerged, NBW in Novated and Corporate leasing averaged around 80% (81% and 79% respectively) of pre-COVID levels (Oct '19 – Feb'20).

At the end of February 2020, Novated leasing was on track for a record year, but NBW was disrupted in March and April 2020 with the emergence of COVID-19. Notwithstanding COVID-19, novated leasing has continued to show momentum, tracking at 81% of pre-COVID NBW levels during the second half of FY20. Based on current business momentum, the Group expects NBW to get back to a pre-COVID level during FY21. The Group continues to invest in our Novated offering, both to further penetrate its existing client employee base, and to expand the addressable base of employees through new client wins.

While Corporate operating leasing saw a reduction in NBW, core customer retention rates remained above 98%. The overall reduction was, for the most part, the result of the Group's deliberate COVID-19 risk management strategy to promote customer lease extensions over replacements for leases coming due in the period of March to December 2020. This effectively deferred the NBW pipeline for a six- to 12-month period.

The rationale for this COVID-19 risk management strategy was to pre-emptively de-risk Group liquidity, in the event the used car market was disrupted. This potential risk was underscored by the relatively severe lockdowns and restrictions across Australia and New Zealand. The lease extension program was successful and contributed, in part, to an improvement in Group liquidity in the period.

Corporate operating leasing is well positioned to take advantage of the opportunities that have emerged from COVID-19 disruption. During the last quarter of FY20, a step-up in tender activity saw the Group win a number of new fleets. The Group continues to win and retain customers with its market leading service proposition and differentiated technology platform.

Beyond Simplification—Strategic Pathways

In late May 2019, the Group outlined its Simplification Plan, a strategy to bring Eclipx back to a pure-play fleet management platform by the end of September 2021. The implementation of the plan was based on the delivery of four key pillars; the divestment of six non-core businesses, an optimisation of the Group cost base, a de-risking of the Group balance sheet and a refocus on our core fleet and novated business.

On 3 September 2020, the Group announced that its Simplification Plan had been successfully completed 13 months ahead of schedule, with all six non-core businesses divested, a reduction in the cost base greater than the initial target and a 56% reduction in gross debt. With the completion of the

Simplification Plan, the Group has moved into the implementation of its next strategic phase, called “*Strategic Pathways*”.

Developed in parallel with the execution of the Simplification Plan, Strategic Pathways is the Group’s roadmap towards sustainable growth through the focussed penetration of its three target markets: Corporate, Novated and SME.

Investment in enabling relevant capabilities for Strategic Pathways is already underway, including but not limited to:

- Sales force improvements;
- CRM enhancement;
- Digital platforming; and
- Customer in-life experiences.

Combined with upgrades to the Group’s technology infrastructure, the platform is well placed to enable delivery of the Strategic Pathways plan. Further details are contained in the FY20 investor presentation.

Strategic Pathways -- Corporate operating leasing

The market size for Corporate fleets in Australia is circa 2.1 million vehicles. The rate of outsourcing of fleet management by Corporates to Fleet Management Organisations (FMOs) in Australia, such as Eclix, is estimated to be circa 50%, which is low relative to comparable jurisdictions such as the UK. The widespread disruption caused by COVID-19 is expected to catalyse a shift in Australian & New Zealand Corporate mindset towards outsourced fleet management. This shift has been increasingly evident in recent months.

The Group is targeting above system growth through its reputation for market leading net promoter score (NPS), its product & service proposition, its employed technology and from its unique funding capability.

Strategic Pathways -- Novated leasing


Through its Corporate operating lease client base, the Group has a large addressable market of target employees for novated leasing, circa 880,000. Historically, as the Group under-invested in its Novated leasing market opportunity, it has not effectively penetrated this base above circa 1.6%. Over the last 12-18 months, the Group has invested in its product and distribution capabilities, and pre-COVID, the business saw double digit volume growth.

The Group is focussed on increasing its penetration rates, as well as building its total addressable employee base by winning both Corporate and Government employer clients.

Strategic Pathways -- SME operating leasing

The market size for SME fleets in Australia is circa 1.3 million vehicles, and we estimate that around 2% of the market has been penetrated by FMOs, which is very low compared to Corporate fleets (circa 50% penetrated). In the UK and Europe, operating leasing as a product has experienced large penetration for sub-20 vehicle fleets.

Over the last 12 months, the Group has been trialling its SME product through an exclusive OEM channel in Australia, and a variety of dealer partners in New Zealand, testing both user experience and product traction while at the same time refining credit underwriting and scoring capabilities.



The Group has developed a live quoting digital experience and has recently launched a new partnership with a specialist third-party distribution channel to accelerate the development of credit scorecard and underwriting capabilities for SME. The Group is currently assessing a number of third-party partner channels and intends to roll-out the upgraded product in the second half of FY21, assuming the macro environment stabilises.

COVID-19 response

The ongoing COVID-19 pandemic has required a multi-faceted response. This includes, but is not limited to, ensuring the health and safety of our employees, working closely to support our customers and suppliers, and, in the early months of COVID-19, placing a greater focus on liquidity preservation and risk management.

While Balance Sheet strength and active liquidity management was a pillar of our Simplification Plan, the emergence of COVID-19 intensified the Group's focus on these priorities.

As at 30 September 2020, available Group liquidity was \$181m, an increase of circa 70% in six months compared to liquidity as at 31 March 2020 of \$106m. This available liquidity includes \$56m of unrestricted cash and unrestricted access to \$125m revolving facilities. This conservative liquidity position provides the Group with financial certainty to grow its business in a challenged environment, providing excess capacity to manage currently unanticipated risks, including shock loss events and/or protracted dislocation of the used car or funding markets. Further details of Group liquidity are contained in the FY20 investor presentation.


The strength of the core business result reflects its defensiveness, which is underpinned by contractual annuity-like income, as well as the Group's 33+ years of experience in end of lease distribution, credit and residual value setting experience.

Team & Community

The Group has made significant changes to its executive team since May 2019, the majority of which joined during FY20. This new executive team has been instrumental in leading the execution of the Simplification Plan, as well as planning for and developing the implementation framework for Strategic Pathways. The team has also been responsible for managing the risks and opportunities presented by the COVID-19 environment.

The broader employee group has made significant contributions, demonstrating resilience and consistency through a period of both internal and external change. They have ensured Eclix has maintained its reputation for service leadership to our customers, which is evidenced by our consistently strong net promoter score.

When COVID-19 emerged, the team moved quickly to remote working with limited disruption to productivity and customers. The team has achieved a number of outstanding outcomes for the Group and its customers including the establishment of the Group's financial assistance (hardship) program which provides temporary relief to customers impacted by COVID-led economic disruption.



Through COVID-19, the Group sought to preserve its permanent core employee team, freezing any headcount reductions and avoiding furloughs or other severe short-term measures, which could have been detrimental to longer term Group sustainability and to team and employee morale.

The safety and well-being of our employees is a major priority for the Group. The impact of the COVID-19 environment has required an emphasis on expanding well-being measures, particularly given the severity of second stage lockdowns in Victoria, where a significant proportion of our employees are based. These measures included our existing employee assistance (counselling) program, offering support to our employees and their family members. We also introduced the Resilience Project program and access to zoom-based Reborn Fitness classes for all employees, as well as internal social network community events and a large number of other well-being initiatives.

During the year, the Group provided support to all employees volunteering for the RFS and other front-line responders to the 2019/2020 bushfires. The Group committed to dollar matching on a number of charitable events including bushfire relief, STEPtember, and introduced an 'adopt a koala' campaign for each new novated customer from January through to April 2020. Throughout the year, the Group continued its support of Mental Awareness week, Movember, and Red Cross blood donation across Australia.

The Group has taken significant steps to enhance its environmental responsibilities, including its continued focus on carbon offset. Our FleetPlus business has maintained its 100% carbon offset status for the third consecutive year. The Group is committed to achieving permanent carbon neutrality and will seek to achieve 'Climate Active' status certification during FY21.

Outlook

The delivery of the Simplification Plan ahead of schedule places the Group in a position of strength. This position provides the Group with confidence, going into FY21, that it will successfully implement the next phase of its strategy, Strategic Pathways. As the Group progresses through FY21, it will assess the best use of excess capital for shareholders having regard to balancing macro risk and organic growth alternatives.

FY20 financial report and investor presentation

Details of the financial performance for the year ended 30 September 2020 can be found in the Appendix 4E, FY20 financial report and investor presentation.

Julian Russell (CEO) and Damien Berrell (CFO) will hold an investor call and webcast at 10am to discuss the results. The details are as follows:

Dial in Details

Please pre-register for the call at the link below.

Pre-Registration Link: <https://s1.c-conf.com/diamondpass/10010469-87g52d.html>

You will receive a calendar invite and a unique code which is to be quoted when dialling into the call.

If you'd like to ask a question, please dial "**1" (star, 1) on your telephone keypad.

[Open Briefing Live](#)

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ENDS

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