



Level 6, 601 Pacific Highway
Sydney NSW 2065

W www.eclipx.com

Eclipx Group Limited | ABN: 85 131 557 901

19 February 2021

ASX Release

Market Announcements Office
Australian Securities Exchange
20 Bridge Street
Sydney NSW 2000

ECLIPX GROUP 2021 ANNUAL GENERAL MEETING

CHAIRMAN'S ADDRESS

In accordance with the Listing Rules, please see attached the address to be delivered by the Chairman of Eclipx Group Limited (ASX: ECX), Kerry Roxburgh, at this morning's Annual General Meeting held in Sydney, Australia.

This announcement has been authorised by the Board of Directors.

ENDS

Encl.

Media enquiries	Investor enquiries
John Frey	Damien Berrell
GRACosway	Eclipx Group
jfrey@gracosway.com.au	Damien.Berrell@eclipx.com
0411361361	0457357041

ECLIPX GROUP 2021 ANNUAL GENERAL MEETING

CHAIRMAN'S ADDRESS

Introduction

I want to start by thanking every employee of Eclix in Australia and New Zealand for their effort, resilience and commitment throughout the 2020 financial year.

2020 was an extremely challenging year. On top of the substantial disruptions from COVID-19, Eclix also successfully delivered significant structural, operational and financial improvements.

The Eclix team delivered on all of our stated objectives, while managing its way through a very difficult and unpredictable environment.

Our largely renewed senior executive team led the business with relentless focus and energy to deliver the early completion of our critical "Simplification Plan" and an outperformance against our initial FY20 budgets.

The Simplification Plan

The Simplification Plan, developed by my fellow directors and refined by our revitalised senior leadership team, was announced to the ASX in May 2019, well before any hint of COVID-19.

The purpose of Simplification was to return the Group to a pure-play fleet management platform by end of September 2021. The Simplification of the Eclix business and operations was finalised in 4QFY20, some 13 months ahead of schedule, despite the disruption of COVID-19.

FY20 performance and strategic outcomes

Each of the components of the Simplification Plan was absolutely necessary to deliver and each included very challenging tasks. Our success in delivering on the plan is evident in far better outcomes for shareholders.

In FY20, the core Fleet and Novated leasing businesses delivered an EBITDA of \$85.4 million and a pleasing Cash NPATA of \$47.5 million.

Importantly, net debt at the end of FY20 was reduced to \$99 million, a ratio of 1.1x net debt to EBITDA compared with over 3.0x in FY19.

Net debt continues to decrease, standing at \$79 million on 31 December 2020. This outcome is being driven by the strength of Eclix's organic cash generation as a dramatically simplified and focused business.

In early 2020, the emergence of COVID-19 saw panic in the markets and presented tremendous uncertainty to our operating environment.

This introduced significant operating and financial risks in our business, especially from March through to June last year. These were truly abnormal circumstances demanding immediate risk mitigation. This was not just in terms of offering relief to customers impacted by COVID-19, but also putting in place an effective safety, retention and motivational reward mechanism for our team to deliver against all the challenges they now faced.

Remuneration Report

I will now make some comments on the Remuneration Report. I speak on behalf of the entire Eclix Board, in saying that we are disappointed by the results of the proxy voting against the Remuneration Report, seemingly brought about by proxy adviser recommendations to vote against our Remuneration Report. Notwithstanding votes cast at today's meeting, it seems that we will record our "first strike" against the Remuneration Report.

The extraordinary circumstances facing the Board and Eclix went beyond the challenges many businesses faced during the height of COVID-19 in March and April last year. Eclix also faced serious operational risks, especially in connection with retention and motivation of key personnel to ensure successful completion of the Eclix's essential Simplification Plan that I outlined earlier:

- Eight of the top ten senior executives had only recently been appointed;
- As a result of the sudden fall in the ECX share price to an all-time low of 36 cents on 23 March 2020, the LTI awards previously granted to these newly appointed senior executives (in lieu of rewards they had forgone elsewhere) were well out-of-the-money. This was in addition to some of our new executive team joining Eclix on lower fixed remuneration levels than in their previous roles; and
- Eclix executives had also already foregone an STI following an earlier remuneration structure review.

In order to fairly address this combination of remuneration impacts, operational challenges and strategic imperatives, the Board and Management took corrective actions. For example, in order to maximise cash preservation, the Board, the entire executive team, and most of the company's employees volunteered to take material fixed remuneration reductions. Of note, our CEO took a 50% cut in salary.

Additionally, the Board chose to implement an alternative to the traditional LTI award to incentivise and retain our key employees.

The Board decided that the most effective course was to bring forward by 6 months, the issuance of FY21 LTI award or "FY21 Options" as I will now refer to them.

The FY21 Options were granted in two tranches, with exercise prices set at 20% and 35% above the prevailing market price at the time. This meant that a significant and sustained recovery in the share price was necessary for these options to have any value.

The fact is that the Eclix share price has outperformed that of its three listed peers. This out-performance is market recognition of the successful efforts of the revitalised executive team, not just in managing the risks associated with COVID-19, but at the same time successfully implementing the Simplification Plan, 13 months ahead of plan.

As a result, we believe the FY21 Options have absolutely delivered value in the interests of shareholders.

In making your judgement on the fairness and effectiveness of FY21 Remuneration Plan today, I would also ask shareholders to note three other important considerations:

- Firstly, as the FY21 LTI grants were brought forward, there will be no further equity grants to executives in FY21;

- Secondly, unlike many other listed Australian corporates facing the challenges of COVID-19, Eclix resolutely resisted pressure from financiers and others who called for the Group to de-risk its balance sheet by raising additional capital at depressed share prices, thus avoiding potential for significant shareholder dilution;
- Finally, taking into account ESOP shares available for settlement, when the FY21 Options vest, the forecast net dilution, based on the current share price, is approximately 2%. This is well below calculations made by some of the proxy advisors. In preparation for the expected vesting of the FY21 options the Board has resolved to issue 5.5m shares to the ESOP trust, which is approximately 1.7% of issued capital.

Central to Board decisions in relation to the remuneration structure is an alignment with long-term shareholder value. The Board believes that the achievements of the management team over this last year have set the right foundations for the business beyond the market recovery, to deliver solid long term returns for all Eclix shareholders.

In a normal course of events and economic conditions, the Board endorses the general remuneration principles advocated by the proxy advisors. Assuming more settled market conditions, the FY22 LTI award will return to a more typical LTI structure comprising a mix of performance hurdles and a longer vesting period.

We strongly encourage shareholders voting today, to endorse the 2020 Remuneration Report for all that it has achieved in terms of restoring shareholder value.

Community and environment

I am pleased to report that despite the disrupted and challenging year, we have also taken significant steps to further enhance our Environmental, Social and Governance responsibilities.

Our FleetPlus business retained its 100% carbon offset status for the third consecutive year. The Group also committed to achieving permanent carbon neutrality, including seeking “Climate Active” status during FY21. We have a range of other initiatives in our FY21 pipeline to support a more sustainable environment.

Our people have also maintained their strong commitment to the community. Eclix provided support to every employee who volunteered for the Rural Fire Service and to all other frontline responders during the catastrophic 2019/2020 bushfires. Eclix also implemented an “adopt a koala” campaign and supported dollar matching at numerous charitable events, including a number of bushfire relief funds and the Cerebral Palsy “STEPtember” program.

The Board reviewed its governance framework and introduced a scorecard to measure performance and track our ESG progress during the year.

Outlook

We are pleased with our performance, especially in the face of the unexpected challenges of COVID-19 at a critical time for Eclix. We are very optimistic about the future for Eclix as we implement the “Strategic Pathways” phase of our strategy for stable and predictable growth, having now stabilised and re-focused on the strengths of our core business.

We are now investing in enhancing the customer experience of our target markets: Corporate, Novated and the SMEs. Investment projects include digital platforming, improving customer experiences and enhancing technology infrastructure.

While the effects of COVID-19 seem destined to be with us throughout FY21 and beyond, the strategic reset of FY20 gives the Board great confidence in the stability and future for Eclix and its executive team.

Our People

In closing, I express my sincere appreciation to all team members who have contributed to the positive transformation of Eclix: the Board of Directors (two of whom are up for re-election today); our executive leaders and all their team members both in Australia and throughout New Zealand.

Their loyalty, their resilience and their dedication have delivered a positive outcome at Eclix in the face of extraordinary challenges.

Also, on behalf of the Eclix Group, I also express my sincere thanks and appreciation to our customers, to you our investors, and to our capital market partners for your continuing support.

Now, it is my great pleasure to welcome our Chief Executive Officer, Julian Russell who will address the meeting.