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ECLIPX GROUP 2021 ANNUAL GENERAL MEETING

CEO'S ADDRESS

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

This announcement has been authorised by the Board of Directors.

ENDS

Encl.

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Thanks Kerry

I will start on slide 10 of the AGM presentation materials.

As Kerry said, the business has performed well through a challenging year.

Excluding end of lease profits (EOL), first quarter NOI and NPATA have been predictable and consistent with expectations.

EOL profit saw significant outperformance, driven by strong used car market pricing. These outcomes are temporary in nature, caused in part by significant delays in the supply of new vehicles.

While end of lease profitability represents a positive aspect of supply chain disruption, we are seeing longer delays in new vehicle deliveries for our clients. This in turn constrains our new business writings, resulting in further increases to lease extensions. Notwithstanding these anomalies, we still achieved quarter on quarter growth in both Corporate and Novated new business writings.

The risk experience through COVID reflects well on our portfolio risk underwriting. To date, we have not experienced any significant single name losses, and the portfolio remains in good shape.

Corporate net debt at the end of our first quarter was \$79 million—this compares to \$172m in 1Q20. Pleasingly, we are now de-gearing within our target range of 0.5-1.0x net debt to EBITDA, reflecting the significant de-risking of our corporate balance sheet.

As Kerry noted, we successfully completed the Group Simplification Plan, well ahead of schedule, and we have good momentum on the implementation of the next phase of our strategy, named Strategic Pathways. I will expand on that progress shortly, but first let me provide an update on trading as outlined on slide 11 of the AGM materials.

Trading update

It has been a very solid first quarter of trading, with all lines generally tracking to, or above, expectations. The outlier was our EOL profitability, which materially outperformed. While EOL is currently very profitable, I caution this is temporary in nature. From what we observe today, we expect EOL profitability to return to more sustainable levels from around the end of our third quarter (June 2021).

With Simplification completed, we have stabilised operating expenses to \$84m, per our guidance. Our focus is on maintaining this level, as we seek to balance the addition of further bench strength to our sales teams, while improving our operating efficiencies.

The only other line item of note is a marginal decrease in corporate interest expense, given faster than expected debt reduction from incremental EOL profitability.

Auto supply, end of lease profits and new business writings

As is clear in the chart on slide 12, the supply of new cars into Australia and New Zealand, while re-emerging, has not yet met the COVID shortfall. As the trend suggests, the supply gap is anticipated to narrow around the middle of this year.

This constrained supply, combined with a COVID induced demand dynamic, has caused a spike in used car pricing, as seen in the second chart from Datium Insights.

Beyond end of lease profits, the supply shortage has consequences on the timing of realising new business writings. The lead time for our clients receiving ordered vehicles is relatively longer, meaning more clients are going into lease extension while waiting for their ordered vehicle to be delivered. This constrains new business writings, as we only record this activity as the vehicles are delivered. Notwithstanding this, we have experienced quarter on quarter growth and we are seeing a solid and building sales pipeline, which will translate into new business writings when supply is restored.

Balance sheet stability

As at 31 December 2020, our corporate net debt was \$79 million as is shown on slide 13. We have cut net debt by nearly \$93m over the last 12 months. Around \$20 million of that reduction was achieved in the last three months of the year. We are now operating within our net debt to EBITDA target range of 0.5-1.0x.

Our portfolio risk underwriting has been validated through this challenging COVID-19 environment. The portfolio remains in good shape and our forbearance program, established to help our clients suffering from COVID disruption, is back to normal operating levels. Notwithstanding this positive trend, our portfolio risk posture remains elevated given the potential macro risks from stimulus roll-off and the ongoing business disruption caused by the various State interventions.

Strategic Pathways

A key pillar of Simplification was to re-focus our Group strategy, outlined here on slide 14. The purpose of this strategy is to direct our Group's focus and resources on our three large markets, being Corporate, Novated and SME leasing.

Corporate operating leasing has seen recent changes including the latest release of our digital fleet management client tool, Nitro. This proprietary program enables a range of client support and self-service activities from ordering and billing, to fully integrated pool booking, telematics and accident management solutions. Market research, and feedback from clients who we have recently acquired from peers, indicate that the latest release of Nitro is highly differentiated.

Our Novated business recently commenced the roll-out of a digital end-to-end origination platform, which is now under its final month of pilot testing. The purpose of this digital tool is to remove the friction associated with clients applying for a novated lease. The platform is gamified, meaning the user is educated on the product as they work through the application process. This process is designed to reduce the traditional phone-based friction associated with applying for a novated lease. We expect the platform will enable improved sales conversion and deliver scalability to our Novated business over time.

Our SME business has been rolled out to two new distribution partners since our last update in November, with more distribution partnerships in active dialogue. While this business remains in its infancy, we have seen some consistent interest from Australian SME clients (sub 20 car fleets). This reflects the trend we have seen in New Zealand at dealership point of sale in recent years. While new business writings from SME will be limited over the FY21 year, we are reasonably optimistic on its prospects in the coming years, assuming we can deliver the optimal product into our expanding distribution partnership base.

Outlook

Finally, to our outlook on slide 15. The first quarter of FY21 was pleasing and further underwritten by the enhanced EOL profitability. Post Simplification, our Group is heavily focussed on the implementation of Strategic Pathways. The team has a large number of initiatives underway to manage the delivery of the plan. There will be further technology enhancements for our clients and more initiatives to reinforce our sales and distribution capabilities.

At the same time, the Group is focussed on its ESG obligations including reaching Climate Active status in FY21. This includes a well-developed and programmed approach to the scaled roll-out of Electric Vehicle residual risk underwriting.

While we remain cautious on the external environment, the Group's platform has never been in a better position from the perspective of risk management, balance sheet position, technology and personnel capabilities.

We will continue to optimise capital allocation over the coming periods, including continued pay-down of corporate debt and investment in sales and operational efficiencies.

In the context of sector consolidation, we have adopted a disciplined approach to assessing consolidation alternatives in order to enhance further value.

As it relates to capital management, it is unlikely that the Group will pay Australian corporate tax in the upcoming financial years given Federal tax concessions for instant asset write offs. That means the Group will have incrementally higher cash conversion over this period but limited franking credits. Therefore, it is expected that the Group will commence capital management, in or around, FY22.

In closing, let me thank our shareholders for your ongoing support, and the entire team at Eclipx for their outstanding efforts and commitment. A special thanks to our colleague and friend Jason Muhs, who sadly passed away in 2020. Jason made a significant contribution to the Group and our thoughts continue to be with his family.