

## **SG Fleet Reclassifies Profit & Loss Statement and Provides Additional Fleet Disclosures**

### **4 February 2022**

SG Fleet Group Limited ('SG Fleet' / 'the Company' / ASX: SGF) is introducing a number of changes to the disclosure of its profit & loss statement, as well additional information regarding the composition of its fleet.

The changes are aimed at providing investors with additional insight into the performance of the Company in the context of the continued evolution of its products and services offering, the more balanced nature of its funding approach, and the acquisition during the first half of the 2022 financial year of LeasePlan ANZ.

SG Fleet will adopt the new disclosure methodology when reporting results for the first half of this financial year, on 16 February 2022.

A detailed overview of the changes is contained in the presentation attached to this announcement.

This announcement was approved for release by Tawanda Mutengwa, Company Secretary of SG Fleet.

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## Reclassification of P&L and Additional Fleet Disclosures

 Value every journey

4 February 2022

# Introduction



- As a result of the acquisition of LeasePlan ANZ, SG Fleet (“The Company”) has reviewed and reclassified its Statement of Profit or Loss (“P&L”) and fleet-related disclosures. The 1H22 Financial Results will be presented in the new format and with the additional disclosures. This document restates the FY19 to FY21 P&L in the new format and includes the additional disclosures for this period.
- The reclassification addresses the fact that certain of the LeasePlan revenue streams could not be directly mapped to SG Fleet’s historic revenue classifications.
- In determining the new categories, SG Fleet endeavoured, as far as possible, to group revenue streams that are driven by the same primary driver. The Company has also endeavoured, as far as possible, to separate recurring income streams from transactional income streams.
- The new revenue categories are explained in detail on the following slide.
- Historically, in calculating Net Profit before Amortisation of Intangible Assets (“NPATA”), SG Fleet added back the amortisation of all intangible assets. Going forward, NPATA will be adjusted for the amortisation of intangibles arising from acquisitions only. Comparatives will be adjusted accordingly.
- The additional fleet-related disclosures are being provided in order to provide greater transparency on the key drivers of the financial performance.
- Historically, SG Fleet maintained a category of fleet vehicles called “Ancillary Fleet”, which related to vehicles on which a reduced suite of products and services are provided. Ancillary Fleet data was not previously disclosed. Over time and with the acquisition of LeasePlan, the line between Unfunded Fleet and Ancillary Fleet has become blurred. As such, going forward, SG Fleet will combine the Unfunded Fleet units with the Ancillary Fleet units and disclose the combined balance as “Lite Fleet”.

# New Revenue Categories

## SG Fleet's new Revenue categories are as follows:

- **Rental & Finance Income** is primarily earned in respect of on balance sheet funded operating and finance leases. It also includes income generated by short-term rental vehicles, subscription vehicles and certain principal & agency ("P&A") funded vehicles in inertia. The costs of sale related to this income stream are operating lease depreciation, direct interest and short-term hire costs. This is an annuity income stream and its primary driver is the size of the on balance sheet lease portfolio assets.
- **Mobility Services Income** includes the products and services required to keep a vehicle on the road in a safe and compliant manner. This revenue category includes income from registering and insuring the vehicle, providing assistance in the event of a break-down or accident, telematics and safety inspections. It also includes income from car-share bookings. This is an annuity income stream driven by the total fleet size and utilisation.
- **Additional Products and Services** revenue is generated by products that are not typically related to keeping the vehicle on the road and mobile. This revenue category includes products such as accessories, redundancy protection, Trade Advantage and rebates. This income stream is largely transactional in nature and its key driver is the volume of new funded deliveries, coupled with penetration rates.
- **Finance Commission** is the income earned on leased vehicles funded off balance sheet. This income stream is largely transactional in nature, has no direct costs, and the primary driver is the volume of P&A-funded deliveries.
- **Vehicle Risk Income** ("VRI") is the income earned as a result of underwriting a long-term risk position on a vehicle at lease commencement, the ultimate financial outcome of which will depend on circumstances and market conditions that occur over the life of each vehicle. VRI is made up of an End of Lease Component (profits earned from underwriting Residual Value risk) and an In-Life Component (profits earned from underwriting maintenance and other running costs). VRI - End of Lease is largely transactional in nature and its primary driver is the volume of Operating Lease Disposals. VRI – In-Life is a combination of annuity and transactional income and is driven by the number of open-contract vehicles and vehicles with underwritten maintenance risk positions.

# Comparison of Old and New P&L Format – FY2021

Old Format	\$m	New Format	\$m
Management and Maintenance Income	82.5	Rental & Finance Income	46.0
Additional Products and Services	99.3	Mobility Services Income	84.4
Finance Commission	36.1	Additional Product and Services	60.0
End Of Lease Income	217.6	Finance Commission	36.1
Rental Income	46.0	Vehicle Risk Income	255.0
Other Income	0.6	Other income	0.6
<b>Total Revenue</b>	<b>482.1</b>	<b>Total Revenue</b>	<b>482.1</b>
Fleet Management Costs	(80.4)	Rental & Finance Cost of Sale	(29.8)
Short Term Hire Costs	(11.1)	Mobility Services Cost of Sale	(17.3)
Cost of End of Lease Income	(173.7)	Additional Products Cost of Sale	(27.0)
Operating Lease Depreciation	(16.3)	Vehicle Risk Cost of Sale	(199.3)
Direct Interest	(2.4)	Other Direct Costs	(10.5)
<b>Total Direct Expenses</b>	<b>(283.9)</b>	<b>Total Direct Expenses</b>	<b>(283.9)</b>
<b>Net Revenue</b>	<b>198.2</b>	<b>Net Revenue</b>	<b>198.2</b>
Employee Benefits Expense	(80.9)	Employee Benefits Expense	(80.9)
Occupancy Costs	(2.4)	Occupancy Costs	(2.4)
IT and Communication Costs	(10.8)	Technology and Communication Costs	(10.8)
Other Expenses	(9.4)	Other Expenses	(9.4)
<b>Total Operating Expenses</b>	<b>(103.5)</b>	<b>Total Operating Expenses</b>	<b>(103.5)</b>
<b>Operating EBITDA</b>	<b>94.7</b>	<b>Operating EBITDA</b>	<b>94.7</b>
Depreciation and amortisation expense	(16.6)	Depreciation and amortisation expense	(16.6)
<b>Operating Income</b>	<b>78.1</b>	<b>Operating Income</b>	<b>78.1</b>
Interest on Corporate Debt	(5.5)	Interest on Corporate Debt	(5.5)
<b>Underlying Net Profit Before Income Tax</b>	<b>72.5</b>	<b>Underlying Net Profit Before Income Tax</b>	<b>72.5</b>

# New P&L Format FY2019 to FY2021

A\$m	1H 2019	2H 2019	FY 2019	1H 2020	2H 2020	FY 2020	1H 2021	2H 2021	FY 2021
Rental & Finance Income	21.2	19.2	40.5	21.3	21.1	42.3	21.7	24.3	46.0
Mobility Services Income	44.7	47.9	92.6	43.0	42.6	85.6	43.1	41.3	84.4
Additional Product and Services	40.9	46.4	87.4	40.9	28.9	69.8	26.4	33.6	60.0
Finance Commission	25.1	25.6	50.6	23.0	16.6	39.6	18.9	17.2	36.1
Vehicle Risk Income	114.9	120.1	235.0	120.5	92.9	213.3	130.6	124.4	255.0
Other income	1.9	1.8	3.7	1.6	0.6	2.2	0.3	0.3	0.6
<b>Total Revenue</b>	<b>248.7</b>	<b>261.0</b>	<b>509.7</b>	<b>250.2</b>	<b>202.7</b>	<b>452.9</b>	<b>240.9</b>	<b>241.1</b>	<b>482.1</b>
Rental & Finance Cost of Sale	(15.0)	(14.9)	(29.8)	(13.9)	(14.7)	(28.6)	(14.7)	(15.1)	(29.8)
Mobility Services Cost of Sale	(10.7)	(10.7)	(21.4)	(9.3)	(8.5)	(17.8)	(8.7)	(8.6)	(17.3)
Additional Products Cost of Sale	(14.0)	(16.7)	(30.7)	(17.7)	(12.4)	(30.2)	(10.3)	(16.7)	(27.0)
Vehicle Risk Cost of Sale	(101.9)	(104.9)	(206.8)	(106.1)	(84.2)	(190.4)	(104.5)	(94.8)	(199.3)
Other Direct Costs	(5.7)	(6.3)	(12.0)	(6.3)	(8.5)	(14.8)	(5.4)	(5.1)	(10.5)
<b>Total Direct Expenses</b>	<b>(147.1)</b>	<b>(153.5)</b>	<b>(300.7)</b>	<b>(153.4)</b>	<b>(128.4)</b>	<b>(281.8)</b>	<b>(143.6)</b>	<b>(140.3)</b>	<b>(283.9)</b>
<b>Net Revenue</b>	<b>101.5</b>	<b>107.5</b>	<b>209.0</b>	<b>96.8</b>	<b>74.3</b>	<b>171.1</b>	<b>97.3</b>	<b>100.8</b>	<b>198.2</b>
Employee Benefits Expense	(37.4)	(37.7)	(75.1)	(39.8)	(33.7)	(73.5)	(39.9)	(41.1)	(80.9)
Occupancy Costs	(1.3)	(1.3)	(2.6)	(1.1)	(1.1)	(2.3)	(1.2)	(1.2)	(2.4)
Technology and Communication Costs	(4.0)	(3.8)	(7.9)	(5.0)	(6.2)	(11.2)	(4.6)	(6.1)	(10.8)
Other Expenses	(4.7)	(4.3)	(9.0)	(4.6)	(4.6)	(9.2)	(4.2)	(5.1)	(9.3)
<b>Total Operating Expenses</b>	<b>(47.5)</b>	<b>(47.1)</b>	<b>(94.6)</b>	<b>(50.6)</b>	<b>(45.6)</b>	<b>(96.1)</b>	<b>(49.9)</b>	<b>(53.5)</b>	<b>(103.5)</b>
<b>Operating EBITDA</b>	<b>54.0</b>	<b>60.4</b>	<b>114.5</b>	<b>46.3</b>	<b>28.7</b>	<b>75.0</b>	<b>47.4</b>	<b>47.3</b>	<b>94.7</b>
Depreciation and amortisation expense	(8.3)	(7.9)	(16.1)	(8.2)	(8.6)	(16.8)	(8.6)	(8.0)	(16.6)
<b>Operating Income</b>	<b>45.8</b>	<b>52.6</b>	<b>98.4</b>	<b>38.1</b>	<b>20.1</b>	<b>58.2</b>	<b>38.8</b>	<b>39.3</b>	<b>78.1</b>
Interest on Corporate Debt	(3.7)	(3.0)	(6.8)	(2.8)	(3.1)	(5.8)	(2.8)	(2.7)	(5.5)
<b>Underlying Net Profit Before Income Tax</b>	<b>42.0</b>	<b>49.5</b>	<b>91.6</b>	<b>35.3</b>	<b>17.1</b>	<b>52.4</b>	<b>36.0</b>	<b>36.5</b>	<b>72.5</b>
Tax	(12.6)	(14.4)	(27.1)	(10.8)	(4.8)	(15.6)	(10.6)	(10.4)	(21.0)
<b>Underlying Net Profit After Tax</b>	<b>29.4</b>	<b>35.1</b>	<b>64.5</b>	<b>24.5</b>	<b>12.2</b>	<b>36.7</b>	<b>25.5</b>	<b>26.1</b>	<b>51.6</b>
Acquisition Costs	-	(4.0)	(4.0)	-	-	-	-	(7.7)	(7.7)
Integration Costs	-	-	-	-	-	-	-	(0.1)	(0.1)
<b>Reported Net Profit After Tax</b>	<b>29.4</b>	<b>31.1</b>	<b>60.5</b>	<b>24.5</b>	<b>12.2</b>	<b>36.7</b>	<b>25.5</b>	<b>18.2</b>	<b>43.7</b>
Amortisation of Acquired Intangibles	2.4	1.8	4.2	2.1	2.2	4.3	2.1	2.1	4.2
<b>Underlying NPATA</b>	<b>31.8</b>	<b>37.0</b>	<b>68.7</b>	<b>26.6</b>	<b>14.4</b>	<b>41.1</b>	<b>27.6</b>	<b>28.2</b>	<b>55.8</b>

# Supplementary Financial Disclosures

A\$ <sup>m</sup>	1H 2019	2H 2019	FY 2019	1H 2020	2H 2020	FY 2020	1H 2021	2H 2021	FY 2021
Net VRI – End of Life	8.3	7.7	16.0	8.5	4.2	12.7	20.6	23.3	42.8
Net VRI – In Life	4.7	7.5	12.2	5.9	4.4	10.3	5.5	6.3	12.9
Net Vehicle Risk Income (“VRI”)	13.0	15.2	28.3	14.4	8.6	23.0	26.1	29.6	55.7
	(0.000)	-	-	(0.000)	-	(0.000)	-	-	-
Short Term Hire Cost	(5.6)	(6.0)	(11.6)	(5.9)	(4.9)	(10.8)	(5.5)	(5.6)	(11.1)
Operating Lease Depreciation	(8.0)	(7.5)	(15.5)	(7.0)	(8.6)	(15.6)	(7.9)	(8.4)	(16.3)
Lease Finance Costs	(1.4)	(1.4)	(2.8)	(1.0)	(1.2)	(2.3)	(1.3)	(1.1)	(2.4)
Rental & Finance Cost of Sale	(15.0)	(14.9)	(29.8)	(13.9)	(14.7)	(28.6)	(14.7)	(15.1)	(29.8)
	-	-	-	-	-	-	-	-	-
Residual Value provision	0.0	(0.1)	(0.1)	0.0	(0.2)	(0.2)	(0.1)	(1.1)	(1.2)
Stock Impairment	-	-	-	-	(1.8)	(1.8)	0.8	0.8	1.5
ECL provision	0.1	(0.1)	0.0	(0.0)	(0.3)	(0.4)	(0.2)	0.3	0.1
Overdrawn vehicle running cost provision	-	-	-	-	(0.8)	(0.8)	(0.6)	0.5	(0.1)
Other Provisions	-	-	-	-	-	-	-	-	-
Other Direct Costs	(5.8)	(6.1)	(11.9)	(6.3)	(5.4)	(11.6)	(5.3)	(5.6)	(10.9)
Other Direct Costs	(5.7)	(6.3)	(12.0)	(6.3)	(8.5)	(14.8)	(5.4)	(5.1)	(10.5)
	-	-	-	-	-	-	-	-	-
Lease Portfolio Assets and Lease Receivables	63.2	57.3	57.3	61.7	64.1	64.1	79.2	94.2	94.2

# Supplementary Fleet Disclosures

	1H 2019	2H 2019	FY 2019	1H 2020	2H 2020	FY 2020	1H 2021	2H 2021	FY 2021
<b>Corporate Funded Fleet</b>									
Opening Balance	39,611	39,048	39,611	38,338	37,679	38,338	36,767	39,376	36,767
Business Acquisition	-	-	-	-	-	-	-	-	-
New Deliveries	4,688	4,669	9,357	4,741	3,897	8,638	7,650	3,799	11,449
Extensions	2,528	2,662	5,190	2,577	3,451	6,028	3,227	3,960	7,187
Terminations	(7,779)	(8,041)	(15,820)	(7,977)	(8,260)	(16,237)	(8,268)	(8,227)	(16,495)
<b>Corporate Funded Fleet Closing Balance</b>	<b>39,048</b>	<b>38,338</b>	<b>38,338</b>	<b>37,679</b>	<b>36,767</b>	<b>36,767</b>	<b>39,376</b>	<b>38,908</b>	<b>38,908</b>
<b>Novated Funded Fleet</b>									
Opening Balance	47,740	47,756	47,740	46,985	46,685	46,985	45,276	43,067	45,276
Business Acquisition	-	-	-	-	-	-	-	-	-
New Deliveries	6,639	7,303	13,942	6,404	4,929	11,333	5,150	5,097	10,247
Extensions	2,370	2,468	4,838	2,257	2,494	4,751	2,024	2,104	4,128
Terminations	(8,993)	(10,542)	(19,535)	(8,961)	(8,832)	(17,793)	(9,383)	(9,194)	(18,577)
<b>Retail Funded Fleet Closing Balance</b>	<b>47,756</b>	<b>46,985</b>	<b>46,985</b>	<b>46,685</b>	<b>45,276</b>	<b>45,276</b>	<b>43,067</b>	<b>41,074</b>	<b>41,074</b>
<b>Lite Fleet</b>									
Unfunded Fleet	52,928	54,622	54,622	56,807	61,235	61,235	61,254	58,815	58,815
Ancillary Fleet	25,584	25,644	25,644	25,551	25,050	25,050	25,556	25,891	25,891
<b>Lite Fleet Closing Balance</b>	<b>78,512</b>	<b>80,266</b>	<b>80,266</b>	<b>82,358</b>	<b>86,285</b>	<b>86,285</b>	<b>86,810</b>	<b>84,706</b>	<b>84,706</b>
<b>Total Fleet Closing Balance</b>	<b>165,316</b>	<b>165,589</b>	<b>165,589</b>	<b>166,722</b>	<b>168,328</b>	<b>168,328</b>	<b>169,253</b>	<b>164,688</b>	<b>164,688</b>
<b>P&amp;A Funded New Deliveries + Extensions</b>	<b>15,883</b>	<b>16,672</b>	<b>32,555</b>	<b>15,388</b>	<b>14,232</b>	<b>29,620</b>	<b>17,128</b>	<b>14,427</b>	<b>31,555</b>
<b>Vehicle Risk Income – In Life Fleet</b>	<b>23,959</b>	<b>23,656</b>	<b>23,656</b>	<b>23,110</b>	<b>22,675</b>	<b>22,675</b>	<b>25,276</b>	<b>24,694</b>	<b>24,694</b>
<b>Operating Lease Disposals</b>	<b>5,367</b>	<b>5,457</b>	<b>10,824</b>	<b>5,490</b>	<b>4,050</b>	<b>9,540</b>	<b>5,396</b>	<b>4,402</b>	<b>9,798</b>