SG Fleet Group
Integrated Mobility

ASX Announcement

SG Fleet reports 16.6% increase in profit to $29.7m on strong progress in all channels

- **Reported NPAT $29.7m (up 16.6%)**
- **Underlying NPAT $39.3m (up 54.3%) – Underlying EPS 12.02cps (up 23.5%)**
- **Fully franked interim dividend of 8.32cps (up 15.7%)**
- **LeasePlan performance exceeds expectations – integration on track**
- **Used vehicle value environment remains exceptionally strong**

16 February 2022

SG Fleet Group Limited ('SG Fleet' **/** 'the Company' / ASX: SGF) has reported a Net Profit After Tax ('NPAT') of $29.7 million for the six-month period ended 31 December 2021 ('1H22'), a 16.6% improvement on the prior corresponding period ('1H21'). At an Underlying level, NPAT was up 54.3% on 1H21. Reported and Underlying NPAT include an $8.1 million and a $9.0 million four-month contribution respectively from the LeasePlan Australia and New Zealand businesses ('LeasePlan'), which were acquired on 1 September 2021.

Total net revenue for the half year, including a $41.6 million contribution from LeasePlan, was $153.8 million, up 58.0% on 1H21. Underlying Earnings Per Share amounted to 12.02 cents, up 23.5% on 1H21. SG Fleet's Board has declared a fully franked interim dividend of 8.32 cents per share[1], up 15.7% on 1H21. The dividend payout ratio was increased to adjust for the one-off transaction costs associated with the LeasePlan acquisition.

Momentum maintained across all channels

SG Fleet's Chief Executive Officer, Robbie Blau, commented that the Company's performance in the first half of the 2022 financial year built further on the progress made in previous periods. "Our Corporate businesses in Australia, New Zealand and the UK continued the strong performance delivered during the COVID-19 period and Novated demand is growing steadily. Supply disruption still dominates our operating environment and this impacted our ability to deliver the increasing number of orders won in this and earlier periods. A significant proportion of this order pipeline will consequently be delivered in future periods," Mr Blau noted.

In tandem with the supply constraints, used vehicle values remained exceptionally strong throughout the period, but lower disposal volumes as a consequence of extensions and inertia limited their contribution to end of lease income.

The results included the first contribution of the LeasePlan business, the integration of which is currently making good progress.

"The performance of LeasePlan during the four-month period of ownership exceeded our initial expectations," Mr Blau said. "Its integration is on track and already delivering early benefits. Looking ahead, the scale benefits of the acquisition and the best-of-breed approach we have adopted will generate further progress in terms of our competitive position, our procurement process, and our cost and efficiency drive," he noted.

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[1] Record date 24 February 2022, Payment date 10 March 2022

Australia

The Australian Corporate business saw little change in its operating environment and continued its strong performance from the previous period. A significant number of new accounts were signed up and the business secured several large contract extensions, in some cases for longer time periods and a wider range of services. Customer penetration gains were a general feature of the period, with a particularly strong interest in electric vehicles.

"Our customers are increasingly moving their fleets from ICE vehicles to hybrids or EVs," Mr Blau said. "This has been a pattern for some time in the UK, where penetration levels are much higher, and more recently in Australia and New Zealand. We have established a leadership position in the EV space and we are providing an integrated, full lifecycle solution for EVs to a rapidly growing number of government organisations, as well as to blue chip companies in various industries," he commented.

The integration of the SG Fleet and LeasePlan business development teams has supported the Company's efforts to promote an extended range of products and services to the combined customer book.

"Overall, the customer transition has run very smoothly and the response from existing customers has been very positive," Mr Blau commented.

In the Novated channel, enquiry levels and orders have now been growing strongly for some time. Total orders, including those from LeasePlan customers, are up 34.5% on 1H21. As with the Corporate channel, actual delivery of a significant proportion of vehicles is delayed because of supply issues and lead times.

"Our combined team has signed up an impressive number of new employer accounts, and this gives us access to a significantly larger pool of eligible employees. We have been particularly successful in introducing Novated into existing Tool-of-Trade customers. Significant potential also exists in terms of accessory upsell with existing LeasePlan drivers," Mr Blau noted.

New Zealand

The New Zealand operating environment was impacted by continued lockdown measures, but business opportunity levels remained high. The SG Fleet channel recorded a major win with the long-term renewal of a large government contract and started vehicle deliveries for the Northpower contract, which was converted from managed-only to funded in the previous period.

"Obviously, we are working hard on achieving the same outcome elsewhere, including in the existing LeasePlan book, where we have identified multiple conversion opportunities, including via sale & leasebacks," Mr Blau noted.

The positive reaction of existing LeasePlan customers to the acquisition of the business by SG Fleet was confirmed by a marked uptick in Net Promoter Scores during the period.

United Kingdom

In the UK, the number of new business opportunities continued to grow as the country approached a return to a post-COVID-19 normal. Low emission vehicles, light commercial, and consumer leases were again areas of particular growth, with pure electric vehicles accounting for more than a third of the UK business' deliveries in the period.

"Given our strengths in those areas, I am happy to report that we were able to take full advantage of this demand growth, both with existing customers and as entry point for new contracts," Mr Blau noted. "Our customer win rates remain high across both Tool-of-Trade and Consumer."

The business was particularly successful in converting managed-only customers to funding and in introducing consumer leasing into existing Tool-of-Trade accounts during the period. A number of panel arrangements were also converted into sole supply arrangements based on the customer's satisfaction with the services already provided.

Profitability focus enhanced by LeasePlan acquisition

"We will continue to maintain the strong momentum in our businesses, and at the same time we are extracting the significant benefits from the LeasePlan acquisition. We are only at the early stages of fully leveraging our increased scale, starting with the improvement of our procurement processes to lower product and services cost and ultimately enhance our competitive position. It will also support our digitisation drive and help us achieve greater internal efficiencies and process improvements as we make progress with the reduction in the number of back-end systems, culminating in the full system integration in coming years," Mr Blau said.

"The leverage we obtain from the LeasePlan acquisition is not limited to cost efficiencies alone. We have instantly gained access to additional products and expertise, allowing us to sell a wider product range to existing customers as well as to the new opportunities we are now targeting with our combined sales team. Looking further ahead, our ongoing innovation efforts and selective investments, including our recent one in eBike solutions provider Zoomo, will also help us build our capabilities in order to play a leading role in the new mobility environment." he noted.

"We anticipate that we will start to see a gradual normalisation in our operating environment, particularly from a supply perspective, at some stage in the 2023 financial year. This will allow us to catch up on the significant amount of deliveries resulting from the strong tender win ratios we have been reporting over the past few periods," Mr Blau said.

"The Company is emerging stronger from a challenging macro environment. We are in an excellent position now to enhance efficiency and pursue multiple growth avenues, and we have set a clear path to achieve those objectives," he concluded.

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

For further information, please contact:

Yves Noldus
Corporate Services & Investor Relations Executive
SG Fleet Group Limited
Tel: 02 9494 1095 / 0401 416 686