GROUP

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ECLIPX GROUP 2022 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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ECLIPX GROUP 2022 ANNUAL GENERAL MEETING

CHIEF EXECUTIVE OFFICER ADDRESS

Let me start by thanking the team at Eclipx for their commitment and outstanding dedication to our business and customers. These efforts have led to the continued outperformance of our business through a very disruptive period.

Group business model—overview

Through the period of Group Simplification and COVID-19 disruption, the resilience of our business model has been validated with its predictable, cash generative and defensive returns profile.

While there are significant scale and underwriting barriers to our industry, the business model itself is really quite simple.

As you can see in the graphics here, we provide three solutions to our customers packaged as one simplified product. These solutions are vehicle-backed lease finance, in-life vehicle services and vehicle disposal at the end of the lease term.

The net revenue generated from each of the three solutions provides consistent, predictable financial outcomes.

Net operating income stability

Our net operating income is defensive and annuity-like and we carry low portfolio risk.

Our annuity income can typically range from circa 88% to 92% in any given period. This annuity income is earned over the life of a lease. It includes net interest margin, maintenance margin, management fees and other income. This predictability gives us great visibility on future earnings and our cash flow profile.

The assessed risk in our portfolio is low with our 90 days arrears, largely remaining below 25 basis points of book value since the commencement of our Simplification Program. This asset performance reflects our conservative credit underwriting as well as the perfected nature of our security, being a vehicle, which can be easily be repossessed and liquidated in a distressed credit situation.

This underwriting experience and asset quality is one of the reasons why our ABS issuance in March 2021 was one of tightest priced transactions in domestic ABS markets since the Global Financial Crisis.

On the topic of funding, and in the context of a more volatile rates environment, we wanted to remind shareholders how we manage our earnings exposure to rates movements.

Managing rate risk exposure

We have three primary sources of funding, all of which are structured to limit the risk to our earnings from swap (base) rate movements in both Australia and New Zealand.

The Group hedges out our base rate risk from lease commencement until the end of the lease term in our warehouse. These hedges continue through to our ABS capital market programs.

The Group's conservative approach to hedging interest rate risk at lease origination ensures there are no speculative positions with regards to interest rates in our funding structures. This interest rate risk management is also consistent with 'AAA' credit ratings assigned to our various securitisation funding transactions.

The Group's proven track record in managing credit and asset risk performance for more than 35 years, coupled with the renewed strength of the Group's financial performance are tangible elements that distinguish us from other non-bank financiers in discussions with our strong and supportive panel of funders and capital markets investors.

With the market risk conservatively managed, we are comfortable with our position through any rates cycle.

FY22 expectation analysis reaffirmed and updated

At the time of our FY21 results, we provided our expectation analysis for certain line items.

Following our first quarter performance, we are re-affirming this expectation analysis. Pleasingly, I will also call out a few upgrades to this expectation analysis, which are noted here in italics.

Firstly, in relation to NOI before end of lease income (EOL), we had previously flagged some concern about downward pressure in assets given supply chain pressures. However, increased extensions continue have kept NOI margin elevated, and this is now expected to more than offset asset pressure in FY22.

EOL remains materially elevated in the first quarter of FY22, at an average of $7,564 per unit (compared to FY21 average of $6,558 per unit, and second half of CY22 of $7,078 per unit). We continue to expect used pricing and EOL to temper as supply gradually normalises. The timing for full supply normalisation remains uncertain, but it appears unlikely before the end of the 2022 calendar year.

Operating expenses are expected to be lower in the first half, as we have experienced some delays in the first quarter filling employee roles, given the labour market constraints. These roles are now largely filled and we still expect the full year expenses to remain at $80m.

The share-based payment expense had previously been guided in a range from $4.0 to $4.5 million. Given some recent changes in our leadership team, we expect this to improve to range to $2.5 to $3.5 million for FY22.

Corporate debt interest expense is also expected to come in at the lower end of the range provided.

1Q22—business update

The first quarter of FY22 was pleasing, and further underwritten by the enhanced EOL profitability.

Despite these supply issues, our first quarter new business writings saw 10% growth on the prior comparative period, which was a great start to the year.

In terms of the composition of new business writings, we saw significant outperformance in our most profitable product; being operating leases to Corporate and SME customers.

Novated volume deliveries were softer than expected in the first quarter largely driven by supply-led vehicle delays and the emergence of Omicron disruption. Notwithstanding this, our pipeline and enquiries remain strong.

Our overall Group order pipeline across all products remains at all-time highs, circa 2.6x pre-COVID levels.

As it relates to new customer wins, we have been very pleased with the early momentum across our products and markets, particularly based on the enhancements made to our sales teams and technology offering.

Before I pass across to Gail, let me point out that our FY21 on-market share buy-back has been progressing well. To date, we have bought back over 22 million shares, roughly 6.9% of shares on issue at the time of the buy-back commencing.

As we sit here today, and in the absence of a superior capital allocation alternative, we expect capital returns in the form of buy-backs to continue half yearly at a payout ratio of 55-65% of NPATA, until our tax shield is exhausted.

In closing, let me thank our shareholders for your ongoing support. We look forward to updating you on our continued progress in due course.