

# Annual General Meeting: FY2022 CEO's Review Speaking Notes

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## *Cover slide*

Thank you, Mr Chairman.

Good afternoon, everybody. My name is Robbie Blau, CEO of SG Fleet. Thank you for taking the time to participate in our 2022 Annual General Meeting.

## *Slide 2*

I will start with an overview of our performance during the 2022 financial year and will then go into more detail on our various businesses. I will also briefly talk to you about our performance since the end of the reported period, how the operating environment has evolved, and how we are going with the integration of LeasePlan, the acquisition of which we completed just over a year ago now.

Our operating environment continued to produce unusual challenges during the 2022 financial year, in the form of manufacturing and supply chain disruption, labour pressures, and the way we conduct business interactions. In that context, we were delighted to report that we again made clear progress during the period. That is the sign of a company operating efficiently and consistently achieving its goals.

All of our businesses maintained the momentum built up early on in the COVID period. In the Novated channel, we saw continued growth in enquiry levels. Both the Corporate and the Novated channels continued to face the challenge of delivering what remained limited supply against a growing order pipeline. As a consequence, those deliveries were pushed out further.

The LeasePlan integration proceeded really well and already delivered very tangible outcomes that are supporting our performance. Obviously, we continue to look at ways to accelerate the integration process.

Interest in electric vehicles and our EV expertise picked up further and we continued to actively innovate and further enhance our competitive advantage in that space.

In summary, the combined business delivered strongly on the potential we created.

## *Slide 3*

In our Corporate channel, the environment remained largely unchanged throughout the year. Competitive activity was mostly rational. Supply did not improve and used vehicle values continued to increase as the year went on.

As in the previous year, we saw a very significant stream of new opportunities coming to market. Much like every other organisation in the current environment, we faced significant pressure on staff resourcing and this lifted remuneration levels substantially.

In terms of the performance of this channel, it was very much a continuation of the momentum from the previous periods.

Our tender win rate remained stable at a high level and, with cash flow management remaining a major focus of our customers, sale and leasebacks were again seeing strong demand. In the existing customer book, retention levels were again very strong.

In terms of products and services, an ever-increasing environmental focus started driving interest in all potential decarbonisation avenues, including of course, for vehicle fleets. Interest in electric vehicles and our eStart service strengthened in line with this.

Take-up of the Bookingintelligence asset booking solution and the DingGo repairer platform service continued to grow across the original SG Fleet customer book.

The customers acquired as part of the LeasePlan deal also responded very well to the SG Fleet product set and our innovation initiatives.

#### *Slide 4*

Supported by the high employment rates, customer enquiries in the Novated channel reached their highest levels in almost 4 years. However, the supply situation meant that delivering vehicles against the orders received remained our greatest challenge. As a consequence, our Novated pipeline continued to grow throughout the year.

Acquisition of new customers was again strong, with a significant number of new accounts coming on board. This progress was supported by the extension of our best-practice lead generation and employee engagement methodologies into the teams servicing existing LeasePlan accounts.

We have been on a digitisation drive in this channel for some time and this work continued during the year. As novated leasing is traditionally a resource intensive business, this will help us achieve improved efficiencies and lower operating costs.

#### *Slide 5*

Tender activity in New Zealand continued to rebound after the COVID lockdown lull. There has been a particular focus on mobility technology and EVs in this market. Competition for available business was largely rational. Supply issues remained and used vehicle prices were again elevated.

Our combined business in New Zealand was very successful in retaining existing corporate and government accounts and adding new business in a number of industries, with progress in the SME segment particularly pleasing. As was the case in Australia, the LeasePlan customer base in New Zealand responded well to the SG Fleet product set and innovation.

## *Slide 6*

The environment in the UK remained largely unchanged during the financial year, although in the final months there was some evidence consumers were becoming more cautious because of rising inflation.

Despite the end of some incentives, EV demand continued to grow, with about a third of our orders being for fully electric vehicles.

The supply situation in the UK worsened during the second half, with most makes and models continuing to have extremely lengthy lead times. Again, the consequence of this of course were extremely strong used vehicle values.

Progress in the business continued from previous periods, with particular success for our Novalease salary sacrifice product. These wins inevitably led to further growth in the order pipeline and delays in deliveries. Within the existing book, further penetration was achieved by introducing additional products and services, in the process strengthening our customer relationships.

## *Slide 7*

I am now turning to business activity since the start of the current financial year.

In our Corporate channel, we have maintained the pace of the 2022 financial year and business prospecting activity has remained at high levels. A significant number of accounts won in that year were onboarded during the first quarter and we added further wins during that period.

Tender activity is strong, with a large number of proposals currently under evaluation. We remain confident we will again be successful with more than a fair share of these proposals. Sale and leasebacks continue to be popular and they are of course a good way to bring new customers to outsourcing.

We have also seen an uptick in interest in telematics from some of our major government accounts. This obviously increases product penetration and deepens our relationship with those customers. On the product development front, we are moving our externally provided accident management services into DingGo, in the process strengthening its offering and accessing a wider customer base.

Given the continued supply disruption, we have undertaken lease extensions for our customers were required and this has continued to cap our disposal volumes.

In the Novated channel, we saw a seasonal slowdown in July, but demand for our products has recovered since then. Leads are tracking well ahead of our original projections and this has undoubtedly been supported by the integration of our lead generation activities across the SG Fleet and LeasePlan customer book, as mentioned before.

As has been the case in the Corporate channel, LeasePlan customers and drivers have responded very positively to the additional products and services we can now offer them.

The sum total of this continued progress has meant that our order pipeline in Australia has lengthened further, by about 10% on June 2022 and by 50% on the same time last year. The pipeline is about 6-times that seen pre-COVID. Again, these are contracts we have already secured on which we will be delivering in this and future periods.

### *Slide 8*

In New Zealand, the post-lockdown recovery has continued and tender activity continues to grow in both the corporate and the government segment. Competition for this business is strong but we again won a range of new accounts and were able to retain those already in the book.

Delivery lead times remained lengthy, with typically a 6 to 9 month wait for ICE vehicles and a 10 to 12 month one for hybrids and EVs. The consequence is of course that the order pipeline has remained at record levels.

In the UK, we converted a number of key opportunities in the Corporate channel during the quarter, which is keeping our order bank very full indeed. We have seen some reduction in activity in the Novalease salary sacrifice product, in line with more constrained consumer spending there overall. Nevertheless, a number of new schemes were launched in the period and more opportunities continue to arise.

EV interest continues its rise, with 35% of new orders now for EVs. Our expertise in this area was again recognised, with SG Fleet UK winning the Business Car Award 2022 for Best Eco Initiative for our eStart solution. Live trials have now started here for our Zoomo electric micro-mobility offering and additional customers are making initial enquiries.

Delivery lead times remain lengthy, but have improved somewhat for some marques. In line with that, the UK order pipeline has been relatively stable.

### *Slide 9*

On the topic of supply and, related to that, used vehicle values, little has changed in the past quarter.

While there was a marginal improvement in supply in Australia over the last 2 months, total global production is unlikely to recover to pre-COVID levels before 2024. We are currently about 10% below those production levels. And when we have recovered, we will still need to clear the backlog created during the COVID years. Combined with ongoing shipping and logistical issues, this means that the supply environment will remain challenging for some time. We have also seen some manufacturers reduce current supply of their mainstay models, particularly the ones typically used in corporate fleets.

In Australia, VFACTS industry numbers are showing a moderate increase in supply, but we have to remember that we were in full lockdown in the third quarter of the previous calendar year, so the base was artificially low. The prior year numbers also did not include Tesla, who have been very active here in the past few months with their new Model Y. VFACTS also reflects the growing market share of some Chinese marques, which typically are not in high demand for corporate fleets at this stage.

All of this of course continues to be reflected in used vehicle values. Across all of our geographies, used values have remained close to record levels.

In Australia, some seasonal factors have had an impact on values, but they remain within 10% of previously achieved record levels. The winter months are typically slower months, starting with rental companies destocking after the end of the summer tourism season. In August, dealers wanting to monitor the impact of interest rate rises on consumer demand also temporarily reduced stock levels. Since then values have recovered and stabilised, but they may lift again towards the busy year-end season. Another factor we are starting to see is a vacuum of 3-year old cars coming into the used market because of the depressed new car sales in the early COVID period.

All in all, our view remains that little meaningful change will be seen in terms of supply and used values before the middle of the 2023 calendar year.

### *Slide 10*

The integration of the LeasePlan business continues to make very good progress and we are well on schedule to achieve our synergy extraction objectives. A number of the early logistical phases of the integration are completed or nearing completion and our focus is not shifting to our longer term strategic goals. In the current quarter, we will be completing further organisational changes and premises consolidation activities.

As previously flagged, one of the key objectives of the LeasePlan acquisition was the creation of a stronger product and services offering and we are currently finalising various product reviews to optimise the value proposition of the combined business.

As we bring various departments together, we are also modelling an optimal organisational structure that will support the extraction of the acquisition benefits as well as reshape the business to better compete in the new mobility world.

Innovation will of course continue to play an important role in that by extending the range of products we are introducing to existing SG Fleet and LeasePlan customers.

Thank you for your attention.

I will hand back to the Chairman now.