SG Fleet Group
Integrated Mobility

ASX Announcement

SG Fleet reports profit increase, improving deliveries, and continued strong order growth

- **Reported NPAT $75.2m (up 23.9%)**
- **Reported EPS 22.00cps (up 21.2%)**
- **FY23 total dividend 16.18cps**
- **Progress in all businesses**
- **Sharp acceleration in EV demand**
- **Re-prioritisation of LeasePlan system migration process**

23 August 2023

SG Fleet Group Limited ('SG Fleet' **/** 'the Company' / ASX: SGF) has reported a Net Profit After Tax ('NPAT') of $75.2 million for the full year period ended 30 June 2023 ('FY23'), up 23.9% on the prior corresponding period ('FY22').

Total net revenue for the period was $350.4 million, up 11.9% on FY22. Reported Earnings Per Share ('EPS') amounted to 22.00 cents, up 21.2% on FY22. The Company's Board has declared a fully franked final dividend of 7.27 cents per share[1], bringing the total dividend for the financial year to 16.18 cents per share, up 7% on FY22.

Growth across all channels

SG Fleet's Chief Executive Officer, Robbie Blau, noted that the performance of the Company in the second half of the financial year benefited from continued strong order growth, better supply levels, and a more supportive labour environment. "We have continued to grow the business and while vehicle supply improved in some areas, particularly towards period end, our order book growth again outpaced deliveries and our order pipelines extended further," he said.

Positive momentum was maintained across all businesses, with the Company achieving a 3.7% increase in the total amount financed during the full year. "Every one of our channels saw growth in this measure and promisingly, this progress has continued into the new year," Mr Blau commented.

With better supply largely limited to new market entrants and EV manufacturers, and mainstream vehicle models remaining scarce, used vehicle values remained stable and high throughout the period. As disposal volumes improved in line with higher delivery numbers, this continued to benefit the Company. "We do not anticipate that this environment will change significantly this year," Mr Blau noted.

[1] Record date 1 September 2023, Payment date 15 September 2023

Australia

The Australian Corporate channel maintained very healthy win rates in a stable business environment, with tenders continuing to come to market on a regular basis and competition remaining largely rational. The Novated channel saw unprecedented enquiry and activity levels, boosted by a marked uptick in EV interest following the announcement of the Federal Government's incentives in late 2022.

"Building on our expertise in the higher penetration UK market, we were in an ideal position to respond to this demand, producing what are industry-leading stats in terms of EV penetration for us," Mr Blau said.

EV quoting activity increased by 14 times between the first and the third quarter of the financial year, and at the end of the period, the Company had nine times more EVs in the novated fleet than in the 2022 financial year. "It is clear that EVs have a strong appeal for our typical Novated customer, and this will allow us to maintain strong EV order flows beyond current incentives," Mr Blau commented.

Supply improvements in some areas helped both the Corporate and the Novated channels register their best delivery quarters for a number of years. "As order pipelines are still growing, this highlights the future positive impact of a continued improvement in deliveries," Mr Blau noted.

Corporate interest in the Company's high value-add services, in particular telematics, the DingGo accident and repair management platform, and the eStart EV transition solution grew further, while in the Novated channel, penetration levels amongst legacy LeasePlan customers continued to rise towards those seen in the SG Fleet book.

New Zealand

The impact of natural disasters created a fairly muted economic environment in New Zealand during the period. Despite this, vehicle registration numbers remained strong and tender activity largely continued at the same pace across corporate and government sectors. Despite some signs of improved supply, used vehicle values remained strong.

"While we have remained focused on expanding the services we provide to existing customers in this market, this has not stopped us from adding new accounts across a range of sectors," Mr Blau noted.

A continued focus on corporate social responsibility meant that many organisations put a strong emphasis on sustainable mobility solutions and electric vehicles. "Our recognised EV expertise helped us to some good wins for our eStart solution, as well as several further opportunities in this space," Mr Blau said.

United Kingdom

In the UK, some of the concerns about interest rates continued to abate during the period, leading to a steady improvement in corporate and consumer sentiment. As more opportunities emerged, the Company was able to step up its win activity. This came in the shape of the continued conversion of panel arrangements to sole supply, the addition of vehicle units to existing customer fleets, and noticeably, another period of significant success for the Novalease personal contract hire product.

"There is no doubt that the upward pressure on both new and used vehicle prices is driving consumers to look for a more efficient way to access vehicles, leading them to consider our salary sacrifice offering, particularly where there is an added tax incentive, as is the case with EVs," Mr Blau noted.

Following the Business Car Best Eco Initiative Award the Company won for the eStart solution in the first half, SG Fleet received the FleetNews Leasing Company of the Year award in the sub-20,000 vehicle category. "This is a great result for our business and very appropriate recognition for our team in the UK," Mr Blau said.

LeasePlan integration

The LeasePlan integration continued during the second half with a focus on further benefit extraction by standardising the Company's offering across the two brands and leveraging its greater scale. Improved supply arrangements were obtained for tyres, accident management and roadside assistance, in addition to earlier fuel renegotiations. "We have brought together our people and integrated various departments, and we have been very successful in retaining customers and increasing product penetration," Mr Blau noted.

"While the changes we are making are positive from a product, risk, and customer point of view, we obviously want to ensure we continue to give our customers the best possible service and not burden them with too much change. For that reason, we have determined that we can improve the customer experience during the Australian system migration phase by making several planned product and services changes in the LeasePlan system and under the old brand first. This will ensure a smoother transition for customers when they do migrate to the SG Fleet system. As a consequence, the process will take longer and the final stages of the Australian system migration will now be completed towards the end of the 2025 financial year," Mr Blau said.

Work on the New Zealand system continues as planned and will be completed around the end of the financial year. The process re-prioritisation has no impact on the 2024 financial year and the minor synergies flagged for the year are expected to remain. Synergy benefits will continue to be extracted during the 2025 financial year, with the remaining synergies to follow in the 2026 financial year. After the end of the reported period, the Company also refinanced the LeasePlan securitisation warehouses on better general terms and with immaterial impact on cost of funds. "We reconfirm our acquisition synergy targets and we are looking at opportunities to extract additional benefits," Mr Blau commented.

Positive start to the current financial period

Mr Blau concluded: "The second half exceeded our expectations, with our performance in the period benefiting from continued strong order growth and better supply levels, particularly later in the period. This helped us to our best delivery quarter for some time. Positively, our order pipeline continues to grow, the benefits of which will be felt in future periods. All in all, it has been a promising start to the year, and we look forward to maintaining that momentum," Mr Blau concluded.

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

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