SG Fleet Group
Integrated Mobility

Annual General Meeting: FY2023 CEO's Review Speaking Notes

Cover

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 2023 Annual General Meeting.

Overview

I will start with an overview of our performance during the 2023 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 and how the operating environment has evolved since I last presented to investors just over 7 weeks ago.

Our performance in the 2023 financial year benefited from continued strong order growth, as well as an improvement in several areas, including better supply levels, particularly later in the period, and a stabilisation in the labour environment.

Novated saw the positive impact from the EV government initiatives announced in the first half, but tellingly, ICE vehicle interest grew as well, leading to unprecedented activity levels in that channel.

We started to see some improvements in supply towards the end of the period, but mainstream vehicles remained scarce. In line with that, used values in the vehicle types that make up our operating lease fleet stayed strong. The delivery environment improved somewhat, yet our order pipeline again grew further as strong new business growth outpaced the delivery improvement.

To optimise the benefits we are getting from the LeasePlan acquisition, we decided after the end of the reported period to reprioritise the Australian system migration steps of the integration process. This will ensure we continue to give our customers the best possible service experience.

In summary, positive momentum was maintained across all businesses, and in some markets and channels we saw an acceleration towards period end.

Operational Review Australia Corporate

Generally, the business environment of our Corporate channel remained stable. Tenders continued to come to market on a regular basis and competition was largely rational.

As in previous years, many of our existing customers simply renewed or extended existing contracts. Our win rates remained very healthy, both with existing full-service accounts and with organisations that moved from managed-only to financed or were new to outsourcing.

Whereas in previous periods this meant we were simply adding volume to the pipeline, in the second half the supply improvements in some areas meant that we were also able to increase deliveries noticeably. This trend improved throughout the period, with the corporate business achieving its best delivery numbers in the fourth quarter since about two years ago.

While this is of course great news, business growth has been strong so deliveries again couldn't keep up with orders, and the pipeline grew further. This highlights the future positive impact of a continued improvement in deliveries.

Once again, we saw increased interest in the value-add services we offer to our customers, in particular telematics and the DingGo accident and repair management platform. Not surprisingly, demand for our eStart EV transition solution grew further, as EV interest surged on the back of a number of government initiatives.

Operational Review Australia Novated

In the Novated business, we reached new highs in terms of leads in the first half and this trend just accelerated in the second half, helped by strong EV interest. EV quoting increased five-fold on the first half, but more pointedly went up by 14 times between the first and the third quarter of the financial year. In that quarter about 40% of all novated quotes were for EVs. At the end of the period, we had nine times more EVs in the novated fleet than in the 2022 financial year, actually outscoring hybrid totals for the first time.

EV quotes only partially replaced ICE quotes, which showed strong growth as well. This confirmed what we have flagged previously, namely that the boom in EV interest is not a simple substitution for ICE interest but a genuine addition to our potential customer pool.

As was the case in the tool-of-trade business, thankfully we were able to deliver on this demand a bit more easily as the period progressed, with fourth quarter delivery numbers exceeding the previous high set in the first quarter of the 2022 financial year.

Operational Review New Zealand

The impact of natural disasters created a fairly muted economic environment in New Zealand during the period, yet tendering activity largely continued at the same pace across corporate and government.

Throughout the year, we remained focused on expanding the services we provide to existing customers in this market. This did not stop us from adding some new accounts across a range of sectors.

The strong sustainability focus in New Zealand and our recognised EV expertise also helped us to some good wins for our eStart solution, as well as a number of further opportunities in this space.

Operational Review United Kingdom

In the UK, some of the 2022 concerns about interest rates continued to abate during the year. This led to a steady improvement in corporate sentiment and as more opportunities emerged, our business 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 our Novalease consumer product.

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

1Q24 Update

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

Essentially, the trends we were seeing in the final quarter of the 2023 financial year have continued into the current period.

In Australia, both the Corporate and the Novated segments have continued their strong performance. We again had a number of large tool-of-trade contracts renewing or extending, and in Novated, lead generation and orders remained very healthy indeed. Helped by some improvement in supply, we have been able to deliver on the growing order bank a bit more easily during the quarter.

In New Zealand, we are seeing an uptick in tender and new business activity, and we have taken advantage of that with some good wins across a number of industries. The government interest in eStart, which I mentioned earlier in my review of the 2023 financial year, resulted in us signing off on a major new EV transition project in that sector. The SME segment in this market is also showing some good growth, and interest in EVs has been boosted in anticipation of possible further changes to the Clean Car Discount scheme.

The business mood in the UK has continued to improve and our business there is making further progress in line with that. We have kicked off the introduction of another large van fleet for one of our customers on the back of our recognised expertise in light commercial in that market. Recognition was also received for our Novalease salary sacrifice product, with yet another award, this time for Car Scheme Provider of the Year.

1Q24 Update (ctd.)

As I mentioned, there has been some improvement in supply, although it is still limited to some manufacturers and vehicle types, and the wait times for in-demand vehicles such as hybrids remain quite long. As orders continue to grow at a healthy rate, this supply improvement is yet to make a meaningful difference to our order pipeline, which is stabilising around the 15,000-unit mark.

We are seeing used vehicle values holding steady after the typical marginal winter softening. More deliveries obviously also equates to an uptick in disposal volumes at those relatively stable values.

EV demand has shown no signs of slowing during the past quarter, with EVs in the Australian fleet increasing a further 39%. The vast majority of that increase is coming through Novated, where we had the strongest quarter yet for EVs, which accounted for one-third of orders. We are not expecting a meaningful impact on this from the changes to NSW incentives, or on long-term EV trends in the UK following the policy changes announced there.

After the LeasePlan warehouse refinancing in the previous financial year, we also successfully extended our syndicated corporate debt facility, again achieving improved terms in doing so. As flagged in August, the reprioritised LeasePlan integration is now proceeding as planned, with the New Zealand system integration progressing well and on track for completion around the middle of next calendar year. All other workstreams are also progressing as planned.

That concludes my review.

Thank you for your attention.

I will hand back to the Chairman now.