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AUSTRALIA | NEW ZEALAND

ASX Release

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FLEETPARTNERS GROUP REPORTS FY23 RESULTS

FleetPartners Group Limited (ASX: FPR, “Group”, formerly Eclix Group Limited) today releases its results for the financial year ended 30 September 2023

Highlights for the financial year ended 30 September 2023 (“FY23”)

- NBW up 13%³ compared to prior comparative period, FY22 (“pcp”), due to strong performance in 2H23 as supply constraints began to ease.
- Order pipeline remains at a record 3.0x indexed to FY19 levels⁴ as new orders taken continue to replenish the pipeline.
- Assets under Management or Financed (“AUMOF”) of \$2.0 billion up 7% compared to pcp, despite supply constraints in key vehicle segments during the period.
- End of lease income (EOL) of \$73.7 million down 20% compared to pcp. EOL per vehicle was \$7,598, remaining elevated relative to pre-COVID-19 levels but down 8% compared to pcp, with the number of vehicles sold down 13% due to delivery delays for replacement vehicles.
- Net operating income (“NOI”) pre EOL and provisions of \$150.3 million down 4.5% compared to pcp, primarily due to maintenance profits returning to more typical levels and slightly better than previously communicated expectations.
- Operating expenses of \$84.5 million in line with FY23 updated expectations and up 5% for the full year. The Group continues to demonstrate a disciplined approach to cost management in the face of broad-based inflationary pressure and significantly higher activity levels in Novated.
- Net Profit After Tax excluding Amortisation (“NPATA”) of \$88.0 million, down 21% compared to pcp driven predominantly by the normalisation of COVID-19 related tailwinds related to EOL and maintenance, and operating expenses, as mentioned above.
- Cash EPS of 33.3 cents per share, down 14% compared to pcp, driven by the reduction in NPATA, partially offset by an 8% decrease in average shares on issue as a result of the on-market share buy-back.
- Cash conversion of 123% reflecting strong organic capital generation.
- Net cash of \$22.6 million providing balance sheet flexibility for capital management and to pursue future organic and inorganic opportunities as they emerge.

Capital management – 2H23 share buy-back (up to \$30 million) to be conducted in 1H24

- A total on-market share buy-back of up to \$30 million has been declared representing 65% of 2H23 NPATA, being the top end of the Group’s targeted capital payout range.



Strategic Pathways and Accelerate program

- Significant progress made with Strategic Pathways, our growth strategy designed to expand market share in our target markets of Corporate, Small Fleets and Novated.
- Strong growth in Novated, with NBW growth of 38%¹ compared to pcp and orders taken up 1.8x indexed to FY19. Novated experienced a significant increase in demand for battery electric vehicles (“BEVs”) and plug-in hybrid electric vehicles (“PHEVs”) following the introduction of the Electric Car Discount during 1H23, with NBW for these vehicle types representing 31% of Novated NBW for FY23 and reaching 53% of NBW in the month of September 2023.
- NBW for Corporate & Small Fleets across Australia and New Zealand was up 5%³, despite the adverse impact of ongoing new car delivery delays, particularly for key light commercial and mainstream models. Underlying growth, as evidenced by orders taken, remained robust and up 1.4x indexed to FY19 levels.
- Strong start to the Accelerate program, delivering against all key milestones to date and running to plan both from a timing and spend perspective.
- Continued progress with our ESG program in FY23 with the publication of the Group’s inaugural Sustainability Report, endorsement of its Reflect Reconciliation Action Plan, and retention of WGEA, ClimateActive and Toitū certifications.

Group performance

Underlying customer demand remained strong, with orders taken in FY23 up 1.4x compared to pre-COVID-19 levels² and order pipeline up 3.0x⁴. This level was consistent with the position at the half-year, despite the strong NBW deliveries in 2H23, as new orders taken replenished the pipeline.

The Group delivered NBW of \$762 million, up 13%³, a strong result in the context of vehicle supply chain disruption, stemming from a global production backlog and compounded by shipping shortages and port congestion, which only began to ease late in FY23.

This result was driven by strong performance in Novated, with NBW up 38%¹ compared to pcp due to increased demand for EVs.

AUMOF ended the year at \$2.0 billion up 7% compared to pcp. The significant increase in NBW performance in 2H23 underpinned this strong result, despite 1H23 being significantly impacted by delays to new vehicle supply.

In line with the Group’s strategy of directing more NBW to warehouse funding, on balance sheet funded AUMOF (warehouse and ABS) increased by 17%. Balance sheet funded leases typically have higher returns over the life of the lease as compared to P&A funded leases.

The Group’s focus on cost management continued in FY23, with operating expenses of \$84.5 million representing an increase of 5% compared to FY22. The increase was driven by significantly higher activity levels in Novated and broad-based inflation.

Average EOL per vehicle during FY23 was \$7,598, remaining elevated relative to pre-COVID-19 levels as a result of new vehicle supply constraints, but down 8% compared to pcp. However, 2H23 EOL per vehicle was broadly flat compared to 1H23.



Supply constraints also resulted in vehicles at end of lease being extended as customers await replacements, driving a decrease of 13% in EOL units disposed compared to pcp.

NOI pre EOL and provisions margin of 7.72% was at the upper-end of the expected normalised range (7.50 – 7.75%), reducing from the elevated 8.23% in pcp as a result of greater maintenance activity due to increased fleet utilisation following COVID-19 lockdowns, ageing fleets awaiting replacements and maintenance cost inflation. As a result, NOI pre EOL and provisions was down 4.5%, slightly better than expected.

Portfolio quality continues to be strong with 90+ day arrears at 17bps, down from 35bps at 31 March 2023 and below the average since September 2016 of 36bps.

NPATA was \$88.0 million, down 21% compared to pcp and largely driven by the normalisation of COVID-19 related tailwinds related to EOL and maintenance, and an increase in operating expenses during the period.

The Group delivered Cash EPS of 33.3 cents per share, down 14% compared to pcp driven by the reduction in NPATA, partially offset by an 8% decrease in average shares on issue as a result of the on-market share buy-back.

The Group achieved strong organic cash generation of \$112.5 million, with cash conversion of 123%. As of 30 September 2023, the Group's balance sheet had a net cash position of \$22.6 million.

During FY23, the Group successfully executed on the issuance of a \$350 million Australian asset-backed securitisation and extended the Australia and New Zealand warehouses to September 2024, providing funding flexibility and capacity to support growth plans.

Corporate debt facilities were extended, with no maturities before July 2025.

Capital management

The Group commenced its on-market share buy-back program during FY21. Since that time, the Group has returned a total of \$166 million to shareholders and cancelled 72 million shares, representing a 23% permanent reduction in share capital.

Given the Group's carried forward tax losses associated with the Australian Federal Budget's Temporary Full Expensing policy (which finished 30 June 2023), it does not have distributable franking credits and is not expected to accrue franking credits until FY26 at the earliest. Therefore, the Board believes a return of capital to shareholders is best achieved through an on-market share buy-back, in the absence of a better use of capital.

The Board has declared an on-market share buy-back program of up to \$30 million, reflecting 65% of 2H23 NPATA (\$45.4 million), being the top end of the Group's targeted capital pay-out range.

In the interests of ensuring that the market is fully informed prior to re-commencing the on-market share buy-back program, as previously disclosed on 8 May 2023, the Group notes that it has been informed by a strategic party that the party is considering acquiring a



minority equity interest, potentially through market purchases within permitted limits. However, the Group notes that there is no certainty that the party will proceed.

Strategic Pathways and Accelerate

The Group has made significant progress with Strategic Pathways, a strategy designed to expand into new and existing target markets of Corporate, Small Fleets and Novated. The strategy has focused on developing sales and distribution capabilities in order to drive further penetration into these markets.

This strategy is now firmly embedded in the business, with growing evidence of positive strategic momentum. In particular, AUMOF grew 7% in FY23 driven by 13%³ growth in New Zealand 'Corporate & Small Fleets' NBW and 38%¹ growth in Novated NBW in Australia. Despite this strong NBW growth, the Group continued to hold a record order pipeline at 30 September 2023, representing 3.0x pre-COVID-19 levels⁴.

As the Group continues to implement the Strategic Pathways plan, it expects to achieve solid asset growth in line with the normalisation of vehicle supply, and reflective of the combined strength of the current order pipeline, recent tender wins, and new and current customer activity.

The Group launched the Accelerate program during FY23. The objective of this business transformation program is to consolidate multiple operating systems, thereby removing duplication of brands, systems and processes to enhance the profitability benefits currently being delivered by Strategic Pathways. The program is expected to improve customer outcomes, enhance employee engagement and deliver an annualised operating expense reduction of \$6 million by mid-FY25, at an estimated total investment of \$25 million.

The Accelerate program is broken down into three groups of key milestones, termed Waves. During FY23, the Group completed the first Wave of the program (which included the Group rebrand to FleetPartners) and is making good progress against the key milestones for Wave two.

The Group is a market leader in New Zealand, where the demand for Hybrids, PHEVs and BEVs has been stimulated by legislation supporting low and no emission vehicles, which has seen NBW for these types of vehicles grow 89% vs pcp.

The introduction of the Electric Car Discount in Australia during FY23 has stimulated demand for BEVs and PHEVs in Australia. As a result, NBW in Novated for these vehicles has increased throughout FY23, representing 47% of 4Q23 NBW and 53% in the month of September 2023.

ESG and sustainability are central to the Group's strategy and values. During FY23, the Group published its inaugural Sustainability Report, received endorsement of its Reflect Reconciliation Action Plan, and retained its WGEA, ClimateActive and Toitū certifications.



Outlook

The Group is in a strong position from a financial and strategic perspective, reinforced by the underlying strength of the FY23 result. The financial position of the Group, with no net debt (net cash: \$22.6 million), provides balance sheet flexibility for capital management and future organic and inorganic opportunities as they emerge.

The Group plans to continue its focus on EPS growth through disciplined capital management, including on-market share buy-backs and investment in strategic opportunities such as Strategic Pathways and Accelerate, that deliver strong returns and sustainable EPS benefits for shareholders.

Since the commencement of the buy-back program, the Group has cancelled 72 million shares, representing a 23% permanent reduction in share capital, which is expected to reach c. 27% on completion of the declared \$30 million target buy-back.

NBW is showing significant strength and order pipelines remain at record highs, which is expected to support continued asset and revenue growth in future periods as the supply chain continues to normalise.

Further details about the Group result can be found in the Financial Report and Investor Presentation.



Investor call and webcast

Damien Berrell (CEO) and James Owens (CFO) will hold an investor call and webcast today at 10am to discuss the results.

Dial in Details

Please pre-register for the call at the link below.

Pre-Registration Link: <https://s1.c-conf.com/diamondpass/10033808-bgf67d.html>

You will receive a calendar invite and a unique code which is to be quoted when dialling into the call.

If you'd like to ask a question, please dial “*1” (star, 1) on your telephone keypad.

Open Briefing Live

<https://webcast.openbriefing.com/fpr-fyr-2023/>

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1. Excluding FleetChoice NT (FCNT), which was dissolved in March 2022 in line with the Group's strategy to exit low returning products.
2. Orders taken benchmarked to FY19 to demonstrate the underlying level of demand, absent the impacts of supply constraints, versus pre-COVID-19 levels.
3. Excluding FCNT NBW and sale and leasebacks (\$25.7m in 1H22; \$8.0m in 2H22, \$0.2m in 1H23, \$0.1m in 2H23).
4. Order pipeline benchmarked to Sep-19 to compare current levels against typical levels in an unconstrained supply environment, with FY19 representing the last full financial year prior to the emergence of COVID-19.