FleetPartners

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FLEETPARTNERS GROUP 2024 ANNUAL GENERAL MEETING
CEO AND MANAGING DIRECTOR'S ADDRESS

In accordance with the Listing Rules, please see attached the address to be delivered by the Chief Executive Officer and Managing Director of FleetPartners Group Limited (ASX:FPR), Damien Berrell, at this morning's Annual General Meeting held in Sydney, Australia.

This announcement has been authorised by the Board of Directors.

ENDS

Authorised by:	Investor enquiries
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FLEETPARTNERS GROUP 2024 ANNUAL GENERAL MEETING
CHIEF EXECUTIVE OFFICER'S ADDRESS

Thank you, Gail.

Let me start by thanking you and the entire team at FleetPartners. 2023 was a successful year for the Group on several fronts, due to the incredible contribution made by the 500 talented people working across our organisation.

Shareholder value

Turning to slide 9, and in recent times the Group has developed a very clear vision for creating sustainable shareholder value. This strategy is outlined on the slide as four primary EPS growth drivers.

These drivers include revenue growth from Strategic Pathways, permanent operating expense reduction from the Accelerate program, our ongoing share buy-back program and M&A as the fourth driver.

The foundations for each of these EPS drivers are well developed, with the Group making significant progress on them during FY23, which I will elaborate further on the following slides.

The result from this strategy can been seen in the chart on the right, which shows the Group's EPS growth expanding by an average rate of 45% per annum over the last five years. The main drivers of this performance include;

- Strong Net Operating Income (NOI) growth;
- A sharp focus on cost discipline; and
- The impact from the Group's share buy-back program.

Within the NOI result, we have seen elevated end of lease (EOL) income since the start of the COVID-19 led supply delays, which we have quantified in EPS terms also in this chart.

As we have consistently flagged, this is a temporary phenomenon, and we expect EOL income to return to normalised levels of about $30 million per annum in the coming years.

If we are to ignore the impact from elevated EOL income over this period, the Group's EPS growth outcome is still significant at an average of 29% annualised growth over the last five years.

Let's turn to slide 10 to look at each EPS growth driver in more detail, starting with our organic growth strategy, Strategic Pathways.

Strategic Pathways

To recap, Strategic Pathways is designed to grow new business in three under-penetrated target markets being Corporate, Small Fleets and Novated. This go-to-market strategy is now entrenched within our business and we are pleased with the results it is delivering.

In FY23 the Group won several new marquee customers, retained existing customers and continued to establish itself as a thought leader in the electric vehicle transition. This was underscored by winning a significant electric vehicle fleet in New Zealand during the year.

Under Small Fleets, the Group continued to build out its distribution footprint with 129 dealer partners signed up to the platform in Australia. We also rolled out a completely digital point-of-sale quoting and credit approval platform across our partner network in Australia and New Zealand.

Finally, as Gail mentioned, FY23 saw the Group leading the way in EV penetration for the Novated business, peaking at 53% of all leases written in September 2023.

Let’s now turn to slide 11 to look at some of the numbers that underline the success of Strategic Pathways last year.

Orders taken is a metric unimpacted by new car supply delays. For that reason, it provides a good indication of the underlying commercial activity across our business.

It is therefore encouraging to see the record level of orders taken in 2H23 at 1.6 times pre-COVID-19 levels. This is indicative of the robust customer demand we are continuing to see on the back of the successful execution of our Strategic Pathways program.

With supply times beginning to improve in late FY23, the Group saw these record order levels convert into strong new business writings of $440m in the second half alone.

This new business writings performance can be seen in the middle chart, which clearly shows a marked improvement over the previous five half-year periods.

Equally as encouraging is our order pipeline, in the chart on the far right. Despite the sharp step-up in new business writings, the Group’s pipeline of leases yet to be written, remained stable at 3 times pre-COVID-19 levels.

As supply continues to normalise in FY24, this record order pipeline will help underwrite future new business writings and AUMOF growth.

Putting all of this together, we are very pleased with Strategic Pathways, and the manner in which the Group is executing this strategy to build our AUMOF, recurring revenue and ultimately EPS growth.

The second major driver of our EPS growth strategy is the Accelerate program, which is summarised on slide 12.

Accelerate program

Accelerate is a multi-year business transformation program that will provide a number of deliverables to the Group once complete. These deliverables will leverage the growth being created by Strategic Pathways in order to maximise profitability and include;

- Consolidating multiple brands into one, being FleetPartners. This ensures a clear and consistent go-to-market message for our customers and suppliers;
- Simplifying our technology stack by moving to one operating system. This has the obvious benefit of reducing costs associated with running multiple systems;
- Standardising and automating processes on the back of a simplified technology stack; and
- Finally, as a result of the first three deliverables, our team will have higher engagement and our customers will experience a greater level of service.

We expect the project to cost $25 million and deliver a $6 million annualised reduction to our operating expenses by mid-FY25.

Pleasingly the project is tracking to time and budget.

Last year we accomplished all milestones under Wave 1 of the project, including;

- The successful transition of FleetPlus into FleetPartners in New Zealand;
- The rebranding of the Group name to FleetPartners as mentioned by Gail; and
- The launch of our new FleetPartners website.

The Group also made good progress on the Wave 2 milestones;

- Launching a new dealer portal, which will ultimately automate and digitise the Group's entire vehicle procurement process; and
- Launching a new tied-to-payroll platform, which upgrades our salary packaging product offering.

Overall, we are pleased with the progress being made under the Accelerate program and the positive impact these achievements have had on the Group including for our people.

Turning to slide 13 and the third primary driver for EPS growth, our on-market share buy-back program.

Capital management

The on-market buy-back program was initially launched in the second half of FY21. Since that time, up to the end of FY23, we have purchased and cancelled around 25% of shares on issue.

Assuming we complete the $30 million announced with the FY23 results presentation, at an illustrative price of $3.00 per share, that is equivalent to a share cancellation of 27% over the last three years.

Furthermore, today's AGM Resolution 5 is seeking shareholders' approval to buy-back up to an incremental 38 million shares in the next 12 months.

As a use of capital, the buy-back is preferred in the absence of a better alternative emerging. This might include a bolt-on acquisition or a larger scale sector merger, both of which remain an option in terms of alternative EPS growth opportunities.

EPS growth drivers

Slide 14 is a nice summary of where the Group currently sits across each of its defined EPS growth drivers.

Strategic Pathways has delivered in FY23;

- 13% new business writings growth;
- 7% AUMOF growth; and
- A pipeline at 3 times pre-COVID-19 levels.

The success of Strategic Pathways in FY23 provides the Group with good momentum heading into FY24.

The Accelerate program is running to plan both from a timing and spend perspective. This business transformation project is set to create value for both internal and external stakeholders.

In relation to the buy-back, we continue to optimise this program. Approximately 27% of share capital is expected to have been bought back and cancelled by the end of the current program.

Finally, as a result of the Group's ability to execute on these EPS growth drivers as planned, it is positioned as-well-as-ever, to pursue M&A opportunities as they arise.

We have a clear strategy to maintain EPS growth and a strong focus to deliver it.

Before I hand back to Gail, I would like to provide an update on our 1Q24 performance and our FY24 expectations.

1Q24 business update

Moving onto slide 15, we have seen the operating environment from the second half of last year continue, with 1Q24 new business writings at $227 million, up 39% on the prior comparative period (pcp).

Despite this strong new business writings performance, the order pipeline declined only slightly to 2.8x pre-COVID-19 levels. This elevated pipeline helps underwrite future new business writing and AUMOF growth.

AUMOF ended the quarter at $2.1 billion, up 8% compared to pcp. As I mentioned, AUMOF growth is key for the Group to produce sustainable recurring revenue hence this 1Q24 result provides a lot to be encouraged by.

EOL income per vehicle has continued to decline, consistent with the Group's long-term expectations. With that said, EOL income remains significantly elevated compared to where the Group ultimately expects it to settle which is approximately $30 million per annum or $2,350 per vehicle.

Finally, NOI pre-EOL and provisions was up 3% on pcp, driven by the growth in average AUMOF. This was partially offset by lower management fees, as extensions and inertia reduce to more typical levels, and lower funding commissions with more balance sheet funding of new business writings.

This is a good segue to slide 16 on our FY24 expectations.

FY24 expectations
This is the same slide presented as part of the FY23 full year results, or in other words, there are no changes to our expectations originally presented in November 2023.

In relation to NOI pre-EOL and provisions, we expect FY24 to directionally follow the same trend as average AUMOF.

As I just mentioned, the normalisation of management fees and the temporary impact from funding more leases on balance sheet, will act as a partial offset to that growth.

However, even after factoring in these headwinds, our expectation remains that NOI pre-EOL and provisions will operate within the target range of 7.5 to 7.75%, as Gail referenced in her opening comments.

Average EOL income per unit was $6,133 in 1Q24, down 17% on pcp with the number of vehicles sold acting to offset that which were up by 32% on pcp. We continue to expect used car pricing to temper over time as supply continues to normalise.

The business has established a track record for having disciplined operating expense management and this will continue in 2024. Operating expense is expected to be up by 4 to 5% in FY24 which would be similar to the increase in FY23.

All other items are also unchanged to what we previously communicated at the FY23 results.

In closing, we are very happy with the strength of the Group's performance in FY23 and the strategic direction of our business.

We have a very predictable, defensive earnings profile with good tailwinds heading into FY24.

Finally, we have a clear strategy to maintain long term EPS growth including Strategic Pathways, the Accelerate program, capital management and potential acquisitions if they present.

Couple that with a fantastic leadership team and passionate and highly capable team members across the entire Group, there is a lot to be excited about in terms of the strength and prospects for FleetPartners now and in the future.

With that, I will pass back to Gail.