

# Annual General Meeting: FY2024 CEO's Review Speaking Notes

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## *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 2024 Annual General Meeting.

## *Overview*

I will start with an overview of our performance during the 2024 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 in August.

This has been an exceptional year for us, with underlying profit after tax growing close to 20%. Orders and deliveries again achieved new highs and both the Corporate and the Novated funded fleet grew materially.

During the year, we were anticipating a drop-off in used vehicle values as supply and deliveries improved, but as the months passed, we did not see that occur as early or as materially as expected. The increase in revenue generated by the strong deliveries more than offset the modest adjustment in end of lease disposal income.

While we are confident earnings will remain strong, lower used vehicle values, in combination with a couple of other factors, will see us return to what I would call a more normal environment and revenue profile in the current financial year. With the LeasePlan integration on track, this will of course be followed by the extraction of the associated synergies.

Our confidence in the continued success of this model and our growth potential was evidenced by the decision to declare a special dividend of 15 cents per share, bringing the total dividend for the year to 33.93 cents per share, more than double that of the 2023 financial year.

## *Operational Review Australia Corporate*

Our business development teams in the Corporate channel were extremely busy and the structural demand drivers that have had a positive impact in previous years remained present. This brought more organisations to outsourced fleet management or funding for the first time, often via sale and leasebacks in the case of financed assets.

Helped by improving stock availability, this drove strong growth in deliveries in this channel. While for some models, we still have orders to fill that date back 2 years, we are gradually clearing the

supply challenges of the past few years. In line with that, extensions and inertia started to drift lower.

We also continued to make good progress with widening our products and services offering and take-up by our customers was very encouraging. In the 2020 financial year, about 42% of our customers took 2 or more products from us. Four years later, this has become the norm in the SG Fleet book, with 85% of customers taking multiple products. In the legacy LeasePlan book that figure stands at 47%. As LeasePlan's SAP platform creates some limitations to upsell in that book, completing the system migration will instantly free up significant potential to increase product penetration across a significant part of our combined customer book.

### *Operational Review Australia Novated*

The performance of the Novated channel during the year confirmed novated leasing has remained front-of-mind as a product for both drivers and employers. Employees are increasingly recognising its financial appeal and employers see that novated leasing is a must-have employee benefit that can conveniently be provided and managed by a third party. As a consequence, we were able to sign up a large number of new employers.

Overall, leads again grew significantly over the previous period and orders grew throughout the year. Customers new to novated leasing accounted for a significant portion of that growth. Further new business opportunities continued to arise at a significant pace.

While the EV incentives have undoubtedly attracted attention to this product, we saw increased driver interest across all vehicle types. The incentives also led to significantly greater interest in plug-in hybrids. Including hybrids, low- and zero-emission vehicles accounted for the majority of Novated orders in the second half of the 2024 financial year. Orders for internal combustion engine vehicles, however, remained strong.

### *Operational Review New Zealand*

New Zealand's economic fortunes were mixed during the year. Although this was reflected in slowing vehicle registrations, particularly in the passenger segment, these conditions had little impact on our business. New business development and tender activity remained strong during the period.

We saw one particular competitor in this market acting fairly irrationally in terms of pricing. Nevertheless, we were successful in retaining existing customers that went to tender and we picked up additional wins across a range of sectors, in some cases as part of trans-Tasman arrangements.

We have a firmly established presence in the government sector in New Zealand and this again allowed us to present a number of additional solutions to existing customers in that segment, including sale & leasebacks.

### *Operational Review United Kingdom*

In the UK, the mood turned more positive as the year went on. There was definitely a feeling things were settling down and investment picked up again. Car registrations increased on the back of that.

Our business there stayed on the steady course we have seen for a few years, and we saw a healthy stream of opportunities. We signed up new accounts for both tool-of-trade and for Novalease and extended a number of sole supply arrangements for multiple year periods.

At the same time, upsell within existing customers continued at a steady pace. Short-term hire solutions in particular attracted strong interest.

### *1Q25 Update*

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

By and large, the trends we were seeing in the final quarter of the 2024 financial year have continued into the current period.

In Australia, our business development teams continue to be as busy as ever and the opportunities pipeline remains very full. The environment remains muted in New Zealand, but as was the case in the second half of the 2024 financial year, we continue to maintain our position in that market. In the UK, the gradual improvement in the economic environment we flagged in August has continued. We have registered a number of further wins and new business activity is definitely picking up there.

New vehicle supply across all three countries continues to improve, albeit with some remaining shortages in certain vehicle types. This has allowed us to maintain elevated delivery levels. Despite this, the order pipeline in the Corporate channel remains elevated, at about 3.2 times what we would consider normal levels. In Novated, we have progressed a bit further, and we are at about 2.5 times normal levels. In other words, the catch-up will continue for some time.

As to used vehicle values, the pre-COVID seasonality has returned to pricing, and we saw some softening over the final quarter of FY24, but prices were higher again in the first quarter of the current financial year. Overall, values have continued to come down, albeit to a limited extent, so disposal profits continue to be well above the levels seen pre-COVID.

The LeasePlan system migration remains on track. We completed the NZ leg of the migration successfully and on time, and we are now entirely on one single platform there. We are taking the learnings of this successful process and are now focusing entirely on the Australian SAP migration.

Shareholders will recall that we flagged about \$20 million in pre-tax run-rate synergies from the LeasePlan acquisition back in 2021. Over the past 3 financial year periods, we were able to deliver about \$5 million in synergies. We confirm that we will deliver an additional \$20 million in pre-tax run-rate synergies post the SAP migration. In other words, we expect to deliver the \$20 million in addition to the synergies already achieved over the past few years.

I would also like to reiterate that we remain comfortable with the UNPATA guidance provided at the FY24 results announcement.

That concludes my review. Thank you for your attention. I will hand back to the Chairman now.