



Level 6, 601 Pacific Highway
St Leonards NSW 2065

W www.eclipx.com

Eclipx Group Limited | ABN: 85 131 557 901

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ECLIPX GROUP REPORTS 1H21 RESULTS AND ANNOUNCES APPOINTMENT OF NEW CHAIR

Eclipx Group Limited (ASX: ECX, "Eclipx" or "Group") today releases its results for the six months ended 31 March 2021 and announces the succession of the Group's Chair.

Highlights for the six months ended 31 March 2021 ("1H21")

- Net operating income ("NOI") of \$105.9 million, up 22% compared to prior comparative period, 1H20 ("pcp")
- Earnings before Interest, Tax, Depreciation & Amortisation ("EBITDA") of \$66.5 million, representing a like for like growth rate of 43% compared to pcp
- Net Profit After Tax & Amortisation ("NPATA") of \$39.3 million, a 77% increase compared to pcp
- New Business Writings ("NBW") increased 11% half on half
- Despite a record sales order pipeline, NBW is expected to continue to be constrained by global new vehicle supply shortages
- Assets under Management or Financed ("AUMOF") reduced by 7% compared to pcp, reflecting the lower NBW since the emergence of COVID-19 and a 79% increase in lease extensions versus pcp. Margin expansion has offset the reduction in assets in the period, with NOI before Provisions and pre-End of Lease income ("EOL") being flat
- Cash conversion of 157% reflecting strong organic capital generation
- Net corporate debt down c.62% to \$54 million (\$144 million in 1H20), with net debt to EBITDA ratio reduced to 0.49x (2.01x in 1H20)

Capital management – up to \$20m on-market share buy-back in 2H21

- Most efficient form of capital distribution to shareholders, in the absence of distributable franking credits

Strategic Pathways

- Positive momentum and strong order book across all three target markets
- Projects remain on track with digital platforms in roll-out or testing, and distribution channel partners expanding
- Post Simplification, consolidation options remain under review, but subject to price and internal return hurdles

Chair Succession

- Gail Pemberton to succeed Kerry Roxburgh as the Group's Chair

Group performance

The Group continued to outperform in the first half of FY21 ("1H21"). This is the first clean reporting period following the completion of the Group Simplification Plan in August 2020. NPATA was \$39.3 million in the half, up 77% compared to the first half of FY20 ("prior comparative period"). Cash conversion of 157% during the half has enabled an accelerated reduction in net corporate debt to below target levels, allowing the Group to commence its capital management strategy nearly six months ahead of internal schedule.

As flagged in the Group's Business Update on 10 March 2021, End of Lease income outperformed in 1H21, increasing by 107% compared to the prior comparative period. Average unit profitability increased from \$2,468 in 1H20 to \$5,944 in 1H21. This was driven by ongoing positive trends in the used vehicle markets in both Australia and New Zealand. The used vehicle market continues to benefit from the global supply chain disruption for new vehicles.

Conversely, that same vehicle supply chain disruption has impacted NBW volumes, as new vehicle deliveries have seen significant delays. While NBW increased 11% half on half, deliveries remain constrained. Lease extensions have also increased 79% compared to the prior comparative period, and the order pipelines across each business segment are at all-time highs, reflecting the new vehicle delivery delays.

The supply chain disruption to NBW has resulted in a 7% reduction in AUMOF compared to the prior comparative period. Notwithstanding this, Net Operating Income before Provisions and End of Lease Profitability was flat, reflecting margin expansion in the portfolio. This margin expansion includes the benefit of the deliberate removal of lower margin panel business and managed fleet units under the Group's Simplification Plan.

Overall Net Operating Income after Provisions and End of Lease Profitability was up 22% to \$105.9 million compared to the prior comparative period. Operating expenses were \$39.4 million, in line with our expectations and previous Business Updates.

EBITDA was \$66.5 million in 1H21, up 43% compared to the prior comparative period. This result reflects the strong underlying performance of the simplified Group and has allowed Eclix to further reduce its net corporate debt position by circa 62% compared to the prior comparative period. The EBITDA outperformance, combined with lower net corporate debt, means that the Group's net debt to EBITDA ratio was 0.49x at 31 March 2021, significantly reduced from 2.01x in 1H20.

Combined, the underlying performance and strengthened balance sheet position means the Group is now in a position to accelerate its capital management strategy, six months ahead of internal targets. Given Eclix is a beneficiary of the Australian Federal Budget's instant asset write-off policy, it does not have distributable franking credits. Therefore, the Board and Management believe a return of capital to shareholders is best achieved through an on-market share buy-back and cancellation. This inaugural share buy-back of up to \$20 million will commence, and is expected to complete, during 2H21.¹

¹ Subject to prevailing share price and market conditions

Outlook

While Group has been tested through the first 12 months of the COVID-19 environment, this 1H21 result reflects the resilience and defensive qualities of the simplified and strengthened business model.

The Australian ABS issuance in March 2021 represents a very strong external endorsement of the Eclix platform by global credit investors, with the issuance being executed at the tightest Australian ABS market pricing since the Global Financial Crisis.

Globally, the supply chain disruption for new vehicles is expected to continue for some time. While this situation remains, new vehicle deliveries, and therefore NBW and AUMOF, are likely to be constrained beyond our initial June 2021 expectations. When the new vehicle supply chain normalises, the Group expects a return to solid asset growth, reflective of the combined strength of our current order pipeline, of recent tender wins, of new and current client activity, and as we implement our "Strategic Pathways" plan. In the near-term, whilst the new vehicle supply chain remains constrained, we expect End of Lease income to continue to be above pre-COVID levels

Appointment of new Group Chair

In line with the Board's succession planning, Mr Kerry Roxburgh AM, today confirmed that he has stepped down as the Group's Chairman and will retire from the Board later this year. The Group's Board has chosen Non-Executive Director, Ms Gail Pemberton AO, as his successor.

Mr Roxburgh noted at the Group's 2020 Annual General Meeting that it was his intention to retire as Chair on the earlier of the appointment of his successor or the 2022 Annual General Meeting.

He was appointed Chair of the Group in 2015 following a successful executive career at HSBC and E*Trade. Mr Roxburgh has since led the Group through shifting and sometimes challenging market conditions. Most recently, Mr Roxburgh oversaw the successful completion of the Group's Simplification Plan, resulting in the Group's share price materially outperforming its listed peers over the past 12 months.

Mr Roxburgh will continue as a Non-Executive Director and a member of the Group's Audit & Risk and People, Culture, Remuneration & Nomination Committees until his retirement from the Board.

Ms Pemberton has been a member of the Group's Board since 2015 and has served as Chair of the People, Culture, Remuneration & Nomination Committee since her appointment.

She has worked in the financial services sector for more than 35 years, including previous executive roles as Chief Operating Officer UK at BNP Paribas Securities Services, CEO and Managing Director at BNP Paribas Securities Services, Australia and New Zealand, COO – Financial Services Group at Macquarie Bank and Group CIO at Macquarie Bank.

Ms Pemberton's current board roles include Non-Executive Director of MNF Group, Sydney Metro and Land Services WA, as well as Chair of Prospa. She has previously served on the boards of PayPal Australia, QIC and UXC, as well as Arq Group, OneVue, SIRCA and RoZetta Technology.

Ms Pemberton was awarded the Order of Australia (AO) in the 2018 Australia Day Honours list for distinguished service to the finance and banking industry and to business through a range of roles as an advocate for technology and as a mentor to women.

Mr Roxburgh said: "After six engaging years, I am honoured to hand over to fellow Board Member Gail Pemberton. She is ideally placed to lead the Board with a deep understanding of every aspect of the Group, and its exciting road ahead under the Strategic Pathways plan currently being implemented."

"As retiring Chairman, I am very pleased with the outlook for the company, especially given the many challenges we have overcome, including COVID-19. While that crisis posed serious and clearly unprecedented hurdles to Eclix and our customers, I congratulate my fellow directors, our management led and inspired by CEO Julian Russell, and indeed all Eclix team members for delivering the transformation of the business, a year ahead of schedule."

"The success of that transformation is underscored by this half year result - it's a beautiful set of numbers."

"Finally, I express my sincere thanks and appreciation to each one of our loyal customers, to our many partners and to our investors for your loyalty and support of Eclix Group for so many years," Mr Roxburgh said.

Ms Pemberton said "On behalf of the Board, I would like to thank Kerry for his strong leadership as Chair and his ongoing support as a Non-Executive Director. His leadership and determination, particularly through the Simplification Plan, is clearly reflected in the Group's outperformance today. We have great confidence in our Group's platform, outlook and the implementation of Strategic Pathways under our renewed executive team."

Also, with effect from today, Ms Linda Jenkinson, existing Non-Executive Director of Eclix Group, will succeed Ms Pemberton as Chair of the People, Culture, Remuneration & Nomination Committee.

Board Succession and Renewal

In December 2020, the Group completed a comprehensive Board performance review. Arising from that review, the Group expects to announce the appointment of at least one additional Non-Executive Director later this year.

1H21 financial report and investor presentation: 10am today

Details of the financial performance for the year ended 31 March 2021 can be found in the Appendix 4D, 1H21 financial report and investor presentation.

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

The details are as follows:

Dial in Details

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

Pre-Registration Link: <https://s1.c-conf.com/diamondpass/10013624-okv921.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

<http://www.openbriefing.com/OB/4233.aspx>

ENDS

Authorised by:	Investor enquiries
The Board of Eclix Group Limited	Damien Berrell Eclix Group Damien.berrell@eclix.com 0457357041
	Media enquiries
	John Frey GRACosway jfrey@gracosway.com.au 0411361361