

SG Fleet Reports Significant Profit Growth

- **FY21 Reported NPAT \$43.7m (+20.1%) / Underlying NPAT \$51.6m (+41.8%)**
- **Fully franked final dividend of 5.393cps / FY21 total 12.585cps (+25.9%)**
- **Continued strong performance from Corporate segment**
- **Novated recovery to beyond pre-COVID-19 levels**
- **Strong used vehicle environment**
- **Delivery constraints**
- **Leads growth and order pipeline to benefit FY22**

17 August 2021

SG Fleet Group Limited ('SG Fleet' / ASX: SGF) has reported a Net Profit After Tax ('NPAT') of \$43.7 million for the 2021 financial year ('FY21'). Underlying NPAT, which excludes \$8.9 million in costs related to the LeasePlan acquisition, was \$51.6 million, up 41.8% on the prior corresponding period ('FY20').

Total net revenue for the full financial year was \$198.2 million, up 15.0% on the previous year. Reported Earnings Per Share ('EPS') was 16.22 cents, up 16.8% on FY20, and Underlying Cash EPS was 21.75 cents, up 31.6%. SG Fleet's Board has declared a fully franked final dividend of 5.393 cents per share¹, bringing the total dividend for FY21 to 12.585 cents per share, an increase of 25.9% over FY20.

Continued progress throughout the financial year

SG Fleet's Chief Executive Officer, Robbie Blau, noted that the Company's Corporate businesses in Australia, the United Kingdom and New Zealand continued to perform strongly in the second half of the financial year, while activity levels in the Australian Novated and the UK Employment Benefits segments improved significantly during the period.

"We can be proud of our resilience at the start of the year and we have built further on that in the second half. Across the Group, we have again done an exceptional job retaining our existing customers and we have added a significant number of additional accounts by winning the majority of tenders we pursued. At the same time, we have been able to upsell our products and services further to create growth on both fronts," Mr Blau said.

"In addition to that, the value of used vehicles remained at exceptional levels in all three countries, boosting our end of lease income. As a consequence of the delivery challenges we faced, the order pipeline at year-end almost doubled on the previous year, which means a significant number of orders will spill into the current financial year," he noted.

Australia

The Australian Corporate segment saw a continuation of its strong performance in the first half, with the new business opportunity pipeline growing steadily throughout the period. The business again registered a number of uncontested contract renewals and tender wins.

¹ Record date 26 August 2021, Payment date 9 September 2021

Increasing interest in the Company's growing range of products and services was particularly focused on fleet efficiency and safety. Use of the Bookingintelligence asset management solution reached record levels, registering over 1.2 million transactions for the full financial year. Similarly, the Company is seeing increased demand amongst larger customers for the eStart electric vehicle (EV) fleet transition solution as emission reduction strategies are high on government and corporate agendas. Customers also continued to opt for more flexible arrangements, such as subscription services.

The Novated segment produced a strong overall improvement during the second half. The business maximised the benefits of improving consumer sentiment by fundamentally revitalising its marketing approach. A better digital experience for customers also allowed for a more targeted approach, ensuring strong retention of existing accounts.

Combined with exceptional tender win rates, this supported a sustained recovery in demand, initially manifesting itself in a recovery in leads to beyond pre-COVID-19 levels, and subsequently in the form of firm new orders, which were also ahead of pre-COVID-19 levels by year-end.

"In the context of the demand growth experienced by both the Corporate and the Novated segment, delivering orders remains a challenge as vehicle supply is yet to recover. In line with this constraint, second-hand vehicle values remained at exceptional levels," Mr Blau noted.

United Kingdom

The United Kingdom experienced an improvement in fortunes in the second half as the country continued to open up. Economic activity and vehicle registrations rebounded in line with this.

Light commercial vehicle demand was particularly strong, and the UK business was able to cater to this with its niche offering in this segment. Tax breaks on lower-emission vehicles significantly boosted business and consumer interest in hybrids and EVs, triggering corresponding demand in the eStart solution.

Good contract wins were recorded across the corporate, SME and Employee Benefits segments, with the latter doing particularly well. A number of sizeable new employee benefits schemes were launched during the half and decisions from several large customers are expected in the first quarter of this financial year.

In line with the supply challenges faced worldwide, the business continued to see extended lead times and a further lengthening of the order book. Used vehicle values remained at exceptional levels.

"All in all, our UK business has proven extraordinarily resilient during the COVID-19 period, performing strongly throughout. As the pandemic situation continues to improve, the business will pick up further speed," Mr Blau observed.

New Zealand

The New Zealand economy continued to recover from the effects of COVID-19 during the half, with general sentiment improving, and businesses becoming increasingly confident to invest and hire. Tender activity was steady, with competitive behaviour largely rational. As in previous periods, a number of accounts were converted from managed-only to funded as cash flow management remained front of mind. Additional wins in the energy sector were also registered.

Similar to the Australian and UK experience, new vehicle supply issues persisted during the period and used vehicle pricing remained at exceptional levels. The business' main objective moving forward is to clear the significant order pipeline.

"One particular aspect of the tender requests and business opportunities we saw in New Zealand was the larger proportion of demand for our EV and mobility solutions. We are obviously delighted to see that trend accelerate as it plays into our well-recognised expertise in that market. More opportunities are on the horizon for us there as we strengthen our market position," Mr Blau said.

Transformational year ahead

Supply disruption is unlikely to see much improvement during this half, with global manufacturing levels taking some time to recover, and we expect second-hand vehicle values to normalise gradually," Mr Blau noted.

As a consequence of the strong performance of the Company's businesses in terms of order growth, combined with the supply disruption, a significant pipeline of orders will move into the 2022 financial year.

"So far this year, we are seeing further growth in new business opportunities, both in the Corporate and Novated segments. Similar progress is also seen in the UK," Mr Blau said. "While we are currently dealing with some lockdowns, we are in a much better position to address the resulting operational challenges and to-date, there appears to be a limited impact on customer demand. We are of course watching this closely."

The Company remains on track for the completion of the LeasePlan acquisition announced on 31 March 2021, after which the profits from the acquired business will accrue to SG Fleet. Completion is expected on 1 September 2021.

"This will be a truly transformational moment for us and everyone on the combined team is very excited to start delivering on the benefits the acquisition will create. Combined with the excellent progress we have achieved across the Group during the financial year, and the rapid evolution of our products and services offering, it is a very exciting time for both businesses to come together and the future holds great promise for the combined entity," Mr Blau concluded.

This announcement was approved for release by Tawanda Mutengwa, Company Secretary of SG Fleet.

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