

ASX Release

Market Announcements Office
Australian Securities Exchange
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ECLIPX GROUP REPORTS FY22 RESULTS

Eclix Group Limited (ASX: ECX, "Group") today releases its results for the full year ended 30 September 2022

Highlights for the full year ended 30 September 2022 ("FY22")

- Net Profit After Tax excluding Amortisation ("NPATA") of \$110.8 million, a 29% increase compared to prior comparative period, FY21 ("pcp"), driven by outperformance of Net Operating Income ("NOI") and disciplined expense management
- NPATA pre-End of Lease income ("EOL") and provisions up 26% compared to pcp
- Assets under Management or Financed ("AUMOF") was \$1.9 billion and returned to growth¹, reflecting strong new business writings ("NBW") in the period
- Fleet NBW grew 24% compared to pcp, despite supply constraints
- While Fleet NBW outperformed, Novated NBW fell 9%² largely due to supply challenges in that operating segment
- Net operating income ("NOI") of \$251.7 million up 13% compared to pcp
- Operating expenses in line with pcp, despite broader inflationary pressures
- Earnings before Interest, Tax, Depreciation & Amortisation ("EBITDA") of \$171.4 million, up 20% compared to pcp
- Cash conversion of 113% reflecting strong organic capital generation
- Net corporate cash of \$26.5 million providing maximum balance sheet flexibility to pursue emerging opportunities

Capital management – FY22 share buy-back capital pay-out ratio of 65% NPATA (up to \$72 million)

- Up to \$72 million on-market share buy-back declared representing 65% of FY22 NPATA, the top end of the Group's targeted capital pay-out range, of which \$35 million was completed during FY22
- Buy-back considered the most efficient capital distribution to shareholders, in the absence of franking credits

Strategic Pathways progress and Accelerate program

- Significant progress made in the first two years of Strategic Pathways, a strategy designed to expand into new and existing target markets of Corporate, Small Fleets and Novated
- Foundations well developed and positive strategic momentum seen in both Australia and New Zealand 'Corporate & Small Fleets', with NBW growing 24% and 23% respectively compared to pcp, and well ahead of market growth
- Positioned for further growth as vehicle supply constraints ease, with all order pipelines at record highs
- Launching the Accelerate program, a three-year program designed to remove duplication in brands, systems and processes, which is expected to deliver an annualised operating expense reduction of \$6 million by mid-FY25
- Positive recent ESG developments in FY22 with the Group receiving Employer of Choice for Gender Equality citation by WGEA and being ranked equal #1 in the ASX300 for female Board representation by the AICD. The Group also maintained Climate Active status in Australia and became Toitū carbonreduce certified in New Zealand

1. On a constant currency basis.

2. Excluding FleetChoice NT NBW, which was dissolved in March 2022 in line with the Group's strategy to exit low returning products.

Group performance

The Group has outperformed across all material metrics during FY22. NPATA was \$110.8 million in the full year, up 29% compared to FY21, driven by outperformance of NOI and disciplined expense management.

The Group continued to demonstrate good operating leverage in FY22 delivering positive jaws once again. NOI pre-EOL and provisions was up by 4%, while operating expenses remained in line, despite inflationary pressures.

EOL outperformed in FY22, increasing by 33% compared to pcp. Average unit profitability increased by 27% from \$6,558 in FY21 to \$8,300 in FY22. This was driven by ongoing new vehicle supply constraints and the associated positive trends in the used vehicle markets in both Australia and New Zealand. Despite the strong performance in average unit profitability seen in FY22, used vehicle prices have softened from highs in February 2022 with average unit profitability in 2H22 of \$7,734 versus 1H22 of \$8,813.

The Group delivered 11% growth in NBW (all vehicle deliveries), a strong result in the context of ongoing vehicle supply chain disruption. The Group's two largest and most profitable businesses, Australia and New Zealand 'Corporate & Small Fleets', grew NBW by 24% and 23% respectively compared to pcp. The order pipeline was 2.3x and 4.6x pre-COVID-19 levels³ at the end of September 2022 for Australia and New Zealand 'Corporate & Small Fleets', respectively. Conversely, Novated, which represents circa 5% of our Group EBITDA, was more subdued largely due to vehicle supply challenges. Notwithstanding the NBW timing delays caused by supply chain disruptions, underlying demand was still strong in FY22 with the Novated order pipeline at record levels being 3.8x pre-COVID-19 levels³ at the end of September 2022.

The Group is a market leader in New Zealand, where the demand for Hybrid and Electric Vehicles (EVs) has been further stimulated by a government incentive program for clean emission vehicles. Hybrids and EVs currently represent 49% of our New Zealand business order pipeline. This experience has provided us with significant learnings in a rapidly evolving product and market, that we are applying to our Australian business and customers.

Overall Net Operating Income after EOL and provisions was \$251.7 million, up 13% compared to pcp. Operating expenses were \$80.3 million, in line with pcp and expectations for the year, despite the inflationary backdrop. As a result, EBITDA was \$171.4 million in FY22, up 20% compared to pcp.

Balance sheet & capital management

The strong operating performance translated into strong organic cash generation of \$128.5 million, and associated cash conversion of 113%. As of 30 September 2022, the Group's balance sheet had a net cash position of \$26.5 million, reflecting a \$283 million reduction in net debt since March 2019.

This ongoing de-leveraging profile enabled the Group to commence its inaugural on-market share buy-back program during FY21. Since that time, the Group has returned a total of \$90.8 million to shareholders and cancelled 39.3 million shares, representing a 13% permanent reduction in share capital.

Given the Group continues to be a beneficiary of the Australian Federal Budget's Temporary Full Expensing Policy, 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. Due to the strong performance of the Group in the year, the Board has declared an on-market share buy-back program of up to \$72 million, reflecting a capital pay-out ratio of 65% of FY22 NPATA (\$110.8 million). Of the \$72 million target buy-back for FY22, \$35 million of the buy-back

3. FY19 represents the last full financial year prior to the emergence of the COVID-19 pandemic.

was completed during FY22, meaning the Group intends to buy-back up to an incremental \$37 million in the coming period.

Strategic Pathways and Accelerate

The Group has made good progress during its first 24 months of 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.

The foundations of this strategy are now in place, and while investment continues, there has been growing evidence of positive strategic momentum. This is most prominently reflected in the Australia and New Zealand 'Corporate & Small Fleets' segments, which grew NBW at 24% and 23% respectively compared to pcg; well ahead of market growth. As the Group continues to implement the Strategic Pathways plan, it expects a return to 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 client activity.

With the success of Strategic Pathways to date, the Group is pleased to announce an extension of this strategy being the Accelerate program. The objective of this three-year 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 further 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.

ESG and sustainability are central to the Group's strategy and values. During FY22, the Group proudly became one of 12 new organisations in Australia to receive a citation by the Workplace Gender Equality Agency (WGEA) as an Employer of Choice for Gender Equality, and was ranked equal #1 in the ASX300 for female Board representation by the Australian Institute of Company Directors. The Group also maintained its Climate Active status in Australia and became Toitū carbonreduce certified in New Zealand. Further details of our ESG progress can be found in the inaugural Group Sustainability Report.

Outlook

The Group is in a very strong position from a financial and strategic perspective, reinforced by the strength of the FY22 result. The financial position of the Group has never been better, with no net debt (net cash: \$26.5 million), providing maximum balance sheet flexibility for future organic and inorganic opportunities as they emerge.

The Group will continue to deliver incremental EPS growth by allocating excess capital to on-market share buy-backs and to strategic opportunities such as Strategic Pathways and Accelerate, that deliver strong capital returns and sustainable EPS benefits for shareholders. Since the commencement of the buy-back program, the Group has cancelled 39.3 million shares, representing a 13% permanent reduction in share capital.

NBW in the Group's two most profitable segments, Australia and New Zealand 'Corporate & Small Fleets', have grown at 24%, adding incremental growth in our assets under management for the first time in three years. This is expected to support revenue growth in future periods, and the Group believes that it is well positioned for further growth through Strategic Pathways as the supply chain normalises.

In the meantime, while the supply chain for new vehicles remains constrained, the Group expects a continued elevation in used car market prices relative to pre-COVID-19 levels, albeit at reducing levels. This will be beneficial

in the near term for EOL. Order books will likely remain elevated, but these are expected to gradually convert into NBW, and therefore recurring NOI in due course.

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

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Investor call and webcast

Julian Russell (CEO) and Damien Berrell (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/10025332-4anbf25.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/4884.aspx>

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Authorised by the Board of Eclipx Group Limited

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