

SG Fleet Group Limited (ASX: SGF)

ASX Announcement

2019 Annual General Meeting

CEO's Presentation

17 October 2019

In accordance with ASX Listing Rule 3.13.3, attached is a copy of the CEO's presentation to be delivered at SG Fleet Group Limited's Annual General Meeting, which will be held today at Hobart Room, Lobby Level, Sofitel Sydney Wentworth, 61-101 Phillip Street, Sydney, NSW at 3.00 pm AEDT.

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SG Fleet Group

Integrated Mobility

FY2019

Annual General Meeting

17 OCTOBER 2019



Overview



Improved performance in 2H

1: Underlying Net Profit After Tax = Reported Net Profit After Tax before non-cash impairment related to the Company's move to a single brand in its Consumer business

Operational Review - AUS

Corporate

Business Activity

- 1H progress continued into 2H
- Further customer book diversification
 - new contacts across wide range of industries
- Corporate and government pipeline remained strong
- Decision processes slow

Customers & Products

- Strong growth in accessories income
 - penetration trends accelerated
 - newly launched products and services made contribution
 - contract wins for specific add-on services

Moderate revenue growth

More diversified income profile

Operational Review - AUS

Consumer

Business Activity

- 2H improvement
- Novated sales outperformed broader private car market
- Strong competition for available business
- Pipeline remained healthy

Customers & Products

- Growth in eligible pool
 - new wins
 - expansion within existing accounts
- Leads and enquiry growth
- Strong growth in accessory sales

Promising improvement

Evidence of better consumer sentiment

Operational Review - UK

Environment

- Economy in flux
 - business confidence remained stable despite Brexit uncertainty
- Vehicle registrations mixed
 - new car registrations down YoY, but fleet registrations stable
 - van registrations remained strong
 - tax changes and increased choice drive interest in EVs

Business Activity

- On-boarding of new wins
- Sole supply tool-of-trade and personal contract hire accounts added
- Affinity schemes continued to generate opportunities
- Further customer contracts activating in 1H20

Further growth on strong 1H

Operational Review - NZ

Environment

- Economy slowed
- Vehicle registrations down from historic peaks
- Corporate tender activity remained strong
- Price sensitivity in tenders

Business Activity

- Good growth from:
 - conversion of existing customers to funding
 - fleet management solutions for owned fleets
- New wins on back of technical expertise and capabilities reputation
- Opportunities in Trade, Energy, and Retail sectors

Profit improvement on previous year

Summary

Group

- Accelerated penetration of additional products and services
- Continued customer growth
- Further efficiency improvements

Australia - Corporate

- Good performance maintained
- New products open up further win opportunities
- Pipeline remained strong

Australia - Consumer

- Improving performance
- Proactive measures produced results

UK

- Going from strength to strength competitively and financially

NZ

- Good performance despite slowdown in environment

Strategy

- Improving income stream quality and resilience
- Diversifying funding models
- Targeting higher penetration

Innovation

- Steady stream of new revenue earners delivered by Innovation Team
- Range of opportunities widens

Inorganic growth

- Continued discipline in pursuit of inorganic growth opportunities

Outlook

- Near-term financial consequence of changing revenue profile
- Creating a stronger player in the emerging mobility space

Annual General Meeting: FY2019 CEO's Review Speaking Notes

Cover slide

Thank you, Mr Chairman.

Good afternoon everybody. My name is Robbie Blau, CEO of SG Fleet.

Thank you for taking the time to attend our 2019 Annual General Meeting.

Slide 2

I will start with an overview of our performance during the 2019 financial year and provide you with a brief summary of the key numbers.

As I said in February, the first six months of the reported year was a tough period for us, with a perfect storm of external factors impacting our business. I also said I wasn't happy with our performance and that we were proactively dealing with the challenges we faced. I am happy to say that this produced a better performance in the second half, a pattern that has continued in the current period. In financial terms, we were able to keep revenue roughly stable, and second half underlying profit did better in comparison to the previous corresponding period than the first half did.

As flagged at the results announcement, we are now rolling out a number of initiatives to build a stronger business, with more resilient income streams, and better positioned to compete in a rapidly evolving environment in which we are creating lots of opportunities. These initiatives are progressing well.

I will now do a more detailed run-through of the 2019 financial year by market.

Slide 3

Let me start with a review of the period in Australia.

The Corporate business continued its positive performance from the first half. We recorded wins across a range of contract sizes and different industries, further diversifying what is already a quality customer book. The Direct Business in particular showed strong growth. There again were plenty of opportunities about, but decision processes continued to be slow, often delaying tender outcomes.

On the product front, we saw an acceleration of the penetration trends reported in previous periods and accessories income again grew strongly. We are now generating considerably more revenue per vehicle. The number of transactions on our Bookingintelligence resource management system

doubled during the year and telematics applications are rapidly becoming a must-have on every vehicle.

This is evidence of a pattern we flagged some time ago, namely that value-add to the fleet, both through additional services and accessories on individual vehicles, is steadily increasing, in turn reflecting the greater sophistication of our industry's offering. Not surprisingly, that also means that some of the contracts we pursued and won were for the provision of specific add-on services.

Slide 4

Turning to our Consumer business.

We proactively dealt with the challenges we faced and this yielded progress in the second half, something we have been able to build on since. While overall private new car sales declined markedly in every month of the financial year, the decline in our own new novated sales during the same period was limited. Promisingly, we again grew the revenue we make from add-on products and services.

That did not restore previous business levels, but we are making sure we are in a position to take full advantage of any improvement in sentiment – and we are now seeing clear evidence of that - by continuing to grow our pool of employees eligible for novated leases and by gradually growing our range of add-on products.

In summary, for Australia, a creditable performance for the year.

Slide 5

In the UK, business confidence generally remained poor in the context of continued Brexit uncertainty. In terms of vehicle registrations, the picture was mixed, with consumers somewhat hesitant but businesses relatively steady, as evidenced by the resilience of fleet registrations overall, and vans in particular. On the back of tax changes incentivising low emission vehicle use, as well as the growing range of available models, interest in EVs continued to grow rapidly and we actively catered to that.

Overall, we were very busy in the UK throughout the year, both with on-boarding new wins and the successful pursuit of additional opportunities in tool-of-trade and in personal contract hire. Further growth is expected from newly signed customers that will roll onto the book.

All of this activity meant that the UK made further progress in the second half on the profit increase already achieved in the first.

Slide 6

In New Zealand, the economy slowed down somewhat - not surprising given the heights scaled over the last few years. Similarly, vehicle registrations, which hit a historic high in 2018, inevitably declined.

In terms of demand for our industry's services, tender activity held up well, particularly in the private sector. Our business continued to do well in this environment. We were successful in converting fleet managed customers to funded and won some additional managed business.

As I have observed in the past, our New Zealand business is very much seen as a high value-add provider and this continued to help us open more doors. Opportunities arose for us across a range of industries here and we are making good progress again in the current period.

Slide 7

In conclusion, allow me to summarise the key developments of the 2019 financial year.

In Australia, the Corporate business continued its good performance and took advantage of some of our new products to open new doors. Importantly, our Consumer business delivered an improved performance as the year progressed. Both businesses continued on this positive path into the current period.

The UK and New Zealand increased their contribution to group profits despite the lacklustre economic environment in which these businesses operate.

As I have explained in some detail at the results announcement, we are building a stronger business by improving the resilience of our income streams and by targeting further market share gains with some of our redesigned products. While as a consequence there is a spreading out of income over future years, this will put us in a stronger position for the longer term.

Our Innovation team continued to generate new revenue earners during the year and as the transport and mobility space evolves, we are creating an increasing range of opportunities.

Of course, we continue to monitor inorganic growth opportunities.

We believe we are entering an exciting stage in our evolution: an increased rate of innovation and successful product launches, a strengthening of our position as an industry leader with a clear strategic vision in a rapidly evolving environment generating an increasing range of opportunities, and a further improvement in the quality, resilience and visibility of our revenue streams.

As to our performance since the end of the reported year, in 2019, our full year results announcement came somewhat later and our AGM date moved forward, so little time has passed since I last presented. However, while we are less than two months further down the road, things do feel better out there, and, as I mentioned, our businesses have built further on the progress made in the second half of the 2019 financial year.

Thank you for your attention.

I will hand back to the Chairman now.

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