3Q23 business update

FleetPartners Group Limited (ASX:FPR)
19 July 2023

FleetPartners

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3Q23 business update

Defensive business model delivering solid growth, strong cash generation and stable portfolio credit quality

Robust customer demand

- Orders and pipeline have continued to grow during 3Q23, indicative of strong customer demand
- NBW has also grown during the quarter, despite the ongoing new car supply constraints
- AUMOF up 3% vs Sep-22, growth has continued and proven resilient … driving annuity-like income

Accelerating EV adoption

- Electric vehicles represented **36% of all Novated leases delivered in 3Q23, increasing to 45% in the month of Jun-23**
- The average Novated lease value of electric vehicles was $69k in 3Q23 compared to $52k for ICE vehicles
- FPR continues to facilitate the transition of corporate customers to EVs albeit at levels that lag Novated

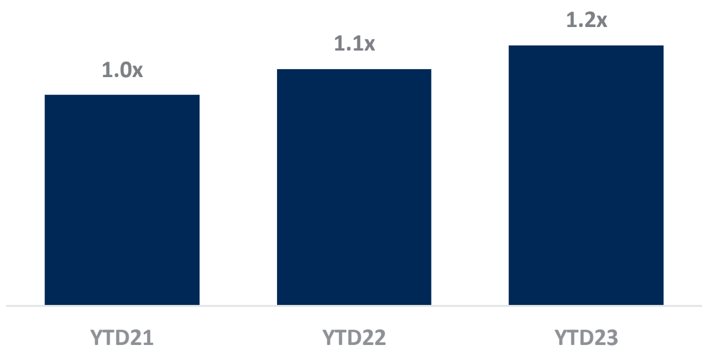
Defensive business model

- Further strengthening of the balance sheet driven by strong cash generation
- Portfolio credit quality continues to perform well with arrear levels still below the historical average
- Both the share buy-back program and Accelerate project are tracking to plan

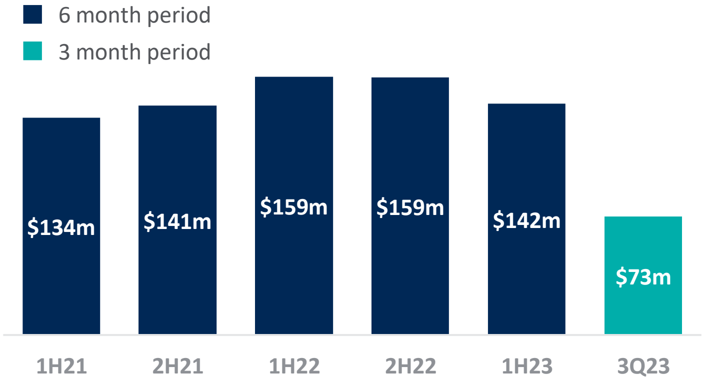
Fleet Australia

Order activity remains solid, whilst NBW demonstrates slight growth despite impacts of supply constraints – asset base remains stable

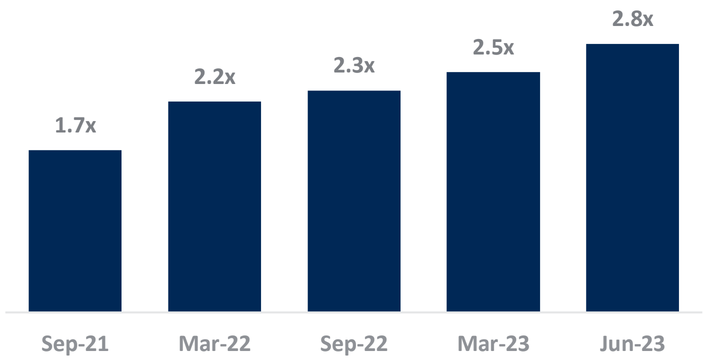
NBW orders[1]



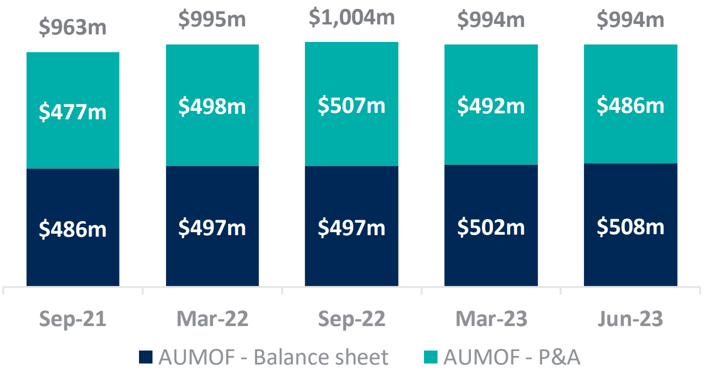
New business writings (NBW)



NBW order pipeline[3]



AUMOF



Comments

- Demand has remained strong with new orders for YTD Jun-23 (YTD23) at 1.2x the levels seen pre-COVID-19[1]
- NBW for the three months to Jun-23 (3Q23) was $73m, which is 4% higher than 3Q22 (excluding sale and leasebacks)
- NBW continues to be impacted by new car supply constraints in key vehicle segments due to logistic delays (shipping and ports)
- As a result of the robust level of new orders taken and the constraints on new vehicle supply, the order pipeline continues to grow, reaching 2.8x pre-COVID-19 levels[2] at Jun-23
- Elevated order pipeline is expected to support revenue growth in future periods as the supply chain normalises
- AUMOF was 1% lower than Sep-22, with an increase in balance sheet funded AUMOF (warehouse/ABS) offset by a reduction in P&A funded AUMOF
- In the absence of replacement vehicles, extensions and inertia rentals remain elevated, supporting the asset base

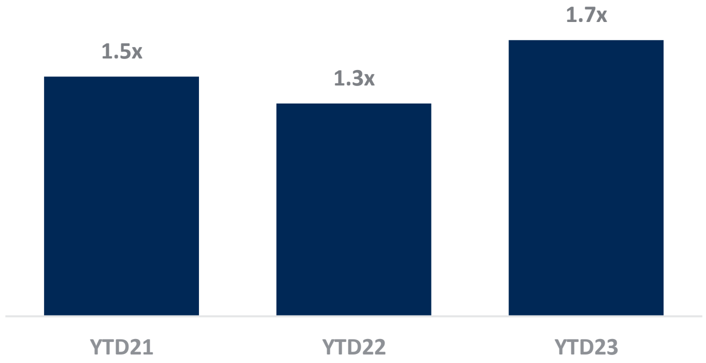
1) Compared to YTD19 orders (excluding Panel).
2) Compared to Sep-19, the last full financial year prior to the emergence of the COVID-19 pandemic.
3) Excluding sale and leasebacks.

Fleet New Zealand

Strong increase in NBW in 3Q23 – asset base is growing

NZD

NBW orders[1]



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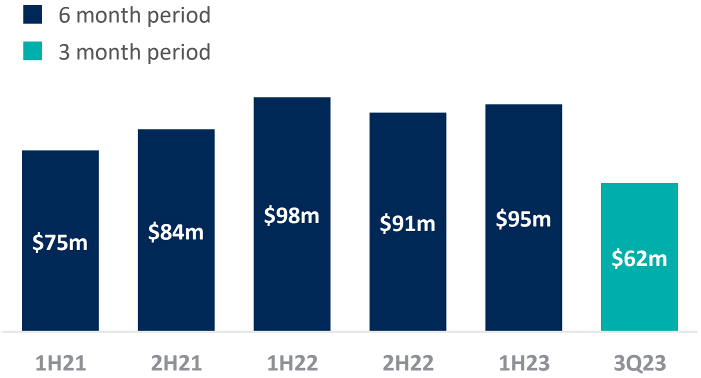
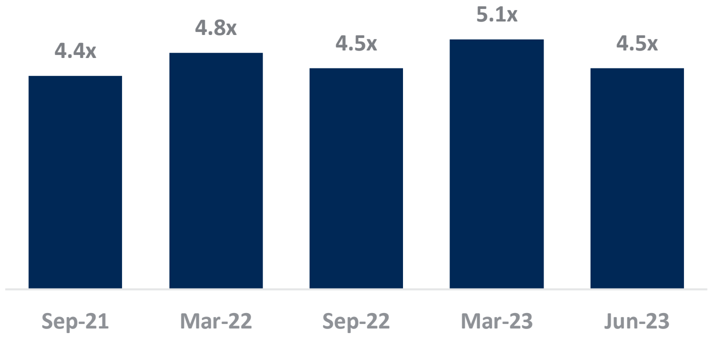
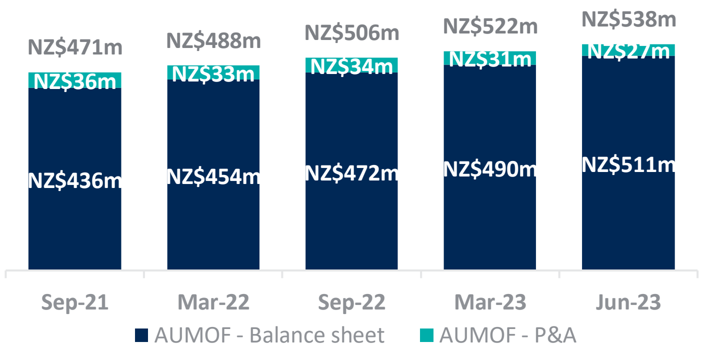


NBW order pipeline[2]



AUMOF



Comments

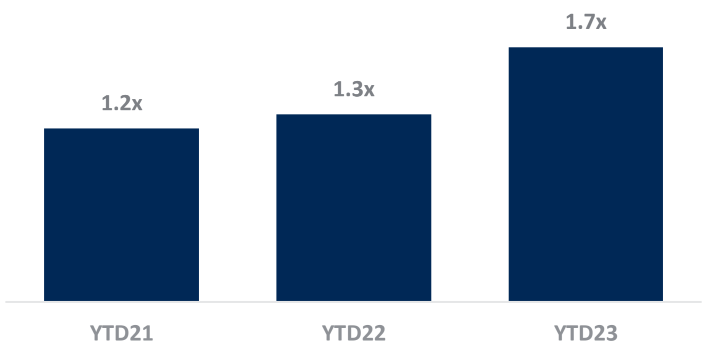
- Fleet New Zealand has driven a strong uptick in orders in YTD23, reaching 1.7x pre-COVID-19 levels[1]
- Order activity was driven by a number of contract wins and growth with existing customers, and through assisting customers to transition their fleets to lower emission alternatives
- NBW for 3Q23 was $62m, which is 43% higher than 3Q22 (excluding sale and leasebacks)
- NBW benefited from strong deliveries ahead of changes to fees and rebates under the Clean Car Discount from Jul-23
- The pipeline at Jun-23 remained consistent with Sep-22 levels, at 4.5x pre-COVID-19 levels[2], but reduced from the Mar-23 level of 5.1x due to the strong NBW result in the quarter
- AUMOF increased by 6% compared to Sep-22, with growth in balance sheet funded AUMOF of 8%

1) Compared to YTD19 orders. Calculated in NZD.
2) Compared to Sep-19, the last full financial year prior to the emergence of the COVID-19 pandemic. Calculated in NZD.

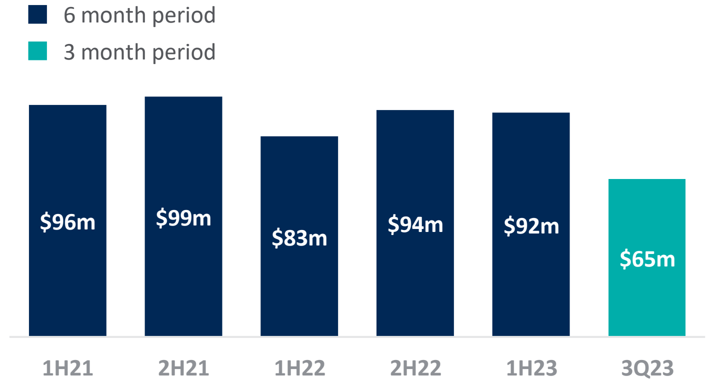
Novated

Significant increase in new orders in YTD23, which is starting to flow to NBW – asset base is growing

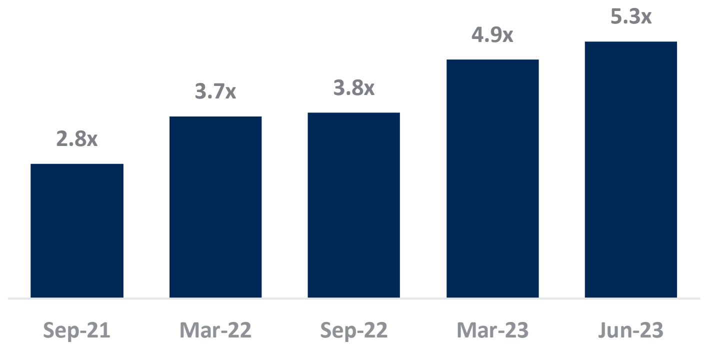
NBW orders[1]



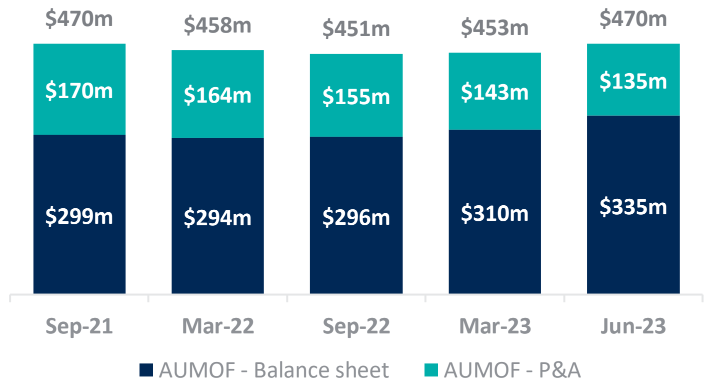
New business writings (NBW)[2]



NBW order pipeline[3]



AUMOF[2]



Comments

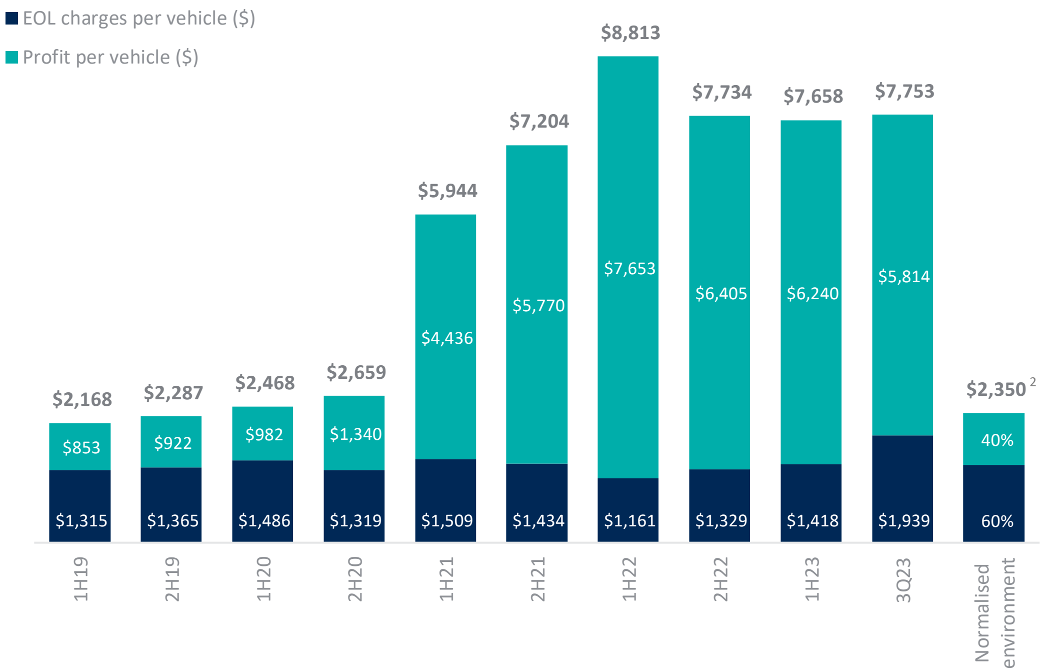
- Novated has driven a significant uptick in orders in YTD23, reaching 1.7x pre-COVID-19 levels[1] and significantly higher than preceding periods
- NBW for 3Q23 was $65m, which is 44% higher than 3Q22 (excluding FCNT[2])
- Demand driven by the Electric Car Discount legislation passed in Dec-22, with **36% of NBW in 3Q23 and 45% of NBW in the month of Jun-23 relating to BEV/PHEVs**
- Orders exceeded NBW due to constrained new vehicle supply, increasing the pipeline to 5.3x pre-COVID-19 levels[3] at Jun-23
- Tesla Model Y, Tesla Model 3 and BYD Atto 3 representing the most popular EV models
- AUMOF increased by 4% compared to Sep-22 – with balance sheet funded AUMOF increasing 13% as the mix shifted away from P&A funding, as FleetChoice customers (P&A funded) were migrated to FleetPartners (warehouse funded) from Apr-23
- Shift away from P&A funding will have a short-term impact on funding commissions, which in time will be replaced with higher net interest margin

1) Compared to YTD19 orders.
2) Excludes the FleetChoice NT (FCNT) partnership which was dissolved in Mar-22 in line with the Group's strategy to exit low returning products.
3) Compared to Sep-19, the last full financial year prior to the emergence of the COVID-19 pandemic.

End of lease income and portfolio credit quality

End of lease income per vehicle remains elevated – portfolio credit quality remains high

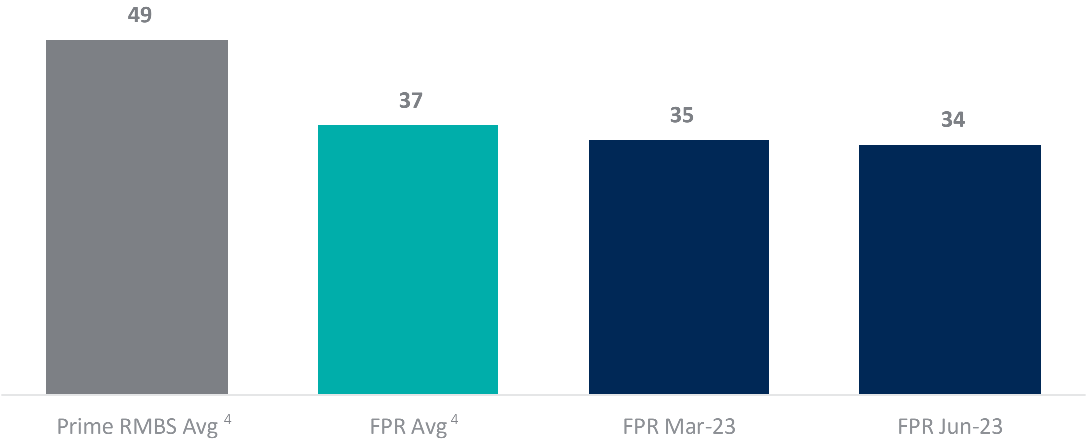
Vehicles sold & end of lease income per vehicle[1]



Vehicles sold	6,557	6,598	6,279	6,683	5,405	5,141	5,834	5,281	4,648	2,204
EOL	$14.2m	$15.1m	$15.5m	$17.8m	$32.1m	$37.0m	$51.4m	$40.8m	$35.6m	$17.1m

impacted by new car supply delays

90+ day arrears[3] (bps)



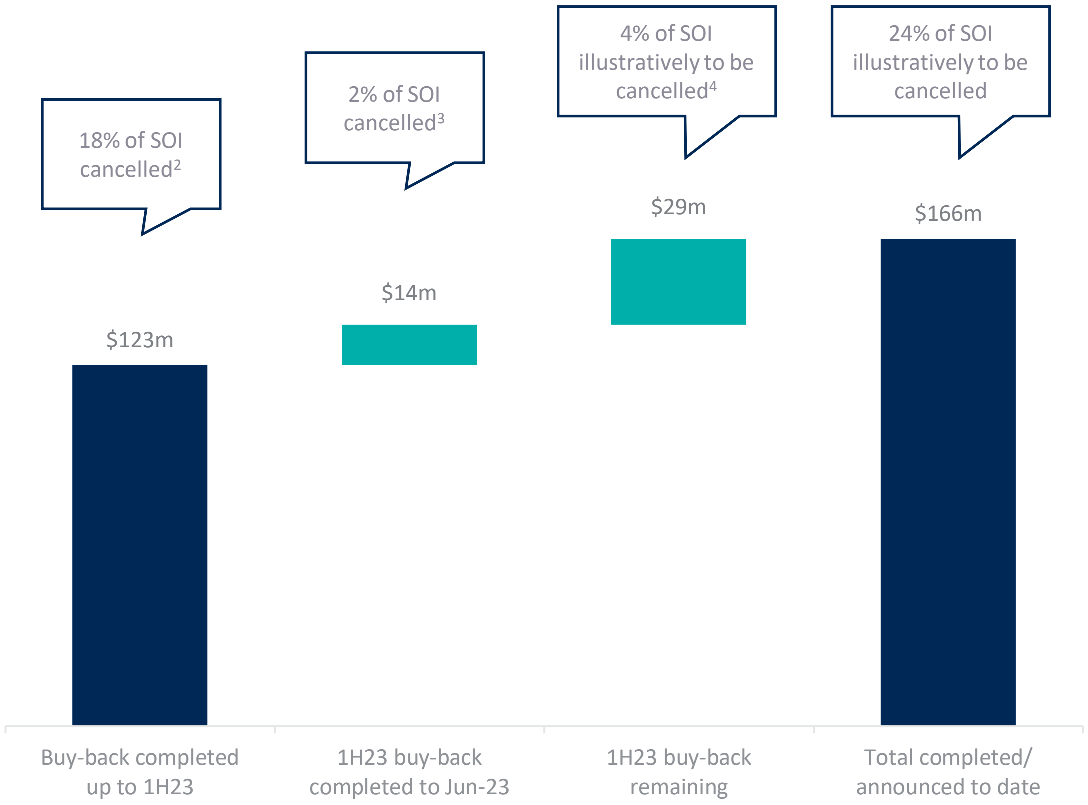
- Portfolio quality continues to be strong with 90+ day arrears at 34bps – exposure offset by the value of the underlying vehicle and all financing secured by PPSR on vehicles (no unsecured exposures)
- Arrears still below pre-COVID-19 levels and the average since Sep-16, albeit up from historical lows seen during 2020-2022 due to government stimulus
- Business-critical assets have a strong track record through economic cycles
- c.5% of portfolio exposure relates to building construction, food services and retail sectors

1) FY19 and FY20 exclude non-core businesses.
2) Midpoint of normalised range of $2,200 to $2,500.
3) Excludes equipment finance portfolios, which have been disposed (AU) or are in run-off (NZ).
4) FleetPartners average from Sep-16 to Jun-23. S&P Australia prime residential mortgage-backed securities index (90+ days past due). Average from Sep-16 to Mar-23.

Capital management

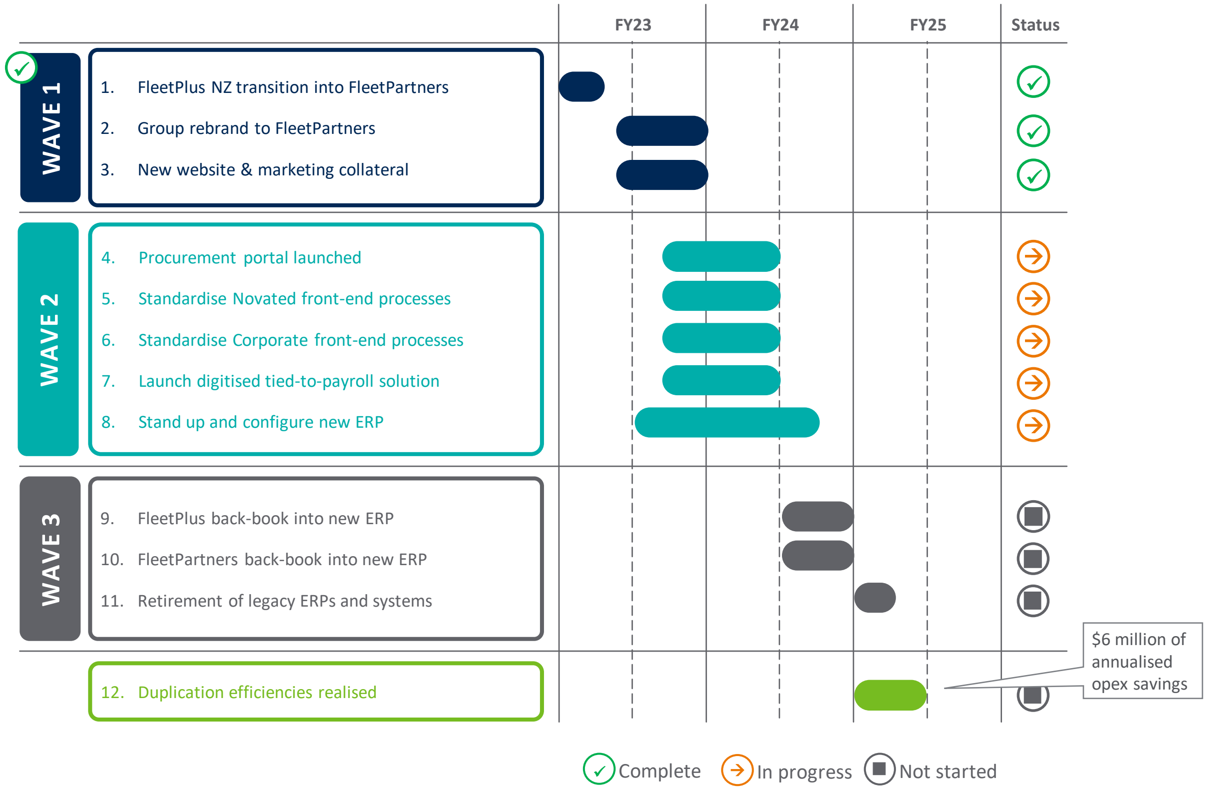
On track to have returned c.24% of share capital by Sep-23

Buy-back[1]



Accelerate update

✓ Wave 1 completed c.3 months ahead of plan … rest of project on track



1) Share buy-back remains subject to availability of share liquidity/volume and compliance with all regulatory and market restrictions. Target range is subject to change, as determined by the Board.
2) Bought back $123m of shares at an average price of $2.24 per share and cancelled 55m shares. The starting balance at May-21 was 307m shares (excluding treasury shares).
3) Bought back $14m of shares at an average price of $2.31 per share and cancelled 6m shares.
4) Assumes, for illustrative purposes, that 12m shares are purchased at a price of $2.50 per share, reflecting the remaining $29m of the announced target buy-back of $43m.

FY23 expectation analysis

	FY22A	FY23 (expectation)	Comments *(Comments in italics updated from 1H23 presentation)*
NOI pre EOL and provisions	$157.4m		*FY23 expected to be c.5% below FY22, due to:* • *Delay in NBW due to continued supply disruptions in 1H23* • *Continuation of maintenance activity levels observed in 1H23 due to higher fleet utilisation together with greater servicing requirements on ageing fleet, and maintenance and tyre cost inflation* • *2H23 migration of FleetChoice customers (P&A) to FleetPartners (warehouse)– driving higher balance sheet AUMOF* • *Partially offset by higher pricing on NBW in pipeline to be delivered in 2H23 and asset growth*
End of lease	$92.3m		• *3Q23 EOL profit per unit $7,753, 1% higher than 1H23 due to higher end of lease charges on aged vehicles* • *2,204 units sold in 3Q23, lower than 1H23 run rate due to less vehicles returned for disposal, driven by new car supply delays*
Provisions	$2.1m		• Normal levels of provisioning expected, in line with FY19 levels
NOI	**$251.7m**		
Operating expenses	($80.3m)	*($83.5 – 84.5m)*	• *4% - 5% increase driven by inflation (wages and technology) along with heightened level of customer demand (orders)* • *Disciplined opex management resulting in an FY19 – FY23 opex CAGR of 0.3% - 0.6%*
EBITDA	**$171.4m**		
Interest & depreciation on leases	($3.4m)	($2.5 – 3.0m)	• Benefit of lease rental related savings
Share-based payments	($3.0m)	($3.5 – 4.0m)	• Stable however FY22 lower from one-off redundancy impact
Depreciation	($1.0m)	($1.0 – 1.2m)	• Stable
Interest on corporate debt	($5.5m)	*($6.7 – 6.8m)*	• *Based upon current 90-day BBSW. $0.1m increase for every future 25 bps of BBSW increase* • *May increase should inorganic or organic opportunities emerge*
Tax	30.1%	29 – 30% (tax rate)	• Based on statutory earnings from Australia and New Zealand • No Australian corporate tax expected to be paid in cash, given eligibility for temporary full expensing on operating leases. Deferred tax liability will increase accordingly

Operating environment and strategic priorities

FleetPartners has a clear strategy to pursue long-term growth

Operating environment

- AUMOF growth has continued and proven resilient in the face of a challenged supply environment
- Customer demand, indicated by orders, continues to be strong across all segments
- Delivery timeframes vary across makes and models, with limited improvement since Mar-23, outside of EVs
- Electric vehicle adoption is accelerating in Novated … Corporate fleets expected to follow
- Order pipeline now at 3.2x FY19 levels[1] … helps underwrite AUMOF growth once supply normalises
- In the meantime, NOI will continue to be elevated due to COVID-19 tailwinds, in particular EOL
- Expect EOL to revert to pre-COVID-19 levels over the coming years of c.$30m p.a. (c.2,350 per vehicle)

Strategic priorities

- Strategic Pathways execution on track … targeting increased market share in three under-penetrated segments
- Capitalise on the outsourcing of EV fleets by leveraging expertise held by Fleet New Zealand
- Focus on returns by shifting towards more profitable offerings … maximum products per lease
- Accelerate … $6m annualised opex reduction by mid-FY25 for one-off $25m investment
- Share buy-back program … 20% of shares cancelled to date and a further c. 4% to be cancelled
- Accretive M&A … actively pursuing opportunities
- ESG and sustainability are central to the Group's strategy and values

FleetPartners today

- ✓ Highly cash-generative business model
- ✓ Strong balance sheet and no net debt
- ✓ High quality credit portfolio
- ✓ Multiple EPS growth drivers
- ✓ Predictable, annuity-like income
- ✓ Disciplined approach to opex management
- ✓ Proven funding and liquidity standing

1) Indexed to FY19 as FY19 represents the last full financial year prior to the emergence of the COVID-19 pandemic.

Thank you

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