

Eclipx Group FY21 results presentation

3 November 2021

 **fleetplus**

 **FleetPartners**

 **FleetChoice**

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All figures in this Presentation are A\$ unless stated otherwise and all market shares are estimates only. A number of figures, amounts, percentages, estimates, calculations of value and fractions are subject to the effect of rounding. Accordingly, the actual calculations of these figures may differ from figures set out in this Presentation.



FY21 results agenda

personal use only

1 Performance highlights

2 Financial result

3 Strategic Pathways

4 Outlook

1. Performance highlights

FY21 performance highlights

1



POSITIVE JAWS

32% NOI GROWTH AND
2% OPEX REDUCTION

2



↑ 110%

INCREASE IN NPATA

3



↓ 80%

REDUCTION IN NET
DEBT

4



BUY-BACK

65% OF FY21 NPATA
(\$56M)¹

5



\$644M

NBW

6



**STRATEGIC
PATHWAYS
ON TRACK**

30 September 2021
(A\$m unless specified)

FY21A

FY20A⁵

Var +/-(-)

Income statement

NOI pre EOL & provisions ²	151.5	140.8	8%
EOL	69.2	33.3	108%
Provisions	2.6	(4.8)	nm
NOI	223.3	169.3	32%
OPEX	79.9	81.5	2%
EBITDA	143.4	87.9	63%
NPATA	86.1	41.0	110%

Balance sheet

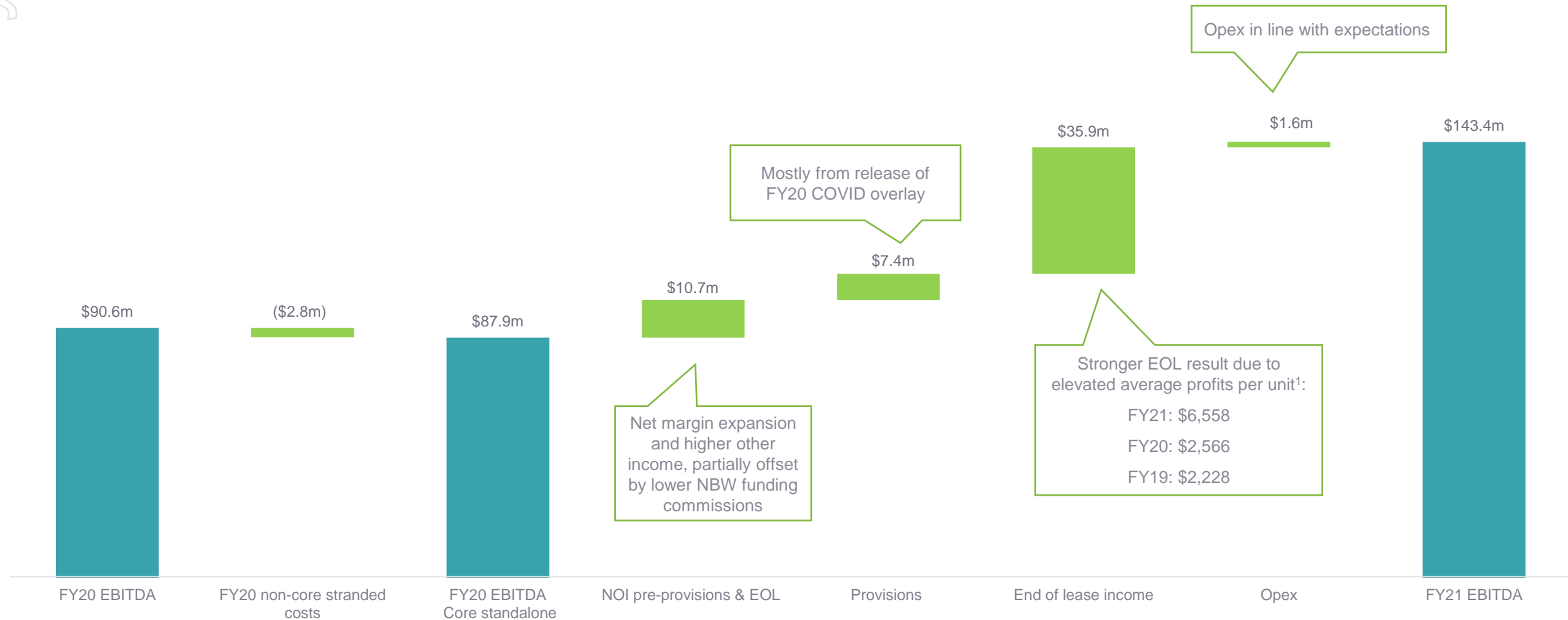
NBW ³	644	629	2%
AUMOF	1,926.8	2,001.0	(4%)
Cash conversion	121%	178%	(57%)
Net debt	20	99	(80%)
Net debt to EBITDA ⁴	0.14x	1.10x	(87%)

Notes:

1. Share buy-back program increased from previously announced \$40m to \$56m, a \$16m increase. \$56m represents 65% of FY21 NPATA
2. NOI pre EOL & provisions represents Net Operating Income before EOL, credit and fleet impairment provisions
3. NBW is shown ex panel
4. Adjusted net debt (includes other financial indebtedness) to 'adjusted EBITDA' as reported to ECX lenders for covenant reporting
5. FY20A represents Core standalone including non-core stranded costs

EBITDA growth drivers

63% EBITDA growth in FY21, driven by net margin expansion, provision releases and temporarily elevated EOL income

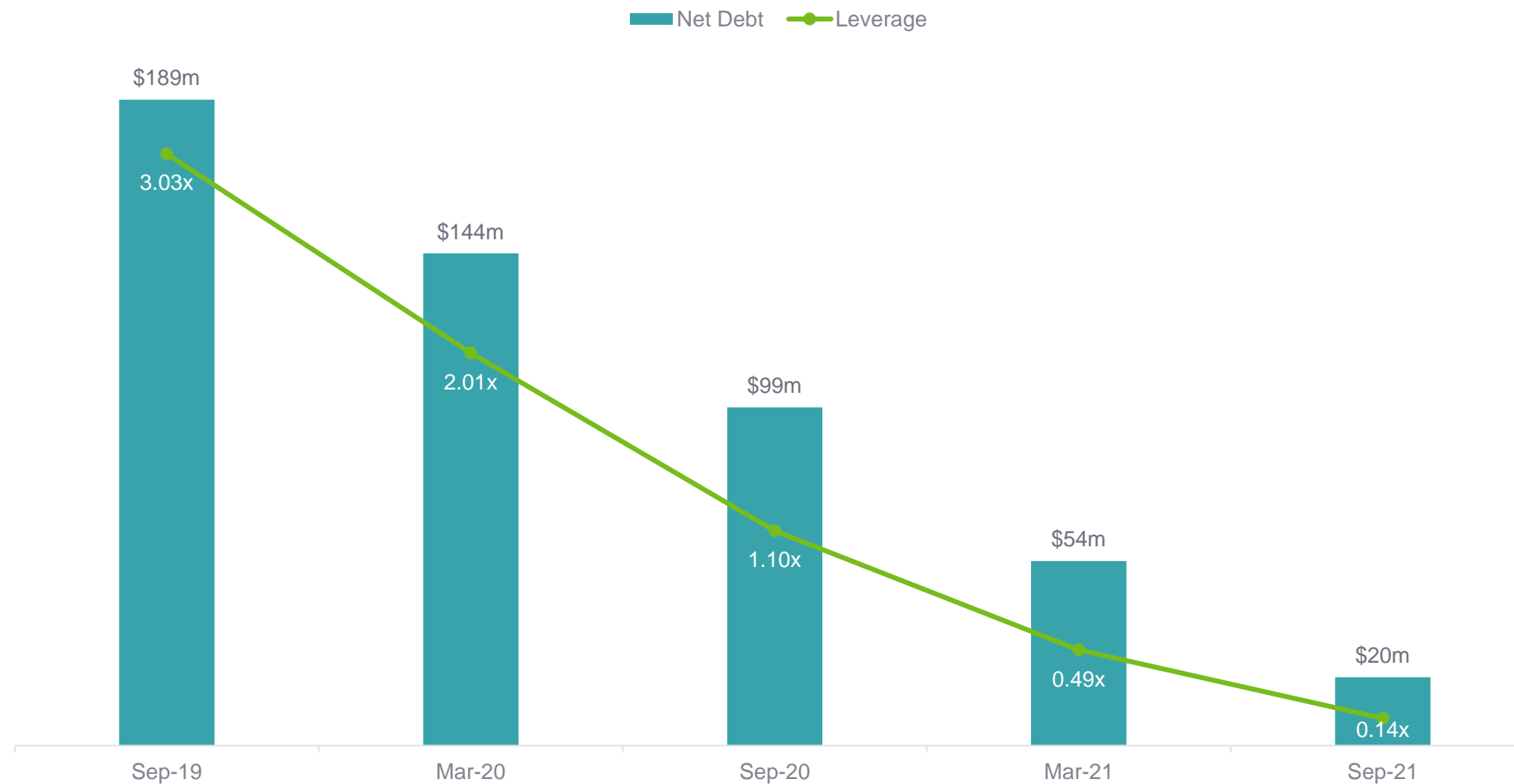


1. Statutory tax only. No Australian cash tax instalments expected to be paid until late FY24 given eligibility for instant asset write-off on operating leases

Corporate net debt reduction

Corporate net debt reduced to \$20 million, debt facilities refinanced to flexible, lower cost terms

Net corporate debt and leverage¹



Commentary

- Facility refinanced in September 2021
- Closing gross debt: \$96m (net debt: \$20m)
- Interest paid on gross debt (drawn and undrawn lines)
- Cost of funds reduced and pricing grid improved
- Average tenor 3.7 years
- Overall facility terms provide ECX with significant organic and inorganic flexibility
- See slide 43 for details

Notes:

1. Adjusted net debt (includes other financial indebtedness) to adjusted EBITDA as reported to ECX lenders for covenant reporting

Capital management

Capital payout ratio (CPR) of 65% of FY21 NPATA, implies a yield of 7.2%¹—going forward the Group expects a CPR of 55 – 65% of NPATA

Share Buy-Back program increased from \$40m to \$56m

Yield ¹	
Market cap	\$782m
FY21 capital return	\$56m
Implied yield	7.2% ¹



Buy-back rationale²

Balance sheet position

- Organic capital generation and limited net debt

Tax and franking credits

- Nil franking credits
- No planned Australian tax instalments (Federal instant asset write-off policy), therefore no franking accruals, expected until late FY24
- In the absence of franking credits to support dividends, on-market share buy-backs considered the optimal form of capital distribution to shareholders

FY21 capital payout ratio and targets

- Capital return to investors via share buy-back
- 65% of FY21 NPATA or \$56m total capital return for FY21 as buy-back
- Return is incremental \$16m to the \$40m previously announced during 2H21
- Ongoing target CPR of 55-65% of NPATA, to be updated half yearly

Alternative uses of capital

- Ongoing capital returns are subject to no alternative use of capital arising that would otherwise generate a superior return on capital. For example, this could include organic growth beyond internal forecasts or acquisition opportunities

Notes:

- Simple yield calculation being \$56m capital return as a % of the market capitalisation post market close on 1 November 2021
- Share buy-back remains subject to availability of share liquidity/volume and compliance with all regulatory and market restrictions. Target ranges subject to change based on underlying business performance and capital allocation decisions as determined by the Board.
- \$27.6m worth of shares acquired in buy-back to 30 September 2021, representing 12.23m shares purchased at an average price of \$2.2532 per share relative to a market VWAP of \$2.2635. All purchased shares have been cancelled

FY21—Key achievements

✓ Managed through Simplification & COVID-19

1
Non-core
divestments



2
Strengthening
balance sheet



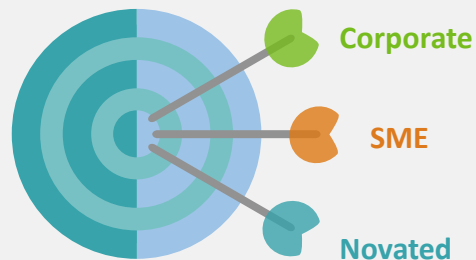
3
Cost
optimisation



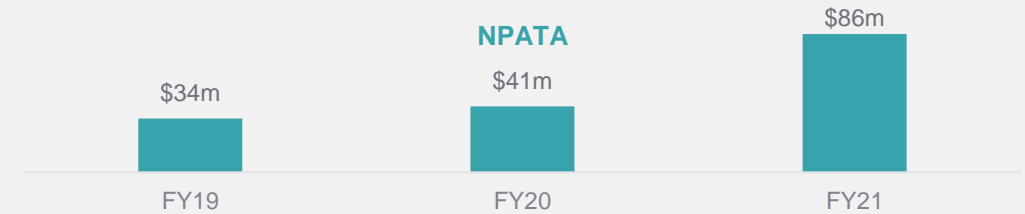
4
Investment in
sustainable core
growth



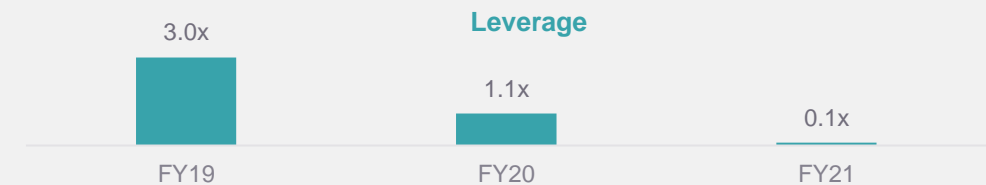
✓ Progressed Group
strategy (Strategic
Pathways) to expand into
new and existing target
markets



✓ Increased business profitability



✓ De-leveraged the Group



✓ Committed to sustained shareholder capital returns

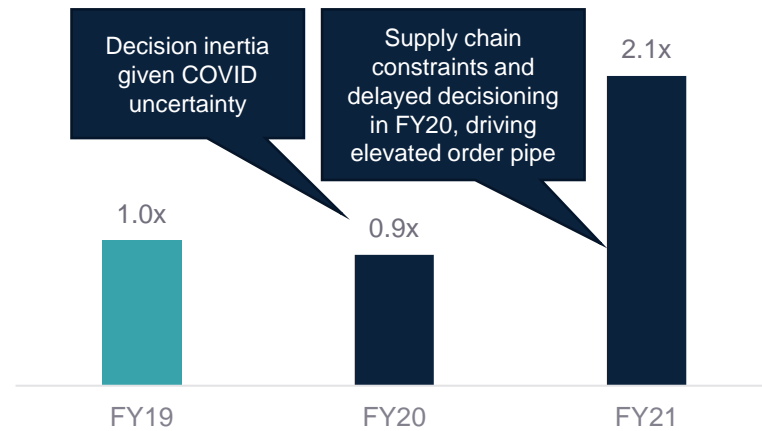
55 – 65% capital (buy-back) payout ratio

2. Financial result

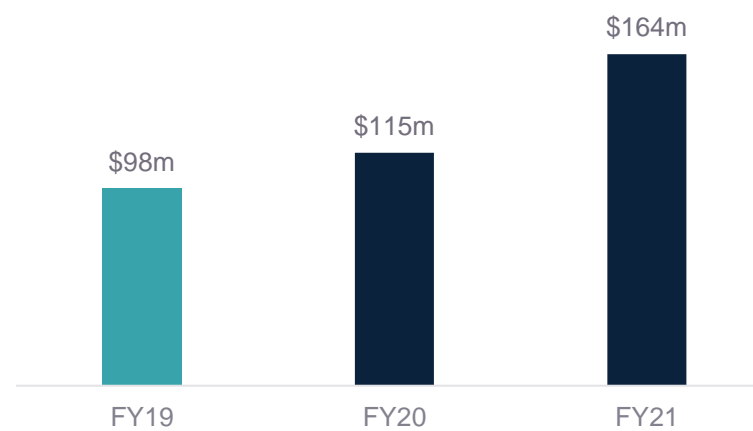
Lease extensions, order pipeline and EOL

Pre-Covid (FY19)

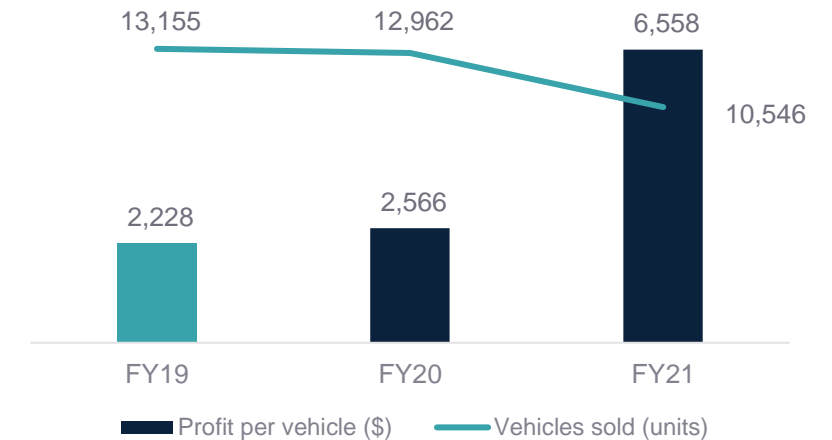
Order pipeline (multiple of FY19 order pipeline)



Lease extensions



End of lease income per vehicle



Primary cause

- Order demand remains strong, but deliveries constrained by new car supply shortage. Customers ordering further in advance
- Although recent imports are above historic average, OEM production remains below pre-COVID level, and a backlog remains
- Customers extending leases in the absence of new replacement vehicles / longer wait times

Consequences

- Fleet AU & Novated order time increased by c.4.5 months
- Fleet NZ order time increased by c.3 months

Expectations

- Order times normalise as supply returns
- Lead times remain challenged in calendar year 2022

Consequences

- Higher yielding leases given income is earned off a lower asset base as extended leases continue to depreciate

Expectations

- Reverts to pre-COVID extension levels as supply is restored and orders are fulfilled
- Extended leases being replaced by new leases written at more normalised yields

Primary cause

- Lack of supply of new vehicles driving temporary used vehicle price inflation

Consequences

- Strong near-term EOL income and capital generation

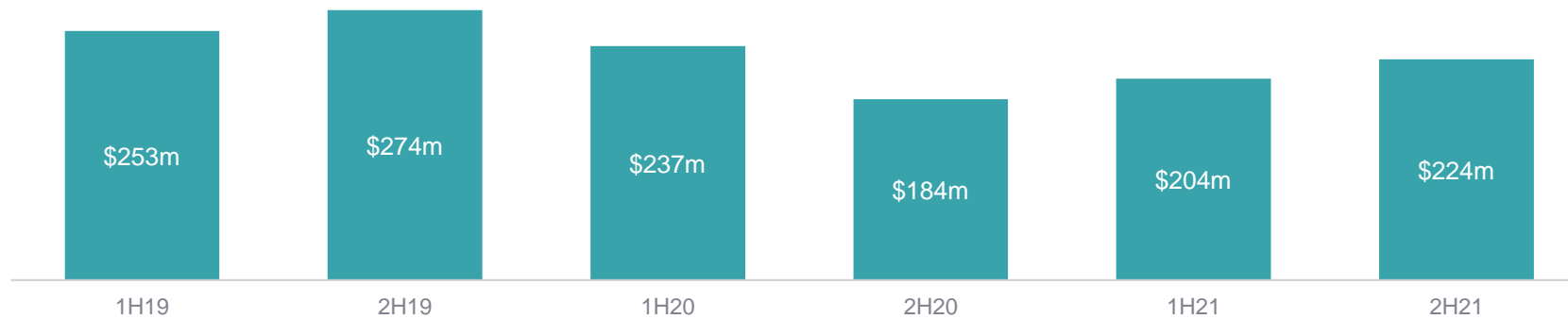
Expectations

- Market is temporary and expected to normalise over time with the return of supply towards pre-COVID levels of \$2,200 to \$2,500
- Expecting gradual normalisation of EOL with the return of supply

New business writings and orders

NBW growth returning but remains below pre-COVID levels as new vehicle supply remains constrained

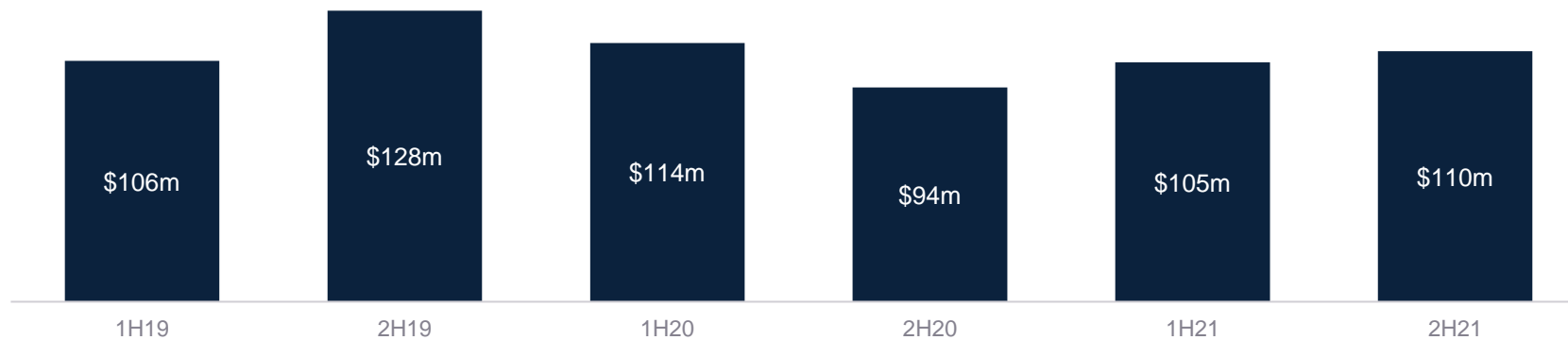
Corporate & SME new business writings (NBW) – ex Panel



Comments

- NBW growth of 22% in 2H21 on pcp or 10% hoh
- 2H21 NBW at 95% of pre-COVID levels (1H20)
- Global auto supply chain disruption and Auckland level 4 lockdown impacted deliveries
- Order pipeline at historic highs as a result of increased lead time—NBW recognised only upon vehicle delivery
- Lease extensions (not included in NBW) remain elevated, up 42% on pcp
- Tendering activity remains very active despite recent 4QFY21 lockdowns

Novated new business writings (NBW)



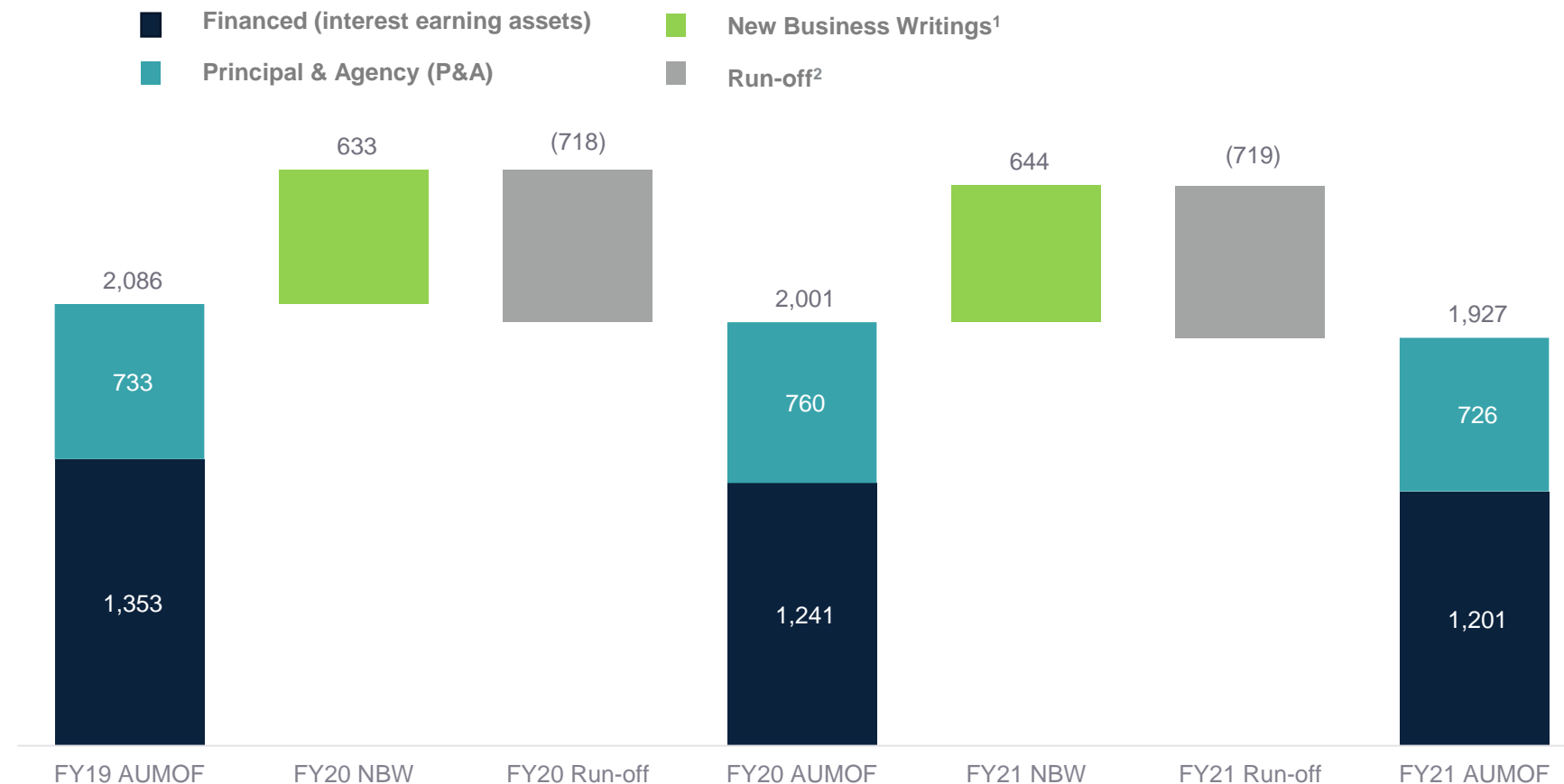
Comments

- NBW growth of 17% in 2H21 on pcp or 5% hoh
- 2H21 NBW at 97% of pre-COVID levels (1H20)
- NSW and VIC lockdowns in 4QFY21 reduced inquiries, confidence and slowed otherwise strong business momentum
- Rollout of digital originations platform (including straight-through credit processing) to all major clients being targeted for completion by end of calendar year 2021

Assets and vehicles under management

While the order pipeline is at all-time highs, vehicle supply constraints have led to lower NBW and assets under management—despite a 4% reduction in AUMOF, NOI pre EOL and provisions has grown by 8%

Assets under management or financed (AUMOF; \$m)



Comments

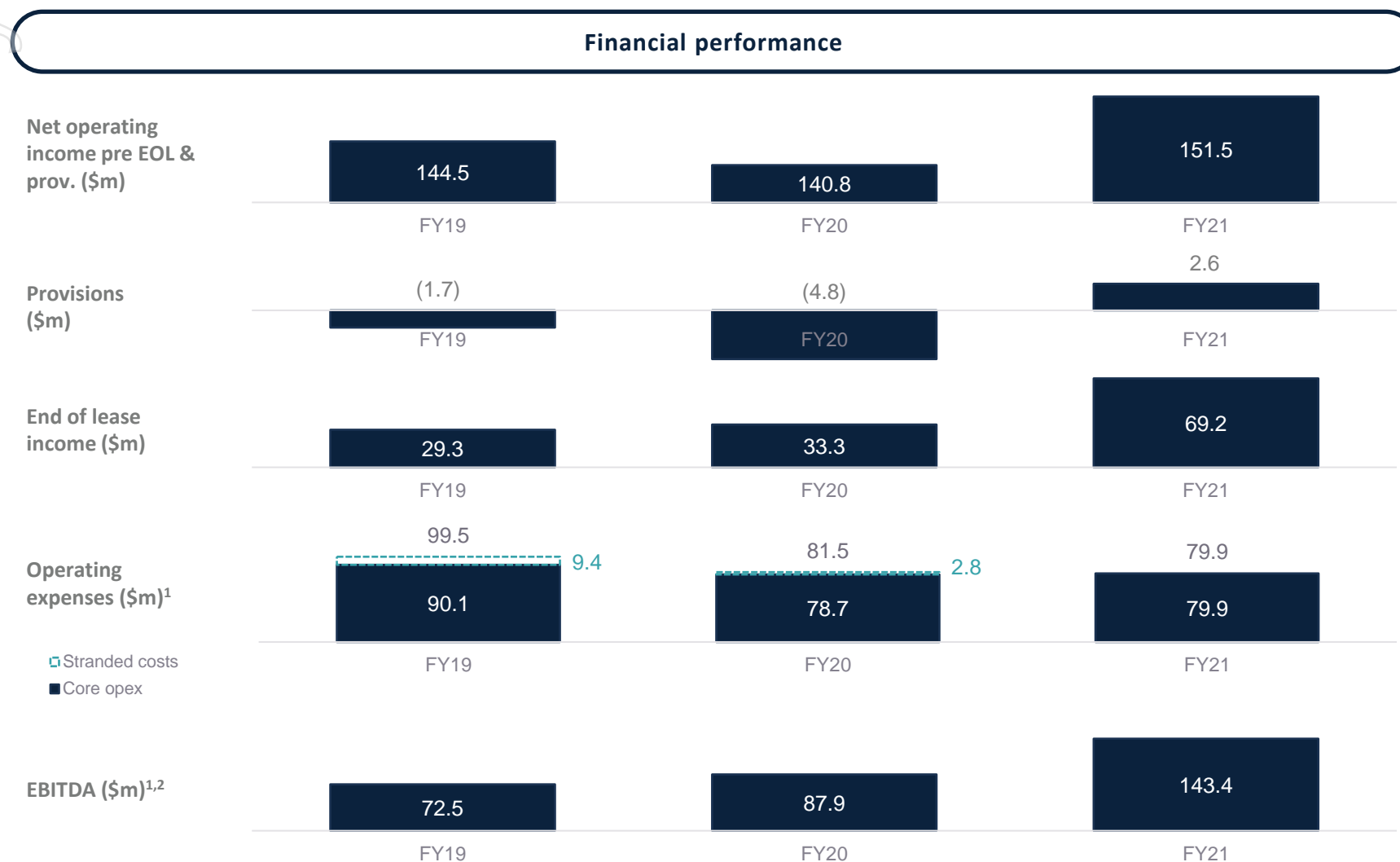
- AUMOF down 4% pcp, as a result of lower NBW from new vehicle supply constraints
- Despite a 4% reduction in AUMOF, NOI pre EOL and provisions has grown by 8%
- Financed AUMOF down 3% compared to P&A AUMOF down 4% as warehouse financing prioritised over P&A financing
- Vehicles under management or financed (VUMOF) of 93k down 2% on pcp, as the business has exited lower profitability managed only units
- Unit profitability (NOI pre EOL & provisions / Avg VUMOF) has increased from \$1,412 in FY19 to \$1,606 in FY21 which is up 13%—Supported by the ongoing run-off of lower profitability panel business and by increased extensions in the period

Notes:

1. FY20 NBW includes panel
2. AUMOF reduction from terminated leases, depreciation (operating leases) and repayments (finance leases)

Financial performance

Strong growth in NOI and end of lease income coupled with disciplined cost management has resulted in outperformance in EBITDA



Comments

Net operating income pre EOL and provisions up 8% on pcip driven by:

- Net margin expansion, higher maintenance profit and higher management fees

Provisions were down \$7.4m on pcip mainly due to the release of FY20 COVID overlay

End of lease income up 108% on pcip driven by:

- Strength in the used vehicle prices from higher demand and lower supply
- EOL expected to normalise as supply is restored

Operating expenses down 2% on pcip driven by cost discipline

EBITDA up 63% on pcip driven by strong NOI and temporarily elevated EOL income

Notes:

1. FY19 EBITDA is prior to the implementation of AASB16
2. EBITDA is core standalone after inclusion of non-core stranded costs

Income statement

NPATA of \$86.1m, represents growth of 110% on pcp

\$ million	FY21	FY20 (Core standalone ¹)	FY20 (Core)	PCP (%) (Core standalone)
Net operating income pre EOL and provisions	151.5	140.8	140.8	8%
End of lease income	69.2	33.3	33.3	108%
Fleet and credit provisions	2.6	(4.8)	(4.8)	nm
Net operating income	223.3	169.3	169.3	32%
Total operating expenses	(79.9)	(81.5)	(78.7)	2%
EBITDA	143.4	87.9	90.6	63%
Share based payment expense	(4.5)	(6.0)	(6.0)	25%
Interest on corporate debt	(9.6)	(14.9)	(9.8)	36%
Depreciation and software amortisation	(6.6)	(6.3)	(5.9)	(5%)
Depreciation and interest on leases (AASB 16)	(4.5)	(6.3)	(5.3)	29%
Amortisation of acquired intangibles	(3.1)	(3.8)	(3.8)	19%
Non-recurring items	(7.6)	(8.3)	(8.3)	8%
PBT	107.5	42.3	51.5	154%
Tax expense	(31.6)	(12.4)	(15.1)	(155%)
NPAT	75.9	30.0	36.4	153%
Add back amortisation of acquired intangibles (post tax)	2.4	2.7	2.7	(9%)
Add back non-recurring items (post tax)	5.3	5.9	5.9	(10%)
NPATA pre add back of software amortisation (post tax)	83.6	38.5	45.0	117%
Add back software amortisation (post tax)	2.5	2.5	2.5	(1%)
Cash NPATA	86.1	41.0	47.5	110%

Notes:

1. Core standalone includes non-core stranded costs

Comments

- EBITDA growth of 63% driven by strong NOI of 32% and cost discipline. NPATA grew by 110% on pcp
- NOI pre EOL and provisions up 8% pcp as net margin expansion, higher maintenance profit and higher management fees more than offset the declines in AUMOF and VUMOF
- End of lease income (EOL) up 108% pcp driven by continued strength in the used vehicle market. EOL profit per unit was up 156%, partially offset by a 19% reduction in number of vehicles sold
- Fleet and credit provisions have reduced by \$7.4m on pcp mainly due to the release of FY20 COVID overlay
- Operating expenses have reduced by 2% pcp, driven by disciplined cost management
- Interest on corporate debt reduced 36% on pcp due to repayment of corporate debt given strong organic cash generation
- Non-recurring items mostly driven by redundancy payments and corporate debt refinancing costs which enhances flexibility and lowers debt expense

Group balance sheet

Balance sheet strength underpinned by the successful execution of the Simplification Plan and temporarily elevated cash generation relating to EOL income and the cash tax shield in Australia

\$ million	30 Sept 21	30 Sept 20	Prior period (%)
Assets			
Cash and cash equivalents	76.4	55.8	37%
Restricted cash and cash equivalents	150.5	152.0	(1%)
Trade and other receivables	58.3	68.5	(15%)
Leases	1,197.4	1,237.5	(3%)
Inventory	24.8	18.4	35%
Deferred tax assets	-	3.4	nm
PP&E	3.8	6.0	(36%)
Intangibles	472.2	469.3	1%
Right-of-use assets	16.9	21.6	(21%)
Total assets	2,000.5	2,032.5	(2%)
Liabilities			
Trade and other liabilities	132.7	107.8	23%
Borrowings – Warehouse and ABS	1,125.2	1,190.0	(5%)
Borrowings – Corporate debt	96.0	155.0	(38%)
Provisions	9.7	9.8	(1%)
Other liabilities	5.9	28.1	(79%)
Lease liabilities	19.5	23.8	(18%)
Deferred tax liabilities	35.9	9.6	276%
Total liabilities	1,424.8	1,524.1	(7%)
Net assets	575.7	508.5	13%
Contributed equity	639.2	654.8	(2%)
Reserves	183.8	177.0	4%
Retained earnings	(247.3)	(323.3)	23%
Total equity	575.7	508.5	13%

Comments

- Strong balance sheet achieved over the past two years through the successful execution of the Simplification Plan and elevated organic cash generation
- Acceleration of capital return to shareholders with the announcement of a \$56m buy-back as detailed on slide 9
- Net debt reduced by \$79m down to \$20m
- Cash growth driven by strong organic cash generation, being partially offset by share buy-back and corporate debt repayment
- Leases and warehouse borrowings reduced by 3% and 5% respectively due to lower new business writings arising from new vehicle supply constraints
- Inventory increased by 35% as 4QFY21 lockdowns in NSW, VIC & NZ impacted disposal of stock
- Gross corporate debt reduced by 38% due to early repayment and refinancing

Cash generation

Strong organic cash generation (FY21: 121% of NPATA) supported by elevated EOL and cash tax shield enabling repayment of corporate debt and return of capital via buy-back

Cash flow

\$m	FY21
Operating cash flow	
Customer receipts	719.5
Payment to suppliers & employees	(268.7)
Income tax refund	3.6
Net interest paid	(57.5)
Net operating cash flow	396.9
Investing cash flow	
Purchase of operating & finance lease vehicles	(408.4)
Capex (PP&E & intangibles)	(6.2)
Proceeds from asset disposals net of transaction costs	11.2
Proceeds from sale of operating lease vehicles	210.9
Net investing cash flow	(192.6)
Financing cash flow	
Net change in borrowings	(143.1)
Payment of lease liabilities	(2.7)
Movement in share capital	(41.7) ²
Net financing cash flow	(187.5)
Net cash flow	16.9

Organic cash generation and cash conversion

\$m	FY21
Net cash flow	16.9
Proceeds from sale of discontinued operations net of transaction costs	(11.2)
Capex	6.2
Change in corporate debt	59.0
Movement in share capital	41.7
Organic cash generation	112.5
NPATA adding back non-cash SBP & depreciation pre tax	93.3
Cash conversion¹	121%

Comments

- Business generated \$397m of operating cash flow and \$112.5m of organic cash flow (as defined above)
- Cash generation temporarily elevated given strong EOL performance
- Cash conversion¹ was 121% in FY21, enhanced by the tax timing difference associated with the Australian instant asset write-off legislation
- \$59m cash used to repay corporate debt
- \$28m cash distributed to shareholders via buy-back

Notes:

1. Organic cash generation / Core NPATA (including stranded costs) adding back non-cash SBP and depreciation pre tax
2. Relates to the increases of ECX's ESOP Trust share count from 4.3m shares to 21.2m shares. The increase in the ESOP balance relates to the issuance of 5.5m shares and the on-market purchase of 4.5m shares into the ESOP post the AGM in 2021. Throughout the year, IPO loan shares were also settled seeing the return of 6.8m additional shares into the ESOP Trust. All equity instruments vesting in FY22 are expected to be covered by the shares currently sitting in the ESOP Trust.

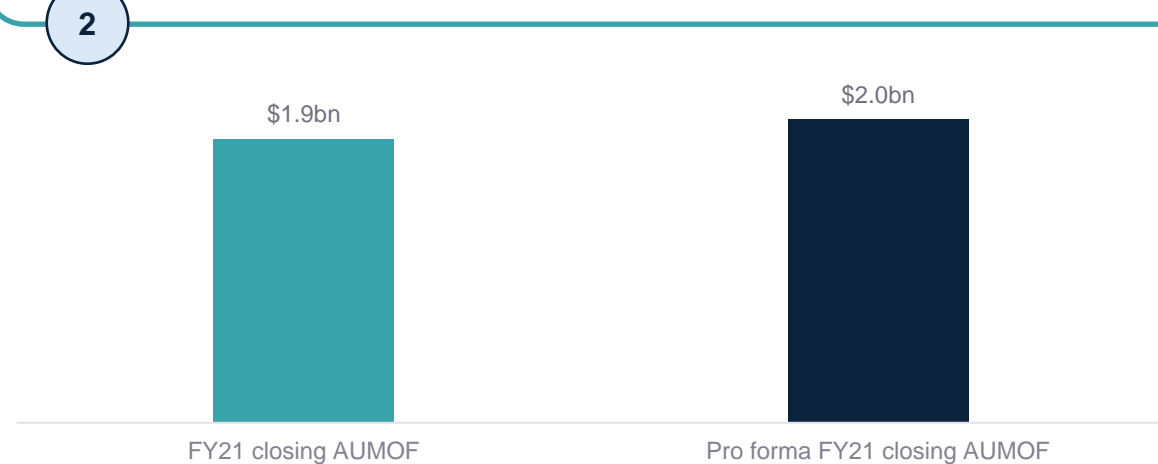
Illustration of steady state FY21 NOI after adjusting for COVID impacts

COVID had three influences on Group NOI: EOL (positive), NBW supply delays (negative) and Provisions (positive)—charts below reflect an illustrative steady state FY21 NOI

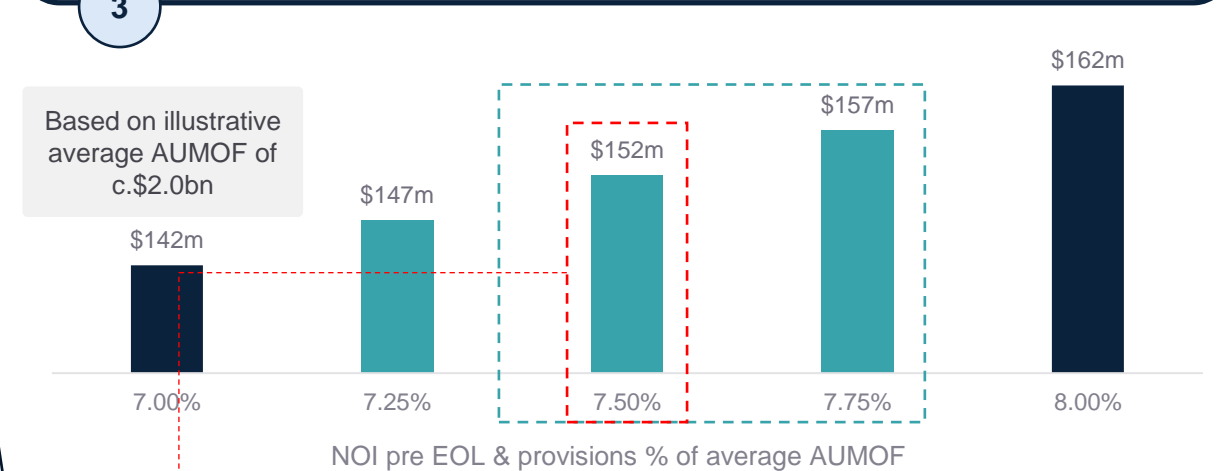
1 Illustrative NBW adjusting for supply constraints



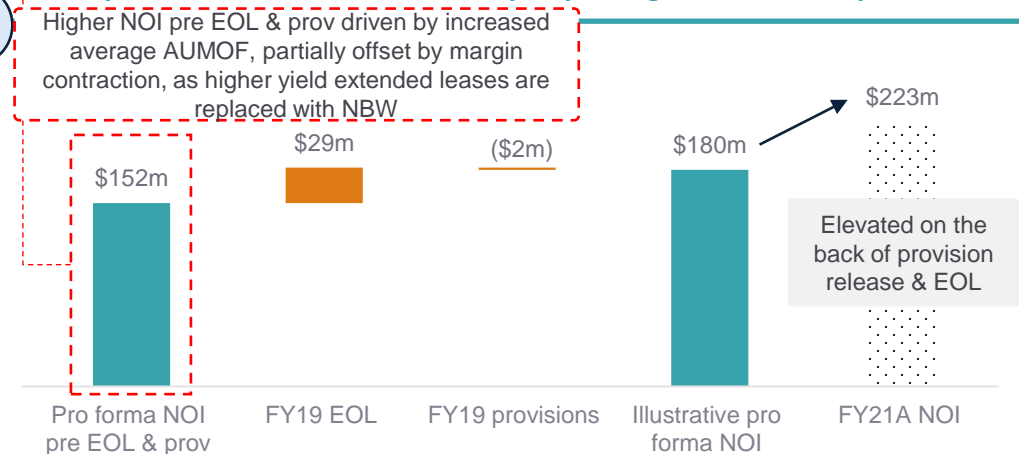
2 Illustrative AUMOF



3 Illustrative NOI pre EOL & provisions sensitivity (based on average AUMOF margin)



4 Steady state NOI after illustratively adjusting for COVID impacts



FY22 expectation analysis

	FY21A	FY22 (expectation)	Cash item	Update
NOI pre EOL & provisions	\$151.5m		✓	<ul style="list-style-type: none"> Continued downward pressure on average AUMOF given supply constraints, partially mitigated by NOI margin expansion expected on the back of warehouse renewal and lower cost of funds Incremental NBW of c.\$80m vs FY21 is required in FY22 to maintain closing AUMOF stable with FY21
End of lease income	\$69.2m		✓	<ul style="list-style-type: none"> Prices in used vehicle market are materially elevated Price rationalisation expected to occur gradually over time, when new vehicle inventory supply is restored
Provisions	\$2.6m		✗	<ul style="list-style-type: none"> \$2.5m COVID overlay credit provision retained Subject to no further deterioration in macroeconomic conditions, no further overlay expected
NOI	\$223.3m			
Operating expenses	(\$79.9m)	(\$80.0m)	✓	<ul style="list-style-type: none"> Opex expected to be flat, with productivity improvements being redeployed for growth
EBITDA	\$143.4m			
Interest & depreciation on leases	(\$4.5m)	(\$4.0 – 4.5m)	✓	<ul style="list-style-type: none"> Stable
Share based payments	(\$4.5m)	(\$4.0 – 4.5m)	✗	<ul style="list-style-type: none"> Stable
Depreciation	(\$2.6m)	(\$1.0 – 2.0m)	✗	<ul style="list-style-type: none"> Lower depreciation in FY22 due to accelerated depreciation in FY21 as a result of migration of data to the cloud
Interest on corporate debt	(\$9.6m)	(\$5.5 – 6.5m)	✓	<ul style="list-style-type: none"> Gross debt expected to remain stable through FY22 Lower interest expense on the back of corporate debt refinance
Tax	29.4%	29 – 30% (tax rate)	✓ (NZ only)	<ul style="list-style-type: none"> Based on statutory earnings from Australia and New Zealand No Australian corporate tax expected to be paid in cash, given eligibility for instant asset write-off on operating leases. Deferred tax liability will increase accordingly

3. Strategic Pathways



Environmental, Social and Governance (ESG)

ENVIRONMENT

Climate Active Status¹—only Fleet Management Organisation
Longstanding funding relationship with the Clean Energy Finance Corporation

DIVERSITY & INCLUSION

ASX leader for female board representation
Extending maternity/paternity leave
One of the first ASX companies to introduce compassionate leave for miscarriage



CUSTOMERS

Customer advocacy
Significant growth in NPS since FY18
95% of medium-term internal target achieved
Supporting clients with their ESG and emissions targets including EV fleet transitions

EMPLOYEES

Engagement score increased from 50s in 2018 to 70+ current
90% of medium-term internal target achieved

GOVERNANCE

Transparency, Whistleblower Policy & Code of Conduct
Anti-Bribery, Corruption, Gifts & Hospitality Policy
Cyber security and data privacy
Modern Slavery statement

Notes:

1. Climate Active is a partnership between the Australian Government and Australian businesses to drive voluntary climate action. Climate Active certification is awarded to businesses and organisations that have reached a state of carbon neutrality, the certification for which is considered one of the most rigorous globally

Approach to the market opportunity

Strategic priorities

1. Grow underpenetrated markets (Corporate, SME & Novated)
2. Expand internal talent pool to drive leading outcomes
3. Enhance education of SME and Novated customers
4. Continuous improvement of digital offering
5. Customer retention
6. Grow direct and via strategic partnerships

Novated

Increased penetration and expansion of client base (corporate / government)



First “end-to-end” novated leasing experience with STP credit

Go-to-market strategy

- Lead-gen through digitised pipeline & customer targeting tools
- Traditional BDM model coupled with increased focus on marketing & digital customer education



One stop shop, digital platform, for all customer fleet requirements

Go-to-market strategy

- B2B multi-layered client relationships
- Market leading service proposition
- Content & account-based marketing
- Improved strength of sales team & CRM

Corporate

Above market growth in fully maintained operating leases

Post initial phases of testing, targeting partnership expansion, subject to macro conditions

SME



Online real-time quoting and approvals tool meeting customer needs and distribution channel partner requirements

Go-to-market strategy

- OEM's & dealers
- Specialised industry & strategic partners (recently launched a new partnership with a specialist third-party distribution channel)
- Direct sales channel
- Enhanced focus of BDM's

Strategic Pathways—FY21 outcomes

Good progress made in all three target markets during the first 12 months of Strategic Pathways

 NOVATED

 CORPORATE

 SME

NBW GROWTH & ORDERS

17% NBW growth in 2H21 on pcp

Order pipeline at 2.8x pre-COVID levels (FY19)

22% NBW growth in 2H21 on pcp (incl. SME)

Order pipeline (incl. SME) at 2.0x pre-COVID levels (FY19)

NBW and orders outperforming expectations

TEAM & CAPABILITY

Sales team enhanced
Marketing capability deployed

Appointed Daniel Thompson as CCO¹,
and made additional strategic hires
Strategic partnership supporting EV capability

Established dedicated team in AU under strong lead
6 distribution partners with growing partner pipe

 novated

LIVE - In roll-out



130+

CORPORATE CUSTOMERS ONBOARDED

c.500%

YOY INCREASE IN PAGE VIEWS

 NITRO

LIVE



↑ 16%

YOY USER INCREASE

40%

UPLIFT IN PAGE VIEWS OVER THE LAST 6 MONTHS

ONLINE QUOTING



6

LIVE DISTRIBUTION PARTNERSHIPS

4 minute

END-TO-END QUOTE GENERATION

Notes:

1. Chief Customer Officer

Strategic Pathways—System simplification

Streamlined and centralised CRM

COMPLETE



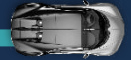
Enhanced data quality and single source of truth



Increased sales & relationship management productivity



Improved sales effectiveness supporting commercial intensity



Cloud data warehouse



AI/ML Automation Predictive model



Enable data driven insights for the business & our customers



Infrastructure transformation



Enabling systems' scale and sustainability



Information security resilience



Critical systems upgraded & transformed



Cloud datacenter created

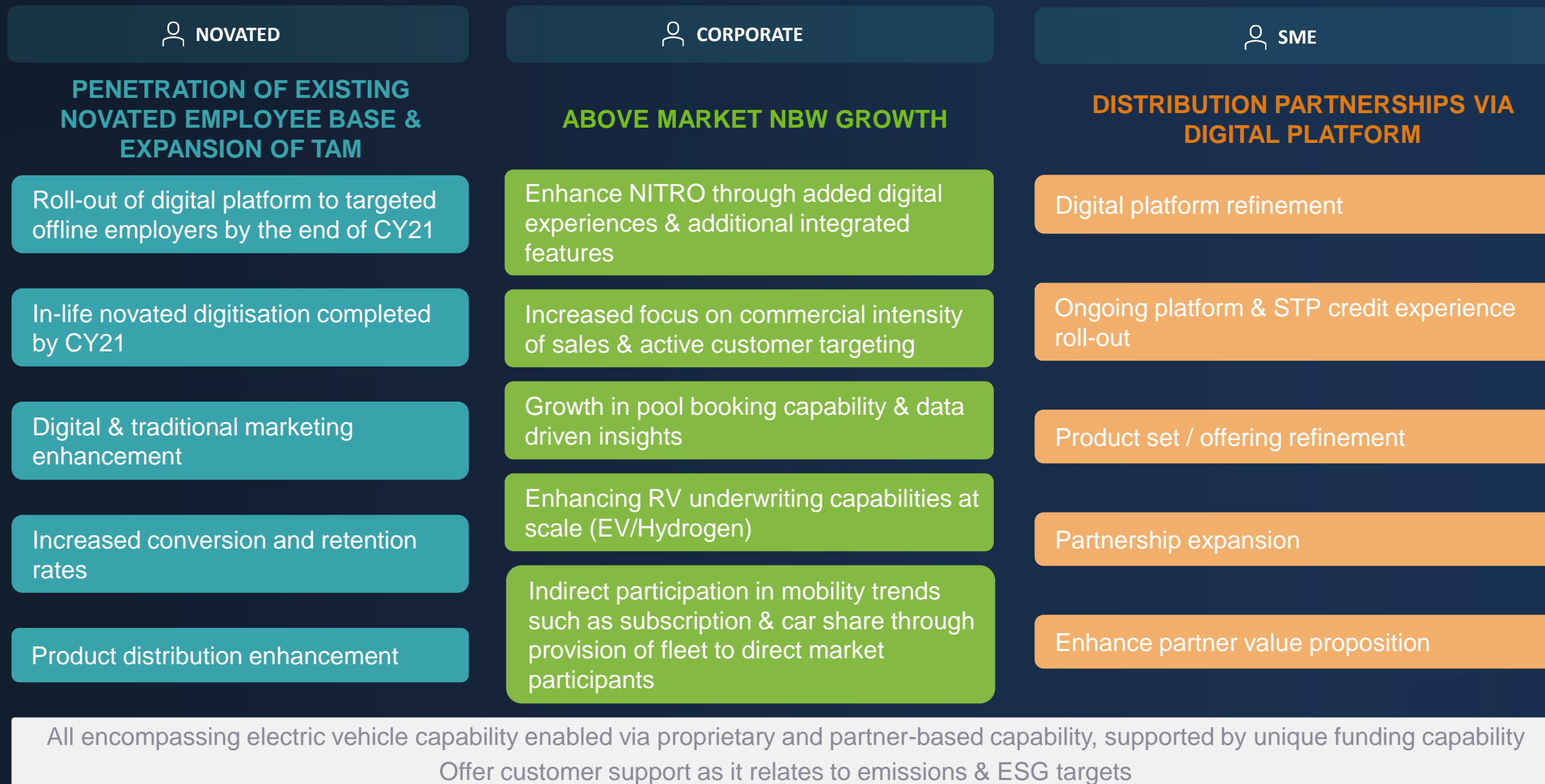


Cloud telephony



Strategic Pathways—looking forward and strategic outcomes

Foundations now developed, with focus on full activation and enhancements of digital origination platforms



4. Outlook

FY22 outlook

Group well positioned

FY21 NPATA up 110% on pcp

121% cash conversion

Significant investment in traditional sales

Digital origination platforms expected to deliver growth, particularly as the supply-side normalises

Capital management

Share buy-back program increased from \$40m to \$56m—\$28m returned to date (65% of FY21 NPATA)

Implied yield of 7.2%¹

Going forward, target capital payout ratio of 55 – 65% of NPATA

Strategic Pathways on track

Twelve months into execution and progressing to plan

Focus on activation & enhancement of digital origination platforms

Supply disruption

Impacting vehicle deliveries (NBW), but customer order pipeline at all-time highs

Expectation is that supply returns, and the back log is cleared during 4Q CY22

EOL expected to remain elevated while supply remains constrained

Operating environment

Competition mostly rational, ex one foreign player

Tender activity and confidence is elevated

Novated confidence expected post lockdown

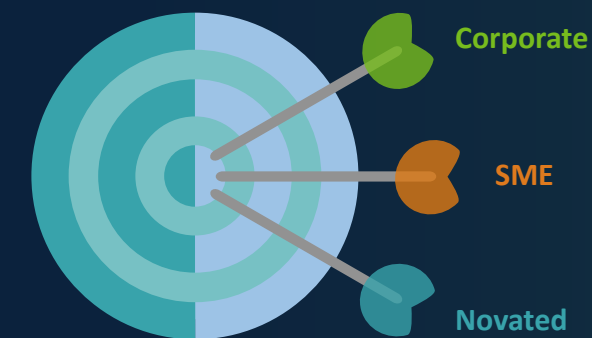
Emission reduction/EV transition

Emission reduction/ESG focus and NZ Govt changes have escalated demand for lower emission fleets

ECX is the only Climate Active certified FMO

Supporting clients with their ESG and emissions targets including EV fleet transitions

Strategic Pathways



Questions



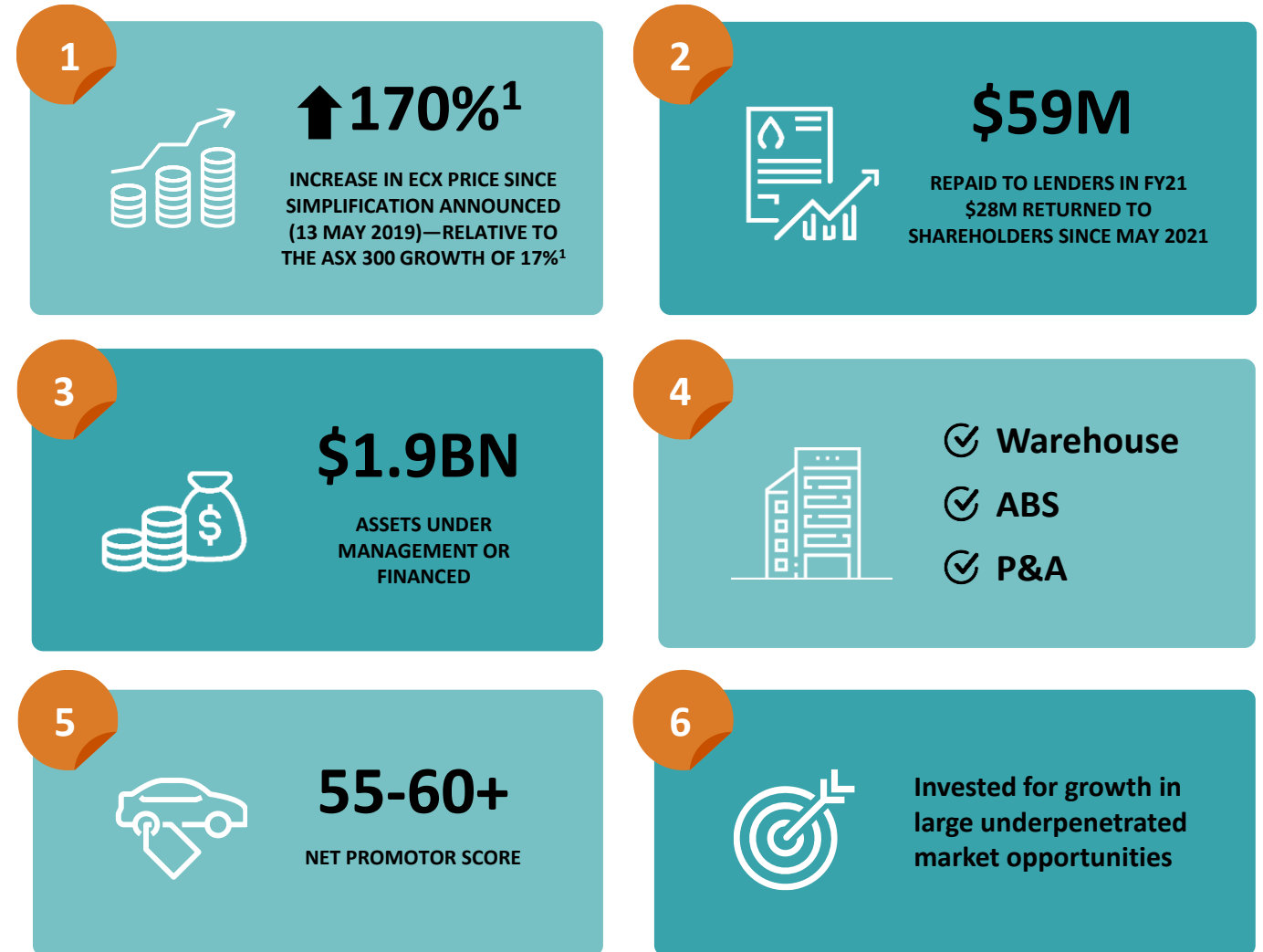
Appendix

A. Equity highlights

Equity highlights

Highly predictable, cash generative and defensive business in strong asset class—invested for growth in underpenetrated target markets

- 1 Equity market outperformance over the last two years
- 2 Planned ongoing capital returns to shareholders, given high cash flow generation
- 3 Large lease book, with sticky client base of widely distributed blue-chip customers providing stability of earnings
- 4 Unique and most diversified funding platform in the AU & NZ fleet management sector with 35yrs+ of credit, maintenance and residual value underwriting experience
- 5 Market leading service proposition enhanced by digitisation of UX and process improving service proposition and scalability
- 6 Investing in growth opportunities in underpenetrated markets (Corporate, SME, Novated)



Note:

1. As at market close on 1 November 2021

B. Business unit performance & other financial information

Business unit performance

Half-year ended September 2021

(\$m, unless stated)	Fleet AU	Novated	Fleet NZ	Group
NOI before EOL & Impairments	46.9	13.1	18.9	78.9
End of lease	24.7	0.7	11.7	37.0
Impairments	0.3	0.0	1.1	1.4
NOI	71.9	13.8	31.7	117.4
Operating expenses	(26.7)	(7.2)	(6.7)	(40.5)
EBITDA	45.2	6.6	25.0	76.9
AUMOF	962.7	514.2	449.8	1,926.8
VUMOF ('000)	53.9	15.1	24.1	93.1

Half-year ended March 2021

(\$m, unless stated)	Fleet AU	Novated	Fleet NZ	Group
NOI before EOL & Impairments	42.0	11.5	19.0	72.6
End of lease	21.2	0.7	10.2	32.1
Impairments	0.3	(0.0)	0.9	1.2
NOI	63.6	12.1	30.2	105.9
Operating expenses	(24.8)	(7.3)	(7.3)	(39.4)
EBITDA	38.8	4.8	22.9	66.5
AUMOF	991.8	519.5	433.4	1,944.7
VUMOF ('000)	54.9	15.3	24.2	94.4

Half-year ended September 2020

(\$m, unless stated)	Fleet AU	Novated	Fleet NZ	Core	R2D	Consumer (CL/ Georgie)	Divested / Non-Core	Group
NOI before EOL & Impairments	39.5	11.2	16.8	67.5	3.9	0.1	4.0	71.4
End of lease	11.7	0.5	5.6	17.8	0.1	–	0.1	17.8
Impairments	(1.5)	(0.0)	(1.3)	(2.8)	(0.0)	0.0	0.0	(2.7)
NOI	49.7	11.7	21.1	82.5	4.0	0.1	4.0	86.5
Operating expenses	(27.2)	(6.6)	(6.4)	(40.2)	(6.0)	(0.0)	(6.1)	(46.3)
EBITDA	22.5	5.1	14.7	42.3	(2.1)	0.0	(2.0)	40.3
AUMOF	1,028.4	526.9	445.7	2,001.0	–	–	–	2,001.0
VUMOF ('000)	54.8	15.3	24.6	94.7	–	–	–	94.7

Half-year ended March 2020

(\$m, unless stated)	Fleet AU	Novated	Fleet NZ	Core	R2D	Consumer (CL/ Georgie)	Divested / Non-Core	Group
NOI before EOL & Impairments	41.1	12.6	19.7	73.4	7.5	0.9	8.4	81.8
End of lease	11.1	0.4	4.0	15.5	(1.2)	–	(1.2)	14.3
Impairments	(0.2)	0.0	(1.9)	(2.1)	0.2	0.1	0.3	(1.8)
NOI	52.0	13.0	21.8	86.8	6.6	0.9	7.5	94.4
Operating expenses	(22.9)	(6.3)	(9.3)	(38.4)	(16.5)	(2.3)	(18.7)	(57.2)
EBITDA	29.1	6.7	12.6	48.4	(9.9)	(1.3)	(11.2)	37.2
AUMOF	1,075.0	525.0	489.8	2,089.8	–	148.9	148.9	2,238.6
VUMOF ('000)	58.7	15.5	25.9	100.0	–	12.0	12.0	112.0

Group Income Statement

\$ million	FY21	FY20	PCP (%)
Net operating income pre EOL and provisions	151.5	153.2	(1%)
End of lease income	69.2	32.1	115%
Fleet and credit provisions	2.6	(4.4)	nm
Net operating income	223.3	180.9	23%
Total operating expenses	(79.9)	(103.5)	23%
EBITDA	143.4	77.4	85%
Share based payment expense	(4.5)	(6.0)	25%
Interest on corporate debt	(9.6)	(14.9)	36%
Depreciation and software amortisation	(6.6)	(6.3)	(5%)
Depreciation and interest on leases (AASB 16)	(4.5)	(6.3)	29%
Amortisation of acquired intangibles	(3.1)	(3.8)	19%
Non-recurring items	(7.6)	(13.9)	45%
PBT	107.5	26.3	308%
Tax expense	(31.6)	(8.1)	(288%)
NPAT	75.9	18.2	317%
Add back amortisation of acquired intangibles (post tax)	2.4	2.6	(7%)
Add back non-recurring items (post tax)	5.3	10.2	(48%)
NPATA pre add back of software amortisation (post tax)	83.6	31.1	169%
Add back software amortisation (post tax)	2.5	2.5	(1%)
Cash NPATA	86.1	33.6	156%

Notes:
FY20 includes non core business

Operating expense reconciliation

\$ million	1H20	FY20	1H21	FY21	FY22 (expectation)
Operating expenses	(38.4)	(78.7)	(39.4)	(79.9)	(80.0)
Depreciation and interest on leases (AASB 16)	(2.7)	(5.3)	(2.2)	(4.5)	(4.5)
Operating expenses (pre AASB16)	(41.1)	(83.9)	(41.6)	(84.4)	(84.5)
Stranded costs (pre AASB 16)	(2.4)	(3.8)	-	-	-
Stranded costs (post AASB 16)	(1.8)	(2.8)	-	-	-
Standalone operating expenses (pre AASB16)	(43.5)	(87.7)	(41.6)	(84.4)	(84.5)
Standalone operating expenses (post AASB16)	(40.2)	(81.5)	(39.4)	(79.9)	(80.0)

Illustration of steady state FY21 NOI after adjusting for COVID impacts

COVID had three influences on Group NOI: EOL (positive), NBW supply delays (negative) and Provisions (positive)—table below reflects an illustrative steady state FY21 NOI

	FY21A	Adj.	PF FY21	Adjustments
NBW & AUMOF				
NBW	\$644m	c.\$133m	c.\$777m	<ul style="list-style-type: none"> NBW was impacted by lower deliveries from new vehicle supply constraints Extensions and orders, both metrics not reflected as new business writings, are respectively \$67m and 2.1x above pre-COVID levels After adjusting for increased extensions and the order pipeline, conservatively ECX would have delivered an incremental c.\$133m of NBW Adjustments factored in the differences in the book value of extended vehicles vs new vehicles (ie new vehicle book values are higher than extended vehicles), as well the elongated order time frames in the wake of supply constraints (ie customers ordering 6 – 9 months before expected delivery, relative to the typical 3 months pre-COVID)
AUMOF	\$1.9bn	c.\$0.1bn	c.\$2.0bn	<ul style="list-style-type: none"> FY21 closing AUMOF illustratively increased by incremental NBW of c.\$133m
NOI pre EOL & provisions				
Margin % of average AUMOF	7.74%	(0.25%)	7.50%	<ul style="list-style-type: none"> NOI pre EOL & provisions adjustments were based on calculating the margin of NOI pre EOL & provisions as a percentage of average AUMOF This approach is a simple proxy, which does not consider the complexity of upfront vs annuity style income FY21 NOI pre EOL & provisions of \$151m implied a margin on average AUMOF of 7.7%—this is relative to c.6.9 – 7.0% in FY19 & FY20 The FY21 margin was positively supported by CoF enhancements, increased maintenance margins due to lower vehicle utilisation through COVID lockdowns & higher return on extended leases. The FY21 margin was negatively impacted by lower funding commissions relating to lower NBW through third party funders In a BAU environment, ECX would have seen margin expansion from CoF enhancements and increased funding commissions from higher third party funded NBW. Offsetting this, ECX would have experienced some relative margin contraction relative to the FY21 margin in maintenance due to normalised vehicle utilisation and lower lease extensions Combined, ECX would have expected to see NOI pre EOL & provisions as a percentage of average AUMOF stable to marginally lower relative to the FY21 actual margin (7.5 – 7.75%)
NOI pre EOL & provisions range	\$152m	c.\$1m	c.\$152m	<ul style="list-style-type: none"> After adjusting for pro forma margin contraction and elevated AUMOF, illustrative normalised NOI pre EOL & provisions would be flat on FY21A
NOI				
EOL	\$69m	(\$40m)	\$29m	<ul style="list-style-type: none"> Illustratively used FY19 as a proxy for normalised EOL (FY19 proxy for pre-COVID)
Provisions	\$3m	(\$5m)	(\$2m)	<ul style="list-style-type: none"> Illustratively used FY19 as a proxy for normalised provisions (FY19 proxy for pre-COVID)
NOI	\$223m	(c.\$43m)	c.\$180m	

C. Supply constraints & used vehicle prices

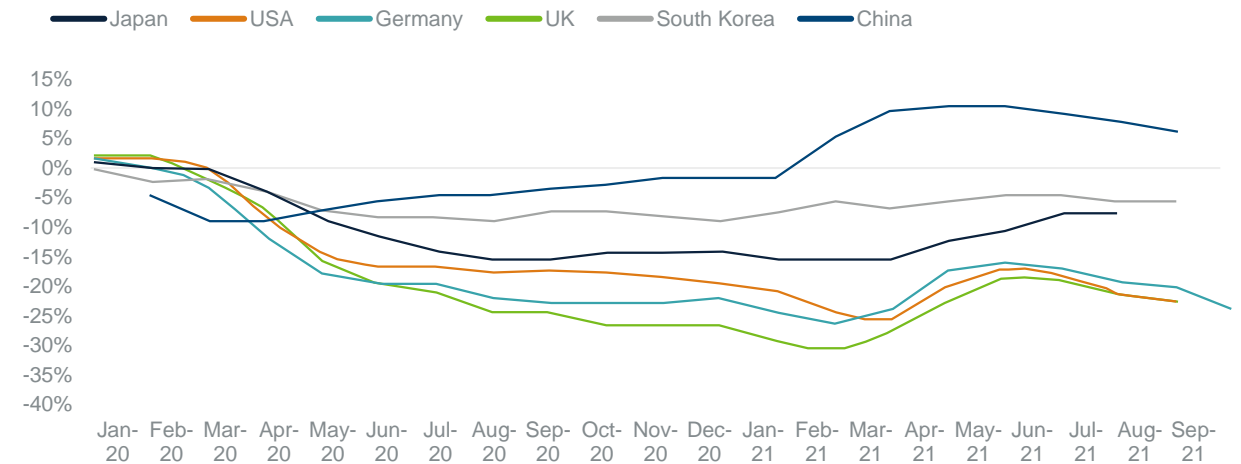
New vehicle supply

New vehicle supply has constrained ECX's ability to write new business—for the most part, OEMs appear to be past the low points of their production cycles, and general consensus is that as supply returns, the backlog of orders is expected to be cleared during 4QCY22

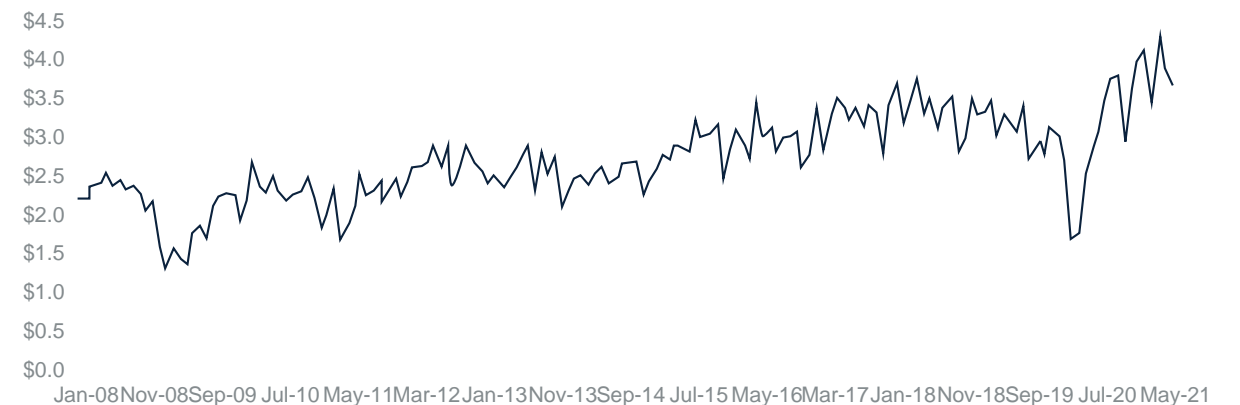
Commentary

- Lower NBW is a function of supply
- OEMs are unable to fulfill demand
 - Customer demand for vehicles remains strong
 - ECX's order pipeline and extensions are at record highs
 - ECX's order to NBW cycle time has increased from 0.6 – 2 months to over 5 – 6 months in Fleet AU & Novated, and in Fleet NZ from 2 month to 5 months
- OEM production delays arising primarily from the microchip shortages, which has extended the supply cycle time from order to NBW
 - Indications from September figures suggest car production and export levels around the world continue to face obstacles due to chip shortages
- Global vehicle production levels are past their low and AU imports are above historic averages, but imports are expected to remain elevated as the order backlog is filled
 - Imports into Australia have largely recovered from COVID, however the majority of sales currently are being diverted to higher margin private buyers over corporate fleets
 - Sales of imported vehicles from Japan & in particular China have rebounded significantly in 2021
 - Sales of imported vehicles from Germany have seen the largest decline in 2021 relative to 2020

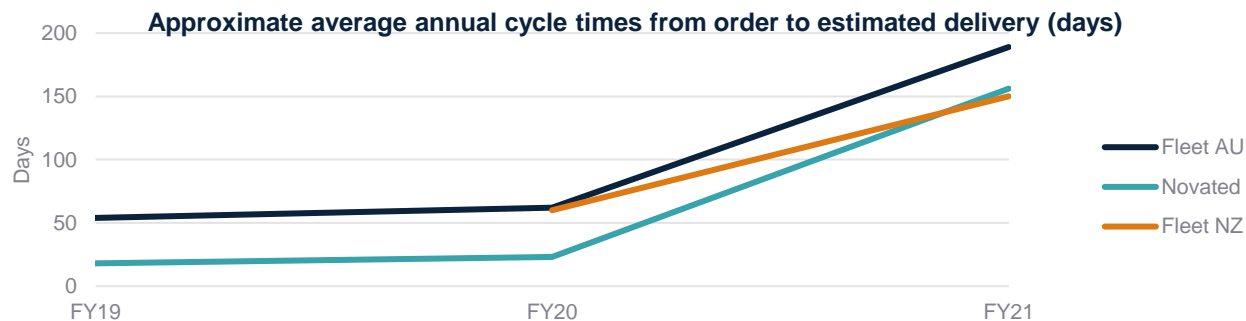
Global car production¹—Rolling 12-month cumulative change vs 2019



AU car import volumes¹



OEM production delays arising from supply constraints have lengthened cycle times²

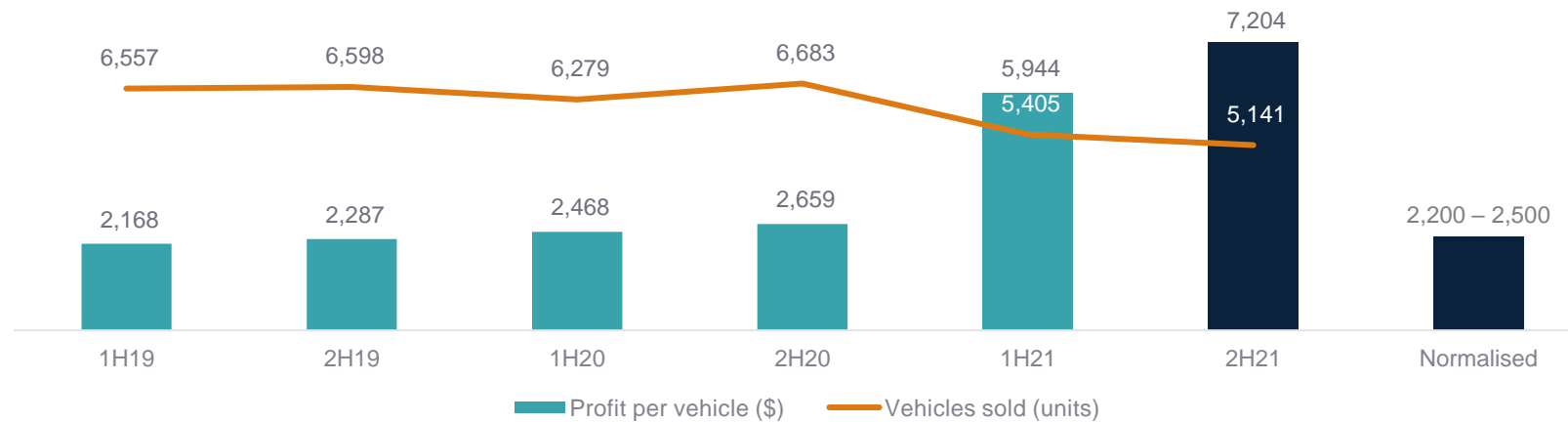


- Notes:
1. Datium insights
 2. Approximate estimates based on available historic data

End of lease income up 108% pcp

End of lease income was up 108%, driven by elevated used car prices. As new vehicle supply is restored, EOL income expected to normalise

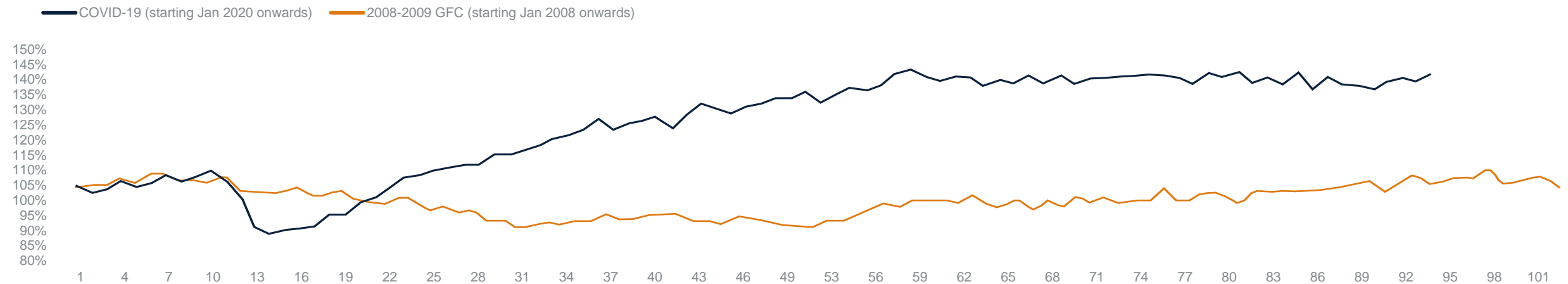
Disposed vehicles and end of lease income per vehicle



Comments

- Elevated used car prices given new vehicle supply constraints
- Longer term used car pricing expected to revert to 1H20/2H19 levels as supply of vehicles normalises
- Number of units due for disposal should increase given 42% increase in lease extensions compared to pcp
- These unit sales are expected to increase as a return of supply emerges in 4Q CY2022

Used car price outcomes—Weekly used car price index¹



Notes:
1. Datium insights

D. Treasury

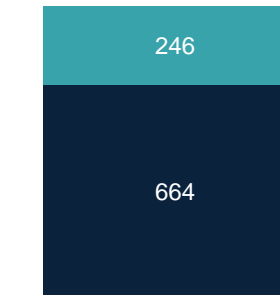
Warehouse and ABS Funding

Restructured AU warehouse and NZ warehouse extension provide significant capacity to support organic growth plans at improved cost of funds

Warehouses and public market asset backed securitisation

- ✓ Unique and most diversified funding structures with access to private warehouses, ABS public capital markets and principal and agency funding relationships
- ✓ Warehouse funding capability since 2007 and regular benchmark ABS issuer since 2010 (only FMO with public market access in AU & NZ)
- ✓ AU A\$300m ABS deal in March 2021 was the most successful ABS in company's history achieving lowest cost of funds and expanding investor base
- ✓ Warehouse funding accounts for 53% and ABS 47% of all securitisation borrowings as at September 2021
- ✓ Warehouse extension process completed in October 2021 in AU & NZ
 - Reductions in credit enhancement requirements in both AU & NZ warehouse structures reflective of strong credit performance
 - NZ Warehouse credit ratings affirmed. New AU warehouse did not require external credit ratings reflective of investor confidence and provides enhanced structuring flexibility for the future
 - Introduced new senior financier to AU warehouse
 - No AOFS support needed during FY20 or FY21

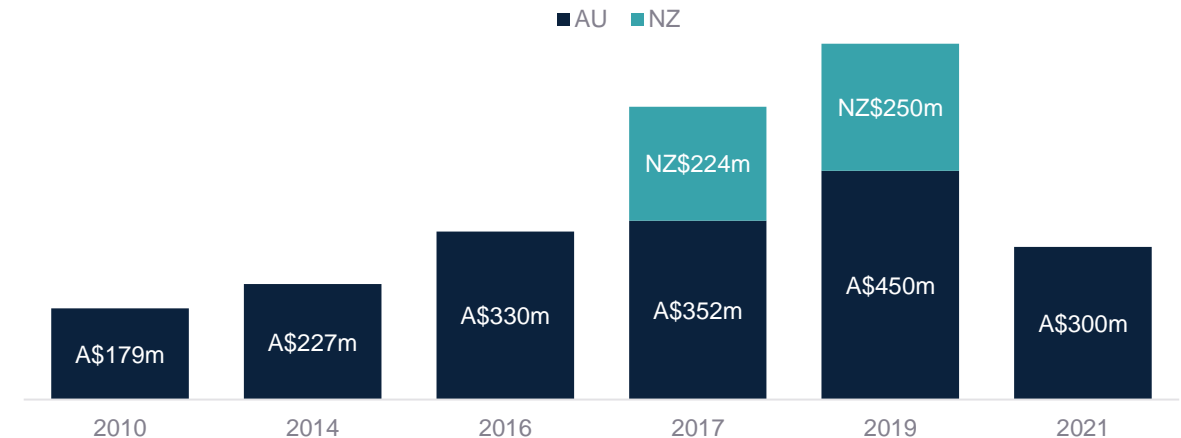
Warehouse Capacity *



■ Drawn A\$m ■ Undrawn A\$m

* As at 15 October 21. Drawn represents total notes outstanding in all warehouse SPVs and undrawn limit includes a committed A\$ equivalent NZD40m which is documented to increase in April 2022 (AUD/NZD of 1.04)

Public market asset backed securitisation issuance





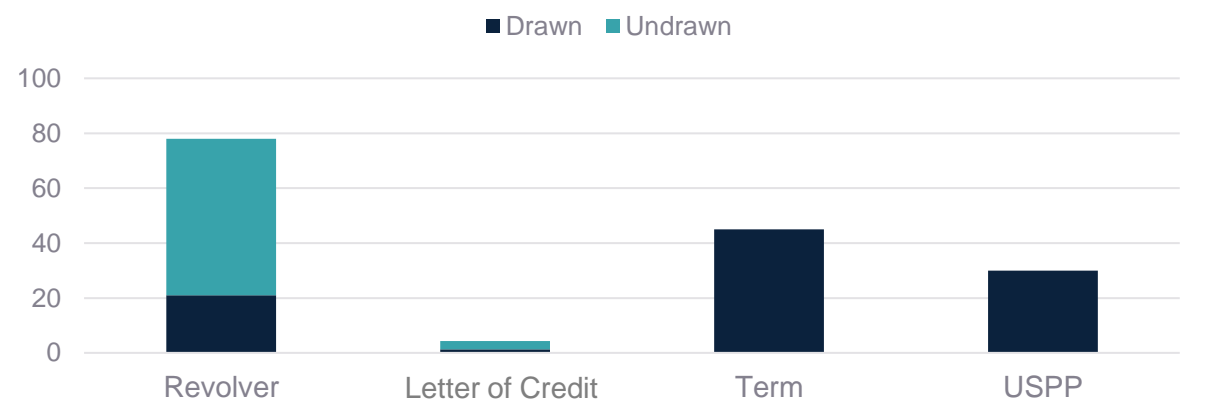
Corporate debt

Recently completed syndicated debt refinance extending maturity profile and providing increased flexibility at a lower average cost of funds

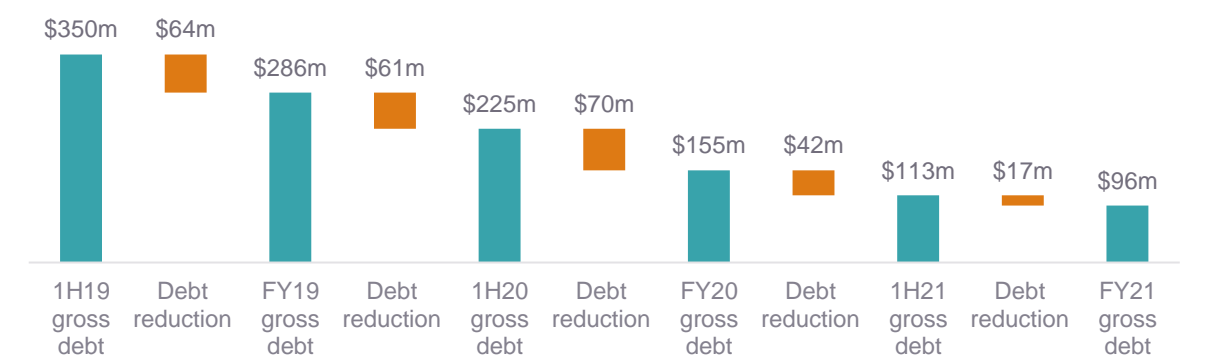
Corporate debt refinance extending maturity, increased flexibility & lower CoF

Participants	<ul style="list-style-type: none">7 core relationship lenders
Maturity	<ul style="list-style-type: none">Average tenor of the facility at 3.7yrs provides certainty and staggers maturitiesRevolver & Letter of Credit (October 2024)USPP (July 2025)Term Loan (October 2026)
Pricing	<ul style="list-style-type: none">Improved pricing grid reflective of significantly improved credit profile and lower leveragePartial prepayment of more expensive USPP reduces average funding costs for tenor of funding package
Covenants	<ul style="list-style-type: none">Mostly unchanged, with the leverage and interest coverage ratio maintained at 2.25x and 3.75x, respectivelyShareholder funds set at a minimum \$450m
Increased flexibility	<ul style="list-style-type: none">Undrawn capacity sized for current business requirements reducing funding costsRemoved restrictions on returning capital to shareholdersReduced restrictions on uses of capital (including acquisitions)Removed any scheduled and/or mandatory debt repayments

Refinanced corporate debt facility (\$m)



Repayment of gross debt



E. Portfolio & credit risk

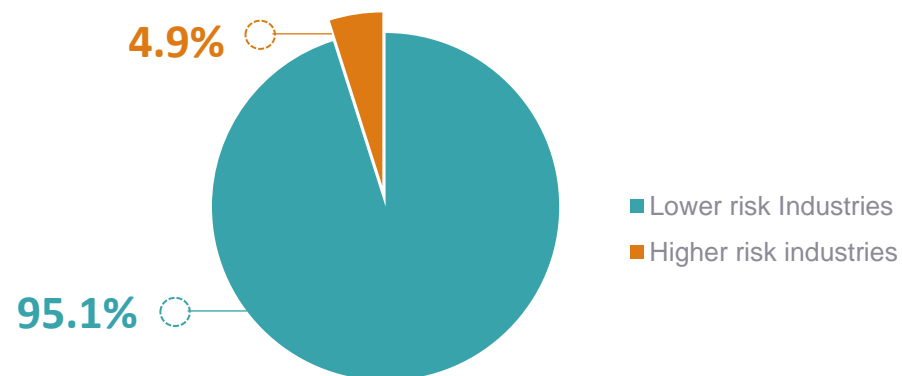
Portfolio credit risk remains low

The Group remains well placed to face any further macro uncertainty given the quality of the portfolio

Comments

- 79% of the exposure of the top 20 customers is investment grade
- 95.1% of the portfolio represents lower risk customers, many of which provide essential services¹
- 4.9% of exposure to higher risk industries, including air transport, tourism, motor vehicle and transport equipment rental, accommodation and hospitality industries
- 35+ years of experience with unique credit insights through the cycle in AU & NZ
- All financing secured by PPSR² on vehicles (no unsecured exposure)
- Business-use assets have a strong track record of performance through economic cycles (including the GFC and COVID)

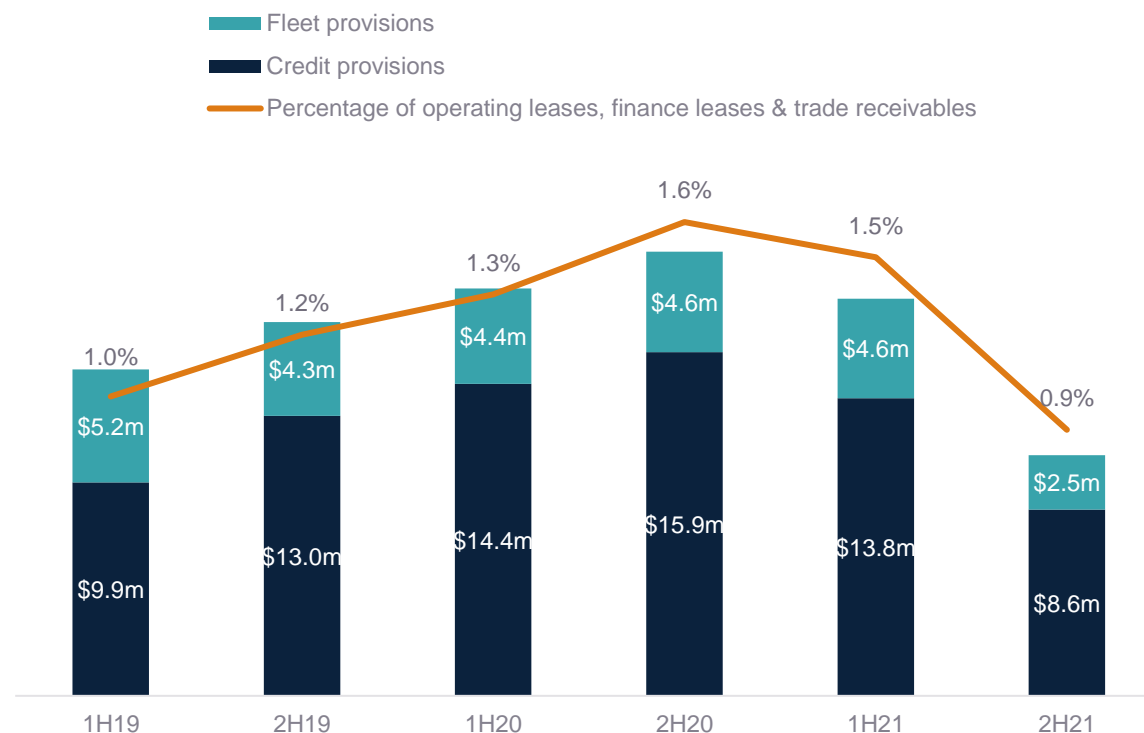
Portfolio exposure



Notes:

1. Excludes NZ equipment finance portfolio, which is currently in run-off
2. Personal Property Securities Register

Provisioning (% of operating leases, finance leases & trade receivables on balance sheet)



	1H19	2H19	1H20	2H20	1H21	2H21
Fleet provisions (% operating leases)	0.5%	0.5%	0.5%	0.5%	0.5%	0.3%
Credit provisions (% finance leases & trade receivables)	1.5%	2.5%	2.6%	3.2%	3.1%	2.0%

F. ECX Board & Executive

5 new appointments across the Board and Executive team this year

Board of Directors



Chairperson
Gail Pemberton ¹



NED
Fiona Trafford-Walker



NED
Cathy Yuncken



NED
Linda Jenkinson



NED
Russell Shields



NED
Trevor Allen

Executive Committee



CEO
Julian Russell



CFO
Damien Berrell



COO
Adriana Sheedy



CCO²
Daniel Thompson



MD NZ
Russell Webber



CSO
James Allaway



Head of P&C
Zoe Hugginson



Group Treasurer
Dom Di Gori



GC
Matt Sinnamon



CRO
Bart Hellemans




CIO
Harry Nakichbandi



Group Finance Dir
Jonathan Sandow

Notes:

1. Director since March 2015 and appointed Chairperson on 6 May 2021
2. Chief Customer Officer

 New appointments

END