

# Eclipx Group FY21 results presentation

3 November 2021

 **fleetplus**

 **FleetPartners**

 **FleetChoice**

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# 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)<sup>1</sup>

5



**\$644M**

NBW

6



## STRATEGIC PATHWAYS ON TRACK

30 September 2021  
(A\$m unless specified)

FY21A

FY20A<sup>5</sup>

Var +/-(-)

### Income statement

NOI pre EOL & provisions <sup>2</sup>	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

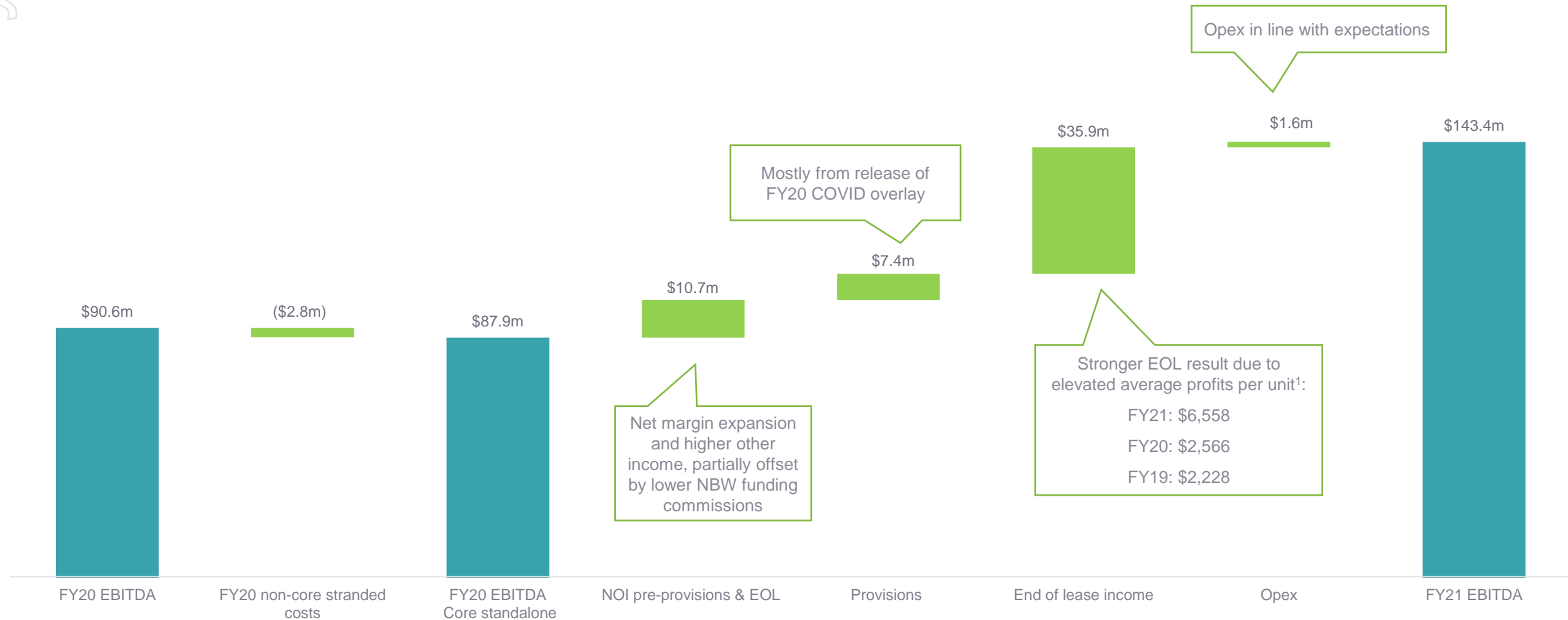
NBW <sup>3</sup>	644	629	2%
AUMOF	1,926.8	2,001.0	(4%)
Cash conversion	121%	178%	(57%)
Net debt	20	99	(80%)
Net debt to EBITDA <sup>4</sup>	0.14x	1.10x	(87%)

#### 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





# NPATA growth drivers

110% NPATA growth driven by EBITDA contribution, cost discipline and reduced corporate debt costs

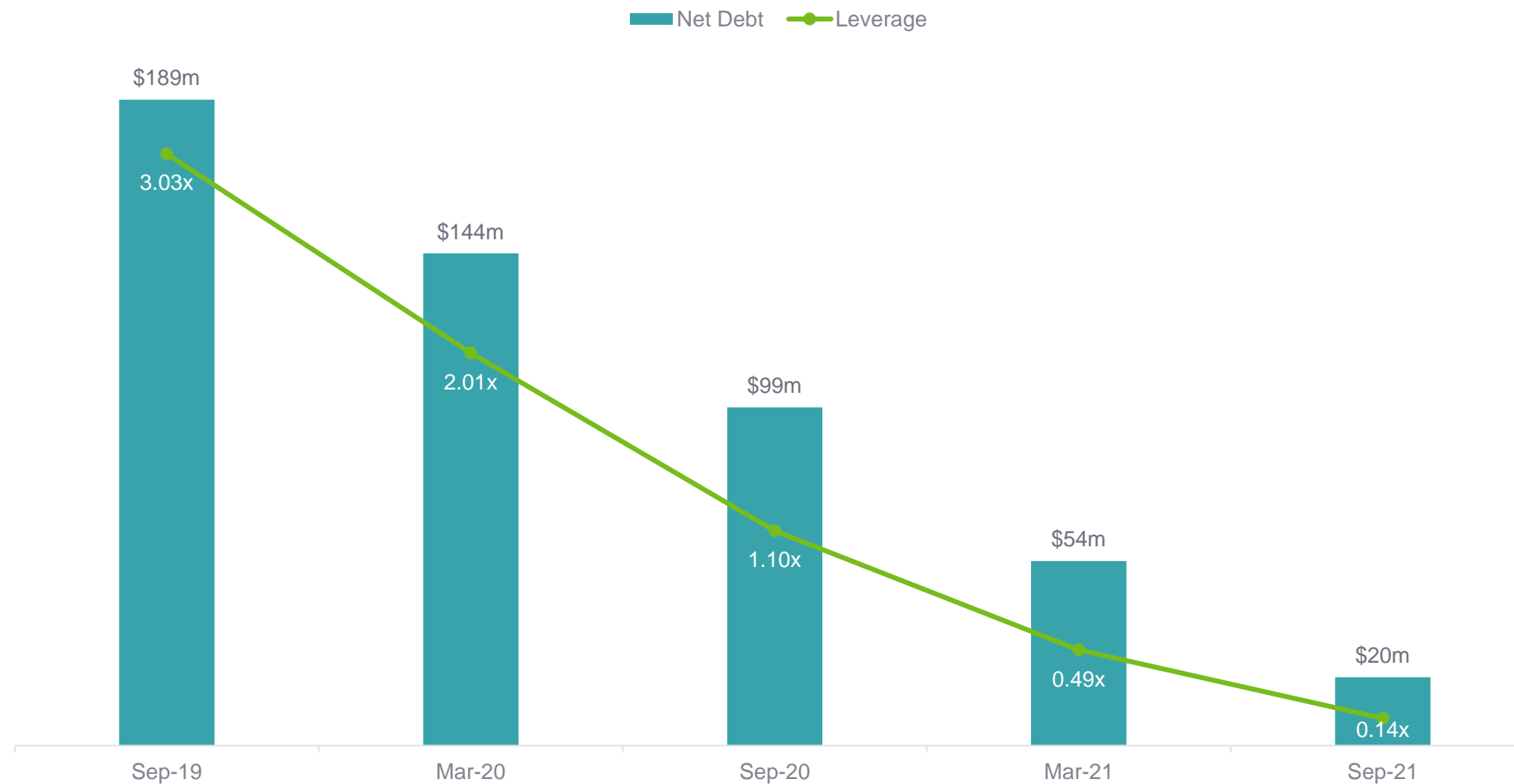


Notes:  
1. Statutory tax only. No Australian cash tax instalments expected to be paid until late FY24 given eligibility for instant asset write-off on operating leases

# Corporate net debt reduction

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

Net corporate debt and leverage<sup>1</sup>



Notes:

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

## 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



# Capital management

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

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

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



Buy-back rationale<sup>2</sup>

## 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



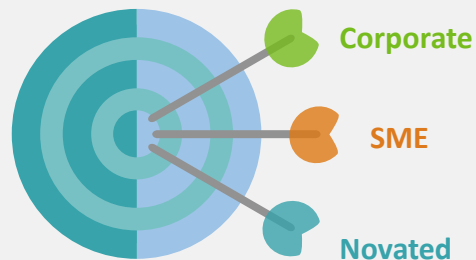
3  
Cost  
optimisation



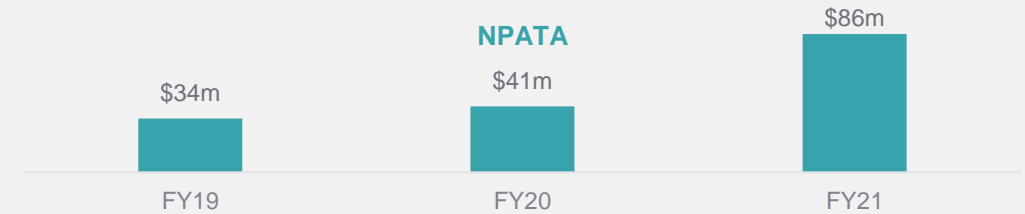
4  
Investment in  
sustainable core  
growth



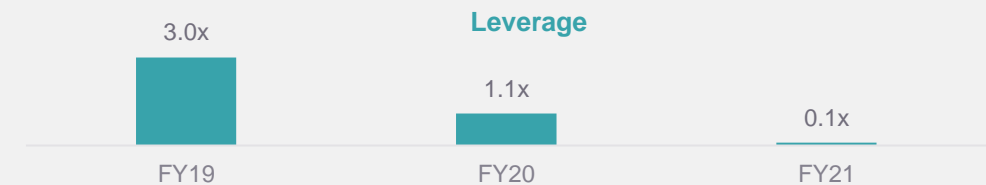
✓ Progressed Group  
strategy (Strategic  
Pathways) to expand into  
new and existing target  
markets



## ✓ Increased business profitability



## ✓ De-leveraged the Group



## ✓ Committed to sustained shareholder capital returns

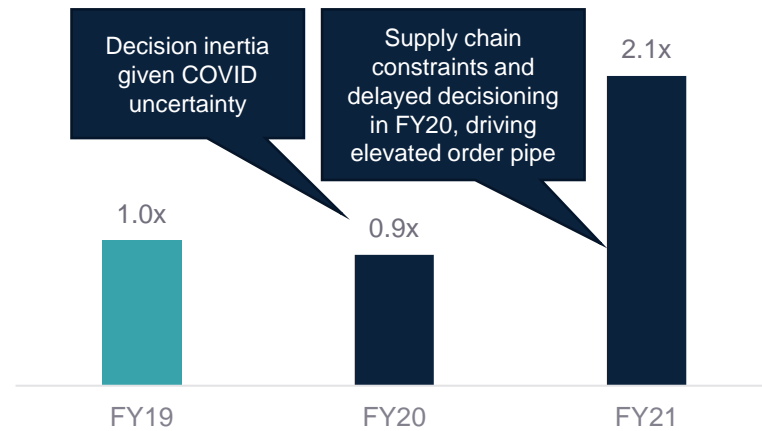
**55 – 65% capital (buy-back) payout ratio**

## 2. Financial result

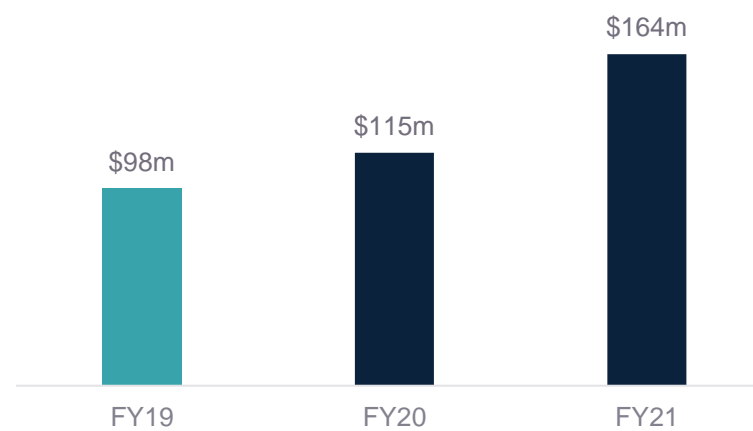
# Lease extensions, order pipeline and EOL

Pre-Covid (FY19)

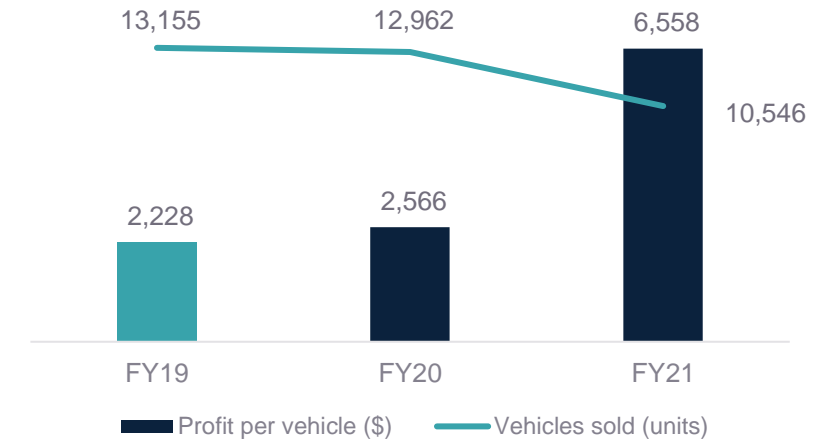
## Order pipeline (multiple of FY19 order pipeline)



## 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

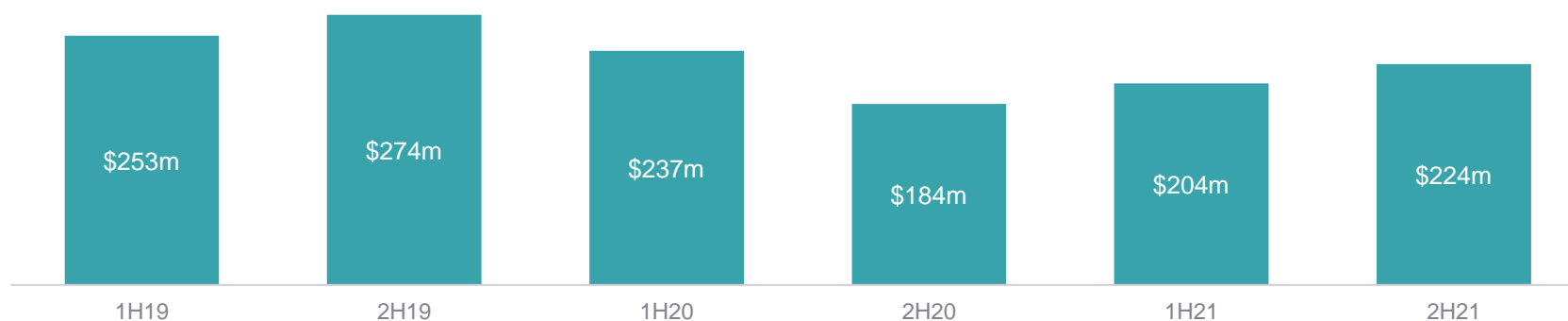
### Expectations

- 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

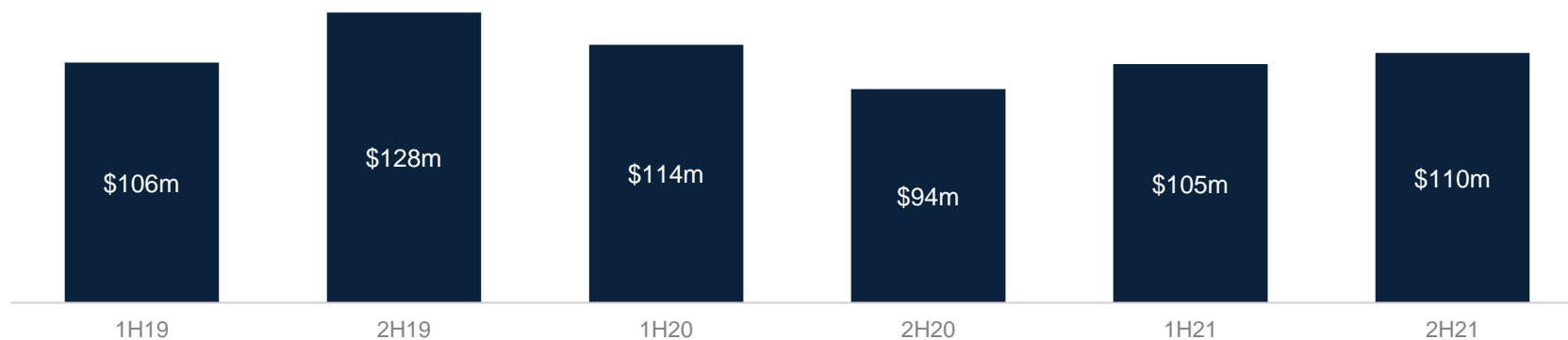
## Corporate & SME new business writings (NBW) – ex Panel



### 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)



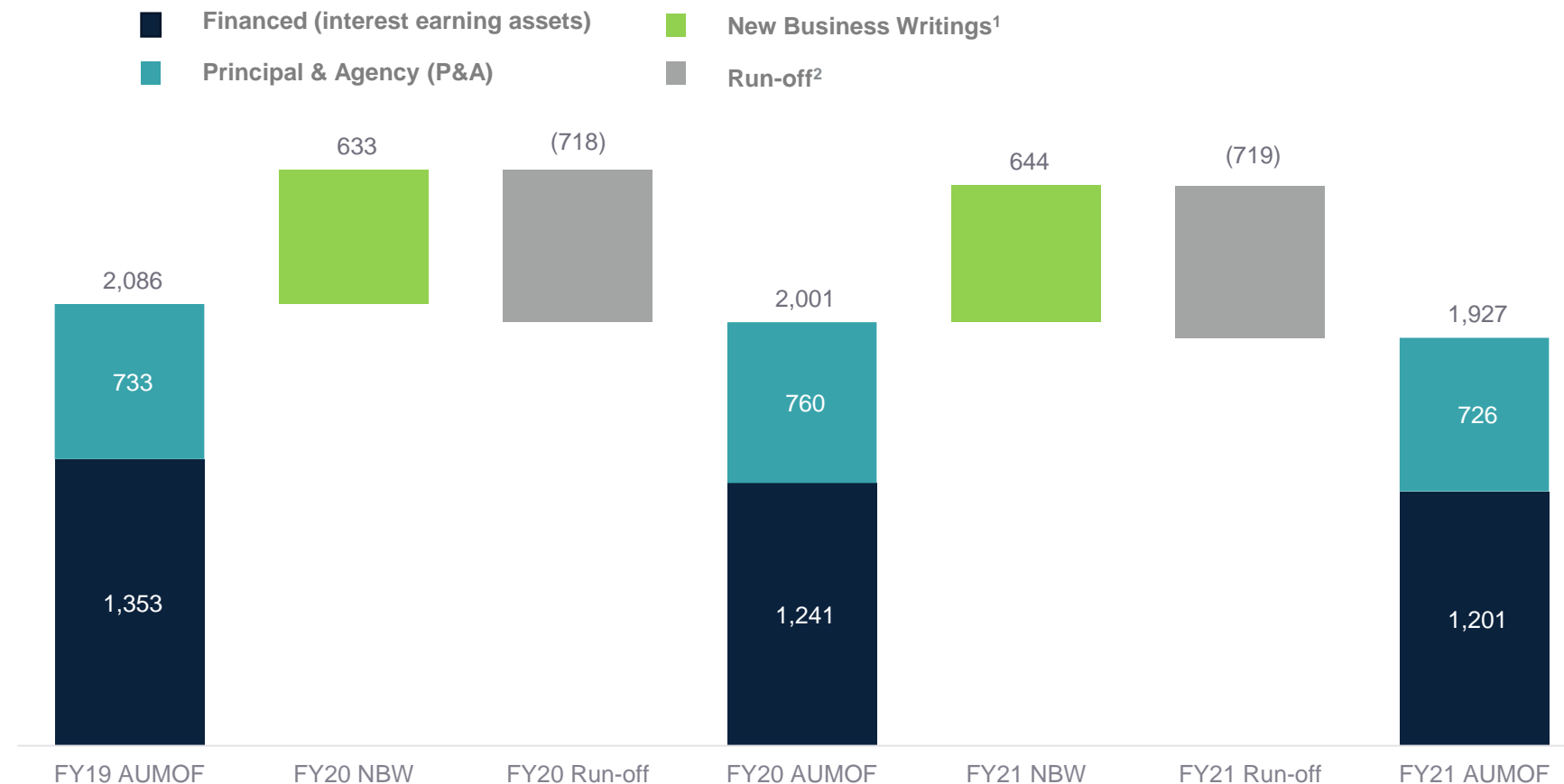
### Comments

- 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

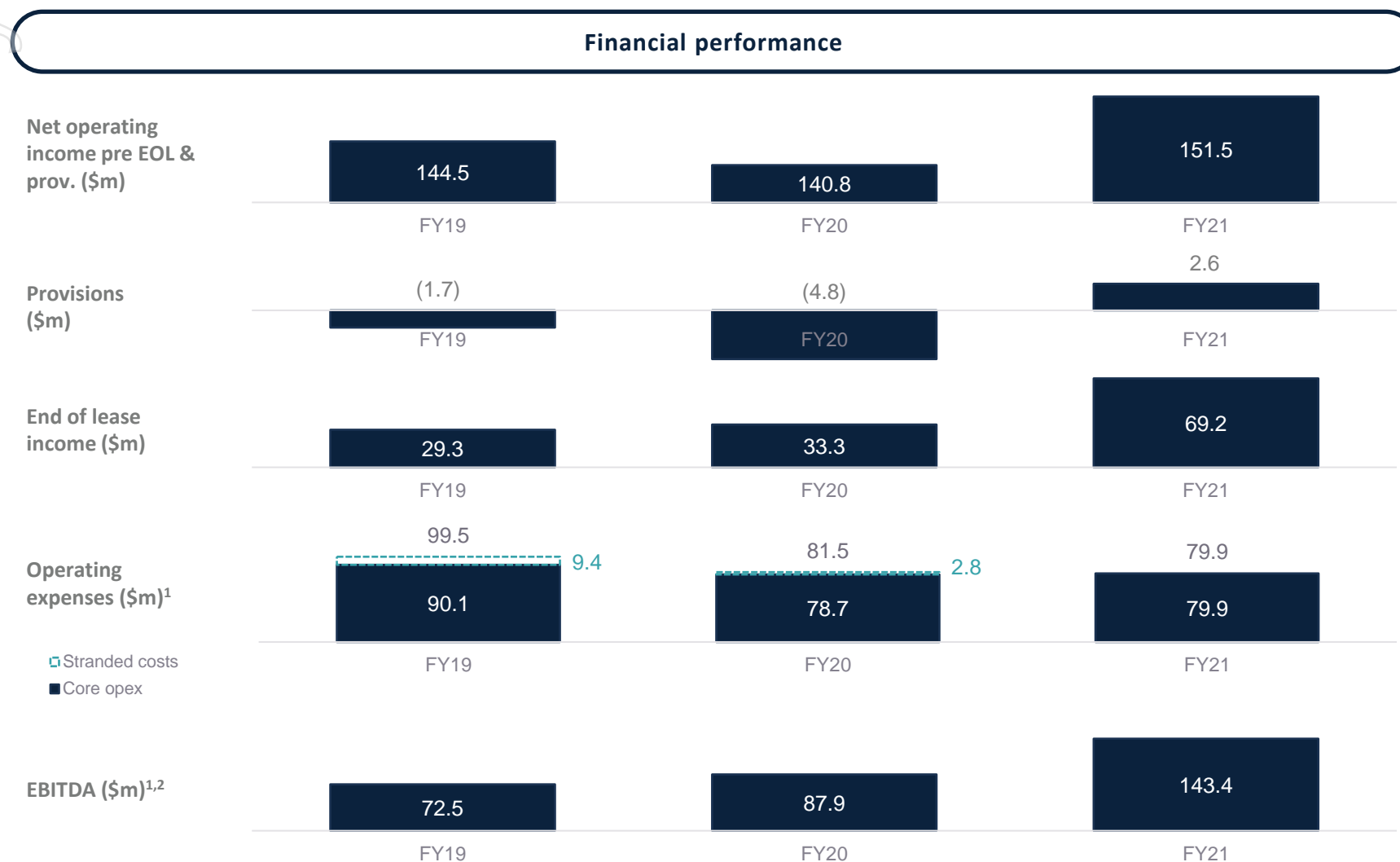
#### Notes:

- FY20 NBW includes panel
- 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 pcg driven by:**

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

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

**End of lease income up 108% on pcg 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 pcg driven by cost discipline**

**EBITDA up 63% on pcg 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 <sup>1</sup> )	FY20 (Core)	PCP (%) (Core standalone)
<b>Net operating income pre EOL and provisions</b>	<b>151.5</b>	<b>140.8</b>	<b>140.8</b>	<b>8%</b>
End of lease income	69.2	33.3	33.3	108%
Fleet and credit provisions	2.6	(4.8)	(4.8)	nm
<b>Net operating income</b>	<b>223.3</b>	<b>169.3</b>	<b>169.3</b>	<b>32%</b>
Total operating expenses	(79.9)	(81.5)	(78.7)	2%
<b>EBITDA</b>	<b>143.4</b>	<b>87.9</b>	<b>90.6</b>	<b>63%</b>
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%
<b>PBT</b>	<b>107.5</b>	<b>42.3</b>	<b>51.5</b>	<b>154%</b>
Tax expense	(31.6)	(12.4)	(15.1)	(155%)
<b>NPAT</b>	<b>75.9</b>	<b>30.0</b>	<b>36.4</b>	<b>153%</b>
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%)
<b>NPATA pre add back of software amortisation (post tax)</b>	<b>83.6</b>	<b>38.5</b>	<b>45.0</b>	<b>117%</b>
Add back software amortisation (post tax)	2.5	2.5	2.5	(1%)
<b>Cash NPATA</b>	<b>86.1</b>	<b>41.0</b>	<b>47.5</b>	<b>110%</b>

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 (%)
<b>Assets</b>			
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%)
<b>Total assets</b>	<b>2,000.5</b>	<b>2,032.5</b>	<b>(2%)</b>
<b>Liabilities</b>			
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%
<b>Total liabilities</b>	<b>1,424.8</b>	<b>1,524.1</b>	<b>(7%)</b>
<b>Net assets</b>	<b>575.7</b>	<b>508.5</b>	<b>13%</b>
Contributed equity	639.2	654.8	(2%)
Reserves	183.8	177.0	4%
Retained earnings	(247.3)	(323.3)	23%
<b>Total equity</b>	<b>575.7</b>	<b>508.5</b>	<b>13%</b>

## 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
<b>Operating cash flow</b>	
Customer receipts	719.5
Payment to suppliers & employees	(268.7)
Income tax refund	3.6
Net interest paid	(57.5)
<b>Net operating cash flow</b>	396.9
<b>Investing cash flow</b>	
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
<b>Net investing cash flow</b>	(192.6)
<b>Financing cash flow</b>	
Net change in borrowings	(143.1)
Payment of lease liabilities	(2.7)
Movement in share capital	(41.7) <sup>2</sup>
<b>Net financing cash flow</b>	(187.5)
<b>Net cash flow</b>	16.9

## Organic cash generation and cash conversion

\$m	FY21
<b>Net cash flow</b>	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
<b>Organic cash generation</b>	112.5
<b>NPATA adding back non-cash SBP &amp; depreciation pre tax</b>	93.3
<b>Cash conversion<sup>1</sup></b>	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 conversion<sup>1</sup> 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.

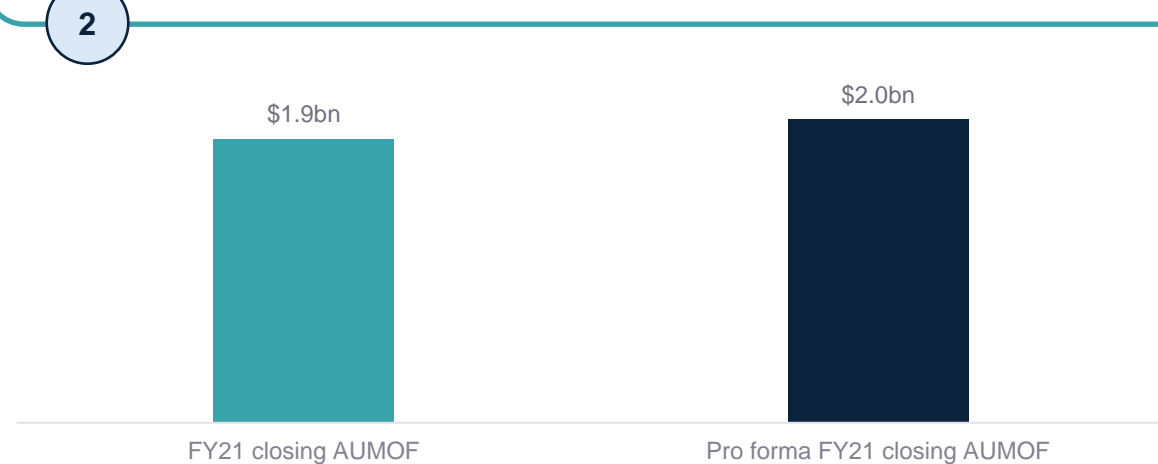
# Illustration of steady state FY21 NOI after adjusting for COVID impacts

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

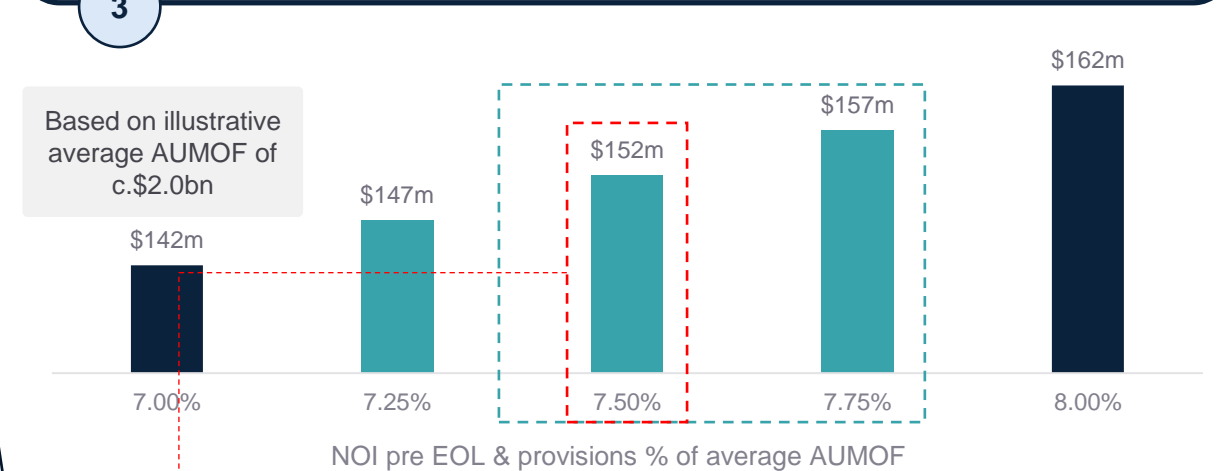
## 1 Illustrative NBW adjusting for supply constraints



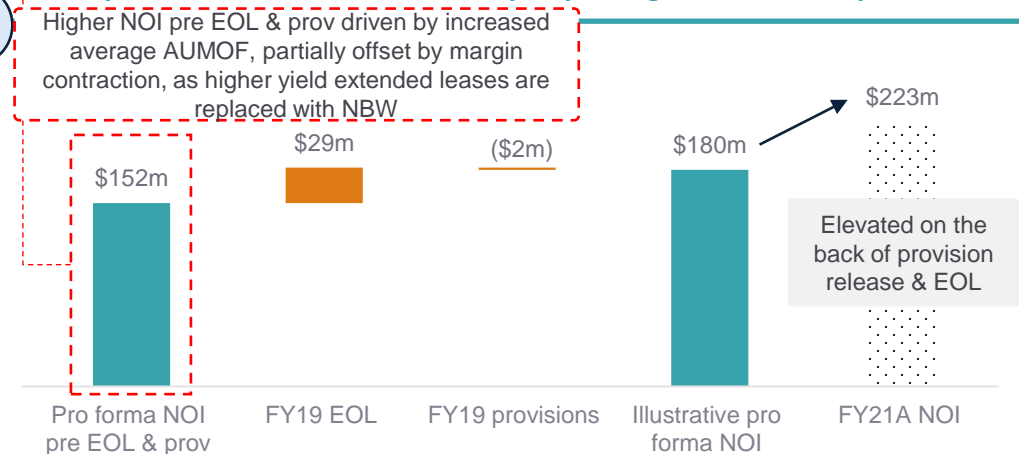
## 2 Illustrative AUMOF



## 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"> <li>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</li> <li>Incremental NBW of c.\$80m vs FY21 is required in FY22 to maintain closing AUMOF stable with FY21</li> </ul>
End of lease income	\$69.2m		✓	<ul style="list-style-type: none"> <li>Prices in used vehicle market are materially elevated</li> <li>Price rationalisation expected to occur gradually over time, when new vehicle inventory supply is restored</li> </ul>
Provisions	\$2.6m		✗	<ul style="list-style-type: none"> <li>\$2.5m COVID overlay credit provision retained</li> <li>Subject to no further deterioration in macroeconomic conditions, no further overlay expected</li> </ul>
<b>NOI</b>	<b>\$223.3m</b>			
Operating expenses	(\$79.9m)	(\$80.0m)	✓	<ul style="list-style-type: none"> <li>Opex expected to be flat, with productivity improvements being redeployed for growth</li> </ul>
<b>EBITDA</b>	<b>\$143.4m</b>			
Interest & depreciation on leases	(\$4.5m)	(\$4.0 – 4.5m)	✓	<ul style="list-style-type: none"> <li>Stable</li> </ul>
Share based payments	(\$4.5m)	(\$4.0 – 4.5m)	✗	<ul style="list-style-type: none"> <li>Stable</li> </ul>
Depreciation	(\$2.6m)	(\$1.0 – 2.0m)	✗	<ul style="list-style-type: none"> <li>Lower depreciation in FY22 due to accelerated depreciation in FY21 as a result of migration of data to the cloud</li> </ul>
Interest on corporate debt	(\$9.6m)	(\$5.5 – 6.5m)	✓	<ul style="list-style-type: none"> <li>Gross debt expected to remain stable through FY22</li> <li>Lower interest expense on the back of corporate debt refinance</li> </ul>
Tax	29.4%	29 – 30% (tax rate)	✓ (NZ only)	<ul style="list-style-type: none"> <li>Based on statutory earnings from Australia and New Zealand</li> <li>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</li> </ul>



## 3. Strategic Pathways

# Environmental, Social and Governance (ESG)

## ENVIRONMENT

Climate Active Status<sup>1</sup>—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 pcip

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

22% NBW growth in 2H21 on pcip (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 CCO<sup>1</sup>, 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



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

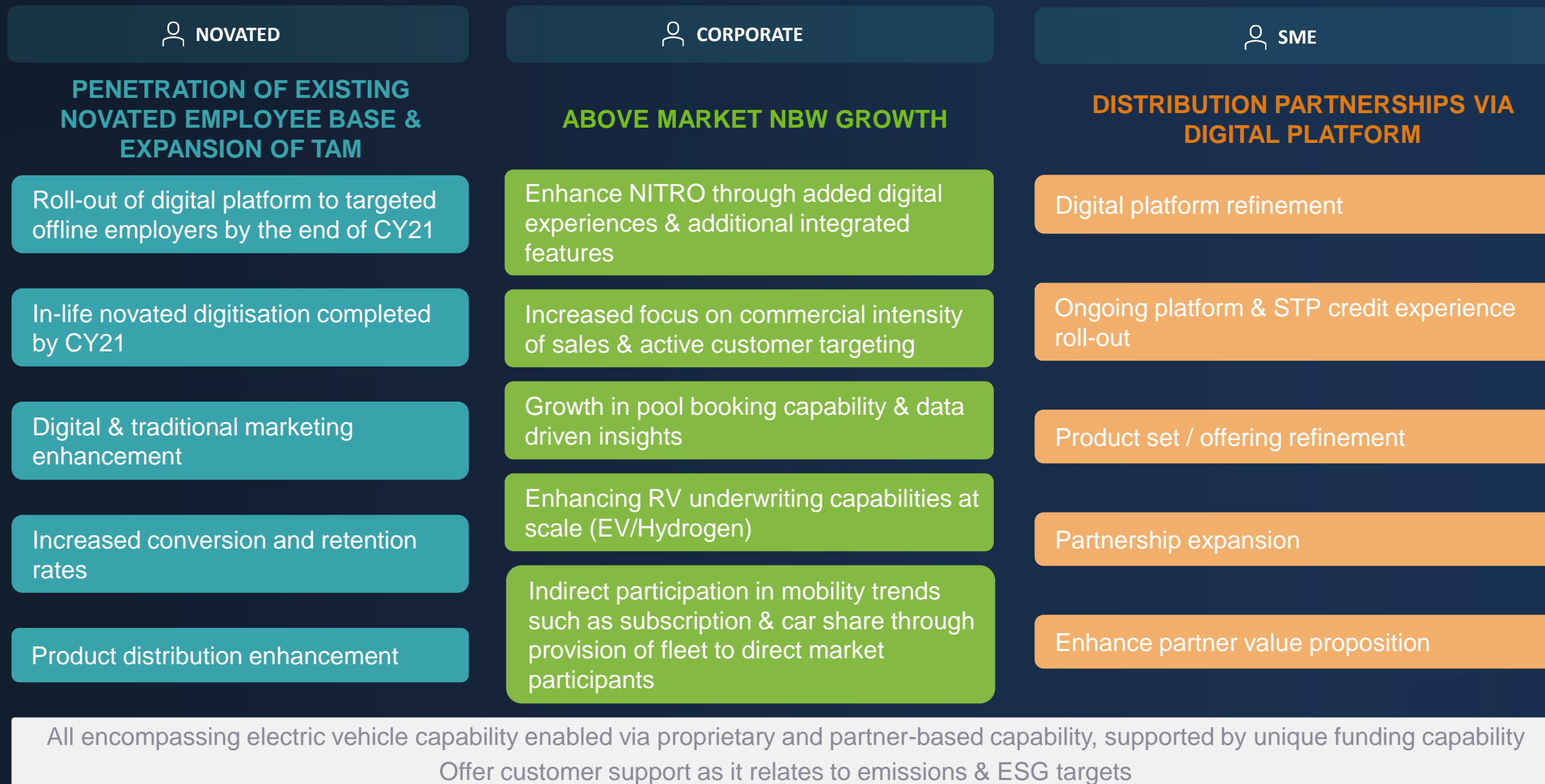


Cloud telephony



# 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%<sup>1</sup>

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

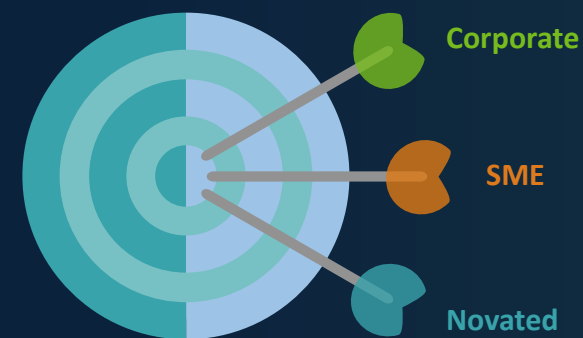
## Emission reduction/EV transition

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



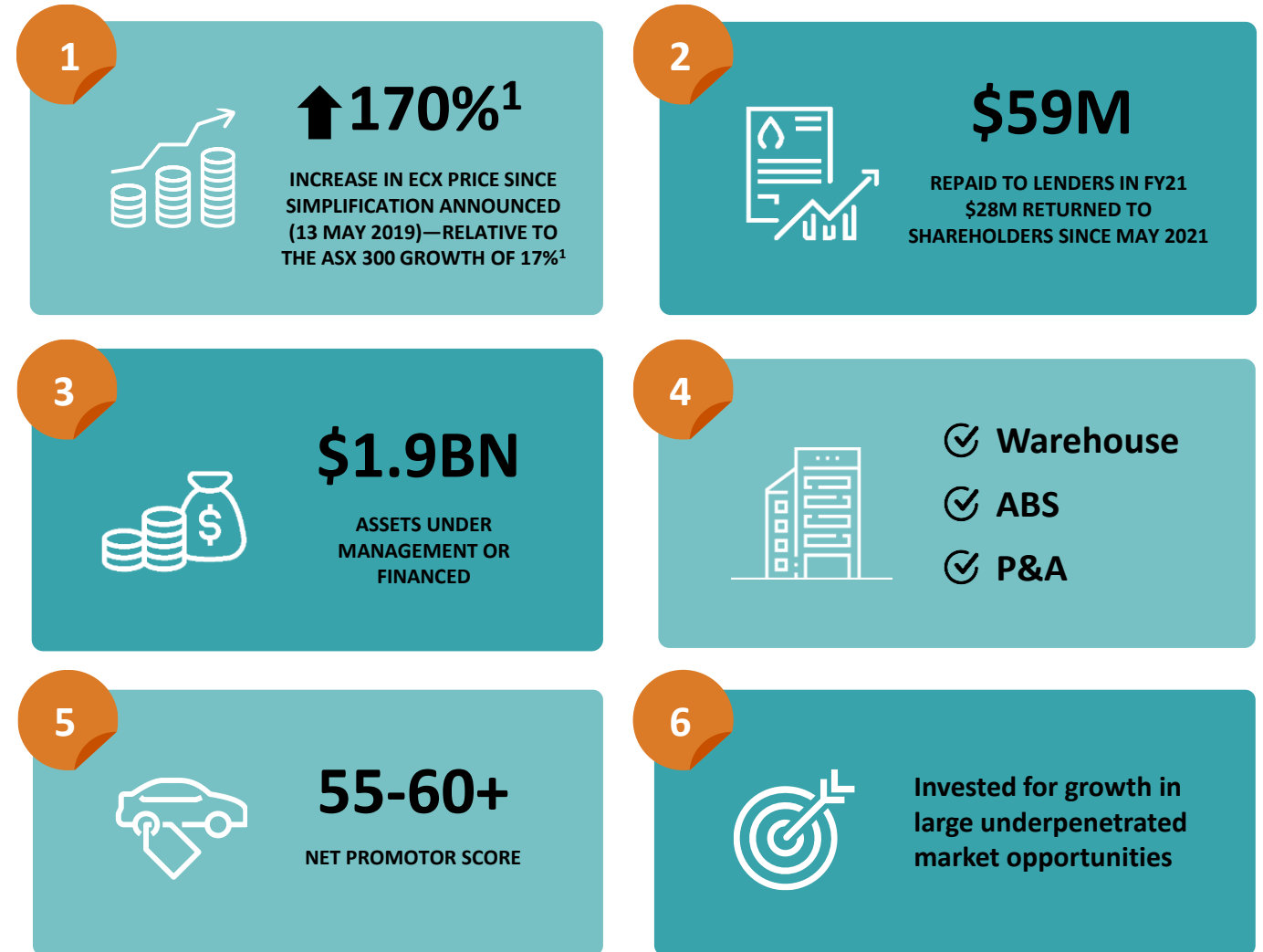
# Appendix

## 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
<b>NOI before EOL &amp; Impairments</b>	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)
<b>EBITDA</b>	<b>45.2</b>	<b>6.6</b>	<b>25.0</b>	<b>76.9</b>
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
<b>NOI before EOL &amp; Impairments</b>	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)
<b>EBITDA</b>	<b>38.8</b>	<b>4.8</b>	<b>22.9</b>	<b>66.5</b>
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
<b>NOI before EOL &amp; Impairments</b>	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)
<b>EBITDA</b>	<b>22.5</b>	<b>5.1</b>	<b>14.7</b>	<b>42.3</b>	<b>(2.1)</b>	<b>0.0</b>	<b>(2.0)</b>	<b>40.3</b>
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
<b>NOI before EOL &amp; Impairments</b>	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)
<b>EBITDA</b>	<b>29.1</b>	<b>6.7</b>	<b>12.6</b>	<b>48.4</b>	<b>(9.9)</b>	<b>(1.3)</b>	<b>(11.2)</b>	<b>37.2</b>
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 (%)
<b>Net operating income pre EOL and provisions</b>	<b>151.5</b>	<b>153.2</b>	<b>(1%)</b>
End of lease income	69.2	32.1	115%
Fleet and credit provisions	2.6	(4.4)	nm
<b>Net operating income</b>	<b>223.3</b>	<b>180.9</b>	<b>23%</b>
Total operating expenses	(79.9)	(103.5)	23%
<b>EBITDA</b>	<b>143.4</b>	<b>77.4</b>	<b>85%</b>
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%
<b>PBT</b>	<b>107.5</b>	<b>26.3</b>	<b>308%</b>
Tax expense	(31.6)	(8.1)	(288%)
<b>NPAT</b>	<b>75.9</b>	<b>18.2</b>	<b>317%</b>
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%)
<b>NPATA pre add back of software amortisation (post tax)</b>	<b>83.6</b>	<b>31.1</b>	<b>169%</b>
Add back software amortisation (post tax)	2.5	2.5	(1%)
<b>Cash NPATA</b>	<b>86.1</b>	<b>33.6</b>	<b>156%</b>

Notes:  
FY20 includes non core business

# Operating expense reconciliation

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

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

## C. Supply constraints & used vehicle prices

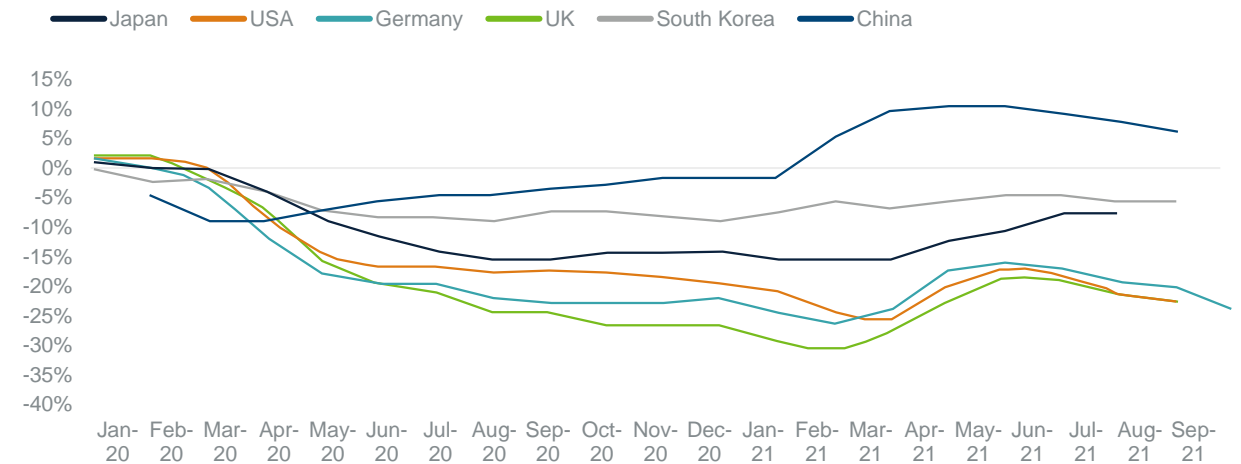
# New vehicle supply

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

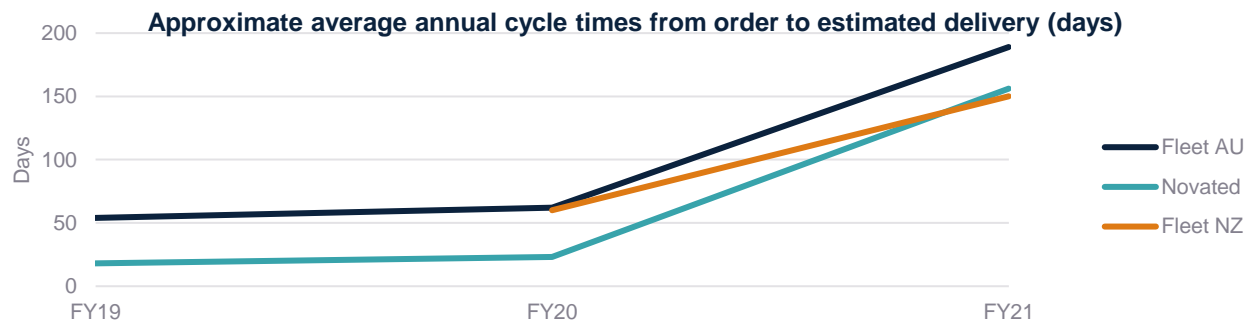
## Commentary

- 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 production<sup>1</sup>—Rolling 12-month cumulative change vs 2019

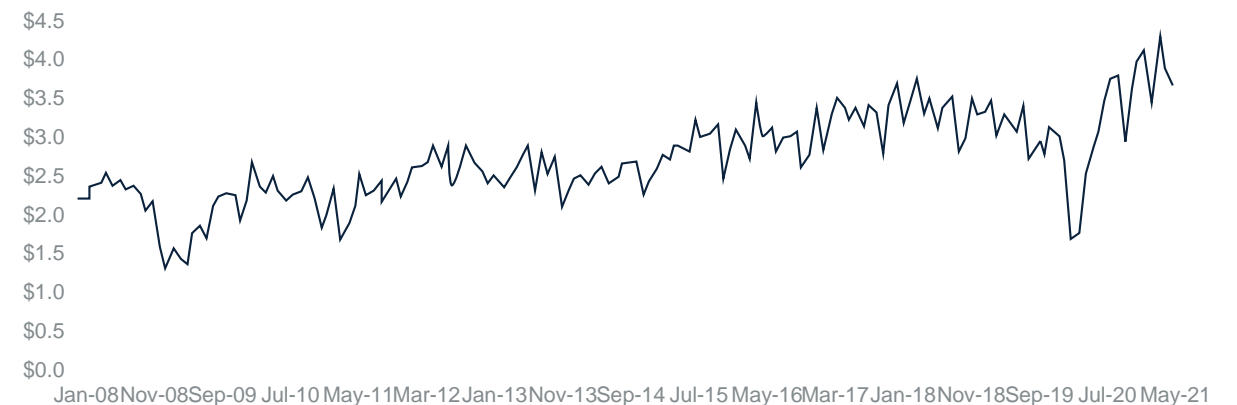


## OEM production delays arising from supply constraints have lengthened cycle times<sup>2</sup>



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

## AU car import volumes<sup>1</sup>

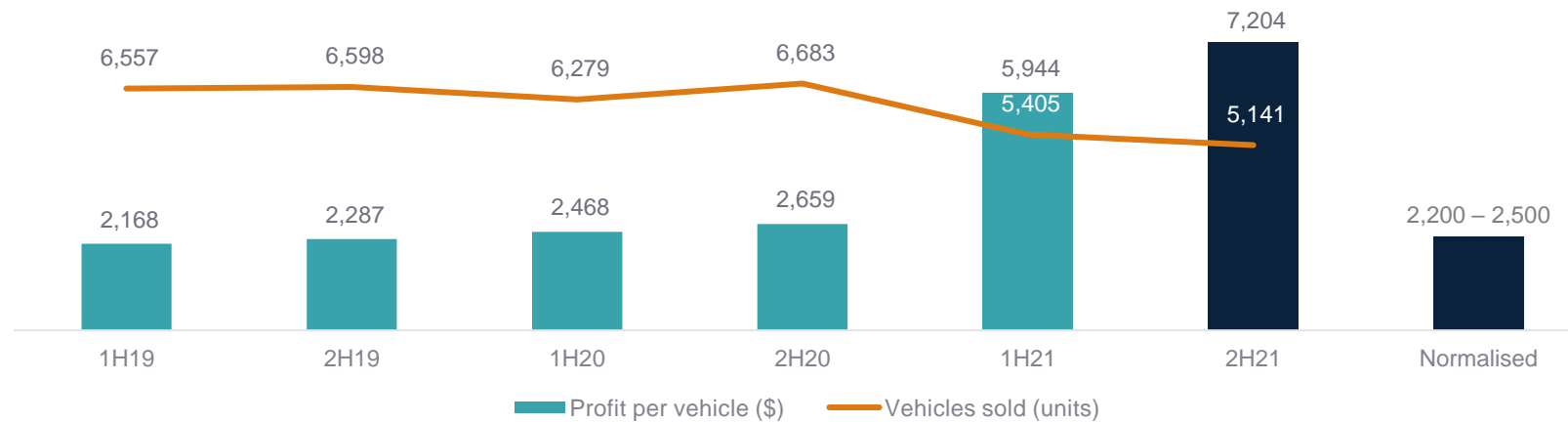




# End of lease income up 108% pcp

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

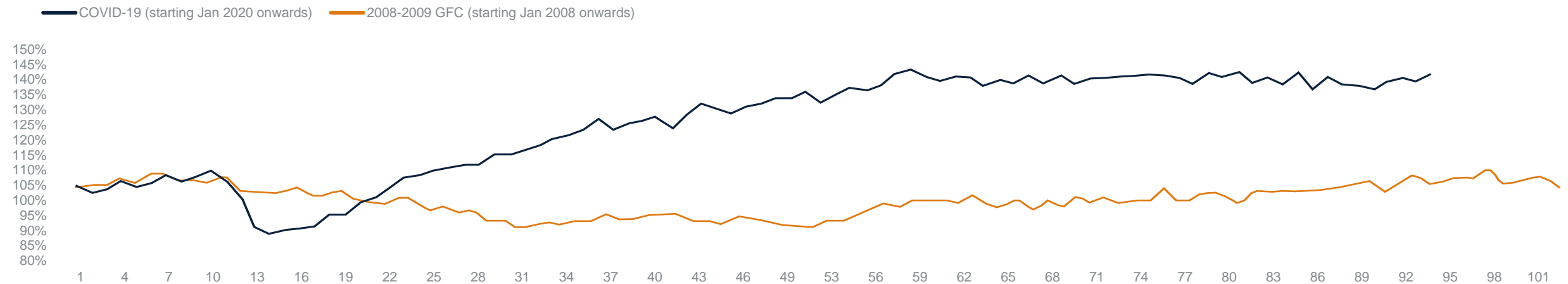
Disposed vehicles and end of lease income per vehicle



## 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 index<sup>1</sup>



Notes:  
1. Datium insights

## D. Treasury

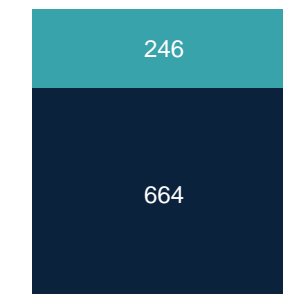
# Warehouse and ABS Funding

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

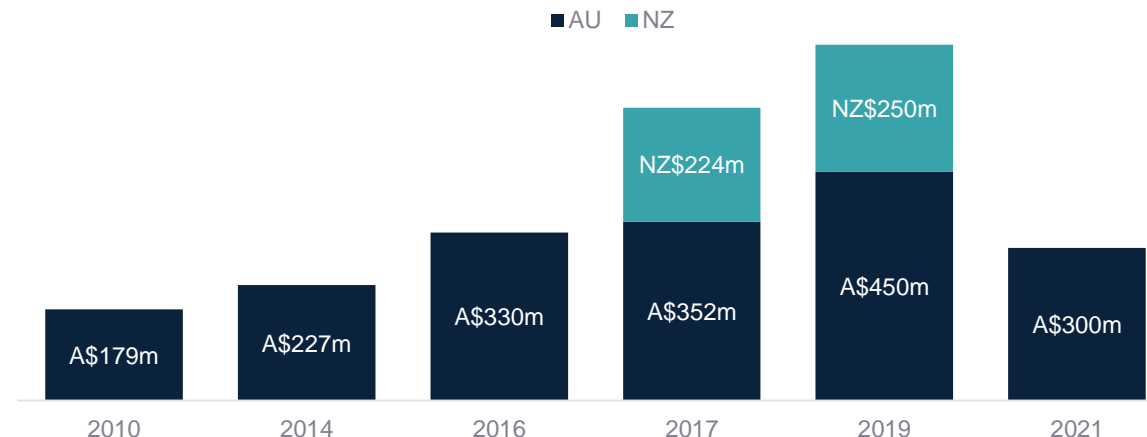
## Warehouse Capacity \*



■ 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** • 7 core relationship lenders

**Maturity**

- Average tenor of the facility at 3.7yrs provides certainty and staggers maturities
- Revolver & Letter of Credit (October 2024)
- USPP (July 2025)
- Term Loan (October 2026)

**Pricing**

- Improved pricing grid reflective of significantly improved credit profile and lower leverage
- Partial prepayment of more expensive USPP reduces average funding costs for tenor of funding package

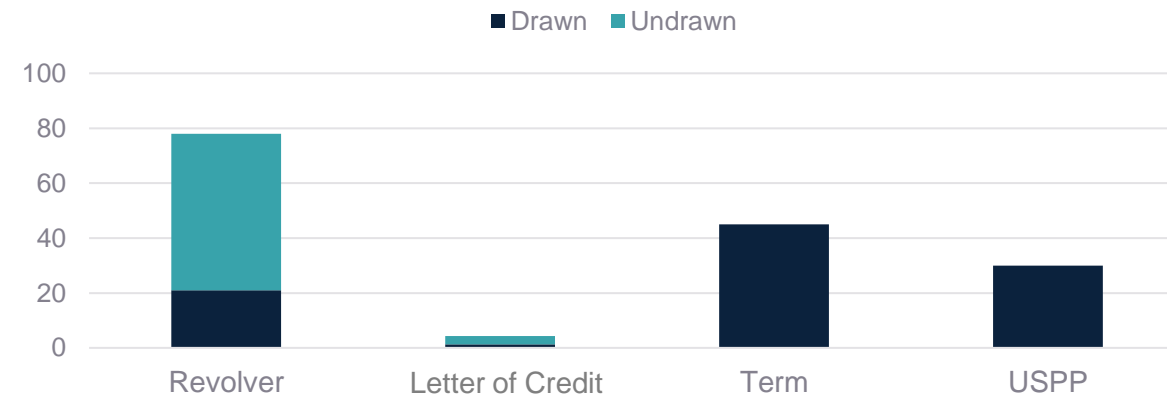
**Covenants**

- Mostly unchanged, with the leverage and interest coverage ratio maintained at 2.25x and 3.75x, respectively
- Shareholder funds set at a minimum \$450m

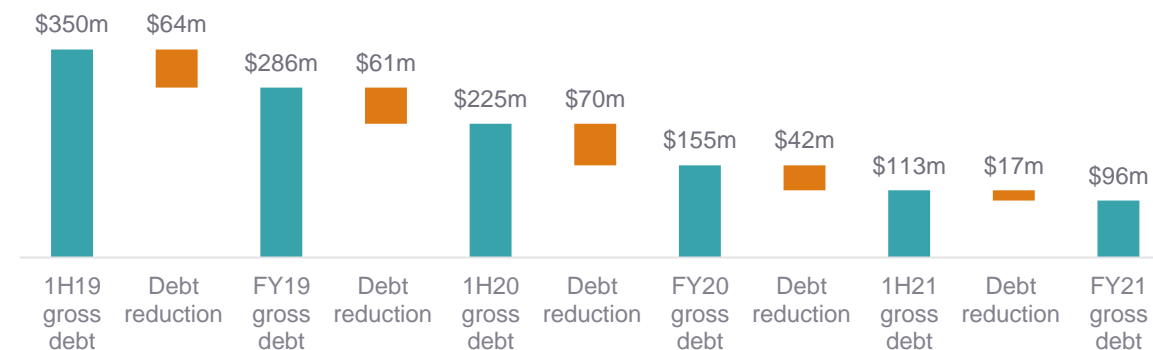
**Increased flexibility**

- Undrawn capacity sized for current business requirements reducing funding costs
- Removed restrictions on returning capital to shareholders
- Reduced 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

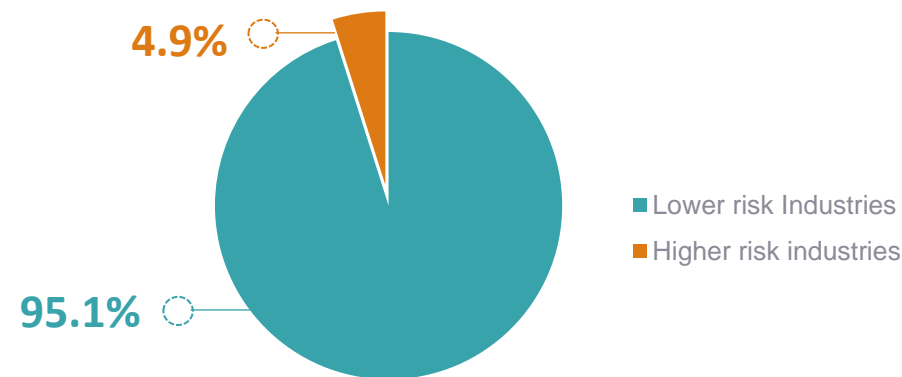
# Portfolio credit risk remains low

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 services<sup>1</sup>
- 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 PPSR<sup>2</sup> on vehicles (no unsecured exposure)
- Business-use assets have a strong track record of performance through economic cycles (including the GFC and COVID)

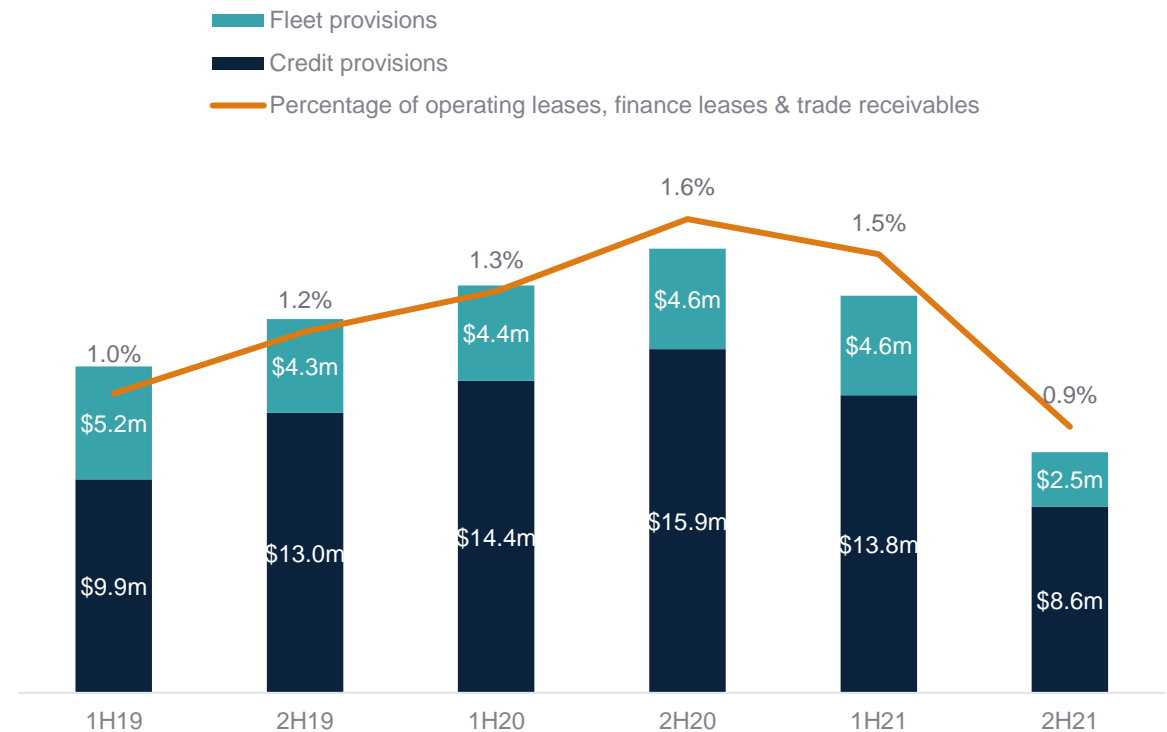
## Portfolio exposure



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 <sup>1</sup>



**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



**CCO<sup>2</sup>**  
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**