FleetPartners Group Limited
ABN 85 131 557 901
1300 666 001

fleetpartners.com.au
AUSTRALIA | NEW ZEALAND

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ASX Release

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FLEETPARTNERS GROUP REPORTS 1H24 RESULTS

FleetPartners Group Limited (ASX: FPR, "Group") today releases its results for the half-year ended 31 March 2024

Highlights for the half-year ended 31 March 2024 ("1H24")

- New business writings ("NBW") up 39% compared to prior comparative period, 1H23 ("pcp").
- Order pipeline remains elevated at 2.5x indexed to FY19 levels[1].
- Assets under Management or Financed ("AUMOF") of $2.1 billion, up 10% compared to pcp.
- Net operating income ("NOI") pre EOL and provisions of $76.1 million, up 1.4% compared to pcp.
- End of lease income ("EOL") of $35.9 million, up 1% compared to pcp.
- Net Profit After Tax excluding Amortisation ("NPATA") of $41.8 million, down 4% compared to pcp.
- Cash EPS of 17.1 cents per share, up 7% compared to pcp.
- 2H24 share buy-back of up to $27 million announced.

Group performance

The Group delivered NBW of $448 million, up 39% on pcp, driven by the strong execution of Strategic Pathways, aided by continuing improvements in the supply of new vehicles.

This result was driven by strong performance in Novated, with NBW up 81% compared to pcp due to increased demand for EVs, and Fleet Australia, with NBW up 31% compared to pcp, as availability of replacement vehicles improved.

AUMOF ended the year at $2.1 billion up 10% compared to pcp, driven by the strong NBW performance in 1H24.

In line with the Group's strategy of directing more NBW to warehouse funding, on balance sheet funded AUMOF (warehouse and ABS) increased by 22%. Balance sheet funded leases typically have higher returns over the life of the lease as compared to P&A funded leases.

Average EOL per vehicle during 1H24 was $6,291, remaining elevated relative to pre-COVID-19 levels, but down 18% compared to pcp. However, improvements in supply of new vehicles resulted in an increase in vehicles being returned as replacements became available, driving an increase of 23% in EOL units disposed compared to pcp.

NOI pre EOL and provisions was up 1.4%, driven by growth in average AUMOF of 9%, offset by lower management fees on new operating leases compared to those on the extended leases they replaced, and lower funding commissions due to more NBW being funded on balance sheet.

NOI pre EOL and provisions is weighted to the second half due to the timing of insurance renewal commissions.

Portfolio quality remains strong, with 90+ day arrears at 42bps. Provisions have increased as a result of growth in the balance sheet funded portfolio.

The Group's focus on cost management continued in 1H24, with operating expenses of $44.1 million representing an increase of 6% compared to 1H23. The increase was driven by significantly higher activity levels to support the growth in orders and NBW (particularly in Novated), and broad-based inflation.

NPATA was $41.8 million, down 4% compared to pcp, driven by the above factors.

The Group delivered Cash EPS of 17.1 cents per share, up 7% compared to pcp driven by a 10% decrease in average shares on issue as a result of the on-market share buy-back, partially offset by the reduction in NPATA.

The Group achieved strong organic cash generation of $46.3 million, with cash conversion of 106%. As of 31 March 2024, the Group's balance sheet had a net cash position of $10.8 million.

The Group successfully priced a $400 million Australian asset-backed securitisation in May 2024, including an inaugural Green Bond tranche issued under the Group's Green Bond Framework established during 1H24. This ABS issue provides funding flexibility and the capacity to support growth plans.

Corporate debt facilities have no maturities before July 2025.

Capital management

The Group commenced its on-market share buy-back program during FY21. Since that time, the Group has returned a total of $196 million to shareholders and cancelled 81 million shares, representing a 26% reduction in share capital.

Given the Group's carried forward tax losses associated with the Australian Federal Budget's Temporary Full Expensing policy (which finished 30 June 2023), it does not have distributable franking credits and is not expected to accrue franking credits until FY26 at the earliest. Therefore, the Board believes a return of capital to shareholders is best achieved through an on-market share buy-back, in the absence of a better use of capital.

The Board has declared an on-market share buy-back of up to $27 million for 2H24, reflecting 65% of 1H24 NPATA ($41.8 million), being the top end of the Group's targeted capital pay-out range.

In the interests of ensuring that the market is fully informed prior to re-commencing the on-market share buy-back program, as previously disclosed on 8 May 2023 and 13 November 2023, the Group notes that it has been informed by a strategic party that the party is considering acquiring a minority equity interest, potentially through market purchases within permitted limits. However, the Group notes that there is no certainty that the party will proceed.

Upcoming expiry of CEO options

As detailed on page 38 of the Group's FY23 Remuneration Report, Damien Berrell has 1,567,354 options due to expire on 26 November 2024. In the event these options are exercised by him before this expiration date, a separate ASX notice will be lodged.

Strategic Pathways and Accelerate

The Group has made significant progress with Strategic Pathways, a strategy designed to expand into new and existing target markets of Corporate, Small Fleets and Novated. The strategy has focused on developing sales and distribution capabilities in order to drive further penetration into these markets.

This strategy is driving strong growth across a number of leading indicators. In particular, NBW grew 39% in 1H24 driven by 81% growth in Novated and 31% growth in Australia Corporate and Small Fleets NBW. This in turn resulted in AUMOF growth of 10%.

Despite this strong NBW growth, the Group continued to hold a significant backlog in its order pipeline at 31 March 2024, representing 2.5x pre-COVID-19 levels[1].

As the Group continues to implement the Strategic Pathways plan, it expects to achieve asset growth in line with the normalisation of new vehicle supply; reflective of the combined strength of the current order pipeline, recent tender wins, and new and current customer activity.

The Group launched the Accelerate program during FY23. The objective of this business transformation program is to consolidate multiple operating systems, thereby removing duplication of brands, systems and processes to enhance the profitability benefits currently being delivered by Strategic Pathways. The program is expected to further improve customer outcomes, enhance employee engagement and deliver an annualised operating expense reduction of $6 million by mid-FY25, at a revised estimated total investment of $26 million (original estimate of $25 million).

The Accelerate program achieved the key milestones scheduled for 1H24 and is on track to go live by the end of FY24.

The introduction of the Electric Car Discount in Australia during FY23 has stimulated demand for BEVs and PHEVs in Australia. As a result, NBW in Novated for these vehicles has increased throughout FY23 and 1H24, and represented 51% of 1H24 NBW. Given the higher average value of BEVs and PHEVs, the average value of novated leases has also increased 13% compared to pcp.

ESG and sustainability are central to the Group's strategy and values. During 1H24, the Group launched its Green Bond Framework, published its inaugural Gender Pay Gap Statement and reaffirmed its commitment to advancing gender equality within FleetPartners, amongst other achievements.

Outlook

The Group is in a strong position from a financial and strategic perspective, reinforced by the underlying strength of the 1H24 result. The financial position of the Group, with no net debt (net cash: $10.8 million), provides balance sheet flexibility for capital management and capacity for leverage to support future organic and inorganic opportunities as they emerge.

The Group plans to continue its focus on EPS growth through disciplined capital management, including on-market share buy-backs and investment in strategic opportunities such as Strategic Pathways and Accelerate, that are expected to deliver strong returns and sustainable EPS benefits for shareholders.

Since the commencement of the buy-back program, the Group has cancelled 81 million shares, representing a 26% reduction in share capital, which is expected to reach c. 29% on completion of the declared $27 million target buy-back for 2H24.

NBW is showing significant strength and the order pipelines remain elevated, which is expected to support continued asset and revenue growth in future periods as the vehicle supply chain continues to normalise.

Further details about the Group result can be found in the Financial Report and Investor Presentation also released to the market today.

Investor call and webcast

Damien Berrell (CEO) and James Owens (CFO) will hold an investor call and webcast today at 10am to discuss the results.

Dial in Details

Please pre-register for the call at the link below.

Pre-registration link: https://s1.c-conf.com/diamondpass/10038231-xagzdb.html

You will receive a calendar invite and a unique code which is to be quoted when dialling into the call.

If you'd like to ask a question, please dial "*1" (star, 1) on your telephone keypad.

Open Briefing Live

https://openbriefing.com/OB/5528.aspx

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Investor enquiries

James Owens
FleetPartners Group
Chief Financial Officer
James.Owens@FleetPartners.com.au
+61 416 407 826

Media enquiries

John Frey
GRACosway
jfrey@gracosway.com.au
+61 411 361 361

1. Order pipeline benchmarked to Sep-19 to compare current levels against typical levels in an unconstrained supply environment, with FY19 representing the last full financial year prior to the emergence of COVID-19.