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AUSTRALIA | NEW ZEALAND

ASX Release

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FLEETPARTNERS GROUP REPORTS FY24 RESULTS

FleetPartners Group Limited (ASX: FPR, "Group") today releases its results for the year ended 30 September 2024

Highlights for the year ended 30 September 2024 ("FY24")

- Record New Business Writings[1] ("NBW") of $924 million, up 21%[2] compared to FY23.
- Record assets under management or financed[1] ("AUMOF") of $2.3 billion, up 11% compared to September 2023.
- Net operating income ("NOI") pre EOL and provisions of $158.7 million, up 5% compared to FY23.
- End of lease income ("EOL") of $70.6 million, down 4% compared to FY23.
- Net Profit After Tax excluding Amortisation ("NPATA") of $87.7 million, down 1% compared to FY23.
- Cash EPS of 36.5 cents per share, up 9% compared to FY23.
- 1H25 share buy-back of up to $30 million announced.

Group performance

The Group delivered NBW of $924 million, up 21%[2] on FY23, driven by the strong execution of Strategic Pathways, aided by continuing improvements in the supply of new vehicles.

This record result was driven by strong performance in Novated, with NBW up 36% compared to FY23 due to increased demand for EVs, and Fleet Australia, with NBW up 28%[2] compared to FY23, as availability of replacement vehicles improved. This was partially offset by Fleet New Zealand which was down 8% compared to FY23.

AUMOF ended the year at $2.3 billion, up 11% compared to September 2023, driven by the strong NBW performance in FY24.

In line with the Group's strategy of directing more NBW to warehouse funding, on balance sheet funded AUMOF (warehouse and asset-back securitisation ("ABS")) increased by 20%. Balance sheet funded leases typically have higher returns over the life of the lease as compared to Principal & Agency funded leases.

1. Record Core NBW and AUMOF, excluding divested/discontinued non-core businesses.
2. Including sale and leasebacks (Group: $0.3m in FY23, $9.1m in FY24; Fleet Australia: $0.1m in FY23, $8.5m in FY24; Fleet NZ: $0.2m in FY23; $0.6m in FY24).

Average EOL per vehicle during FY24 was $6,141, remaining elevated relative to pre-COVID-19 levels, but down 19% compared to FY23. However, an increase in vehicles being returned, as new vehicle supply improved and replacements became available, drove an increase of 19% in EOL vehicles disposed compared to FY23, largely offsetting the decline in EOL per vehicle.

NOI pre EOL and provisions was up 5%, driven by growth in average AUMOF of 10%, offset by lower management fees on new operating leases compared to those on extended leases they replaced, and lower funding commissions due to more NBW being funded on balance sheet.

Portfolio credit quality remains strong, with 90+ day arrears at 44bps. Provisions have increased chiefly as a result of growth in the balance sheet funded Novated portfolio.

The Group's focus on cost management continued in FY24, with operating expenses of $89.2 million at the lower end of the expectations range previously communicated and representing an increase of 6% compared to FY23. The increase was driven by significantly higher activity levels to support the growth in NBW, and broad-based inflation.

NPATA was $87.7 million, down 1% compared to FY23, driven by the above factors.

The Group delivered Cash EPS of 36.5 cents per share, up 9% compared to FY23 driven by the NPATA result outlined above and a 9% decrease in average shares on issue as a result of the on-market share buy-back.

The Group achieved strong organic cash generation of $116.3 million, with cash conversion of 128% (FY23: 123%). As of 30 September 2024, the Group's balance sheet had a net cash position of $31.3 million.

The Group successfully executed a $400 million Australian ABS in May 2024 and a NZ$300 million New Zealand ABS in November 2024. The Australian ABS included an inaugural Green Bond tranche issued under the Group's Green Bond Framework established during FY24. The Group also extended its warehouse facilities in both Australia and New Zealand for a further 12 months, to September 2025, providing funding flexibility and the capacity to support growth plans.

The corporate debt facility maturing in July 2025 is expected to be refinanced from existing facilities, with no other corporate debt maturities until October 2026.

Capital management

The Group commenced its on-market share buy-back program during FY21. Since that time, the Group has returned a total of $225 million to shareholders and cancelled 90 million shares, representing 29% of the shares on issue at commencement.

Given the Group's carried forward tax losses associated with the Australian Federal Government'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 distributions to shareholders are most efficiently 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 $30 million for 1H25, reflecting 65% of 2H24 NPATA ($45.9 million), being the top end of the Group's targeted capital pay-out range.

Strategic Pathways and Accelerate

The Group has made significant progress with Strategic Pathways, a strategy designed to drive increased growth in our 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 21%[2] in FY24 driven by 36% growth in Novated and 28%[2] growth in Australia Corporate and Small Fleets NBW, partially offset by New Zealand Corporate and Small Fleets NBW which was down 8% compared to FY23, due to a challenging economic environment. This strong NBW performance in turn resulted in AUMOF growth of 11%.

This strong NBW growth was, in part, supported by the elevated order pipeline at the start of the year, which converted to NBW as new vehicle supply improved.

As the Group continues to implement the Strategic Pathways plan, it expects to achieve continued asset growth; reflective of the combined strength of 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 during FY25.

2. Including sale and leasebacks (Group: $0.3m in FY23, $9.1m in FY24; Fleet Australia: $0.1m in FY23, $8.5m in FY24; Fleet NZ: $0.2m in FY23; $0.6m in FY24).

The Accelerate program is now expected to go-live during 1H25, to provide the additional time necessary for a successful launch. The revised estimated total investment for the project is $30 million (original estimate of $25 million).

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 during FY23 and FY24, and represented 53% of FY24 Novated NBW. Given the higher average value of BEVs and PHEVs, the average value of novated leases has also increased 8% compared to FY23.

ESG and sustainability are central to the Group’s strategy and values. During FY24, the Group launched its Green Bond Framework, renewed its Climate Active carbon neutral and Toitū Envirocare net carbonzero certifications, 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 FY24 result. NBW is showing significant strength, which is expected to support continued asset and revenue growth in future periods.

The financial position of the Group, with no net debt (net cash: $31.3 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 Accelerate, that are expected to deliver strong returns and sustainable EPS benefits for shareholders.

The Board has declared an on-market share buy-back of up to $30 million for 1H25, which is expected to bring the total shares cancelled since commencement of the buy-back to c.32%.

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 & MD) 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/10042530-kv6zmq.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

http://www.openbriefing.com/OB/5705.aspx

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