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Eclipx Group Limited | ABN: 85 131 557 901

29 January 2019

## ASX Release

Market Announcements Office  
Australian Securities Exchange  
20 Bridge Street  
Sydney NSW 2000

## ECX NPATA PERFORMANCE AND EXPECTATIONS

Eclipx Group Limited (ASX:ECX) (**Eclipx**) currently expects its net profit after tax and before amortisation (NPATA)<sup>1</sup> for the year ended 30 September 2019 (FY19) will be broadly in-line with reported FY18 NPATA.

This represents single digit growth in FY19 NPATA over the Eclipx pro forma NPATA for FY18 (calculated after adjusting for the adverse effect of accounting standard changes)<sup>2</sup>.

Estimated net profit before tax for FY19 is expected to show higher growth when compared to Eclipx's pro forma pre-tax FY18 results. This is due to the average corporate tax rate for FY18 being 25% compared to the estimated FY19 corporate tax rate of 29%.

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<sup>1</sup> NPATA is net profit after tax adjusted to exclude the after tax effect of the amortisation of intangible assets and material one-off adjustments or costs that do not reflect the ongoing operations of the business.

<sup>2</sup> When releasing its FY18 full year results on 14 November 2018, Eclipx advised it would be adopting accounting standard AASB15, effective 1 October 2018, and advised that this change in accounting standard would have resulted in a \$3m post-tax reduction in its FY18 NPATA had AASB15 been applied from 1 October 2017. Similarly AASB 9, which was adopted on 1 October 2018, would have resulted in a \$2m post-tax reduction to FY18 NPATA, had AASB9 been applied from 1 October 2017. The fact that AASB9 would have resulted in a reduction of FY18 NPATA had AASB9 been applied from 1 October 2017 (although not the amount of the reduction) was also communicated to the market as part of the Eclipx FY18 results release. When combined, AASB15 and AASB9 represents a pro forma \$5m after tax reduction in FY18 NPATA to \$73.1m.

The expected NPATA in FY19 reflects a number of factors including:

- Ongoing positive performance of the Australian and New Zealand Commercial Fleet and Novated businesses;
- Operational initiatives and management changes implemented in Right2Drive, which have resulted in improved performance in line with our expectations;
- Grays Auto continues to grow and expand its core motor vehicle auction business;
- Notwithstanding this, Grays continues to experience weakness in Insolvency and Industrial auctions, consistent with the broader industry;
- The Consumer business is also experiencing softer retail market conditions, consistent with the industry; and
- Cost reduction programs commenced in FY18 and accelerated in FY19. To date, Eclipx's has reduced FTE by c.5%.

In the past five years, the NPATA results for Eclipx have been slightly skewed towards the second half. 1HFY19 NPATA is currently expected to be approximately 40% of the full FY19 NPATA due to softer Consumer and continued softness in Insolvency/Industrial auction market conditions that we have experienced in the first quarter of FY19 (and timing of cost reductions as referred to below). The 1HFY19 NPATA estimate also includes a provision to take into account concerns held by Eclipx about certain non-performing credit exposures.<sup>3</sup>

Responding to this expectation of a softer 1H19 performance, Eclipx has already commenced the implementation of a further cost reduction program. The lower expense base being established in 2H19 will flow through to lower annualised operating expenses beyond September 2019. The lower expense base being established progressively during FY19 will contribute to the higher skew in results towards the second half.

This cost reduction programme is being delivered through the following initiatives:

- the previously announced amalgamation of our Fleet businesses in Australia;
- consolidation of our Fleet and Equipment Finance businesses in NZ;
- reducing the cost base of Grays to reflect lower Insolvency and Industrial auction volumes;
- reduction in costs supporting the Consumer business; and
- benefits from investments in IT development in prior years.

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<sup>3</sup> During the first quarter of FY19, issues have emerged with certain equipment finance exposures, some of which have become non-performing. This has resulted in an expected provision of \$2.3m pre-tax for 1HFY19 and an allowance for further provisioning of \$0.8m pre-tax for the remainder of the financial year. Eclipx's total exposure amounts to \$5.5m. Eclipx continues to work with other financiers impacted to address these equipment finance exposures and will review the level of provision over time.

## **ECLIPX AND MMS MERGER**

MMS has made, and Eclipx has responded to, extensive information requests in relation to the Eclipx FY19 year to date financial performance, outlook expectations and other matters. Eclipx has sought confirmation from MMS as to whether it intends to proceed in accordance with the scheme timetable. In response to this, MMS has advised that it intends to fully comply with its obligations under the SIA but needs time to consider next steps, including appropriate disclosure, additional risks and any impact on the future Combined Group, and scheme timetable, and has reserved its rights.

Eclipx will continue to keep the market informed in accordance with its continuous disclosure obligations.

**ENDS**

### **Investor enquiries**

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### **About Eclipx**

About Eclipx: Eclipx is a leading provider of fleet, equipment leasing and management, vehicle rentals and online auction services to corporate, SME and consumers in Australia and corporate and SME customers in New Zealand. As at 30 September 2018, Eclipx managed or financed 117,060 vehicles with \$2.4 billion in assets under management. It operates in Australia and New Zealand under nine primary brand names, "FleetPartners", "FleetPlus", "CarLoans.com.au", "Georgie", "areyouselling.com.au", "FleetChoice", "AutoSelect", "Right2Drive" and "GraysOnline".

DISCLAIMER: This announcement contains certain forward-looking statements including predictions of possible future events. Forward looking statements are predictions rather than statements of fact. They are inherently uncertain and are subject to known and unknown risks and uncertainties. There is no certainty that forward looking statements will be met, and actual outcomes may differ materially from outcomes expressed or implied by such statements. While they represent views of Eclipx as at the date of this announcement, those risks and uncertainties include matters outside the control of Eclipx which cannot be predicted. Neither Eclipx nor its officers, employees or agents guarantees that outcomes will match what is expressed or implied in the forward looking statements.