

4 November 2021

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Eclipx Group Ltd (ECX)

Diversified Financials

BUY

ECX A\$2.44
TARGET PRICE A\$2.98

Eclipx Group is an established leader in vehicle fleet leasing, fleet management and diversified financial services in Australia and New Zealand. The Group helps consumers and businesses of all sizes access the funds they need to operate through fleet leasing, novated leasing, vehicle sales, commercial equipment finance and consumer motor vehicle finance solutions.

Company Data

Number of shares	312.9M
Market Capitalisation	\$763.5M
Free float (%)	89.7
12-month high/low	\$2.54/\$1.54
Average Daily Turnover (\$m)	1.1.7
% S&P/ASX200	0.04%
DDM Ranking	132
% All Ordinaries	0.03
GICS Industry Group	Consumer Finance

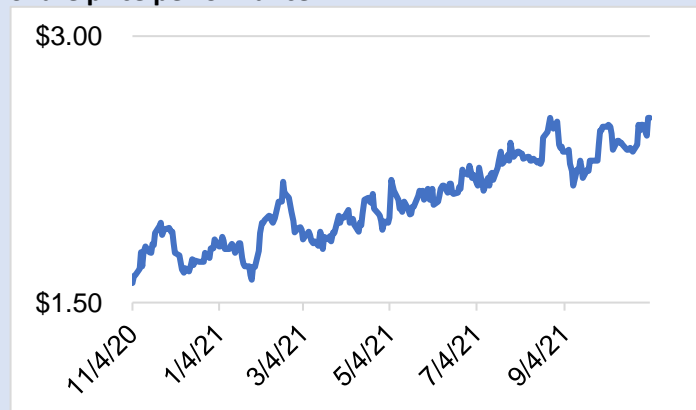
Source: FactSet, Barclay Pearce Capital

Year end July	2021A	2022F	2023F
Revenue (\$M)	648.1	658.0	676.0
EBITDA (\$M)	143.4	108.5	101.0
Reported NPAT (\$M)	75.9	66.0	62.0
Adjusted NPAT (\$M)	86.1	66.3	61.4
Reported EPS (¢)	24.3	21.1	19.8
Adjusted EPS (¢ - FD)	21.4	21.0	20.0
Adjusted EPS growth (%)	46.5	43.8	37.1
Adjusted P/E (x)	11.4	11.6	12.2
Dividend (¢/sh)	0.0	2.4	2.2
Gross yield (%)	0.0	1.4	1.3
Net yield (%)	0.0	1.0	0.9
ROIC (%)	4.4	3.6	3.1

Source: Barclay Pearce Capital

Barclay Pearce Capital contributes all company estimates to Thomson Reuters, FactSet and Capital IQ.

Share price performance



Source: FactSet, Barclay Pearce Capital

FY21 Results Media Release

On 3 November 2021, Eclipx Group Ltd (ECX) reported FY21 results with the following highlights:

FY21 Results

- Revenue from continuing operations 648,057 (\$'000);
- Net operating income ("NOI") of \$223.3 million, up 32% compared to prior comparative period, FY20 ("pcp");
- EBITDA was \$143.4 million in FY21, up 63% compared to the prior comparative period;
- Profit for the year after tax 75,950 (\$'000);
- NPATA was \$86.1 million in the year, up 110% compared to FY20;

Capital Management

- FY21 share buy-back capital pay-out ratio of 65% NPATA Simplification Plan;
- Most efficient form of capital distribution to shareholders, in the absence of distributable franking credits;
- Existing \$40 million share buy-back announced during 2H21 extended to \$56 million or 65% of FY21 NPATA;
- 80% change to the executive team over the last 16 months;
- Targeting a capital pay-out ratio (CPR) of 55-65% NPATA going forward;

Outlook

- Globally, the supply chain disruption for new vehicles is expected to continue into the fourth quarter of calendar year 2022;
- While this supply situation remains, new vehicle deliveries, and therefore NBW and AUMOF, are likely to remain constrained;
- As the Group continues to implement the Strategic Pathways plan and the new vehicle supply chain normalises, the Group expects a return to solid asset growth, reflective of the combined strength of our current order pipeline, of recent tender wins, of new and current client activity; and
- In the near-term, while the new vehicle supply chain remains constrained, we expect End of Lease income to continue to remain above pre-COVID levels.

Earnings changes

In FY21, ECX reported an Adjusted NPAT of \$86.1 million, an increase of 110% from FY20 and compared to market expectations of \$76.2m. However, ECX forecasts decreased NPAT until EOFY22 due to supply shortages. Since changes are volatile and contingent on supply, we don't expect any significant earnings revisions at this stage.

Valuation

We are updating our 12-month price target on ECX from \$1.75 to \$2.98 and revising our HOLD recommendation to BUY. The price target is underpinned by our valuation.

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Barclay Pearce Capital provides research services to its clients. Mr Wright is General Manager of Research and has over thirty (30) years' experience in the financial services industry, particularly in financial analysis and research report writing. Mr Wright joined the Barclay Pearce team in 2020 where he has been involved in the research and publication of reports. Prior to this Mr Wright worked at a number of entities where he held Director/Head of Research and General Manager of Research positions. Mr Wright holds a Bachelor of Mathematics (Honours) from Edinburgh University and has completed the SDIA Accreditation Program (RG146) through DeakinPrime.

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Hold – Describes stocks that are neither a buy nor underperform.

Underperform – Describes stocks that we expect to provide a total return (price appreciation plus net yield) of less than minus 10% within a 12-month period.

NR – The investment rating and price target have been temporarily suspended. Such suspensions are in compliance with applicable regulations and/or Barclay Pearce Capital policies.

Speculative Buy – Describes stocks we research with a positive bias, whose company fundamentals and/or financials are being covered, but for which there is insufficient information for Barclay Pearce Capital to assign a Buy or Underperform rating.

Free Float (float / current shares outstanding) *100 – This float figure is the number of shares that are available to the public and is calculated by subtracting the shares held by insiders and those deemed to be stagnant shareholders. Stagnant holders include ESOP's, ESOT's, QUEST's,

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employee benefit trusts, founding shareholder equity stake plus senior management equity stake, corporations not actively managing money, venture capital companies and shares held by Governments.

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Buy	41.7%	(0.0% of stocks with recommendations are Barclay Pearce clients)
Speculative Buy	0.2%	(100.0% of stocks with recommendations are Barclay Pearce clients)
Hold	16.6%	(0.0% of stocks with recommendations are Barclay Pearce clients)
Underperform	41.5%	(0.0% of stocks with recommendations are Barclay Pearce clients)