

Eclix plans for up to three years of virus disruption



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*The chief executive of car leasing group Eclix says the company is planning for a scenario where the COVID-19 pandemic lasts for between two and three years **without any vaccine** being found.*

*Julian Russell said on Monday the group was battenning down the hatches and ensuring its balance sheet was in the best possible shape, because of the high degree of uncertainty in the economy as the federal government prepared to wind back some aspects of **its JobKeeper scheme**.*



Eclix CEO Julian Russell: "There is a lot of uncertainty when that much liquidity gets withdrawn." Louise Kennerley

"We're watching things very closely but there is a lot of uncertainty when that much liquidity gets withdrawn," he said.

Mr Russell is a former UBS investment banker who oversees brands including FleetPlus, FleetPartners and FleetChoice in one of Australia's biggest car

leasing groups. Eclipx has a string of blue-chip corporate customers in its fleet and novated leasing operations with ANZ, NAB, Westpac and Coca-Cola Amatil, among others.

Eclipx announced on Monday that it had sold the last of its non-core assets, the loan car business Right2Drive, which provides replacement vehicles to "not at fault" drivers who have been in a car accident. It sold the business to Growth Factor Group for up to \$26.5 million.

Eclipx had already written down the value of Right2Drive to \$28 million, from \$38 million in May, and will book a loss on the sale when it announces its full-year results. The fixed component of the sale price is \$19.2 million, and a further \$7.3 million is expected at six-month intervals for the next two years based on debtor collections.

Mr Russell took the *helm of Eclipx 15 months ago* and is simplifying the business in a back-to-basics approach, under which six non-core businesses have now been sold.

'Tough economy'

The first five assets sold were Grays Online, Eclipx Commercial, Georgie, areyouselling.com.au and Carloans.com.au.

Mr Russell said it was a tough economy and the group was content with the sale price achieved for Right2Drive.

"I think the sale price is pretty good. The challenge is the COVID backdrop," he said.

Eclipx was now concentrating on keeping costs down and expanding its core business of vehicle leasing.

"The economy is obviously very uncertain because of COVID," Mr Russell said. He said Eclipx had done extensive scenario-planning and was working on the basis that the pandemic would last between two and three years, without any vaccine being found. If there were a better outcome than that, it would be very welcome.

"Our base case is we're planning for two to three years of COVID and no vaccine," he said.

Mr Russell expected consolidation in the vehicle leasing industry and said the group would assess any proposed deals on their merits.

"We expect it to happen," he said.

He said various situations could emerge and Eclipx would always do what was right for its shareholders. Being an aggressor in the current environment needed to be carefully weighed up.

"We're sort of agnostic," he said.

Before Mr Russell arrived, Eclipx was part of two potential deals that did not materialise. Eclipx and rival McMillan Shakespeare announced a proposed merger in November 2018 *but it was terminated six months later* after Eclipx's financial performance deteriorated markedly under its previous management. Eclipx also rejected *an indicative offer* in August 2018 from SG Fleet, which tried to execute a different deal in an industry ripe for rationalisation.

