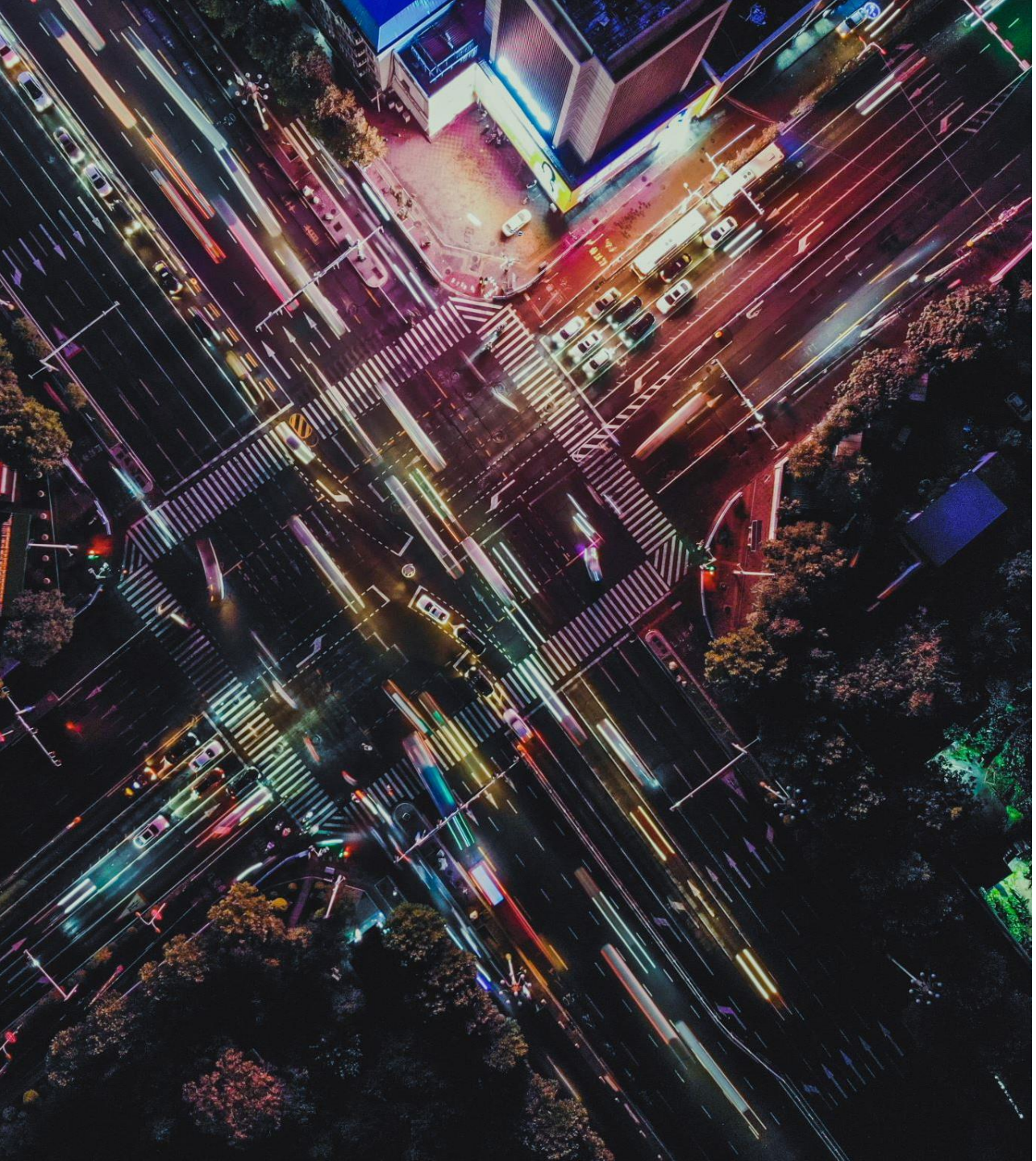


Fleet Conference & Exhibition AND FLEET AWARDS

MAY 23-24 ROSEHILL GARDENS RACECOURSE SYDNEY

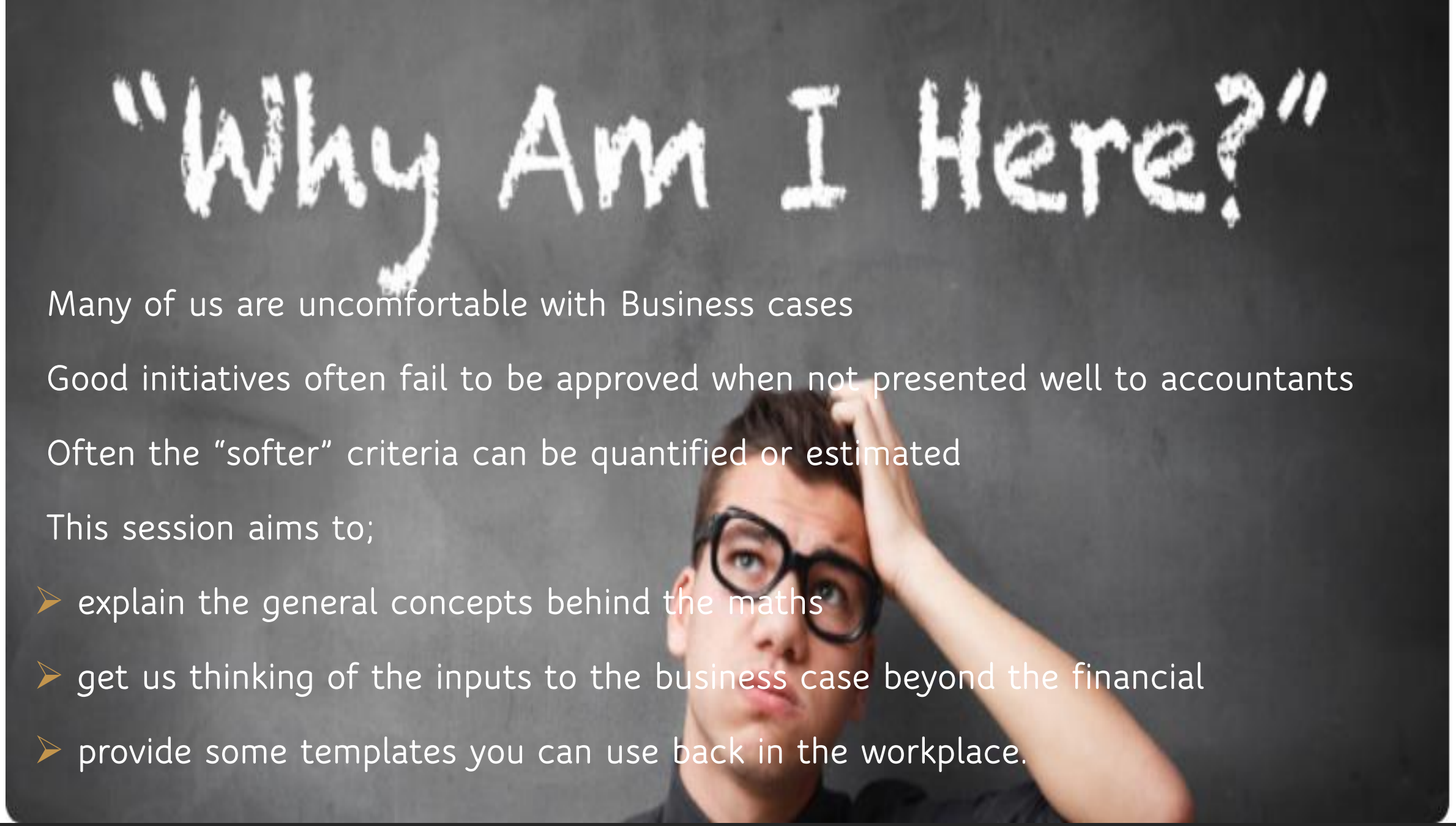
# Investing in Technology

## Proving the Return on Investment


PAUL SOR

NATIONAL ASSETS MANAGER

AUSTRALIAN RED CROSS




Many of us are uncomfortable with Business cases

Good initiatives often fail to be approved when not presented well to accountants

Often the "softer" criteria can be quantified or estimated

This session aims to;

- explain the general concepts behind the maths
- get us thinking of the inputs to the business case beyond the financial
- provide some templates you can use back in the workplace.

# What are we discussing today?

Different methods of calculating a return and a brief explanation of each

- ROI – Return on Investment
- Payback
- Net Present Value

Inputs to the Business Case – not just financial

- Financial
- Safety
- Compliance
- Brand
- Human Impact
- And the Unexpected

# ROI – Return on Investment

Capital is scarce.

Why should this project be allocated the limited funds

Because for every $ spent, we doubled? Or tripled our money.

ROI = (Profit – Cost) / Cost, all expressed as a percentage

Invest $1000, profit of $6000.

ROI = ((6000-1000)/ 1000) X100 = 500% or ROI of 5 times.

# Payback

Payback is a shorthand for

- How long till I get my investment back
- Without looking at impacts of inflation
- And is expressed as a function of time.

Payback = initial investment / net profit over first year.*

Invest $1000, profit of $6000 in first year.

Payback = $1000/6000, or 0.166666 of a year or 2 months

But does not take account of cashflow impacts on longer payback periods over years

* When net profit is accumulated unevenly, count number of years until cumulative profit equals initial investment

# Net Present Value

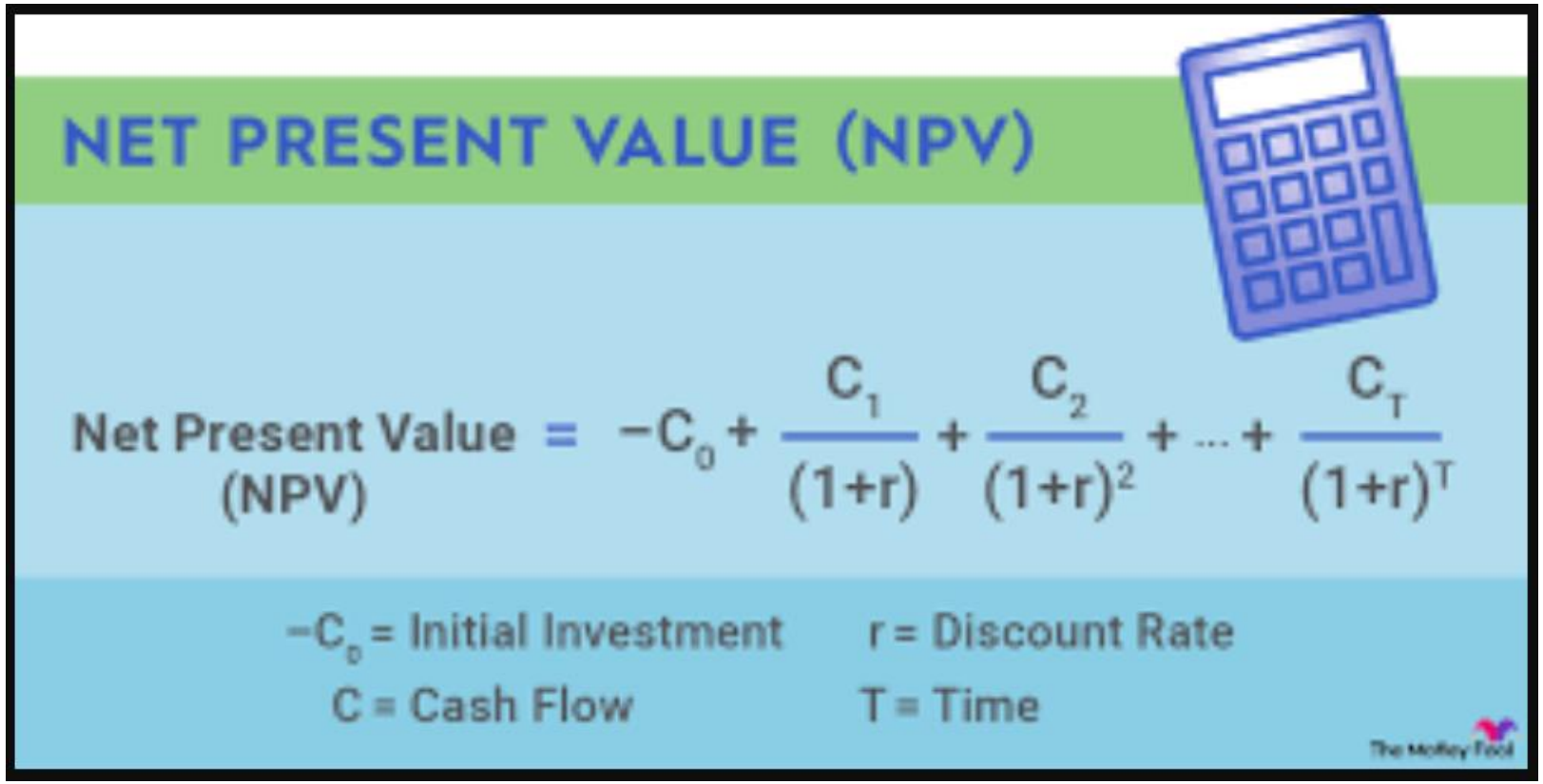
NPV looks at

- the return over the entire life of a project,
- takes account of inflation
- different projects by comparing a single number.

A positive number suggests a return, whilst a negative number suggests a loss.

In essence NPV is the sum of each periods financial return after considering inflation / cost of capital

# Net Present Value



# Inputs to the Business Case – Not just financial

Financial is important

But there are often other benefits of a project.

Key Question is

WHY ARE WE WANTING TO DO THIS PROJECT

As a group can we determine some that may apply for a Fleet Business case?

# Inputs to the Business Case – Financial

Cost of Item – Cost to Acquire

- Capital cost
- Interest on capital cost / borrowings
- Lease payment
- Rental Payment
- Subscription cost
- Licencing fees
- Data charges

Benefits of Item – returns

Sale of underutilised assets

- Cost to prepare for sale
- Transport to sale location
- Removal
- Sale price

Savings on licences

Improved efficiency / utilisation

# Inputs to the Business Case – Financial

Maintenance

- Tyres
- Servicing
- Repairs

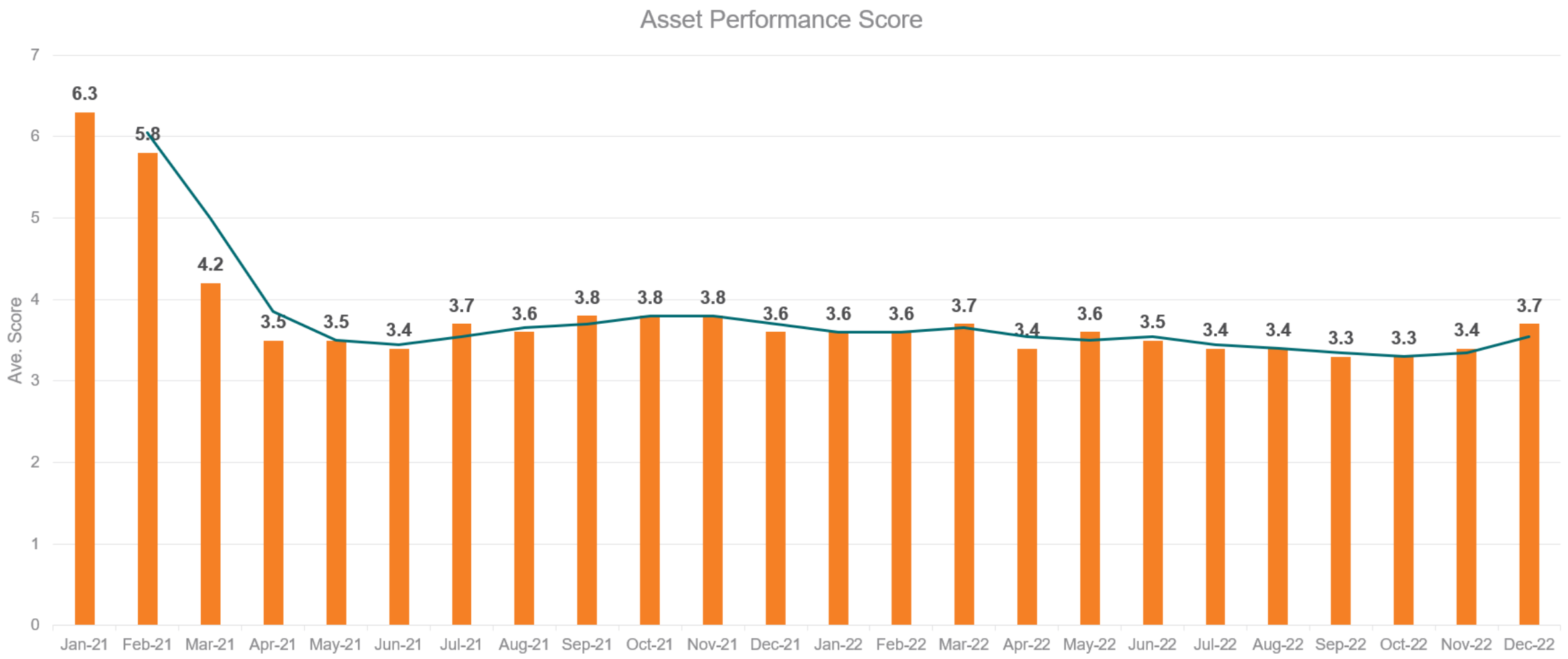
Fuel

Rates / taxes

Insurance

Rego

# How driver behaviour has changed over time



# Inputs to the Business Case – Safety

Accidents

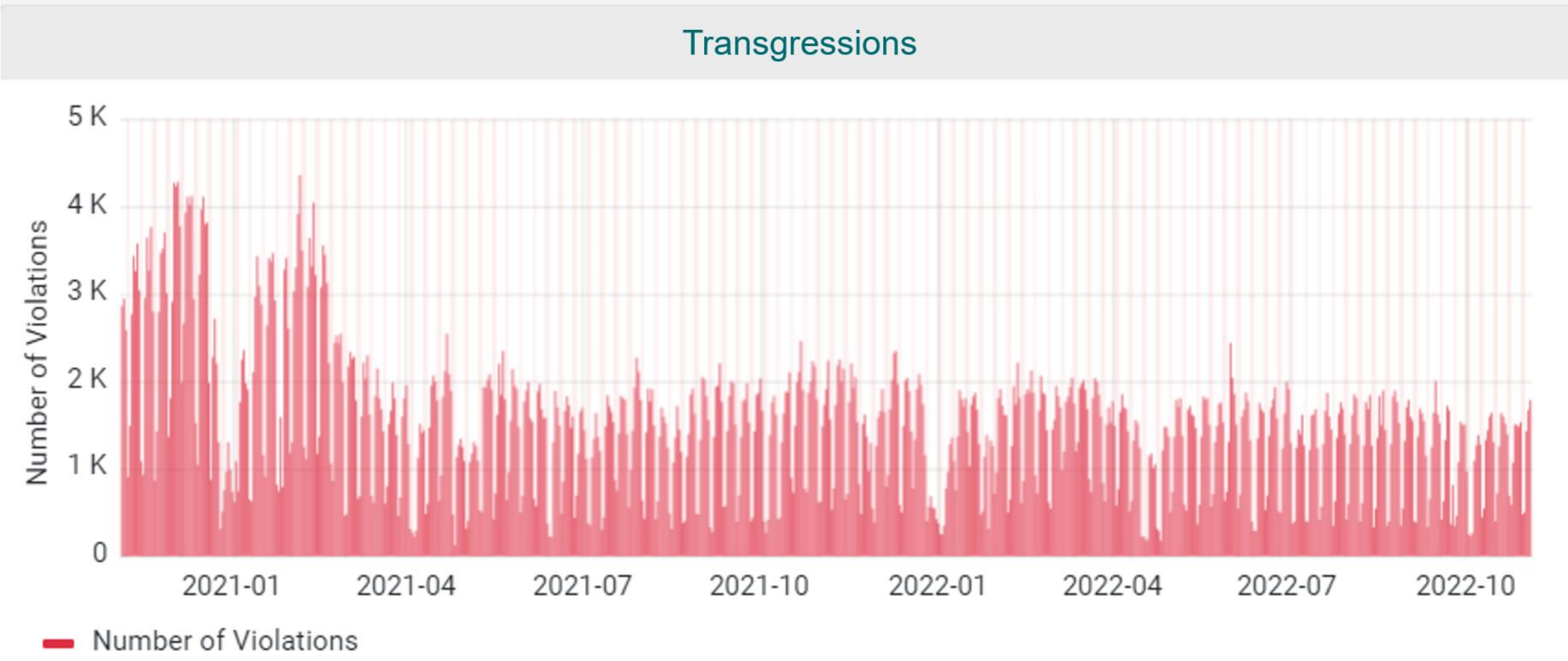
- Reduction in accidents
- Reduction in Injuries (see human impact)
- Reduction in repairs
- Reduction in Excess
- Reduction in Medical Costs
- Reduction in Lost days
- Reduction in processing time

Costs to passengers

Costs to Third Party's

Legal

# How driver behaviour has changed over time



# Inputs to the Business Case – Compliance

FBT Decrease

Fines Decrease

Infringement Decrease

Decreased labour costs

Corporate Fines decrease

Inspection time saved

Lower maintenance costs

# Inputs to the Business Case – Brand

Increased business

Marketing

Goodwill

Reputation

Influencer Benefits


ESG – Environmental, Social and Governance

- Eg reduction in Carbon emissions, or cancer causing chemicals

# Inputs to the Business Case – Human Impact

Employer of Choice

Lower injuries

Labour savings

Lower Training costs

Lower staff turnover

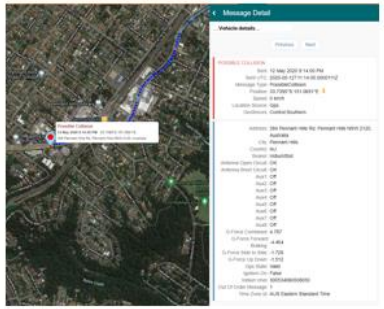
Staff moral

# Amazing features at the end of the project

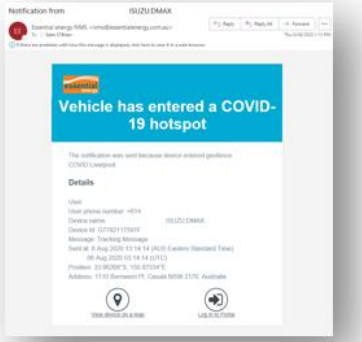
## Live tracking of the entire fleet

## Quickly locate a vehicle in duress

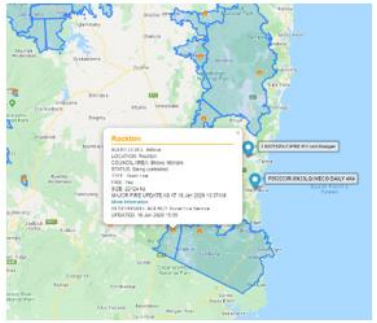

## Accident data reconstruction



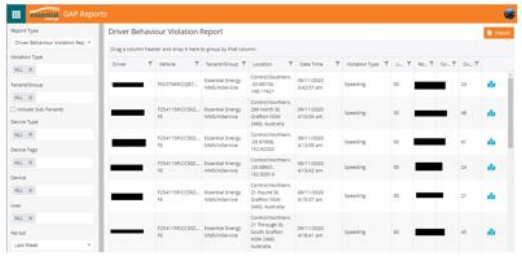
## Realtime danger zone notifications




## Map overlays – NSW-RFS bushfire live maps

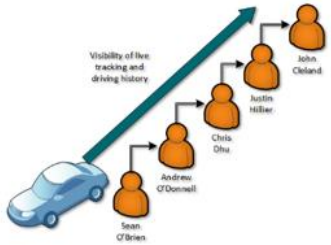


## Driving behaviour and fatigue reporting




## Powerful graphical insights


## Visibility for my line of leaders




## Data integration with existing systems

# Inputs to the Business Case – And the Unexpected

Halved number of violations within months

Fine and Infringements decreased by 3 per month

Telematics installation led to reduced car usage and saved 5% fuel

Telematics led to reduced vandalization / non reporting of accidents

EV led to less aggressive driving as people tried to maximise battery life

A car with better seats led to less muscle injuries

Telematics identified vehicles idling with aircon on over lunch. Saved fuel

Telematics helped find cars that had been “misplaced” or stolen

AFMA NPV template 2023 • Saved

## Key Data

Discount rat 7.00%

## Instructions

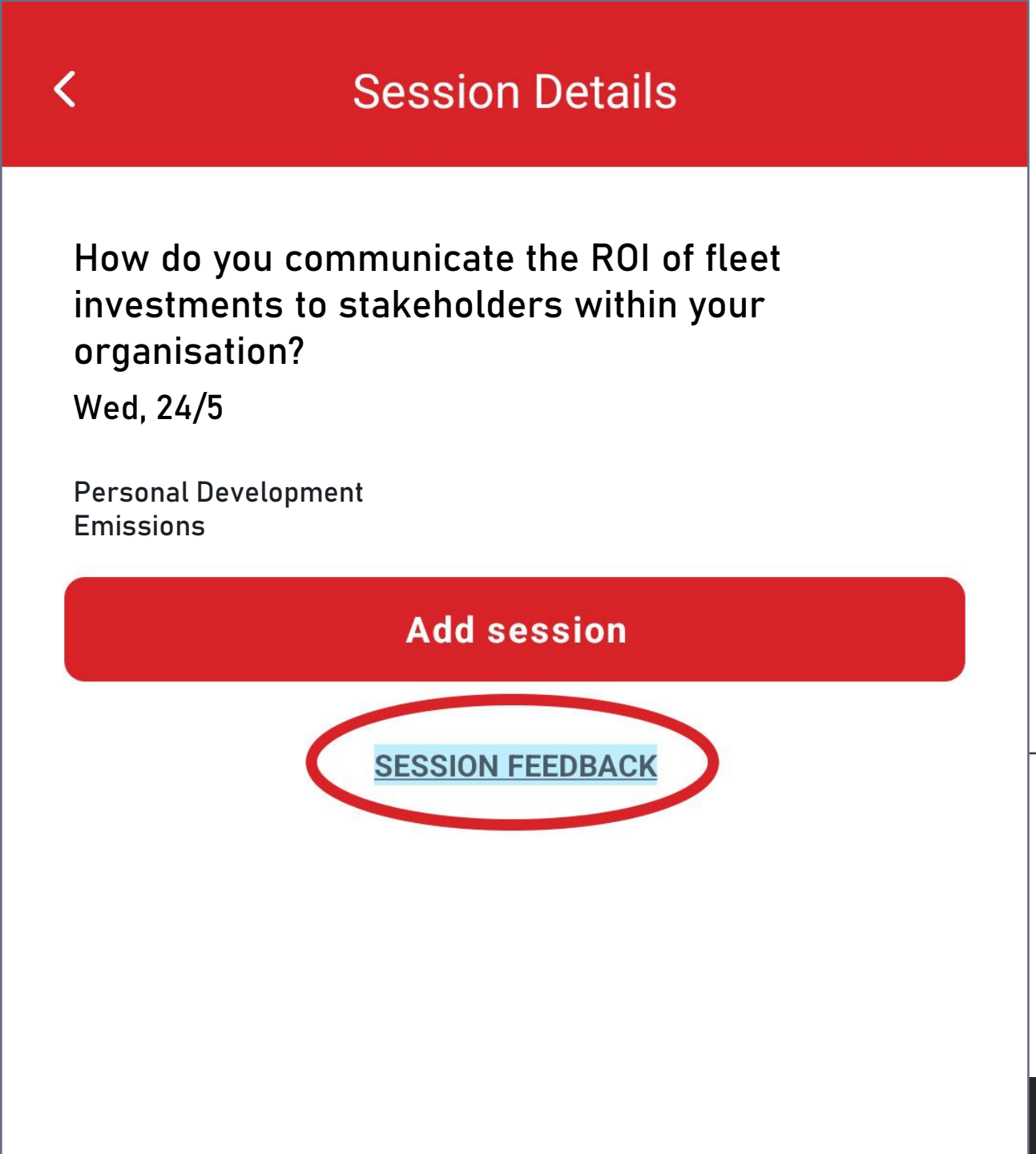
Input your key data in these coloured cells. Obtain the Discount rate from the Finance Dept or CFO in cell B4. Input the month your calculation starts in cell E9

Input individual cashflow amounts for each period in these coloured cells. There are enough rows for 10 years calcs by month. You don't need to use each one.
And if you wish to only do annual figures, just input in the same month, but for each year eg Aug 2023, Aug 2024 etc.
REMEMBER - money that is flowing out is represented as a negative. Money flowing in, or savings is represented as a positive.
DO NOT TOUCH. This cell has the NPV. Repeat the exercise on other sheets to compare NPV for different products/ solutions.
The higher NPV gives the better financial result.

| | | | Month (Totals) | Jul-23 | Aug-23 | Sep-23 | Oct-23 | Nov-23 | Dec-23 | Jan-24 | Feb-24 | Mar-24 | Apr-24 | May-24 | Jun-24 | Jul-24 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Period (month) | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
| Financial | | | | | | | | | | | | | | | | |
| Cost of Item | | | | | | | | | | | | | | | | |
| | Acquisition | Capital cost | | $ (100,000) | | | | | | | | | | | | |
| | | interest on capital cost/ borrowings | | | | | | | | | | | | | | |
| | | Lease payment | | | | | | | | | | | | | | |
| | | Rental payment | | | | | | | | | | | | | | |
| | | Subscription | | $ (500) | $ (500) | $ (500) | $ (500) | $ (500) | $ (500) | $ (500) | $ (500) | $ (500) | $ (500) | $ (500) | $ (500) | |
| | Installation | | | | | | | | | | | | | | | |
| | Licences | | | | | | | | | | | | | | | |
| | Shipping | | | | | | | | | | | | | | | |
| | Training | | | | | | | | | | | | | | | |
| Benefits | | | | | | | | | | | | | | | | |
| | Sale of underutilised assets | | | | | | | | | | | | | | | |
| | | Cost to prepare for sale | | | | | | | | | | | | | | |
| | | transpoort | | | | | | | | | | | | | | |
| | | removal | | | | | | | | | | | | | | |
| | | sale price | | | | | | | | | | | | | | |
| | savings on licences | | | | | | | | | | | | | | | |
| | improved efficiency | | | | | | | | | | | | | | | |
| | Maintenance | | | | | | | | | | | | | | | |
| | | tyres | | | | | | | | | | | | | | |
| | | servicing | | | | | | | | | | | | | | |
| | | repairs | | | | | | | | | | | | | | |
| | Fuel | | | | | $ 1,000 | $ 1,000 | $ 1,000 | $ 1,000 | $ 1,000 | $ 1,000 | $ 1,000 | $ 1,000 | $ 1,000 | $ 1,000 | |
| | rates/ taxes | | | | | | | | | | | | | | | |
| | insurance | | | | | | | | | | | | | | | |
| | Monthly lease fees | | | | | | | | | $ 2,000 | $ 2,000 | $ 2,000 | $ 2,000 | $ 2,000 | $ 2,000 | |
| Compliance | | | | | | | | | | | | | | | | |
| | FBT decrease | | | | | | | | | | | | | | $ 50,000 | |
| | Fines decrease | | | | | | | | | | | | | | | |
| | Infirngement decrease | | | | | | | | | | | | | | | |
| | Decreased labour costs to attend to | | | | | | | | | | | | | | | |
| | Corp fines decrease | | | | | | | | | | | | | | | |
| | inspections time saved | | | | | | | | | | | | | | | |
| | maintenance | | | | | | | | | | | | | | | |
| Brand | | | | | | | | | | | | | | | | |
| | Increased business | | | | | | | | | | | | | | | |
| | marketing | | | | | | | | | | | | | | | |
| | goodwill | | | | | | | | | | | | | | | |
| | reputation | | | | | | | | | | | | | | | |
| | influencer benefits | | | | | | | | | | | | | | | |
| Safety | | | | | | $ 4,000 | $ 4,000 | $ 4,000 | $ 4,000 | $ 4,000 | $ 4,000 | $ 4,000 | $ 4,000 | $ 4,000 | $ 4,000 | |
| | Accidents | Reduction in excess | | | | | | | | | | | | | | |
| | | reduction in rectification | | | | | | | | | | | | | | |
| | | reduction in medical costs | | | | | | | | | | | | | | |
| | | Reduction in lost days | | | | | | | | | | | | | | |
| | Passenger | | | | | | | | | | | | | | | |
| | thirdparty | | | | | | | | | | | | | | | |
| HR | | | | | | | | | | | | | | | | |
| | Employer of choice | | | | | | | | | | | | | | | |
| | injuries | | | | | | | | | | | | | | | |
| | labour savings | | | | | | | | | | | | | | | |
| | training | | | | | | | | | | | | | | | |
| | Net Nominal Cashflow | $ 6,000 | | $ (100,500) | $ (500) | $ 4,500 | $ 4,500 | $ 4,500 | $ 4,500 | $ 6,500 | $ 6,500 | $ 6,500 | $ 6,500 | $ 6,500 | $ 56,500 | $ - |
| | NPV Total Cashflow | $ 830 | | | | | | | | | | | | | | |

Worked Example | Product 1 | Product 2 | Product 3

# Questions

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