ASX Announcement

AGM presentation materials, including 1H 2020 earnings guidance

10 June 2020

Please find attached the following documents to be presented at the 2020 Annual General Meeting (**AGM**) of Smartgroup Corporation Limited (**ASX: SIQ**) to be held at 11.00am this morning (Sydney time) via online platform.

1. Chairman's address
2. Address by Managing Director and CEO
3. AGM presentation, including earnings guidance for 1H 2020

Shareholders can join the AGM via the online platform at https://agmlive.link/SIQ20.

Sophie MacIntosh, Chief Legal Officer and Company Secretary
Smartgroup Corporation Ltd
Telephone: 0407 486 823

This announcement was authorised for release by the Board of Directors of Smartgroup.

SMARTGROUP CORPORATION LIMITED
2020 ANNUAL GENERAL MEETING – CHAIRMAN AND CEO SCRIPT
11.00 AM, WEDNESDAY 10 JUNE 2020

1. CHAIRMAN'S ADDRESS

2019 results

2019 delivered another year of earnings growth for Smartgroup, with revenues up 3 per cent to $249.8 million and after-tax profits, represented by NPATA, growing 4 per cent to $81 million.

The Company declared a final dividend of 21.5 cents per share, fully franked, which was paid on 16 March 2020. The total ordinary dividends paid for the 2019 year were 43 cents per share, an increase of 4% from 2018. A special fully franked dividend of 20 cents per share was also paid in May 2019.

Our strategy for success includes maintaining exceptional customer service, a culture of innovation and an inclusive workplace. We believe that a productive and committed workforce is a key success factor, as well as being a responsible corporate citizen. To this end, we are very proud to have been recognised as one of only 35 Inclusive Employers by the Diversity Council Australia for 2019-2020. We were also recently recognised as an Employer of Choice for Gender Equality by the Workplace Gender Equality Agency (WGEA). This accreditation was achieved by fewer than 150 organisations in Australia.

In February 2020, we farewelled Deven Billimoria as CEO after a remarkable and distinguished career and welcomed Tim Looi into the role. Tim has worked alongside Deven as Chief Financial Officer for the past ten years and has a deep understanding of the business and our customers' needs.

2020

Smartgroup delivered solid performance in the first quarter of 2020 with overall financial performance in line with the prior corresponding period.

However, like many other businesses throughout Australia, the Company has seen impacts from the COVID-19 Pandemic through the latter part of March, April and May. Throughout this period, Smartgroup's focus has remained on safeguarding the well-being of its employees and customers, as well as supporting and servicing those customers who provide essential services at this time, such as employees in Federal and State Government, health care, aged care and charities.

Smartgroup has put in place a range of initiatives to respond to the impacts of COVID-19. Tim will take you through these impacts and the Smartgroup response in more detail in his later presentation. He will also give more details in relation to how Smartgroup is performing in 2020.

Conclusion

In conclusion, I would like to thank our new Managing Director and CEO, Tim Looi, the executive management team and all of our employees for delivering another solid result in 2019 and for responding to the COVID-19 Pandemic with decisive and responsible actions to ensure we can safeguard our business for the future. Thanks to our people, Smartgroup has continued to deliver on our strategy of providing exceptional service to our clients through 2019 and, despite the many challenges of COVID-19, into 2020.

I would also like to thank our clients, suppliers and shareholders for their continued support and to take this opportunity to thank my fellow Directors for their contribution and support during 2019 and the first 5 months of 2020.

2. MANAGING DIRECTOR'S ADDRESS

In 2019, Smartgroup delivered another year of growth despite a more challenging industry backdrop.

First, we delivered another year of positive financial results. Revenue and NPATA were up on the prior year by 3% and 4%, respectively. Second, we continued to have success in growing our footprint of packaging, and leasing. Third, we continued to integrate the acquisitions we had undertaken over the last several years. This included a simplification of our service delivery platform as well as selling more services to existing clients. Fourth, our capital light business model translated to strong cashflow generation for 2019.

This was a pleasing performance for 2019 in the context of some industry headwinds which I will refer to later in the presentation.

In 2019, we delivered revenue for the full year of $249.8 million and NPATA of $81 million. Top and bottom-line numbers were up on the prior year by 3% and 4%, respectively.

Smartgroup's packaging, leasing and fleet metrics presented good growth at 5% from the prior year. When coupled with a 1% reduction in resourcing, this represented an operational efficiency improvement of approximately 6%.

Our 2019 growth has been a continued trend for the last several years. We paid fully franked dividends of 43 cents per share from our 2019 earnings, as well as a special fully franked dividend of 20 cents per share.

Despite some client losses in Victorian Health in H1 2019, our salary packages and novated leases under management continued to increase. I am pleased to say that the balance of our major Victorian Health clients have now been re-signed to multi-year agreements.

Our fleet management footprint also continued to grow. Our Payroll solutions business, while representing just a small proportion of our group, performed well in 2019 with employees paid growing to 3,800 during the year.

Looking at the bottom left graph, our footprint is diversified, with 96% of customers employed through Public Benevolent Institutions, Hospitals, Education and Government; all attractive sectors within the Australian workforce. Our largest client contracts now represent a smaller and decreasing percentage of total revenues due to the overall growth of the business.

We continue to successfully integrate the acquisitions we have made. Operational efficiencies, measured by packages and novated leases serviced per FTE, improved through 2019.

Our business is one of Australia's most customer-centric companies as recognised by multiple external bodies over multiple years. Smartgroup is one of only a few organisations recognised as an inclusive and diverse employer by the Diversity Council of Australia. I am also pleased to announce that in February 2020, we were recognised as an employer of choice for gender equality by the Workplace Gender Equality Agency.

We have summarised the two regulatory reviews in relation to add-on insurances – one from ASIC and one from the Australian Department of Treasury. Treasury has put forward a proposal for a Deferred Sales Model in relation to the sale of add on insurance products. In May 2020, the Government announced a six month deferral for the introduction of legislation to parliament for this model until December 2020.

As both of these reviews continue to be on-going, we are not in a position to speculate about the outcome. However, we have disclosed the annual revenue that we generated from the sale of add-on insurances expected to be covered by the reviews. The $17m of revenue is the residual revenue after the insurance underwriter changes announced in December 2019.

Now, I would like to give you an update on our business and its progress so far in 2020. Given the impacts of COVID-19, 2020 is going to be a year which is like no other year that we have seen.

Our business was well positioned going into the COVID-19 period with a capital light business model, low debt levels and a stable customer base operating in essential areas of the economy. When COVID-19 commenced, Smartgroup quickly formed a working group and within a matter of weeks we had successfully transitioned to 100% of our staff working from home.

We also introduced new customer communication channels and implemented temporary cost containment measures. These measures included broad-based salary reductions, suspension of commissions and short term incentives, restrictions of non-essential expenditure and a reduction of annual leave. These measures were quickly adopted by our team members.

In the last month, we also introduced some further changes to streamline and simplify our business. Approximately 50 roles were impacted. We also refinanced and extended our debt facilities. At the end of May, we had c. $81m in cash holdings and a net debt position of c. $19m.

Throughout these times, our focus remains on safeguarding the well being of our team members and ensuring we continue to provide high levels of service to our customers.

I would like to remind shareholders that we operate in stable and attractive customer segments. Employees in Government, health, education and the Public Benevolent Institution segments comprise 96% of our customer base.

For the year to date, our salary packaging performance has remained resilient and we are well progressed through our client renewal program for 2020. More recently, we are seeing more client sites requesting on-site presentations as restrictions ease.

Turning to novated leasing. I should firstly note that the additional disclosure we have provided in the presentation is made to assist shareholders in understanding the impact of COVID-19 on our novated business. We typically do not provide this level of detail but have done so given the unique nature of the current environment.

Our novated leasing business continues to perform well relative to the broader market. Our volumes in Q1 2020 were in line with the prior corresponding period despite the broader market being down by more than 10%. COVID-19 has had an adverse impact on our performance in the latter part of March, April and May with volumes down in line with the market. Our mix of refinance volumes from lease expiries has increased and overall yield has fallen due to this mix impact.

From late March through to more recent weeks, we have seen increased volatility in our vehicle metrics. We have seen some positive increases in enquiries in more recent weeks. However, while these enquiry levels are positive relative to April they remain lower than historical levels. While the increase in enquiries is encouraging, it is difficult to gauge with confidence the sustainability of any particular trends given the short time frames and the changing consumer sentiment.

We have had positive performance in Q1, but Q2 has been impacted by COVID-19 through lower novated leasing settlements. As mentioned earlier, while we are encouraged by the improvement in novated enquiries in recent weeks, overall volumes remain below historical levels and this upward trend is based on only a limited period of weeks.

We currently expect our H1 2020 NPATA to be c.$32m. This includes a before tax benefit of c.$4m of short term temporary cost saving measures.

In 2019, Smartgroup delivered another year of positive results despite the continuing decline in private new car sales.

While 2020 started soundly, COVID-19 has made trading conditions more challenging given the impact of various restrictions on customer activity and consumer sentiment. I am proud of the way Smartgroup has acted quickly to respond appropriately to the changes. We have, and will continue to, focus on safeguarding the well-being of our team members and the continued delivery of high quality service to our customers.

Our business is built on long term clients operating in attractive segments. We have a capital light business model that generates strong free cashflows. We also have a strong and flexible balance sheet.

I would like to say thank you to all customers and our committed and loyal team members for supporting Smartgroup through this time. Their dedication and positivity will ensure that our business is well managed throughout this period and beyond.

Smartgroup Corporation
2020 Annual General Meeting

10 June 2020

2019 overview

Smartgroup delivered another year of growth in 2019 despite some industry headwinds

1. Positive financial performance

- Revenue of $249.8m up 3% vs CY 2018
- NPATA[1] of $81.0m up 4% vs CY 2018

2. Success in servicing clients

- Organic growth of c.24,700 salary packages and c.3,500 novated leases
- Net growth of c.15,500 salary packages and c.3,250 novated leases (after acquisitions and client losses)

3. Further automation, integration and expansion of service offering

- Digital innovation and automation continues, with 55 digital FTEs
- Salary Packaging & Novated Leasing businesses consolidating to 4 in CY 2020
- 200 clients using two or more service offerings, growth of c.22% over the last 12 months

4. Strong cashflow generation with flexible balance sheet

- Adjusted after-tax operating cashflows at 110% of NPATA, leverage less than 0.2x
- Fully franked final dividend of 21.5cps[2] (covering H2 CY 2019 period)
- Full year fully franked ordinary dividends of 43.0cps, up 4% from CY 2018, plus 20.0cps special dividend

5. Smartgroup performed well in the context of some industry headwinds

- Smartgroup total novated leasing volumes up 4% in the context of Australian private new vehicle sales down 8% in 2019[3]
- Regulatory review in relation to add-on insurances continues

1. NPATA is net profit after tax, adjusted to exclude the non-cash tax-effected amortisation of intangibles and significant non-operating items.
2. Record date of 2 March 2020 and payment date of 16 March 2020.
3. Private new vehicle sales data source: VFACTS. Excludes other new vehicle sales categories; Business, Government, Rental, Heavy Commercial.

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Smartgroup delivered steady performance across all financial and operational metrics...

$m	CY 2019	CY 2018[2]	Change %
Revenue	**249.8**	241.8	3%
EBITDA[1]	**118.2**	115.0	3%
NPATA	**81.0**	77.8	4%
Shares on issue (millions)	**131.7**	130.9	1%
NPATA per share (cps)	**61.5**	59.4	4%

	As at 31 December 2019	As at 30 December 2018	Change %
Packages	**358,500**	343,000	5%
Novated leases under management	**68,500**	65,250	5%
Fleet vehicles under management	**24,000**	22,900	5%
FTEs[3]	**689**	695	(1%)

1. EBITDA is earnings before interest, tax, depreciation and amortisation of intangibles adjusted to exclude significant non-operating items.
2. CY 2018 EBITDA and NPATA comparatives restated for one-off impact on application of AASB 16 Leases from 1 January 2018.
3. Excludes contractor or agency resources who were employed on a short-term basis to meet specific business needs or project deliverables.

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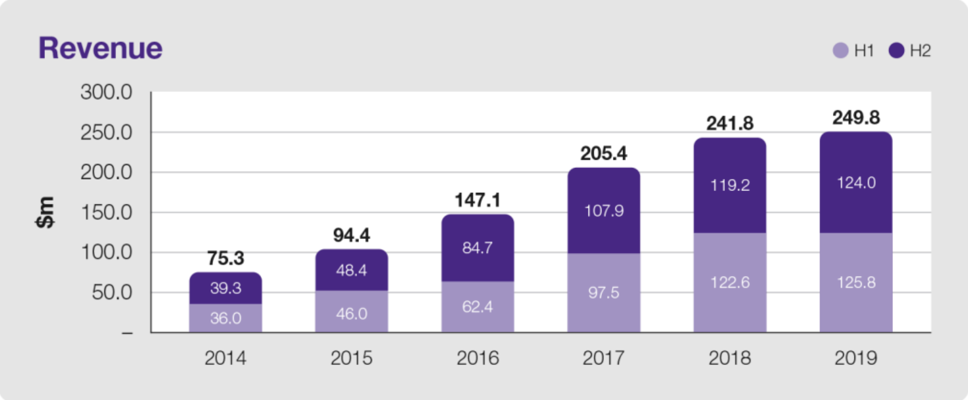
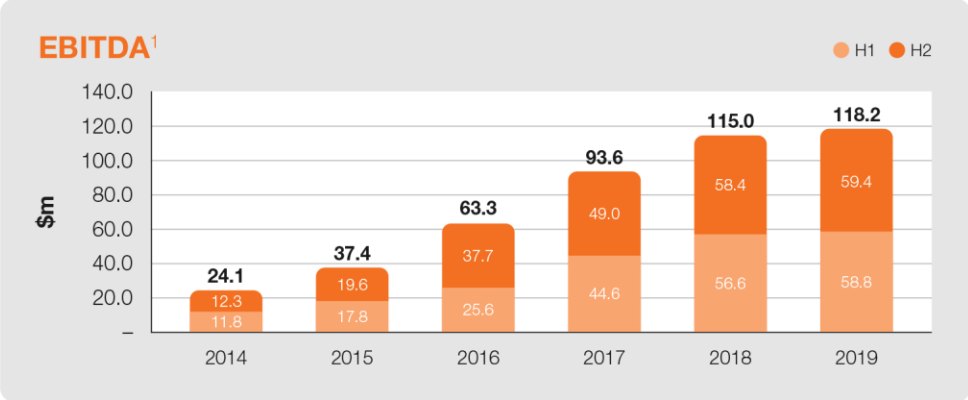
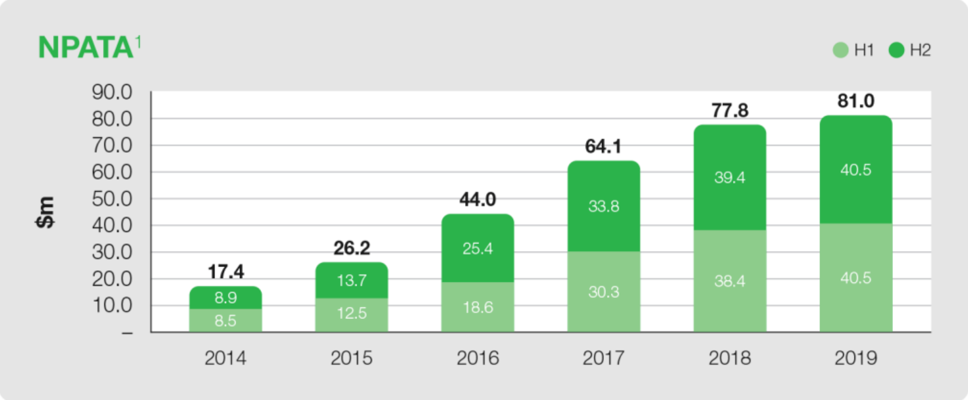
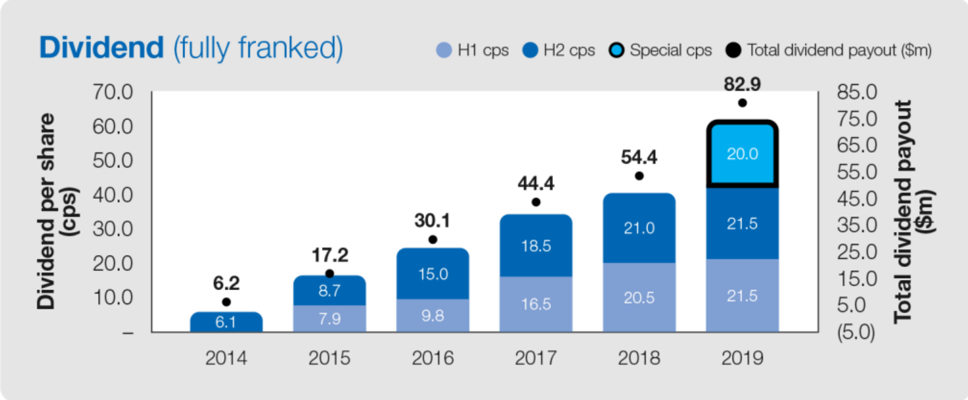
...and increasing revenue, earnings and dividends





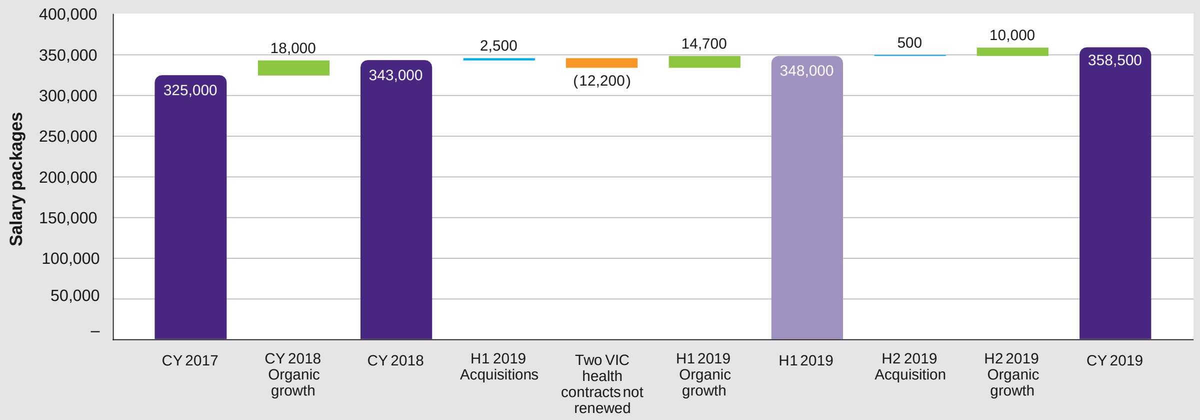


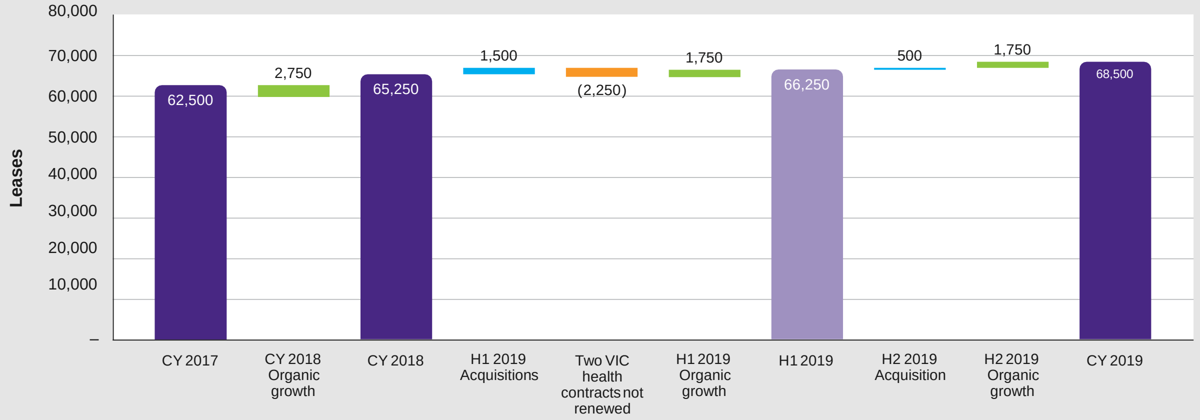


Shares on issue (m)	101.5	103.7	121.5	123.2	130.9	131.7

1. Adjusted to reflect one-off impact on adoption of AASB 16 Leases from January 2018. Impact is to increase 2018 EBITDA by $1.6m in each of H1 and H2; and reduce 2018 NPATA by $0.1m in each of H1 and H2.

Smartgroup continued to see organic growth across salary packaging and novated leasing…





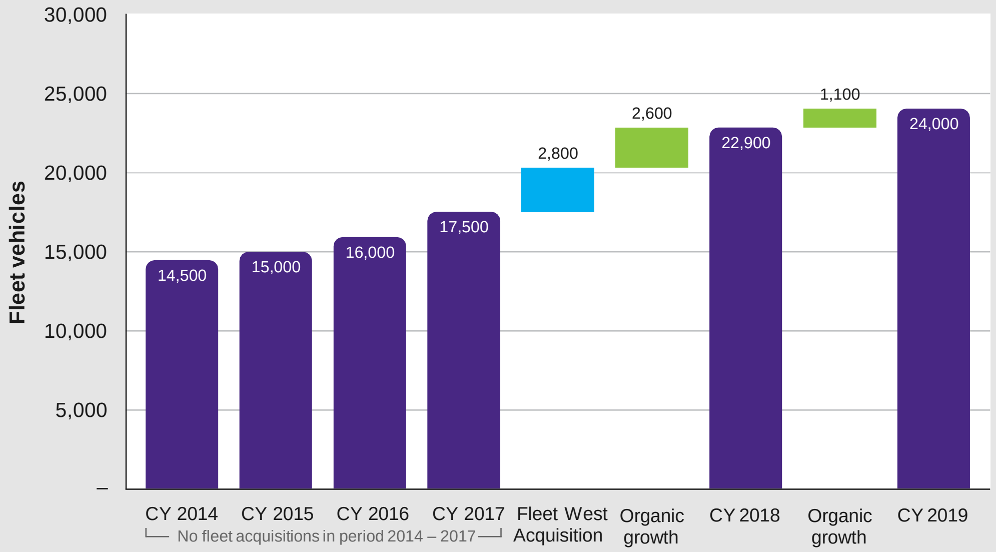
- Organic growth of 10,000 packages and 1,750 leases in H2 2019
- Victorian health contracts representing c.12,000 packages renewed in H2 2019

H1 2019 acquisitions – Mylease and Pay-Plan.
H2 2019 acquisition – Lease & Asset Finance.

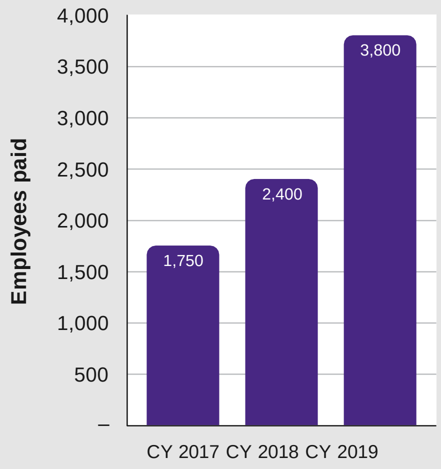
Two Victorian health contracts were not renewed. Contract end dates were 31 March 2019 and 30 June 2019; each client represented c.1% of EBITDA.

…and also across fleet management and payroll services

Fleet vehicles under management



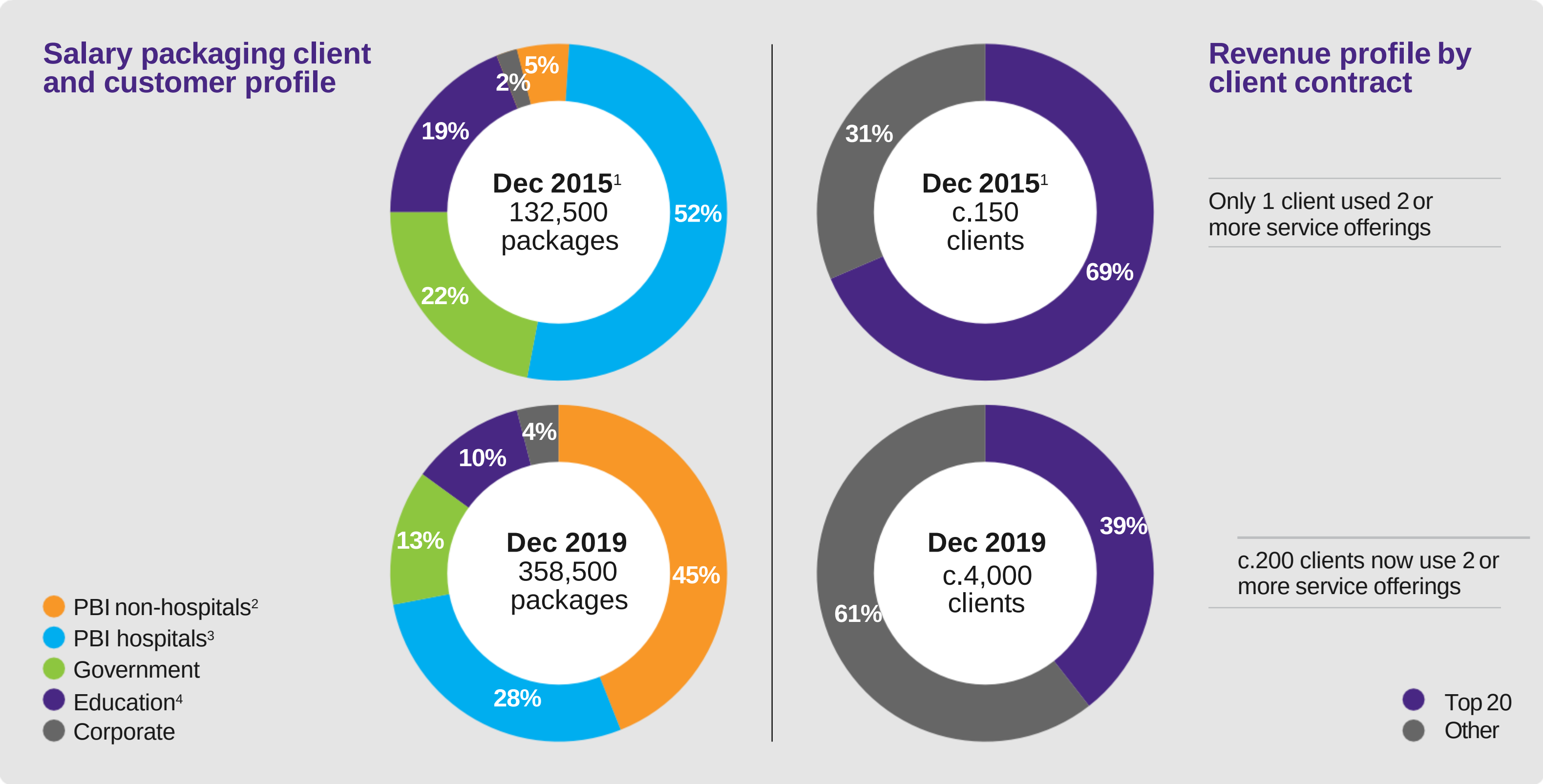
Employees paid by Smartsalary Payroll Solutions[1] platform since acquisition



- At December 2019, Smartgroup had 38 payroll employer clients, 30 of which are also using salary packaging

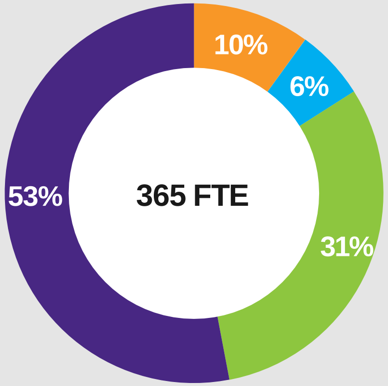
1. Smartgroup acquired 50% ownership of AccessPay Payroll Solutions through its acquisition of the AccessPay Group on 2 May 2017, with the remaining 50% acquired on 1 May 2018, following which the business was rebranded Smartsalary Payroll Solutions.

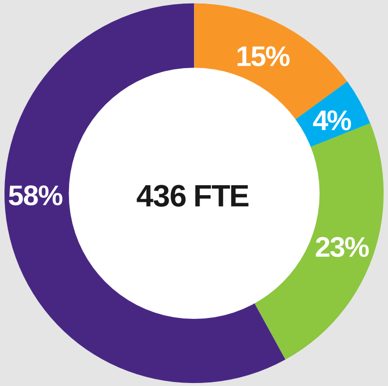
Smartgroup has a diversified employer client base that represents attractive sectors within the Australian workforce

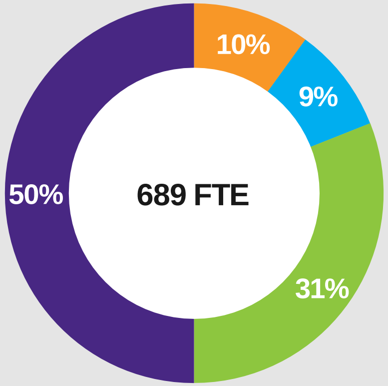


1. December 2015 adjusted to exclude c.50,000 packages and c.350 clients from the acquisition of Advantage completed in December 2015 and the investment in Health-e Workforce Solutions in October 2015.
2. ‘PBI non-hospitals’ includes charities and other not-for-profit organisations registered as a public benevolent institution (PBI) and recognised by the ATO as eligible for FBT exemption, excluding PBI hospitals with hospital employees having a different tax status to employees of all other PBI organisations.
3. ‘PBI hospitals’ includes public and private not-for-profit hospitals.
4. ‘Education’ includes public and private not-for-profit educational institutions.

The staffing profile reflects the successful integration of acquired businesses and the focus on our customers and technology







	NOVEMBER 2015	ACQUISITIONS SINCE IPO[1]	DECEMBER 2019
Packages	132,500	157,500	358,500
Novated leases under management	32,500	27,100	68,500
Packages / FTE	363	361	520
NL VUM / FTE	89	62	99

Corporate · IT · Sales and Marketing · Operations

1. Includes all acquisitions completed since November 2015; excludes 50% equity stake in Health-e Workforce Solutions.

Smartgroup is recognised as one of Australia's most customer-centric companies, as well as an inclusive and diverse employer

Smartgroup capabilities triangle

Customer service
Providing and maintaining the highest levels of service, to ensure an optimal experience for our customers, is paramount.

Innovation
We strive for continuous improvement and process efficiency.

Employee engagement
The foundation of operational excellence at Smartgroup.

Regulatory review of add-on insurances

- There are two ongoing regulatory reviews from the Australian Securities and Investments Commission (ASIC) and the Australian Department of Treasury (Treasury) which have the potential to impact the future contribution Smartgroup receives from add-on insurance products.

Regulator	Summary
ASIC	• Consultation paper "CP324: Product Intervention: The sale of add-on financial products through caryard intermediaries" released October 2019. • Submissions were provided by 12 November 2019 since which point ASIC has not provided an update.
Australian Department of Treasury	• Treasury paper entitled "Financial Services Royal Commission – Enhancing consumer protections and strengthening regulators" which includes exposure draft legislation released 31 January 2020 for public comment. • On 8 May 2020, the Government announced a six month deferral for the introduction of this legislation to Parliament to 31 December 2020

- Given the draft nature of the recommendations and the range of possible outcomes and potential steps Smartgroup might take to mitigate any impact, Smartgroup is not yet able to provide specific detail on the quantum and timing of any such impacts, and whether or not they will be material.
- After adjusting for the insurance underwriter changes announced in December 2019, Smartgroup estimates that it generates c.$17m[1,2] revenue per annum from the sale of add on insurance products expected to be covered by the ASIC and Treasury reviews.
- Smartgroup will continue to consult with both ASIC and Treasury in relation to proposed reforms.

1. Aggregate revenue from sales of Lease Protection Insurance, Platinum Warranty Insurance, Tyre and Wheel Insurance and Total Assist Insurance. Does not include revenue from Comprehensive Insurance and other products that are not expected to be covered by the proposed Treasury reforms.
2. Proforma based on estimated full-year impact of changes on CY 2019 revenue announced in December 2019.

2020 update

COVID-19 response and our people

Smartgroup has actively responded to the COVID-19 environment

- The group moved to a working from home environment for 100% of all staff in late March
- We introduced a number of changes to customer engagement, including webinars to replace face-to-face visits
- A cost containment plan was implemented in April 2020 for an initial period of 3 months, including:
  - Temporary salary reductions (Chairman and CEO 50%; Board and Group Executives 20%; Others 0-10%)
  - Suspension of commissions and short term incentive arrangements
  - Restriction of all non-essential expenditure and implementation of an annual leave reduction program

Smartgroup recently implemented a reorganisation to streamline its service offering and better align its focus around the customer, effective June 2020

- Reduction of c. 50 FTE roles in the group

In May 2020, the group completed the successful refinancing of its debt facilities

- Maturities extended to May 2022; Total facility amounts unchanged at $103m
- At 31 May 2020, Smartgroup had available cash of c.$81m and net debt of c.$18m

Throughout this period, Smartgroup's focus has remained on safeguarding the well-being of our employees and maintaining a high level of service to our customers

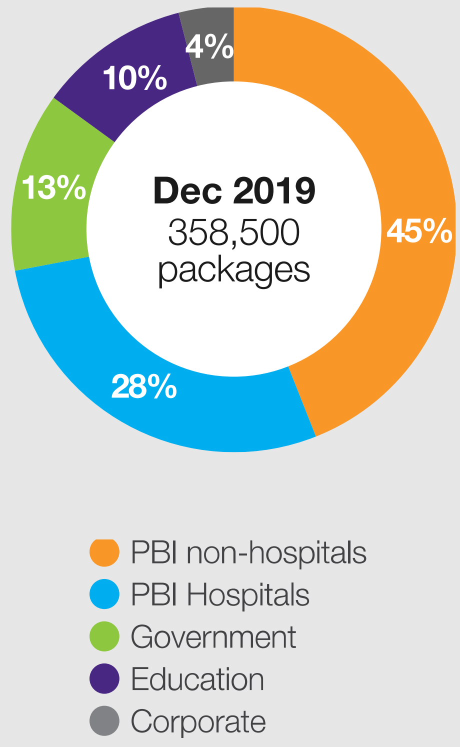
Salary packaging has remained resilient with client renewals progressing well and customer access improving as restrictions ease

Smartgroup has a diverse customer base with a significant proportion providing essential services to the community throughout COVID-19

Salary packaging performance has remained resilient throughout YTD20 with total active packages broadly in line with 31 December 2019 numbers

We are well progressed on the renewal or extension of contracts due in 2020 with more than half successfully executed (based on top 20 contracts by size).

We are starting to see some clients requesting on-site salary packaging presentations as restrictions ease (by State)



Novated leasing volumes performed above market in 1Q20 with impacts seen in 2Q20 aligned to broader market conditions

Novated leasing revenue performance for 1Q20 was broadly in line with CY19 despite the 12% decline in Australian private new vehicle sales

Impacts of COVID-19 were seen in April and May with a reduction in new novated leases and an increase in refinances (vs. new leases) from lease expiry customers

Overall yields were up slightly in 1Q20 and reduced in April/ May given an increased mix of refinances

We have seen a recent positive increase in lead volumes. April and May lead volumes were c.52% and c.65% of the 1Q20 monthly average respectively

	CY19 (vs pcp)	**1Q20** (vs pcp)	**Apr/ May 20** (vs pcp)
Aust private new vehicle sales[1]	(8%)	(12%)	(39%)
Total novated volume	**4%**	**1%**	**(31%)**
Yield (total)	**(3%)**	**2%**	**(9%)**
Refinance (% of total)	**22%**	**20%**	**33%**

1. Private new vehicle sales data source: VFACTS. Excludes other new vehicle sales categories; Business, Government, Rental, Heavy Commercial.

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1H20 NPATA currently expected to be c.$32m

1. **Group financial performance for 1Q2020 was in line with pcp with April and May results reflecting the impact of COVID-19**
   - 1Q20 revenue +1.4% vs. pcp, 1Q20 EBITDA +0.2% vs. pcp
   - April/May combined revenue (25.0%) vs. pcp, EBITDA (37.4%) vs. pcp

2. **We are encouraged by an improvement in recent trading conditions. However, overall volumes remain below historical levels**

3. **Based on current trading conditions, Smartgroup anticipates 1H20 NPATA of c.$32m[1]**
   - Includes $4m pre-tax benefit from short term temporary cost saving measures implemented in 2Q20

$m	CY 2019	1Q2020	1H2020E
Revenue	**249.8**	62.1	
EBITDA[2]	**118.2**	28.1	
NPATA	**81.0**	19.6	c.32

1. Excludes any one-off or abnormal items
2. EBITDA is earnings before interest, tax, depreciation and amortisation of intangibles adjusted to exclude significant non-operating items.

Conclusion

In summary

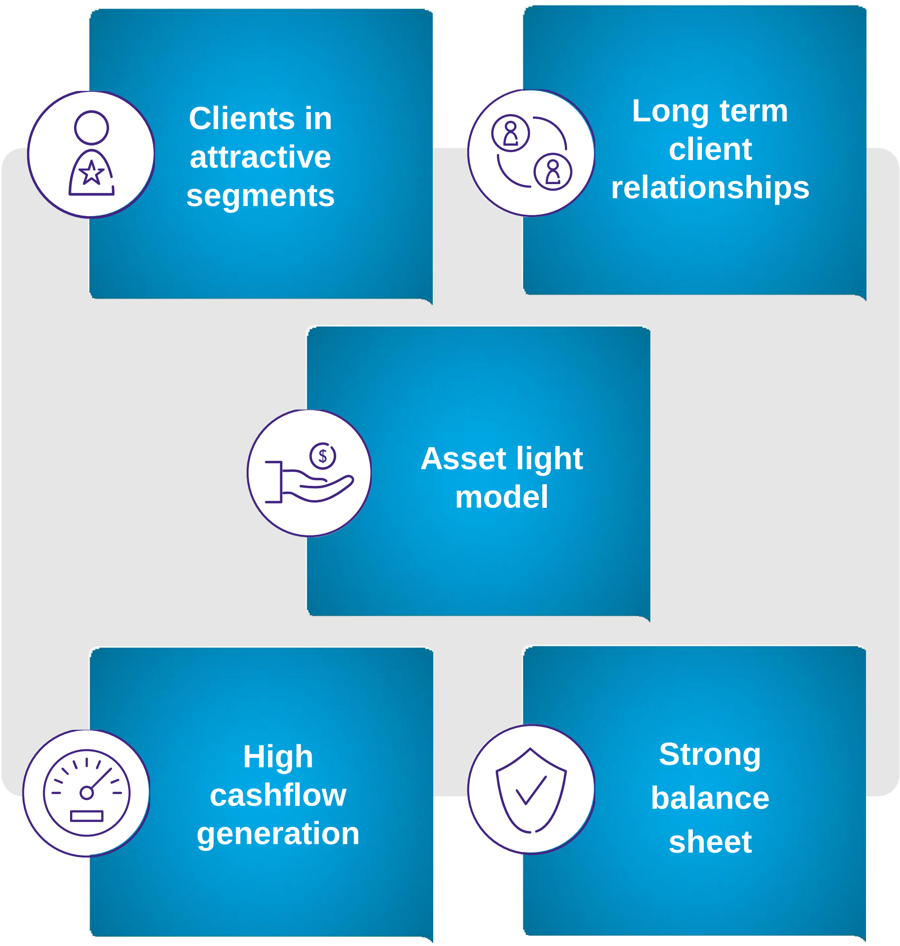
1. Smartgroup delivered another year of growth in 2019 despite some industry headwinds.

2. Our focus in response to COVID-19 has been on safeguarding the well-being of our employees and continuing to provide a high level of service to our customers.

3. While recent performance has been impacted, Smartgroup has put in place a range of initiatives to respond to the impacts of COVID-19.

4. We are encouraged by an improvement in recent trading conditions and the easing of some restrictions which should improve customer access.

5. We remain confident that the strength of our people, customers and business model position us well for long term success.



Important notice and disclaimer

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Non-International Financial Reporting Standards (Non-IFRS) information

This presentation presents financial information on both a statutory basis (prepared in accordance with Australian accounting standards which comply with International Financial Reporting Standards (IFRS)) and non-IFRS basis.