



ASX Announcement

Release date: 18 February 2022

Smartgroup delivers strong profit growth and positions the company for the future

Smartgroup Corporation Ltd (ASX: SIQ) (“Smartgroup” or “the Company”), a leading specialist employee management services provider, is pleased to report its full year results for the year ended 31 December 2021 (CY 2021).

Revenue for the full year was \$221.8 million, up 3% on the prior year to 31 December 2020.

Operating EBITDA of \$103.0 million is up 8% on the prior year and EBITDA margin improved by 2 percentage points to 46%, driven by disciplined cost management.

Profit after tax, as measured by NPATA, was \$69.5 million for CY 2021, up 7% on the previous year. This strong result can be attributed to not only ongoing revenue growth, but also the successful implementation of Smart Future program initiatives driving improved operational performance.

Smartgroup has continued to generate a strong net operating cash flow of \$78.3 million, representing 113% of NPATA, and maintains a flexible balance sheet with no net corporate debt.

Smartgroup’s capital light business model and strong balance sheet has enabled the Board of Directors to declare a fully franked final ordinary dividend of 19.0 cents per share. The Board has also declared a fully franked special dividend of 30.0 cents per share. This brings total dividends for the year to 72.0 cents per share. These dividends are payable on 23 March 2022, with a record date of 9 March 2022.

Continued momentum and commitment to customer service drives operational performance

The Company recorded strong organic growth of approximately 17,000 additional salary packaging customers during CY 2021, despite ongoing disruption to business activities due to COVID-19. Approximately 8,500 of these packages were introduced from a new Health sector client onboarded in April 2021.

Pleasingly, Smartgroup had a 100% success rate renewing or extending all of the top 20 contracts falling due in CY 2021. This included the Company’s largest client, the Department of Defence, whose contract has been renewed for five years to June 2026, inclusive of extensions. Almost all of the Company’s salary packaging clients operate in attractive and growing sectors such as Health, Not for Profit, Education and Government.

New novated leasing vehicle orders continue to improve, increasing by a strong 14% on the prior



year. However, delays in the global vehicle supply chain continued to affect the settlement timeframes for novated leasing vehicles. This has resulted in an expanded pipeline of future deliveries, with open vehicle lease orders as at 31 December 2021 up 152% compared to 31 December 2020, representing an additional c.\$12 million of future revenue (compared to c.\$2 million as at 31 December 2020)¹.

Smart Future delivering early and tangible benefits

The Company's Smart Future program, announced in the second quarter last year, has been designed to set the foundations for future growth in EBITDA and shareholder returns. Smart Future focuses on three key strategic priorities: optimising the employer client and employee customer experience, enhancing digital platforms and streamlining operations.

Smartgroup has seen early and tangible benefits from Smart Future. Improvements to digital leasing tools have resulted in a 60% growth in web calculator leads for new cars, together with an 80% increase in engagement with the calculator tool by customers. The streamlining of customer journeys has led to improved leasing customer Net Promoter Scores and better conversion of leads to vehicle orders.

Smartgroup CEO, Tim Looi said: *"We have long recognised great customer service as a fundamental part of ensuring client loyalty and improving customer uptake. I am pleased to see our team members continuing to deliver exceptional client and customer experiences, whilst embracing the improvements being implemented through our Smart Future program."*

Summary and update

Chairman Michael Carapiet said: *"Smartgroup has continued to prove its resilience, withstanding the ongoing impacts of COVID-19 and delivering strong operational results. The Company generates high quality earnings from a diversified customer base operating in growing sectors and with relationships based on long term contractual arrangements."*

"Smartgroup's strong financial performance has allowed us to deliver a fully franked final ordinary dividend of 19 cents per share, and a fully franked special dividend of 30 cents per share."

Smartgroup CEO Tim Looi said: *"I am not only pleased with our strong financial results this year but am also positive about the foundations our Smart Future program has built for future EBITDA and business growth."*

"In the first few weeks of trading in 2022, our novated leasing leads are up by 8% compared to the same period in 2021. Our key digital deliverables from Smart Future are on track and our investments in people, processes and technology are delivering results that will continue through CY 2022."

¹ Assuming historic vehicle order to settlement conversion rates.



CY 2021 Investor Briefing Presentation

Chief Executive Officer Tim Looi and Chief Financial Officer Anthony Dijanosic will hold a briefing this morning to discuss the results. The details are as follows:

Time: 9:00 am AEST

Date: Friday 18 February 2022

URL: <http://www.openbriefing.com/OB/4492.aspx>

The audio briefing will be streamed live at the above URL. The briefing will also be made available on the investor section of the Smartgroup website: <https://ir.smartgroup.com.au/Investors/> under the Financial Reports and Presentations tab.

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

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