



ASX Announcement

Release date: 5 May 2022

Macquarie Australia Conference and business update

Smartgroup Corporation Ltd (ASX: SIQ) (“Smartgroup” or “the Company”), a specialist employee benefit services provider, is pleased to provide a business update and a copy of the presentation to be presented at the Macquarie Australia Conference today.

Business update to 30 April 2022

- Salary packaging customers are up c.5,000 since 31 December 2021, +1% growth
- Year to date novated leasing leads are up 6% versus the prior comparable period (pcp)
- Excess vehicle order pipeline revenue now at c.\$14 million, up from c.\$12 million at 31 December 2021¹
- Transition of novated funding from St George to Angle Auto Finance successfully completed and further automation within the existing funding panel also completed
- Revenue and EBITDA in line with our expectations and pcp
- Low net debt position of \$47m and leverage of 0.5x EBITDA

Smartgroup CEO Tim Looi said:

“We are pleased with the start to 2022. In the four months to 30 April 2022, Smartgroup has seen good growth in salary package numbers and achieved continued growth in novated leasing lead volumes.

Vehicle settlement timeframes continue to be extended due to ongoing global vehicle supply shortages. Consequently, our vehicle order pipeline has continued to grow and now represents an additional \$14 million of future revenue, above pre-COVID levels. In terms of financial results, revenue and EBITDA are in line with our expectations and in line with the prior corresponding period.”

Outlook

Smartgroup CEO Tim Looi said: “We have made good progress so far in 2022 and look forward to building on our Smart Future program momentum, which is targeted to generate sustainable EBITDA growth through both revenue expansion and operational efficiencies.”

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

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¹ Assuming historic vehicle order to settlement conversion rate



Macquarie Australia Conference 2022

Tim Looi – Managing Director and CEO
5 May 2022

01

Smartgroup



Our investment proposition

Smartgroup's investment proposition is underpinned by a capital light business model, generating strong cash flows and dividends



382,500

Salary Packaging
customers



63,100

Novated
Leases



24,750

Fleet Vehicles
Managed



~700

Full Time
Equivalents

- ✓ Premium established player with scale in a proven industry
- ✓ Proven and resilient earnings, with high cash flow conversion, solid returns and fully franked dividends
- ✓ Robust capital light business model supported by a strong balance sheet
- ✓ Diversified customer base operating in attractive sectors
- ✓ Strong long-term contractual relationships with key clients
- ✓ Growth strategy and enhanced operational efficiencies through digital investment

What we do

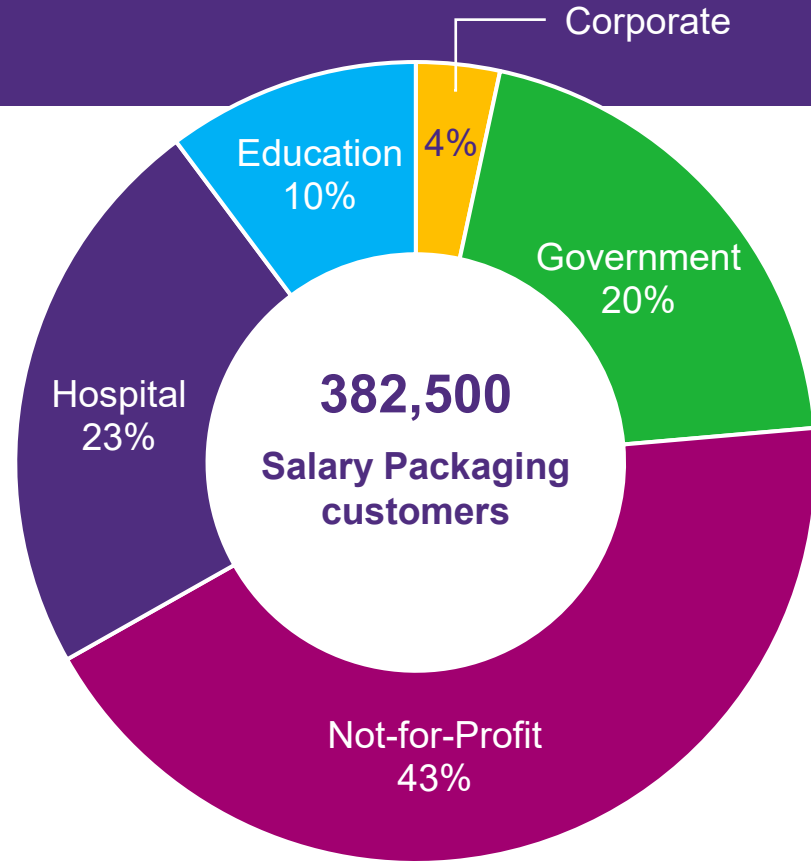
At Smartgroup, we simplify salary packaging, fleet management and a range of other employee benefit services for organisations across Australia



Who we serve

Our employer clients and employee customers

- **Not-for-Profit** – charities, disability and aged care providers
- **Hospital** – public and private
- **Government** – local, state and federal
- **Corporate** – small, medium and large
- **Education** – schools, universities, state departments and dioceses



Our culture

We're committed to empowering our diverse and inclusive workforce, and to promoting equality at all levels. Diversity and inclusion is something that makes our organisation strong and our culture unique.



Gender diversity targets of

40/40/20*

achieved at Executive, Senior Management and All Employee levels



Commitment to equal pay, eliminating gender pay gap



Inclusive, industry-leading **parental leave** policy



Recognised as an **Inclusive Employer** by Diversity Council Australia 2021-2022

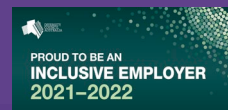


WGEA Employer of Choice for **Gender Equality**



Recognised as a member of the **RAP network** in October 2021

*40% female, 40% male and 20% either gender



Shareholder returns

Since listing in 2014, Smartgroup has paid ~\$388m in fully franked dividends (~\$166m franking value)

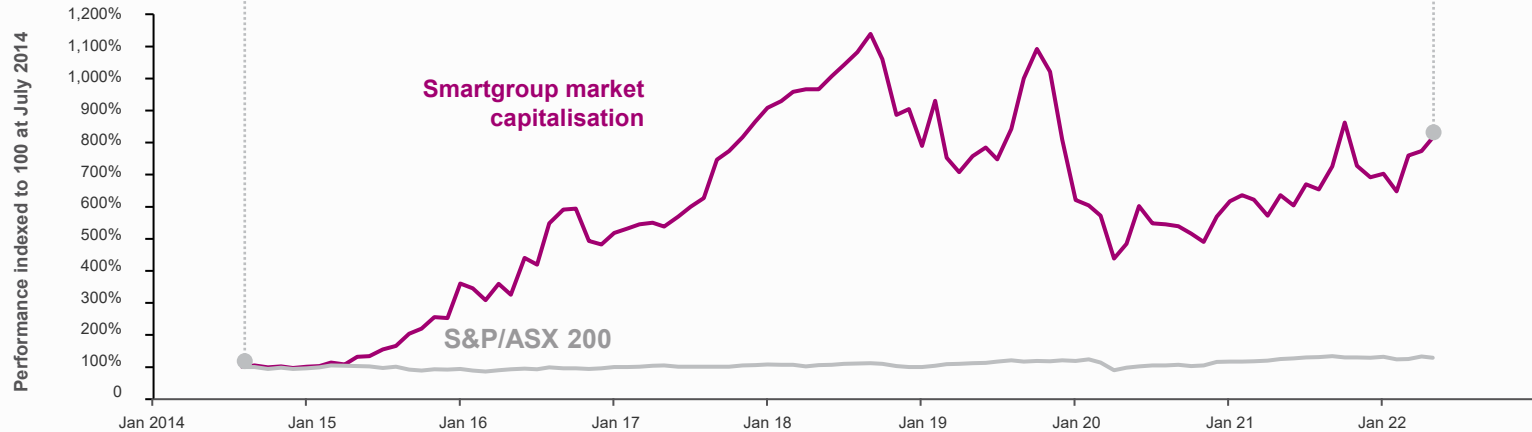
~\$160M

SIQ Market Cap | 2 July 2014



~\$1.2B

SIQ Market Cap | 27 April 2022



Source: Refinitiv, S&P Capital IQ, ASX (at 27 April 2022)

Current market cap is ~7.5x IPO market cap and share price is ~5.6x IPO issue price
Total Shareholder Return >700% since IPO, including franking value

Resilient performance, building capability and streamlining operations

We have navigated challenges and progressed important integrations



Regulatory

Successfully implemented changes to add-on insurance processes and disclosures to satisfy new design and distribution obligations



COVID

Continued to manage operational impacts and maintain strong client and customer relationships



Margin Compression

Managed add-on insurance supplier repricing with EBITDA margins remaining strong



Acquisition Integration

Accelerated the transition of acquired businesses to target brands, with ~80% completed



Management Strength

New senior managers have enhanced our capability below Executive level

Smartgroup is well positioned to move forward with a strong platform for growth

02

2021 full
year results
recap



Results to 31 December 2021

Pleasing results reflect continued momentum



Strong improvement in profit



Successful contract renewal outcomes with improved operating performance



Smart Future program delivering targeted benefits

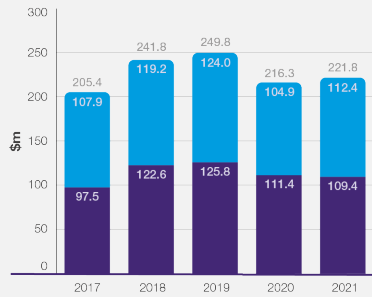


Strong cashflow conversion and net cash position enabling interim, final and special dividends of 72.0cps



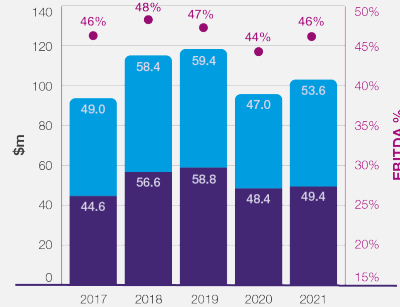
Improvement in all financial metrics and total 2021 dividends of 72cps

Revenue



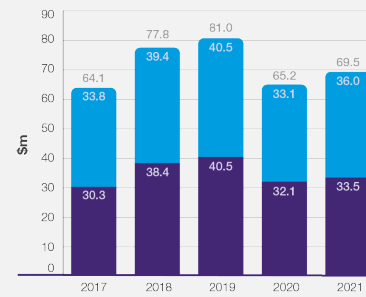
● H1
● H2

EBITDA¹



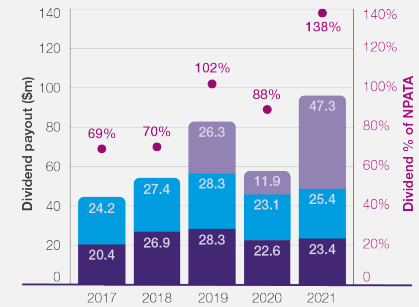
● H1 ● H2 ● EBITDA margin

NPATA¹



● H1
● H2

Dividend (fully franked)²



Shares on issue (m)
123.2 130.9 131.7 132.8 133.5

● H1 ● H2 ● Special ● Dividend % of NPATA

- 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.
- In addition to the \$11.9m 2020 special dividend, a \$7.3m 2021 special dividend was declared in February 2021 in relation to profits earned by group companies in 2020. This \$7.3m is classified as an interim special dividend within the 2021 Annual Report.

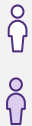
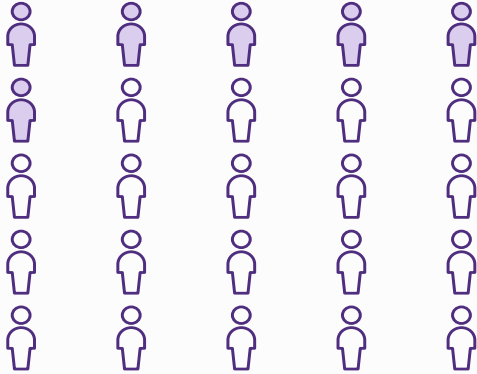
03

→
The
Smart Future
Program

Significant organic growth opportunities from existing clients

Addressable market

c.1.2-1.5m¹ employees
within existing client base



= 60,000 employees (potential customers)



Smartgroup customers

Addressable market

c.0.9-1.2m² total cars owned
by those employees



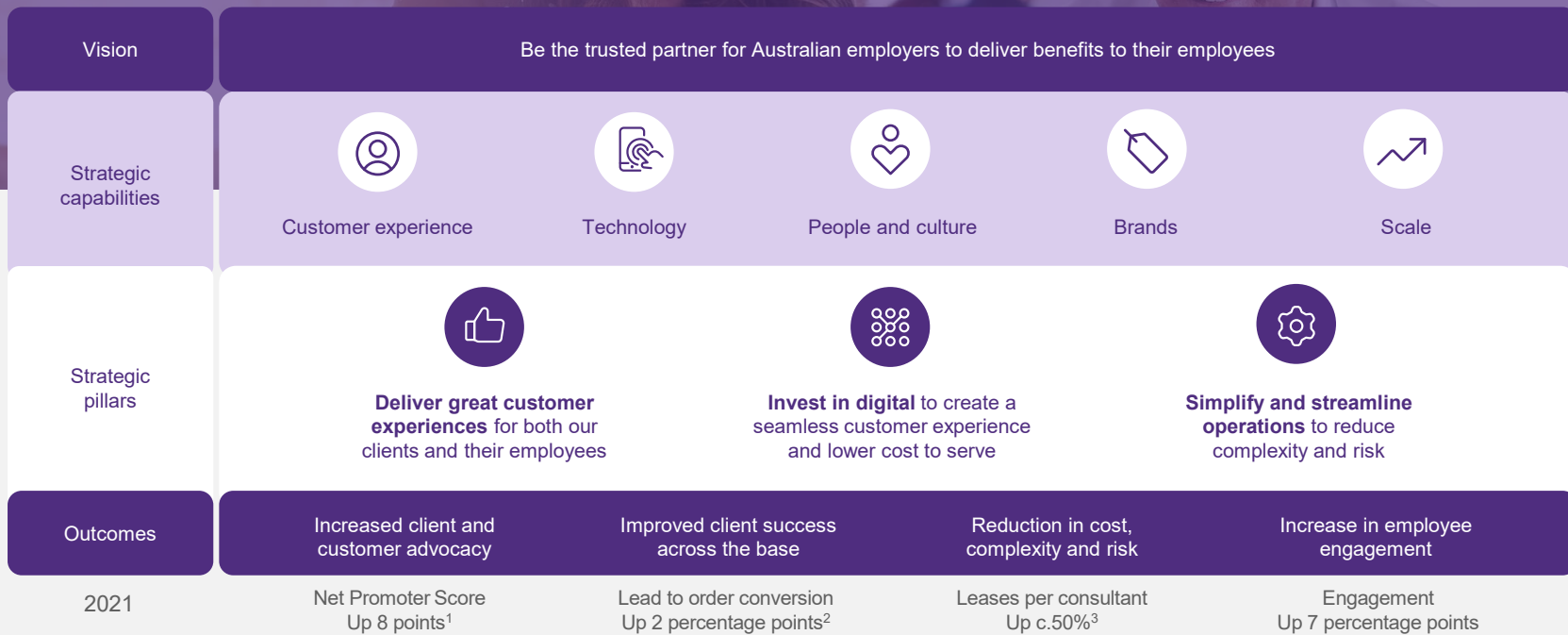
= 60,000 cars (potential Smartgroup novated vehicles)



Smartgroup novated vehicles

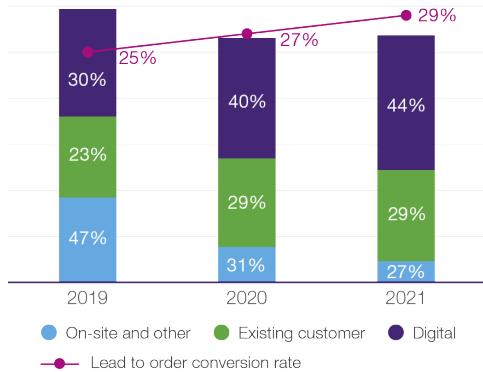
1. Number of employees within existing client base is a Smartgroup management estimate based on publicly available data and data provided by current clients.
2. Number of cars owned by those employees is a Smartgroup management estimate derived with input from ABS 3101.0 National, state and territory population Sept 2020, ABS Motor Vehicle Census Australia 2020, and VFACTS private vehicle sales data.

Smart Future Program Launched May 2021



Increased focus on **digital engagement** and **improved experiences** have led to **growth** in digital novated leads and better **lead conversion**

Novated leads by channel and conversion rates



Lead to order conversion rate increasing 4 percentage points from 2019¹

Novated leasing leads have reduced from 2019 with **restricted on-site access**

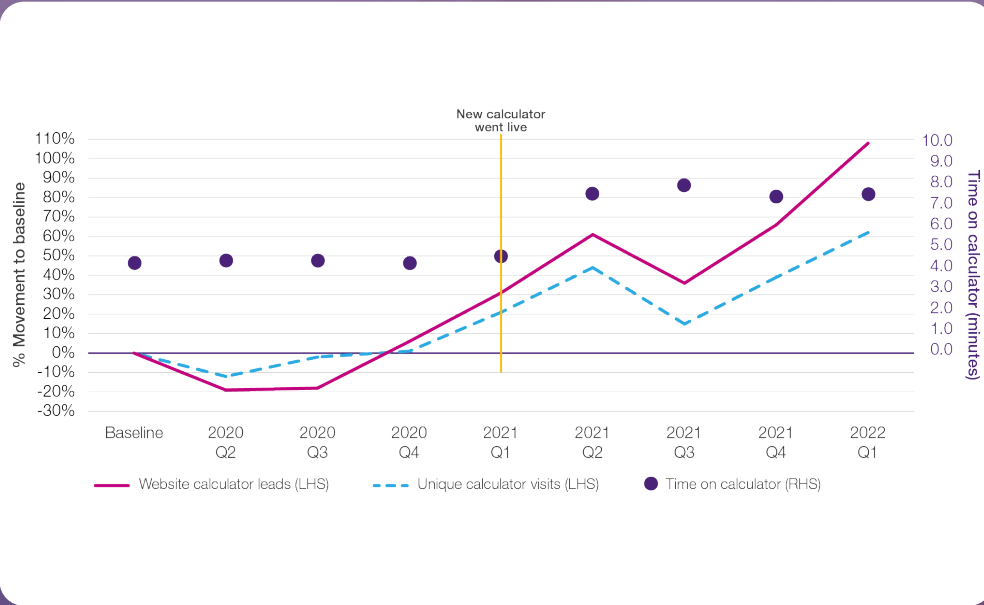
Increased focus on **digital engagement** throughout late 2020 and 2021 has seen digital leads **grow significantly**, both in total and as a proportion of total leads

Improved customer journeys and customer experience training saw **lead conversion increase** across most channels

Leads expected to **further increase** as on-site client activity restrictions ease

1. 2021 lead to order conversion rate of 29% reflects the fully-matured conversion rate for Q1-Q3 2021 leads. Q4 2021 lead to order conversion rates are not yet fully mature and so are not presented.

New Smartleasing vehicle calculator has seen sustained improvement in customer engagement and leads

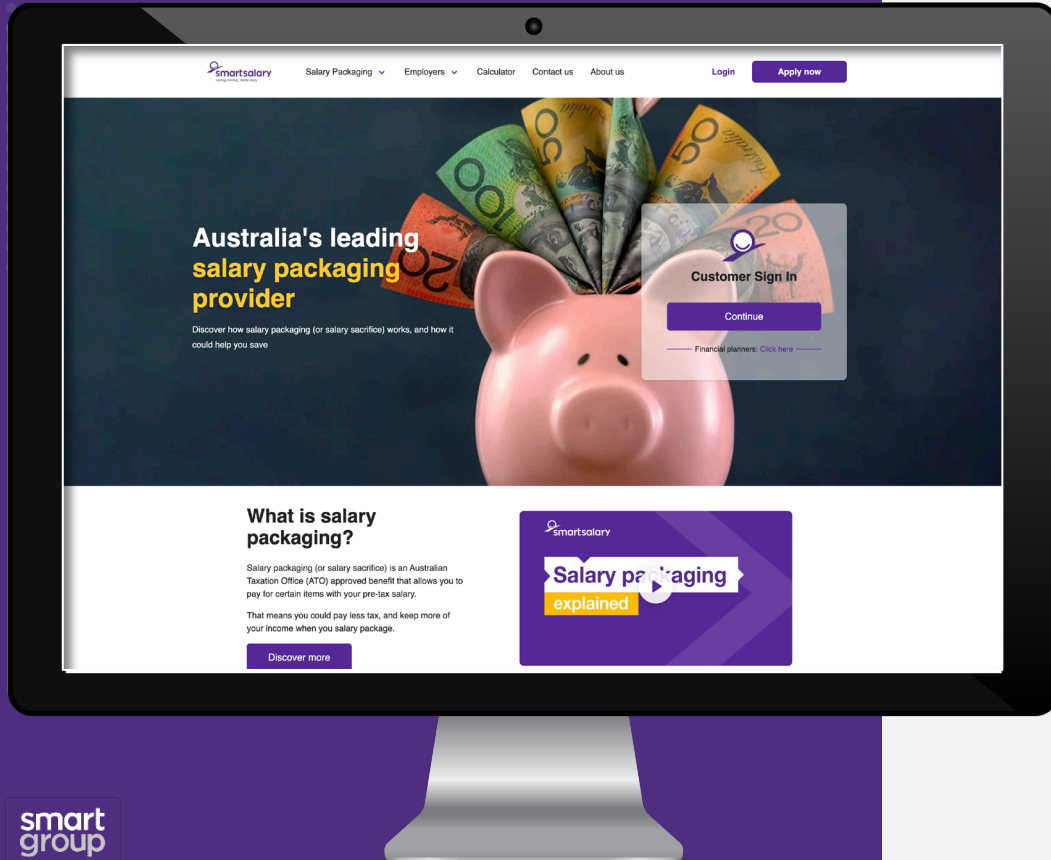


c.40%+ increase in **calculator traffic** and c.60%+ increase in **calculator leasing leads**¹

c.80% increase in the time customers spend **interacting** with calculator/self-educating¹

Increased calculator visit to **lead conversion worth c.\$3m+ in vehicle order revenue p.a.**²

1. Baseline period is 12 months prior to mid-March 2021 go-live of new Smartleasing calculator.
 2. Assuming historic lead to vehicle order conversion.



We will launch new digital assets promoting education and digitising interactions

New Smartsalary website

- *Simpler*
- *Better user experience*
- *Improved data analytics*

Customers will be able to engage with Smartgroup for novated leasing digitally 24/7

New vehicle sales portal

- *Digitising customer education and interactions*
- *End-to-end sales process when all development phases are complete*



04

Business
update to
April 2022



Strong leasing lead generation and pipeline

V PCP	CY 2021	Apr 2022 YTD
Total leasing leads	+1%	+6%
New lease digital leads	+12%	+11%
Value of 'excess' new VO pipe (Revenue)	c.\$12m	c.\$14m

Strong leasing lead generation and 'excess' new vehicle order pipeline growth from **\$12m to \$14m**

Lead to Vehicle Order conversion rates are stable

Lower-cost digital lead volumes have **grown** beyond pre-COVID levels

Strong order levels have continued into 2022 – settlement volume is impacted by vehicle supply shortages, leading to a large pipeline of future settlements



Update

Operations

Salary packaging customers up c.5,000 (+1%) since December 2021

Return to office for Smartgroup team members across Australia

Novated funding panel

Transition from St George to Angle complete, including early payment by St George of future performance fees

API launched with second panel financier

Financial performance

Revenue and EBITDA in line with our expectations and pcp

Low net debt of \$47m and leverage of 0.5x EBITDA, following payment of 2021 final ordinary and special dividends

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

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