2022 Half Year results

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26 August 2022

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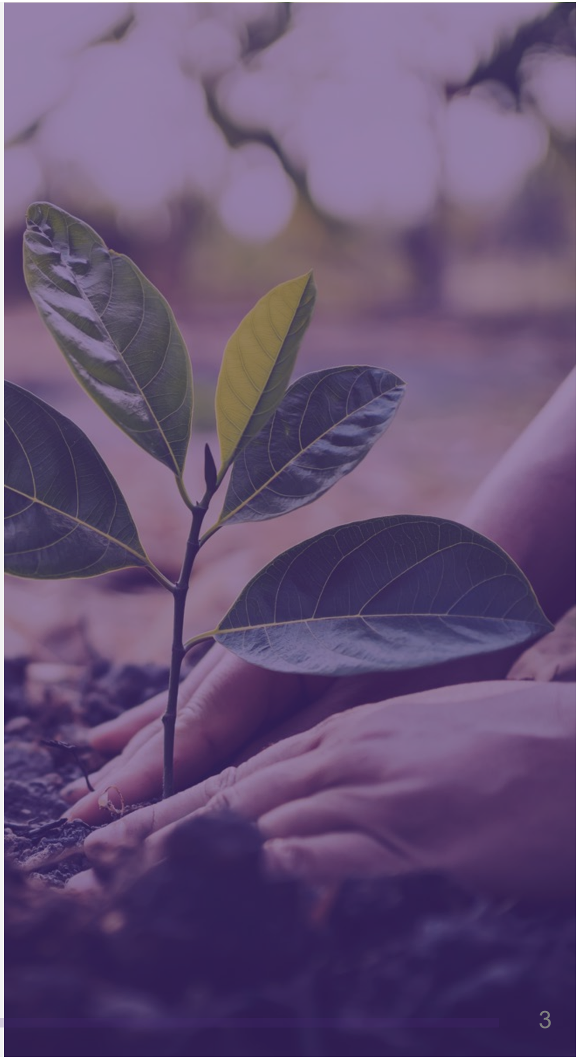
2022 Half Year results

Results for 6 months to 30 June 2022

Solid financial results driven by increased revenue

- Revenue of $113.6m up 4% on pcp; Operating EBITDA of $49.4m in line; NPAT of $30.9m up 16%; and NPATA of $32.4m 4% lower due to lower acquired asset amortisation add-backs
- Strong leasing leads and continued growth in new lease vehicle order pipeline; new lease vehicle orders in line with previous half; and vehicle supply remains constrained
- Smart Future program delivering key digital assets and benefits
- Operating cash flow 134% of NPATA, enabling interim dividend of 17.0cps



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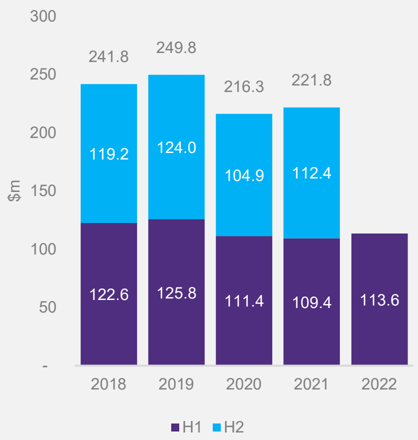
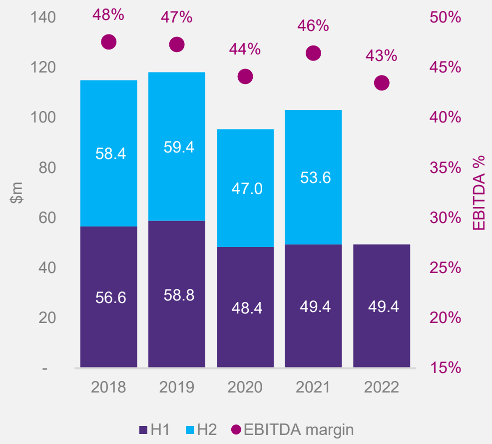
Interim dividend of 17cps reflecting a payout ratio of 70% of NPATA

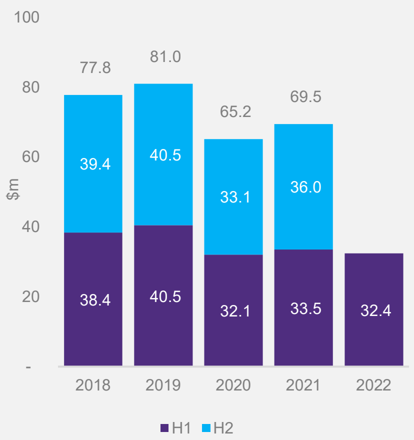
Revenue



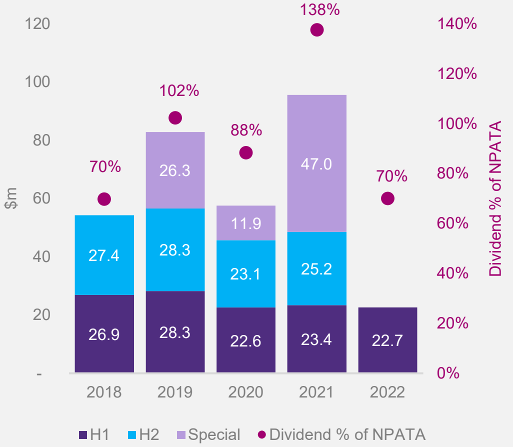
Operating EBITDA[1]



NPATA[1]



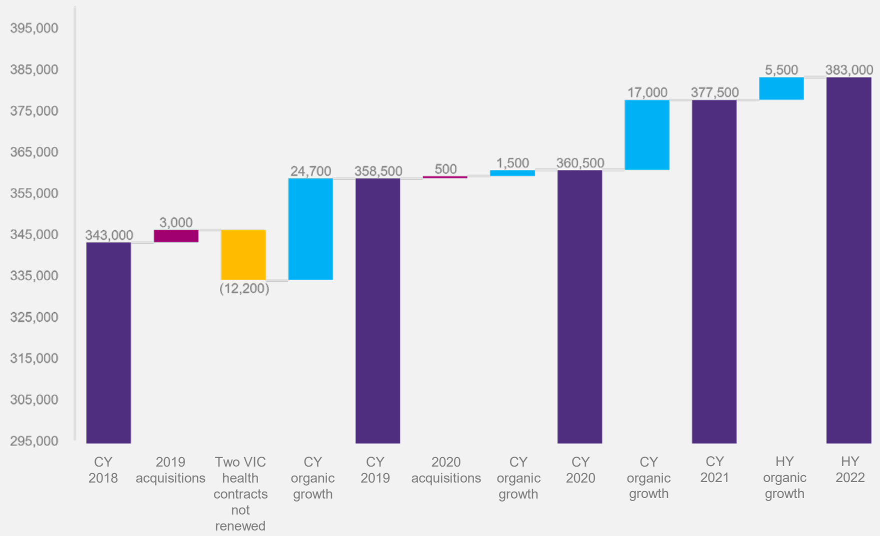
Dividend (fully franked)[2]



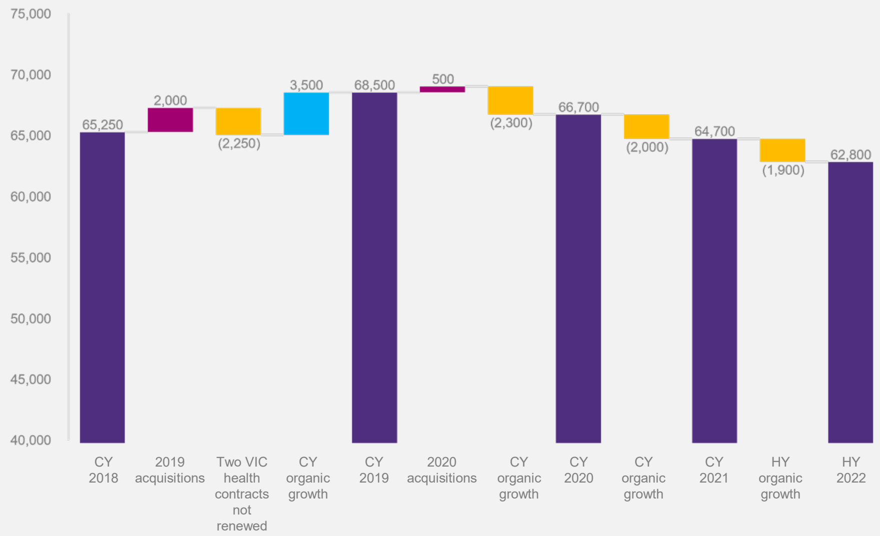
1. Adjusted to reflect one-off impact on adoption of AASB 16 Leases from January 2018. Impact is to increase 2018 EBITDA by $1.6m in each of H1 and H2 and reduce 2018 NPATA by $0.1m in each of H1 and H2.
2. In addition to the $11.9m 2020 special dividend, a $7.3m 2021 special dividend was declared in 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.

Salary package growth from new and existing clients; vehicle supply impacting leases under management

Salary packages



Novated leases under management



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Strong leasing lead generation and pipeline

H1 2022	v H1 2021	v H2 2021
Total leasing leads	+6%	+15%
Settlement volume	+1%	-1%
Leasing yield	+5%	+2%
Vehicle orders	-7%	In line

Strong leasing lead generation and 'excess' new vehicle order pipeline growth from $12m to $14m[1]

Strong 6% **lead volume growth**, particularly digital leads which are up 8% vs pcp

Further **growth in revenue pipeline**, with order levels continuing to exceed settlements due to supply shortages; no significant change in cancellation rate

Yield improvement from higher vehicle values and **stronger** product uptakes. Higher yielding new novated leases remain at 74% of novated volumes, below pre-COVID levels of c.78-80%

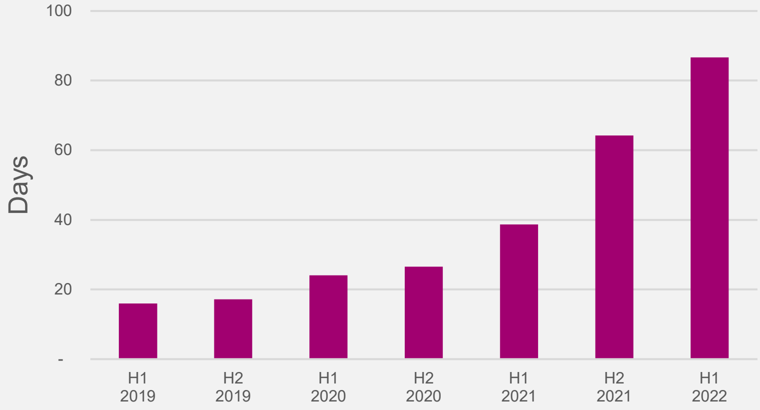
Lower consumer confidence and extended delivery timeframes impacting **vehicle order** levels through delayed purchasing decisions

1. 'Excess' pipeline represents committed customer orders above pre-COVID levels.

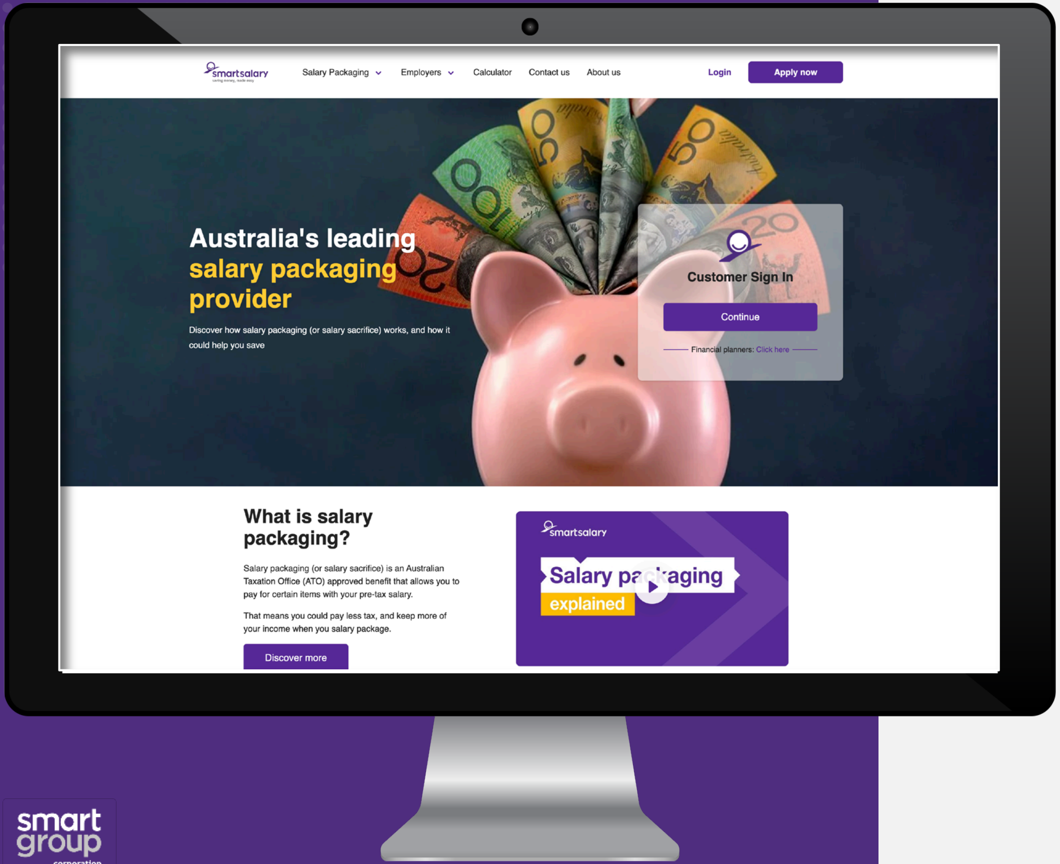
Vehicle supply remains challenged

- Delivery timeframes have further extended
- Delays are resulting in the need for credit re-approval and increased customer engagement
- Expanded bulk vehicle procurement process in place for some makes/models in the most popular variants and colours

Average vehicle order to delivery timeframes for Smartgroup top 30 makes/models by volume



Top 30 makes/models comprise over half of all Smartgroup vehicle orders



New Smartsalary website launched in July

- Superior user experience
- Improved self-education
- Enhanced data analytics

Vehicle Sales Portal to launch in H2 2022

- Customers able to engage digitally 24/7
- Digitised customer education and interactions
- Initial release will allow customers to obtain a tailored self-service quote at any time
- End-to-end sales process when all development phases are complete

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Smart Future
Delivered to-date…

- Incentive scheme restructure
- Digital experience platform
- Enhanced API and data capabilities
- Online Smartleasing and Autopia novated leasing calculators
- Integrated appointment booking system
- Smartsalary website

Next priorities…

- Vehicle Sales Portal (phase 1)
- Salary packaging calculators
- Client portals
- Customer portals and apps
- Smartleasing and AccessPay websites

The delivery methodology for Smart Future projects has been revised to better manage elevated costs and align with availability of scarce technology resources. Timeframes for completion likely to be extended by a further year.

Federal Government Electric Vehicle (EV) Discount Policy

- Proposed legislation abolishes FBT on new EVs provided through novated leases[1] and removes applicable import tariffs on EVs
- FBT exemption to be reviewed after 3 years, in light of EV uptake
- Policy will increase attractiveness of novated EVs relative to internal combustion engine cars
- Legislation expected to be passed by Parliament towards the end of 2022 with a proposed back-date to 1 July 2022

1. For EVs below the luxury car tax threshold of $84,916 .

02

Financial performance Half Year CY2022

Revenue growth of 4% and EBITDA in line with pcp, with a strong 43% EBITDA margin

	H1 2022[1]	H1 2021[1]	Change %
Revenue	**113.6**	**109.4**	4%
Product costs	(3.8)	(2.7)	42%
Staff costs	(42.6)	(40.3)	6%
Other overhead	(17.8)	(17.0)	4%
Operating EBITDA	**49.4**	**49.4**	-
Operating EBITDA margin	*43%*	*45%*	
Net finance costs	(0.8)	(1.1)	(25%)
Depreciation	(1.9)	(1.7)	15%
Amortisation	(2.2)	(6.5)	(66%)
Joint venture contribution	0.2	0.1	51%
PBT	**44.7**	**40.2**	15%
Tax expense	(13.8)	(12.3)	12%
NPAT	**30.9**	**27.9**	16%
Tax-effective amort. of acquired intangibles and cash tax benefit	1.5	5.6	(73%)
NPATA[2]	**32.4**	**33.5**	(4%)

Revenue growth from increased novated leasing settlements and yield, and $1.8m one-off revenue items following successful transition of novated funding from St George to other financiers

Increase in product costs from improved novated product uptakes

Investments in capability and remuneration reviews lifting staff costs

Lower add-backs of acquired amortisation (-$3.0m) and cash tax benefit (-$1.1m) versus H1 2021. Amortisation expected to be $1.8m in H2 2022 and add-backs of acquired amortisation and cash tax benefit to be $0.7m and $0.2m respectively

1. A reconciliation of the statutory accounts to adjusted earnings is contained in the Appendix.
2. NPATA is net profit after tax, adjusted to exclude the non-cash tax-effected amortisation of acquired intangibles and significant non-operating items.

Strong cash flow generation of 134% of NPATA

$m	H1 2022 adjusted[1]	H1 2021 adjusted[1]
Receipts from customers (inclusive of GST)	144.6	123.1
Payments to suppliers and employees (inclusive of GST)	(86.1)	(76.3)
Interest received from operations	0.1	-
Interest paid	(0.4)	(0.4)
Interest paid on lease liabilities	(0.3)	(0.4)
Income taxes paid	(14.3)	(10.1)
Net cash from operating activities	**43.4**	**35.9**
As a % of NPATA	134%	107%
Capitalised IT development costs	**(6.4)**	-
Payments for funding of motor vehicles	**(1.8)**	-
Other capex	**(0.4)**	(0.4)

H1 2022 includes one-off St George payment of future performance fees of $11.6m

Increase in RBA target cash rate leading to interest receipts from client float

Acceleration of Smart Future program capital investment, with key digital projects in delivery phase in H1 2022

Balance sheet funding pilot for fleet vehicles continues

1. Excludes payments for M&A transactions costs (inclusive of GST) of nil (H1 2021: $0.1m). Net cash from operating activities excludes receipts and payments from customers' salary packaging accounts and significant non-operating items.

Small net debt position following payment of special dividend in March

$m	30 Jun 2022 statutory	31 Dec 2021 statutory
Cash	*32.9*	*32.5*
Other current assets	*67.3*	*68.7*
Current assets	100.2	101.2
Non-current assets	318.4	307.1
Total assets	**418.6**	**408.3**
Current liabilities	111.0	107.2
Borrowings	*58.7*	*28.7*
Other non-current liabilities	*13.4*	*6.2*
Non-current liabilities	72.1	34.9
Total liabilities	**183.1**	**142.1**
Net assets	**235.5**	**266.2**
Net corporate cash/(debt)[1]	**(26.0)**	**3.6**
Net corporate debt/LTM EBITDA	**(0.3)**	**N/A**

Cash balance includes $11.6m upfront payment from St George of future performance fees

Increase in borrowings and small net debt position following payment of $39.7m special dividend in March 2022

Non-current asset increase includes capitalisation of $6.4m of Smart Future program costs

1. Excludes capitalised borrowing costs of $0.2m (30 June 2021: $0.2m) and vehicle borrowing costs of $2.5m (30 June 2021: $0.3m).

03 Summary and outlook

Resilient financial result despite vehicle supply and economic headwinds

Solid financial results
H1 Revenue up 4%, Operating EBITDA in line, NPAT up 16% and NPATA down 4% on pcp; operating cash flow at 134% of NPATA

Strong leasing lead generation and pipeline
H1 leads up 6% on pcp and 15% on prior half
'Excess' order pipeline at $14m
Supply of vehicles likely to remain constrained

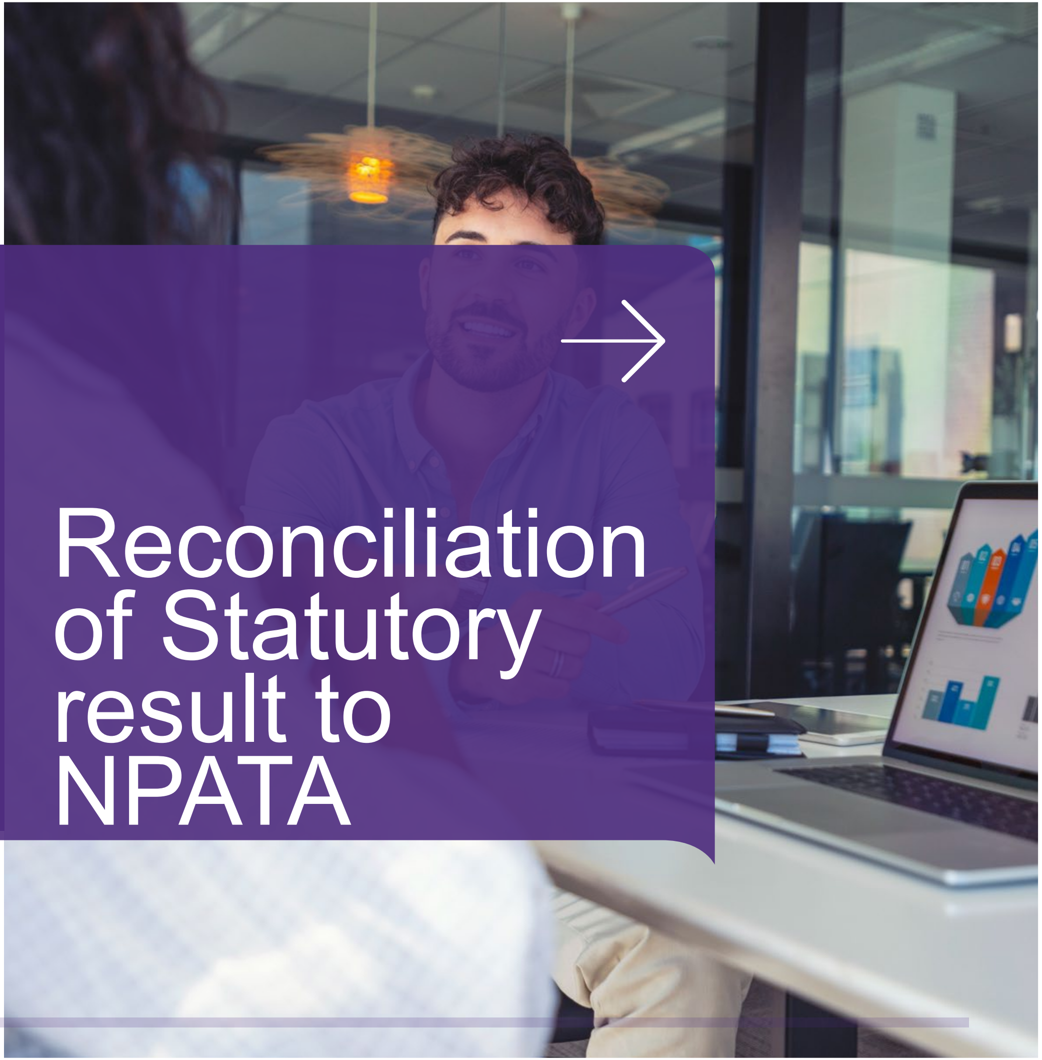
New clients to be onboarded in H2 2022
Inclusive of a c.6,000 package client, partially offsetting DET Victoria transition out occurring in Q4

Progress on Smart Future program
Key foundational and digital assets delivered
Tech resource challenges have elevated cost and extended timeline
Vehicle Sales Portal Phase 1 launching in H2

Short to medium term headwinds
Interest rate rises and consumer confidence delaying purchasing decisions
Wage inflation expected to increase expenses
July/August vehicle orders tracking in line with pcp

Appendix

Reconciliation of Statutory result to NPATA



Reconciliation of earnings to statutory financial statements

$m	H1 2022 statutory	Non-IFRS measures	H1 2022 adjusted
Revenue	113.6	-	113.6
Operating EBITDA	**49.4**	-	**49.4**
Joint venture contribution	0.2	-	0.2
Segment note EBITDA	**49.6**	-	**49.6**
Depreciation expense	(1.9)	-	(1.9)
Amortisation expense	(2.2)	-	(2.2)
Net finance costs	(0.8)	-	(0.8)
PBT	**44.7**	-	**44.7**
Income tax expense	(13.8)	-	(13.8)
NPAT	**30.9**	-	**30.9**
Add back: amortisation of acquired intangibles	-	1.2	1.2
Cash tax benefit	-	0.3	0.3
NPATA	**30.9**	**1.5**	**32.4**
Shares on issue (millions)			133.7
NPATA per share (cps)			24.2

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