

ASX Announcement

Release date: 3 May 2023



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.

Q1 2023 Financial and Operational update

- Average monthly NPATA in line with H2 2022 with revenue growth offsetting cost inflation
- Minimal capitalised IT development cost and cashflow conversion remains strong
- Low net debt position of \$55m
- Novated leasing leads +31%, new lease vehicle orders +7% and settlements +12% versus the prior comparable period (pcp)¹
- Electric vehicle quotes now >20% of total Smartgroup novated leasing quotes
- Excess vehicle order pipeline revenue now at c.\$16 million, up from c.\$15 million at 31 December 2022²
- Novated leasing yield +3% versus pcp

Smartgroup CEO Tim Looi said:

“It is pleasing to see our operational momentum continuing in 2023, with strong lease enquiries and order levels, including a significant uplift in electric vehicle interest. We have seen good net revenue growth despite the transition out of Department of Education and Training Victoria as a salary packaging client in late 2022.

Vehicle delivery timeframes continue to be longer than pre-COVID levels but appear to be stabilising.”

Outlook

Smartgroup CEO Tim Looi said: “We continue to see positive momentum across the group with new clients wins in both our salary packaging and fleet businesses. The strong interest in novated leasing has continued in early 2023 with high levels of enquiries and open leads, particularly for electric vehicles, with increased demand for these vehicles providing opportunities for Smartgroup.

As flagged at the full year results announcement in February 2023, our targeted cost review is enabling us to invest in further resourcing to meet increased novated leasing demand.

We are off to a good start to the year, with pleasing levels of lead and settlement growth. This growth, together with our sizeable order pipeline, means that we remain well positioned to benefit from any improvement in car supply.”

¹ Lead and order comparison to pcp excludes DET Victoria, which transitioned out in October 2022. Apr 2023 YTD total leads, orders and settlements were +26%, +0% and +7% versus pcp respectively, if DET Victoria included.

² Assuming historic vehicle order to settlement conversion rate.



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

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Macquarie Australia Conference 2023

Tim Looi, Chief Executive Officer

3 May 2023

Acknowledgement of Country

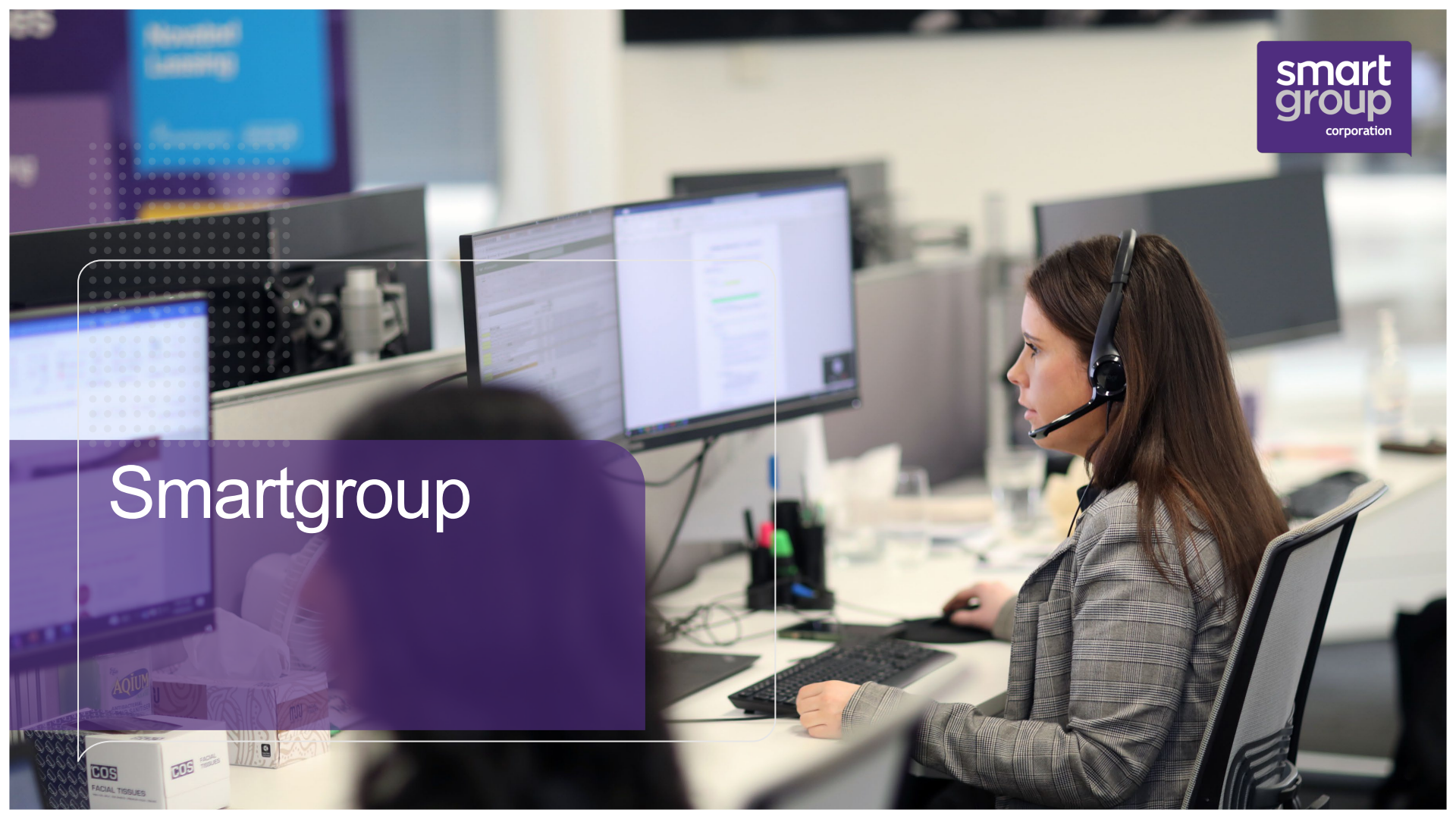
I acknowledge that I am speaking to you from the lands of the Gadigal People of the Eora Nation.

I pay my respects to their Elders past, present and emerging, and extend that respect to all Aboriginal and Torres Strait Islander people here today.





Smartgroup



Our investment proposition – capital light business model, strong cash flows and dividends



378,000

Salary Packaging
customers



58,000

Novated
Leases



25,900

Fleet Vehicles
Managed



~740

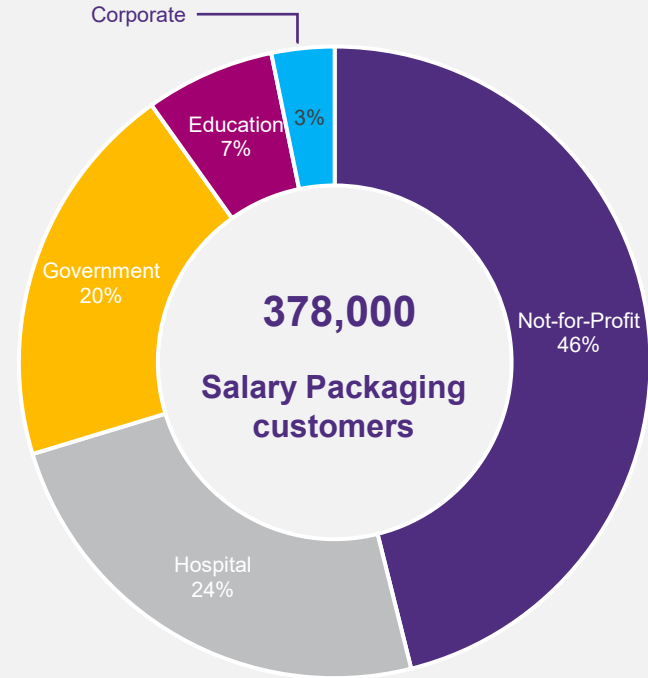
Full Time
Equivalents

- ✓ Premium established player with scale
- ✓ 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
- ✓ Growth strategy and enhanced operational efficiencies through digital investment
- ✓ Recent supportive government legislation related to Electric Vehicles

Smartgroup operates in attractive market segments

Our employer clients and employee customers

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



We invest in our customers and communities and are committed to a smarter, more sustainable tomorrow



- ✓ **Employer of Choice for Gender Equality 2021-2023.** 40/40/20 gender target achieved at every level
- ✓ Recognised again as an **Inclusive Employer in 2021/2022** by Diversity Council Australia



- ✓ Endorsed our **first Sustainability Strategy** with comprehensive **targets and initiatives**
- ✓ Released our **first standalone Sustainability Report** aligned with GRI standards



- ✓ Continued recognition for high service standards
 - ▶ **Winner – 2022 CSIA** and Customer Service Institute of America International Customer Service Team of the Year - Medium awards
 - ▶ **Winner – 2022 CSIA** Service Hero individual award



- ✓ Fourth year of grants, **donating almost \$250,000** across 17 charitable projects in the community
- ✓ **Over \$750,000 of grants** since inception

We have delivered c.630% Total Shareholder Returns since IPO, including franking value

Since listing in 2014, Smartgroup has paid ~\$448m in fully franked dividends (~\$192m franking value)

~\$160M SIQ Market Cap | 2 July 2014  **~\$900m** SIQ Market Cap | 20 April 2023



Source: Factset, IRESS, Refinitiv, S&P Capital IQ, ASX (at 20 April 2023)

Current market cap is ~5.5x IPO market cap and share price is ~4.2x IPO issue price¹

1. Based on 20 April 2023 share price of \$6.75.

A woman with dark hair, wearing a grey sweater and black pants, is sitting on a dark ledge and smiling. She is looking towards a man who is standing with his back to the camera. The man is wearing a dark jacket and glasses. The background shows a modern office interior with large windows and a wooden wall on the left. A purple semi-transparent box is overlaid on the left side of the image, containing the text.

2022 recap and operational update

Steady operational performance for 2022 calendar year



**NPATA
of \$61.2m**

Revenue of \$224.7m
(up 1% v pcp)
EBITDA of \$93.4m
(down 9% v pcp)
NPATA¹ of \$61.2m
(down 12% v pcp)
reflecting car supply
constraints and higher
operating costs



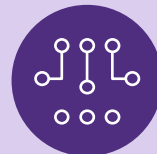
**Strong leasing
demand**

Strong 14% growth in
leasing leads² v pcp
c.25% growth in 'excess'
new lease vehicle order
pipeline
Vehicle supply remains
constrained



**Significant uptick in
Electric Vehicle (EV)
demand**

c.270% increase in EV
quotes in Q4 2022 v avg.
Q1-Q3 2022
EVs c.15% of total quotes
in Q4 2022 v <1% in Q4
2021



**Progress on Smart
Future program**

New Smartsalary website
and salary packaging
calculator delivered
Car Leasing Portal live
February 2023



**Strong cash flow
conversion and 2022
dividends at 100%
of NPATA**

Strong operating cash flow
at 117% of NPATA
Total 2022 dividends of
46.0cps
fully franked

Strong level of leasing enquiries and orders has continued into 2023

Mar 2023 YTD	v. pcp ¹
Digital leasing leads	+42%
Total leasing leads	+31%
Total leasing quotes	+12%
New lease vehicle orders	+7%
Settlement volume	+12%
Leasing yield	+3%
	Mar 2023 v Mar 2022
Open leasing leads ²	+55%



Strong customer interest has continued into 2023

- ▶ Customer enquiry levels remain strong
- ▶ Additional open leads represent potential revenue of \$3-4m³



Electric Car Discount Policy is contributing to quote uplift

- ▶ Mature conversion rates to become clearer in Q2 2023. Additional customer education will continue to be required until legislation and EV ownership is more widely understood



Car supply challenges remain

- ▶ Further growth in the excess VO pipe⁴ from c.\$15m at Dec 2022 to c.\$16m at 31 Mar 2023, with a total pipeline of c.\$20m



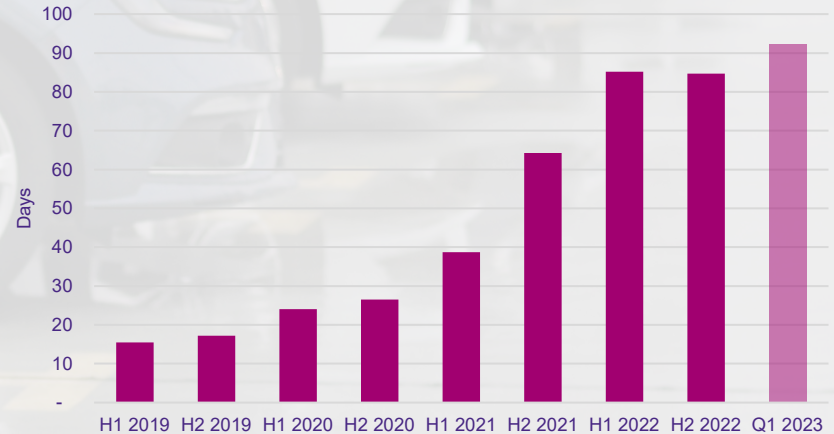
Yield improvements are being maintained

- ▶ New car prices remain high compared to historic levels
- ▶ Higher yielding new novated leases stable at c.73% of novated volumes for Q1 2023, remaining lower than pre-COVID levels of c.78-80%

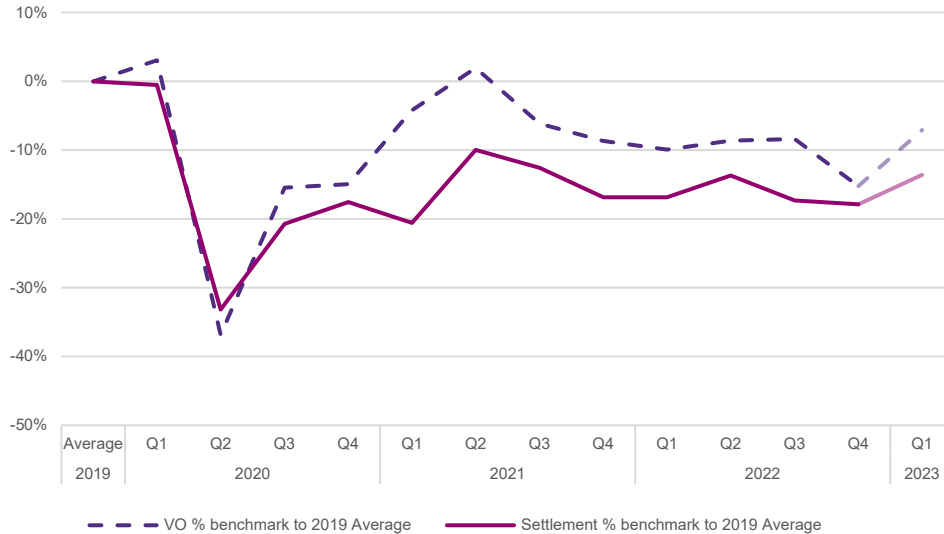
Vehicle supply more stable but challenges remain

- ▶ Delivery timeframes extended further in 2022, though appears to be stabilising, leading to further growth in the Vehicle Order pipeline in 2022 and Q1 2023
- ▶ Delays are resulting in credit re-approval for a large proportion of deals – leasing team resourcing has been increased further to meet additional workload
- ▶ As significant costs are incurred to generate orders, supply improvements will flow to earnings at good margins

Average vehicle order to delivery timeframes for Smartgroup top 30 makes/models by volume¹



New vehicle orders continue to exceed settlements¹, leading to further growth in the open order pipe in Q1 2023



Customers delaying buying decisions

- ▶ Credit approval to vehicle order timeframe extended by c.20% in 2022

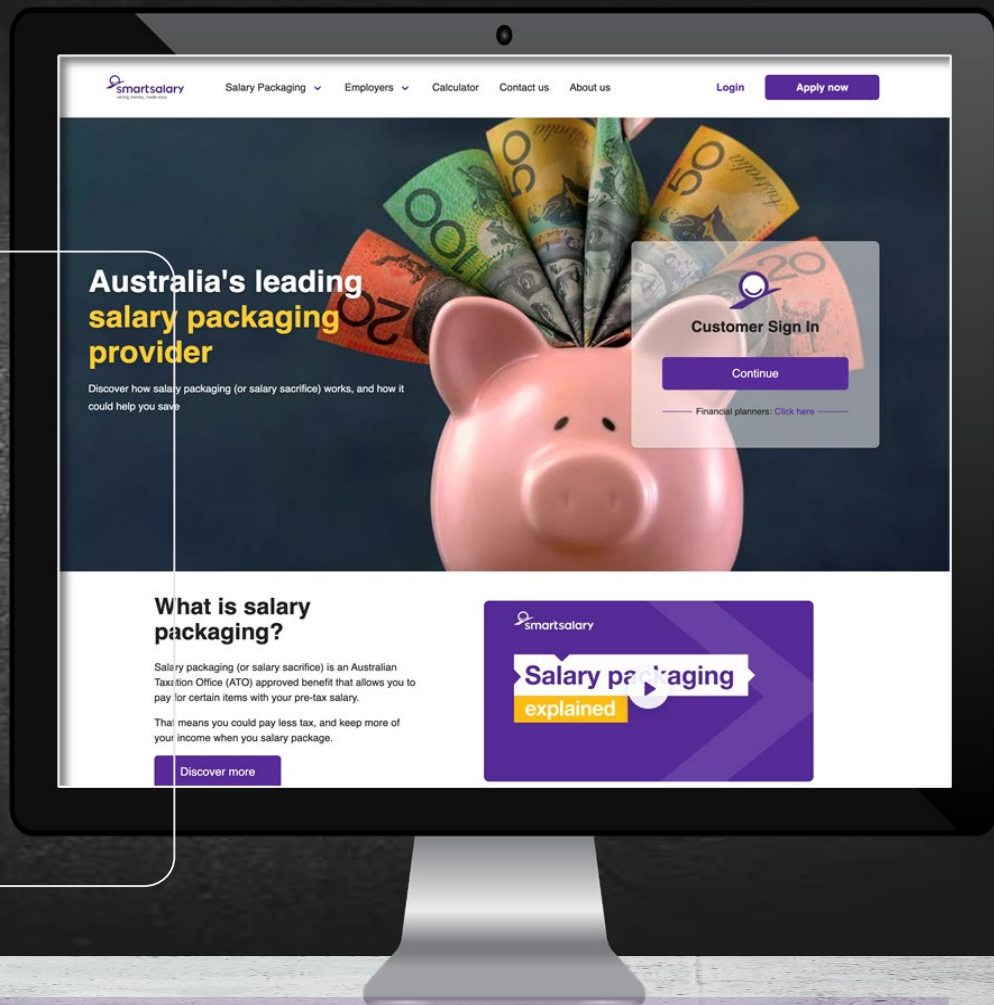


Car supply continues to impact settlements

- ▶ 'Excess' VO pipeline² grew c.\$3m in 2022
- ▶ Supply constraints expected to continue. Some recent improvements for certain makes and models

1. Orders and settlements graph excludes DET Victoria, which transitioned out in October 2022.
 2. 'Excess' VO pipeline represents committed customer orders above pre-COVID levels.

Smart Future



Smart Future 'scorecard' – meaningful progress made



Foundations

- ✓ Customer sales incentive scheme restructure
- ✓ Digital experience platform
- ✓ API and data platforms



Leasing calculators

- ✓ Strong, sustained visit to lead conversion rate uplift
- ✓ Significant increase in lead volume with digital now almost 60% of all new lease leads (vs <40% in 2019)



Smartsalary website and salary packaging calculator

- ✓ Meaningful increase in salary package sign-ups via website
 - ✓ Increasing engagement with self-education content



Integrated appointment booking system

- ✓ Increase in education session enrolments by potential customers

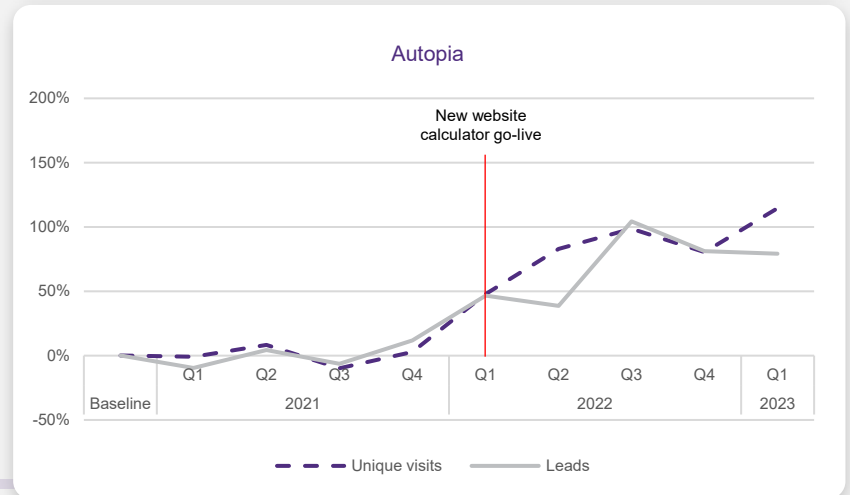
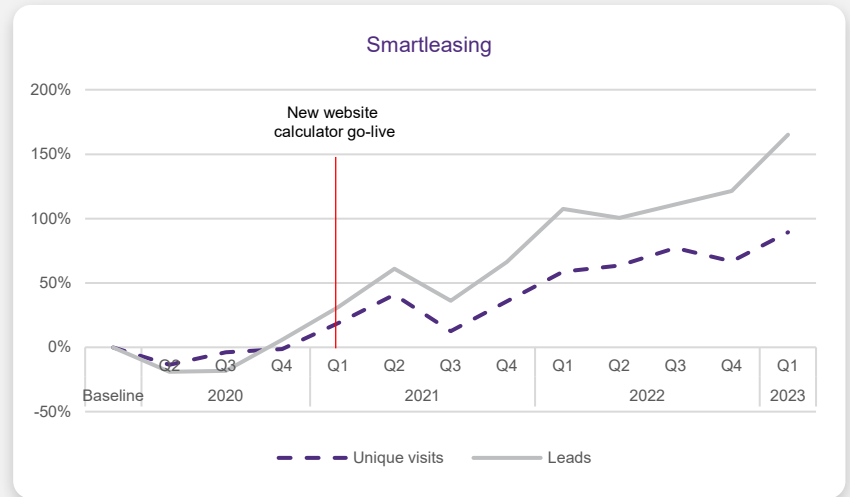


Car Leasing Portal 24/7 quoting

- ✓ Lift in quote volumes for pilot clients since go-live
 - ✓ 1 in 3 interactions outside business hours

Online novated leasing calculators continue to generate strong lead growth

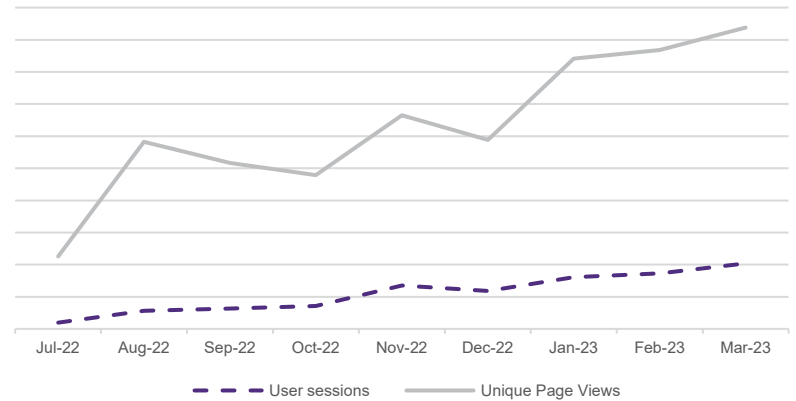
- ▶ Smartleasing live Q1 2021 (c.90% of group novated leases)
 - Significant increase in customer engagement and visit to lead conversion sustained in 2 years since launch
- ▶ Autopia live Q1 2022 (c.10% of group novated leases)
 - Visit to lead conversion results more mixed, though significant increase in total lead volume evident



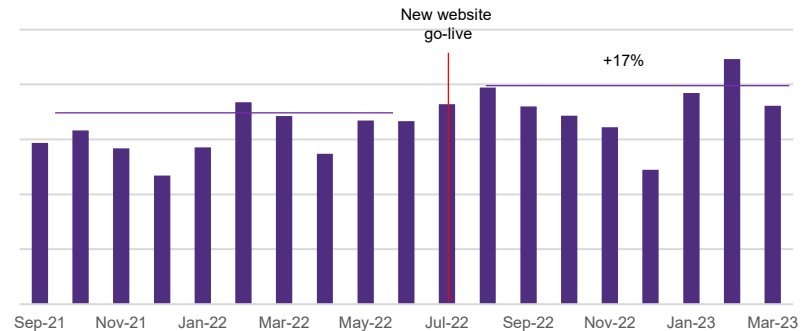
Smartsalary website and packaging calculator

- ▶ New website including self-education content went live in July 2022; Smartsalary packaging calculator education tool live October 2022
 - c.17% increase in salary package sign-ups from website leads
 - Around 1 in 3 calculator visits are occurring outside business hours¹
- ▶ Significant month on month increase in engagement with education content

Education content engagement



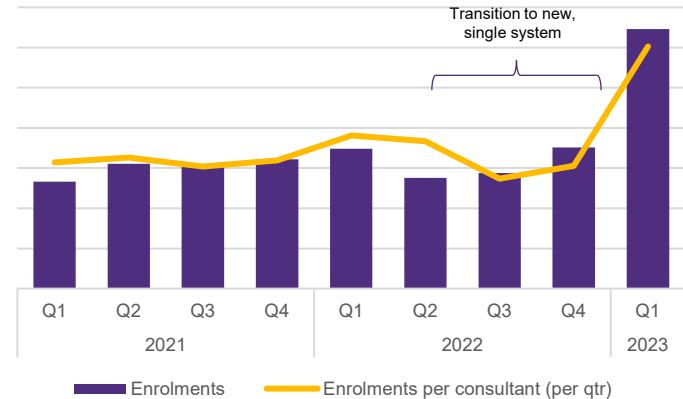
Salary package sign-ups via website leads



Integrated appointment booking system

- ▶ Single system rolled out across all Smartgroup brands in Q3 and Q4 2022
- ▶ Incentive structure updated at start of 2023 to drive increase in potential customer reach
- ▶ c.58% uplift in enrolments per customer education consultant in Q1 2023 versus pcp, reaching more potential customers via digital and non-digital interactions¹

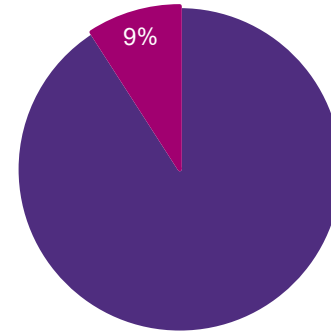
Smartsalary customer education team enrolments¹



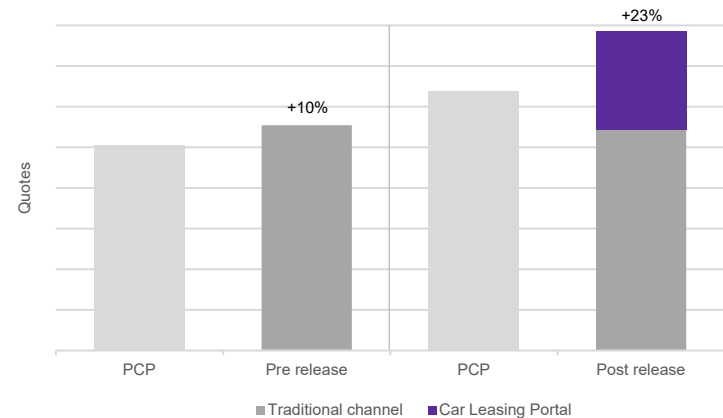
Car Leasing Portal – 24/7 quoting

- ▶ Pilot commenced in February 2023 to c.100 clients (pilot clients accounted for c.9% of total 2022 new lease quotes)
- ▶ Quote volume from pilot clients increased 23% v pcp
- ▶ Around 1 in 3 portal interactions are occurring outside business hours
- ▶ A further c.100 clients live in mid-April 2023
- ▶ Portal to be rolled out to all Smartleasing clients (c.90% of group leasing business) progressively throughout 2023

Pilot client group proportion of 2022 new lease quotes



Average monthly quotes – pilot client 2 months pre and post release





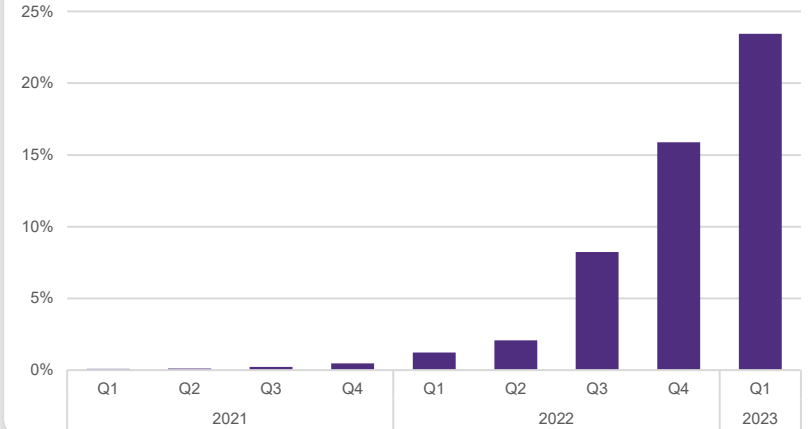
Electric Vehicles

Federal Government policy generating strong increase in EV demand

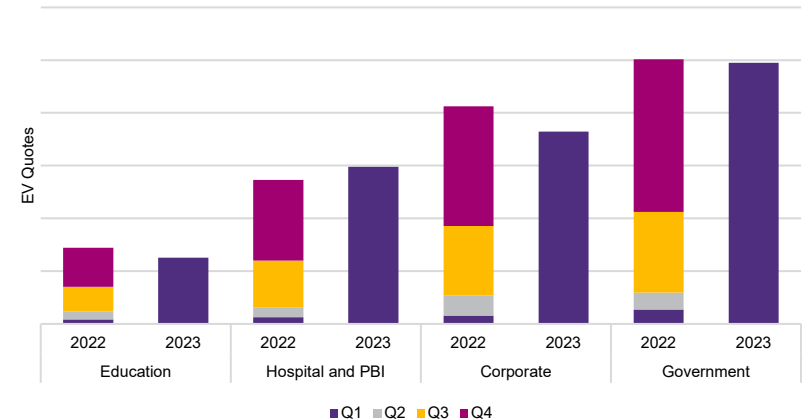
- ▶ Federal Government Electric Car Discount Policy abolishes FBT on new EVs provided through novated leases¹
- ▶ Strong EV demand growth across all segments
- ▶ Mature quote to order conversion rates will be known in late Q2 2023

1. For EVs below the luxury car tax threshold of \$84,916 (2022-2023). Legislation also applies to plug-in hybrid vehicles until 31 March 2025.

EV % of total quotes



EV quotes by segment





Update to March 2023 and Outlook

Positive trading momentum with increased revenue offsetting cost inflation

Continued client success

- ✓ Stable salary packages with several new client wins
- ✓ Novated lease vehicles under management stable
- ✓ Fleet vehicles under management expected to grow in H2 by c.2,000 vehicles (+10%) from new clients

Operational performance

- ✓ Continued high levels of enquiries and open leads
- ✓ Vehicle delivery timeframes remain relatively static with some improvements for certain makes and models

Q1 2023 financial performance

- ✓ Higher costs from 2022 remuneration reviews and additional resourcing to meet novated leasing demand are being offset by increased revenue and a targeted cost review – average Q1 2023 NPATA per month in line with H2 2022
- ✓ Minimal capitalised IT cost, strong cashflow conversion and low net debt position of \$55m
- ✓ Continued focus on delivering benefits from the Smart Future program

CEO transition

- ✓ Scott Wharton to commence on July 17, with Tim Looi to work with Scott through a transition process

smart
group
corporation