2023 Full Year Results

Scott Wharton
Managing Director and CEO

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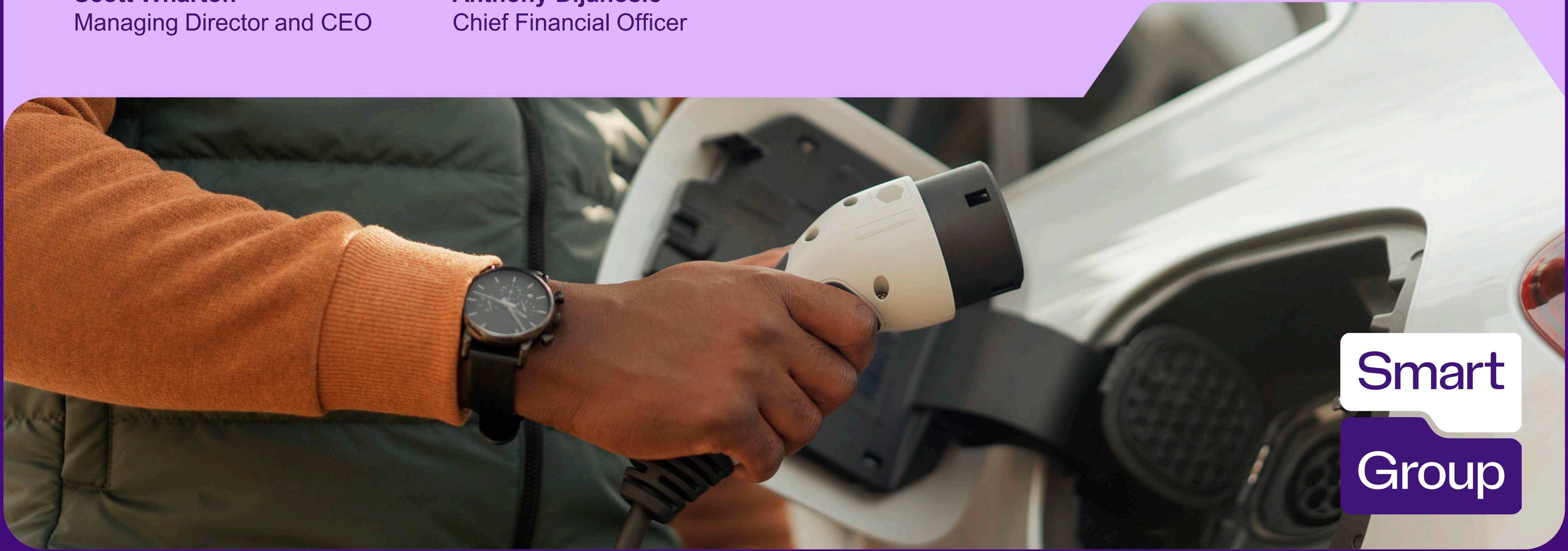
Chief Financial Officer



Acknowledgement of Country

I would like to acknowledge the Traditional Owners of the land on which I am speaking with you today, the Gadigal People of the Eora Nation.

I would also like to acknowledge the Traditional Custodians of the various lands on which you all join this call from today. I recognise their continuing connection to land, waters and culture and pay my respects to their Elders past and present.

Artist Statement

Co-existing with Mother Earth from the first days of understanding of kinship and the importance of caring for Country. Preparing for the future and prospering by putting country first which started through gatherings of our ancient ancestors which continues through time to this day, Country has always been an important part of First Peoples of Australia cultures.

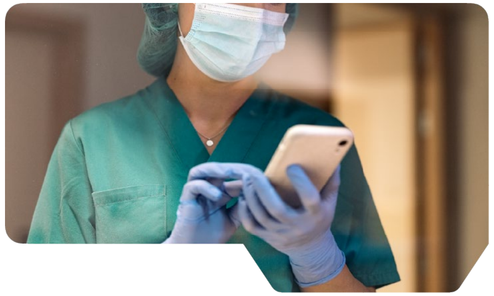
Country has sustained us, revitalised, and rejuvenated our mind, body, and spirit for many millennia. And by putting Country first it will continue to do so. It has been our most important commandment handed to us down throughout the generations through loving careful instructions. A nourishing thought for the ages of our continuous culture on this ancient landscape.

Narrative written by Jade Kennedy of the Tatti-Tatti/WadiWadi/Muddi-Muddi - West Kulin Nation and Wajak/Kaardjin - Noongar Nation.

Kengatha-nak-thangi Grow Mother Country

01 — 2023 Highlights

2023 Performance Highlights



Solid financial performance

- **Revenue of $251.6m**, up +12% v pcp
- **EBITDA of $100.3m**, up +7% v pcp
- **NPATA[1] of $63.2m**, up +3% v pcp

Strong customer growth

- **396,000** active customers at December, +17,000 v pcp; **493,000** rolling 12-month active customers[2] +19,000 v pcp
- **61,100** novated leases under management, +3,400 v pcp
- **30,400** fleet managed vehicles, +4,300 v pcp

Increased demand for novated leasing

- +26% **growth in leasing settlements[3]** v pcp
- Vehicle supply continues to stabilise
- EV orders **41% of total new car orders** in H2 2023
- +9% **increase in yield** v pcp

High cash flow conversion

- Strong operating cash flow conversion at **103% of NPATA**
- 2023 final ordinary dividend of 16 cps fully franked and special dividend of 16 cps fully franked[4], total dividends declared represent **100% of CY 2023 NPATA**

1. NPATA is net profit after tax, adjusted to exclude the non-cash tax-effected amortisation of intangibles and significant non-operating items. Refer to Appendices for the reconciliation of NPATA to statutory NPAT.
2. Includes customers that maximise Fringe Benefits Tax caps before December each year, then restart packaging in April at the start of the next FBT year.
3. Comparison to pcp excludes a large client that transitioned out in October 2022. If included, CY2023 settlements are +20% versus pcp.
4. Record date of final ordinary and special dividend is 7 March 2024 and payment date is 21 March 2024. Special dividend is an interim dividend in respect of the 2024 financial year.

2023 ESG Highlights

S&P Global

Ranked 87th percentile worldwide in S&P Global CSA

(up from 81st percentile in 2022)

S&P Global

Dow Jones

Included for the first time in the global Dow Jones Sustainability Indices

Member of Dow Jones Sustainability Indices Powered by the S&P Global CSA

WGEA

Employer of Choice for Gender Equality

WGEA Employer of Choice for Gender Equality

Inclusive

'Inclusive Employer' recognition by Diversity Council Australia for 2023-24

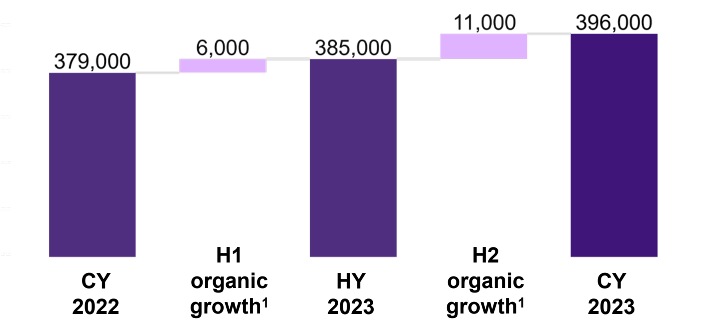
PROUD TO BE AN INCLUSIVE EMPLOYER 2023–2024

Emissions

Total carbon emissions across Scope 1, 2 and 3 decreased by 35% in CY23 v CY22

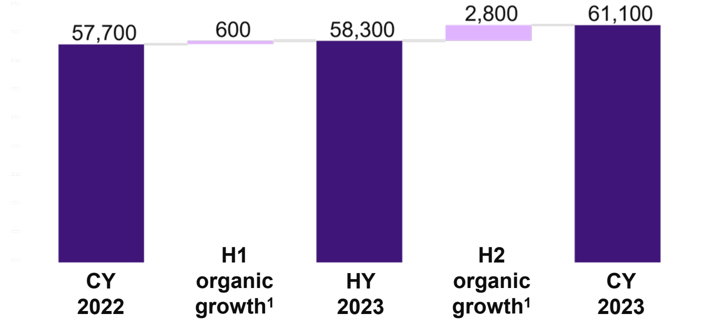
Growth across all key product lines

Salary packages



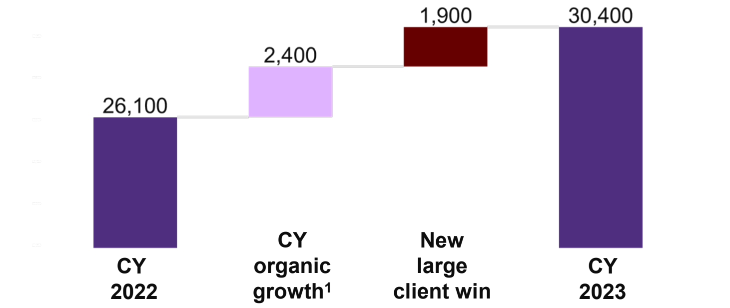
- Increased uptake in existing clients and the onboarding of new clients
- Rolling 12-month packages of 493,000, up 4% on 2022

Novated leases under management



- Strong settlement levels and stabilising vehicle supply have seen novated leases under management continue to grow

Fleet managed vehicles



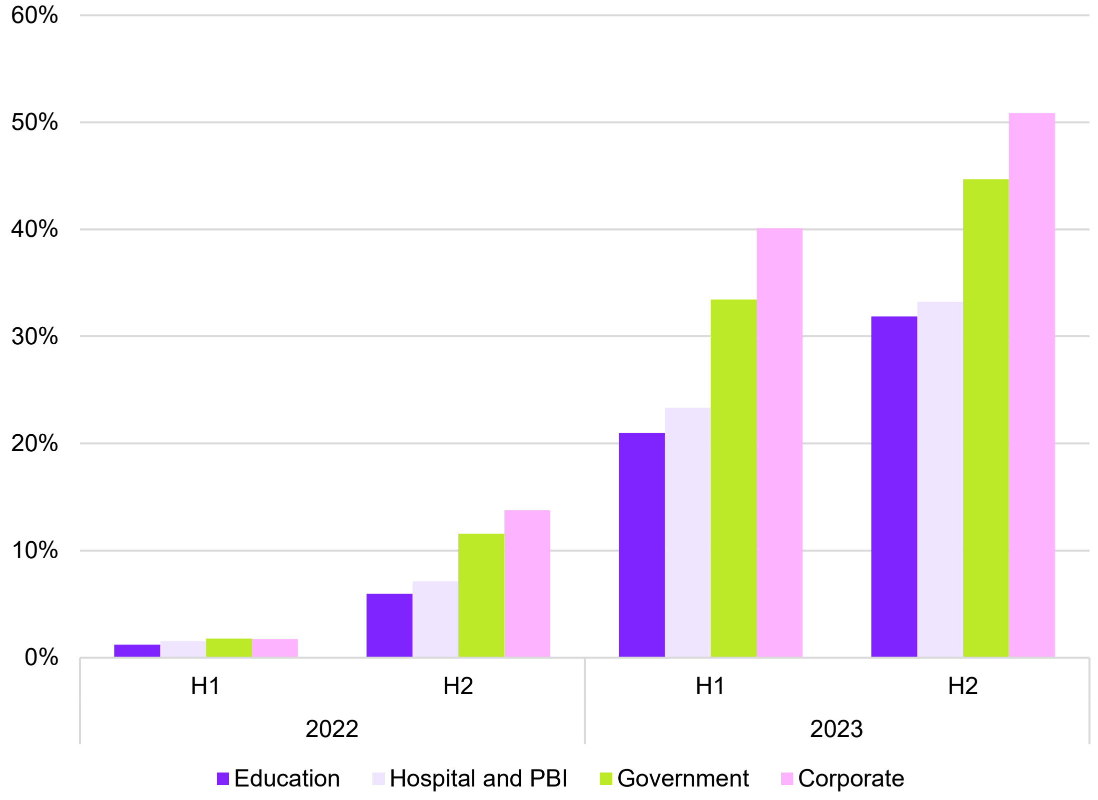
- Self-funded lease pilot expanded, with c.530 vehicles funded for 31 organisations as at 31 December 2023

1. Includes growth from existing clients and small to medium sized client wins.

New EV order growth across all client segments

- EV proportion of new car lease orders and settlements grew across all client segments
- EV availability is generally good, though varies by make/model
- Education, Hospital and PBI (Not for profits) uptake lifting as more EVs at cheaper price points become available

EV[1]% of new car orders
(i.e. excl. used cars and refinances)



1. For EVs below the luxury car tax threshold of $89,332. Legislation also applies to plug-in hybrid vehicles until 31 March 2025.

Strong leasing demand and yield improvement

	H1 2023 v pcp	H2 2023 v pcp	CY 2023 v pcp
New lease vehicle orders[1]	+10%	+33%	+21%
Settlement volume[1]	+15%	+37%	+26%
Leasing yield	+2%	+15%	+9%

Strong customer demand

- Customer enquiry levels remain strong

Electric Car Discount Policy[2] is contributing to demand uplift

- EV quote to vehicle order conversion broadly in line with non-EVs
- Focus on customer education regarding new policy continues

Vehicle delivery timeframes are stabilising

- Total pipeline future revenue of c.$18m remains above pre-COVID levels of c.$4m

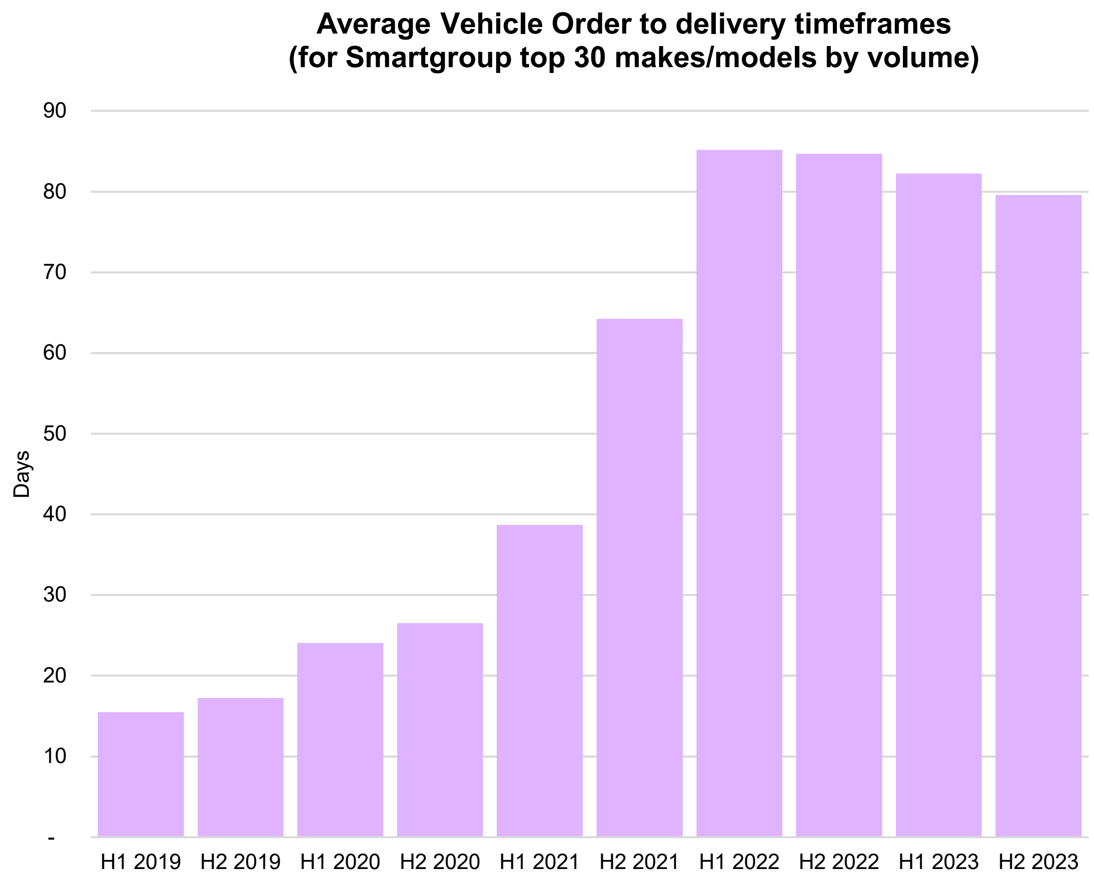
Yield improvements delivered

- Supply chain renegotiation benefits flowing through
- New novated leases[3] improved to c.81% of total novated volume for H2 2023 and 78% for CY 2023, broadly in line with pre-COVID levels
- Higher EV vehicle values and proportion of total novated deals starting to lift yield

1. Comparison to pcp excludes a large client that transitioned out in October 2022. If included, H1 2023 new lease vehicle orders and settlements were +3% and +9% versus pcp respectively, H2 2023 +28% and +31% versus pcp respectively, and CY2023 +15% and +20% versus pcp respectively.
2. Policy abolished Fringe Benefits Tax on eligible electric vehicles provided through a novated lease.
3. New novated leases exclude refinanced deals.

Vehicle delivery timeframes stabilising but remain elevated

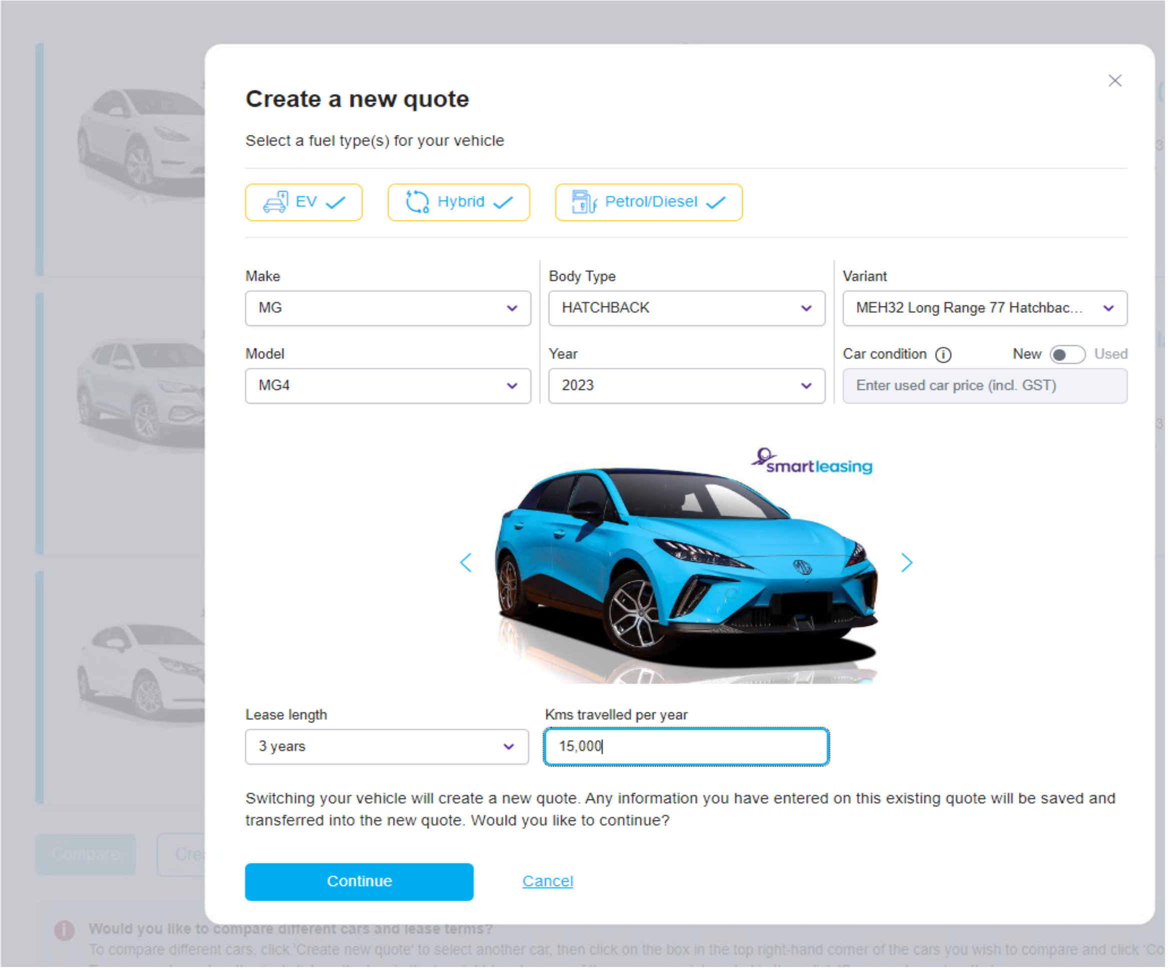
- Delivery timeframes remain elevated but continue to stabilise, with significant variation across makes and models
- Geopolitical impact remains uncertain
- Delays and vehicle price changes continue to result in credit re-approval rework for many deals



Car leasing portal

Roll-out progressing to plan

- Significant engagement outside of business hours
- Uplift in quotes and order levels seen across go-live tranches
- Rolled out to over a third of all clients (from 204 at 30 June), representing c.54% of historic customer quote volume
- Additional 160 clients live in January 2024, with progressive roll-out to remaining Smartleasing clients during 2024
- Improvement and innovation of portal to continue



02 — Strategic Priorities

Building a smarter future

Our context

Cost of living pressures	Sustainability	Evolving needs
• Increasing financial stress • Tight labour market	• Electric Car Discount Policy • Corporate ESG focus	• Desire for e-mobility • Digital experience

Salary packaging comparison table[1]

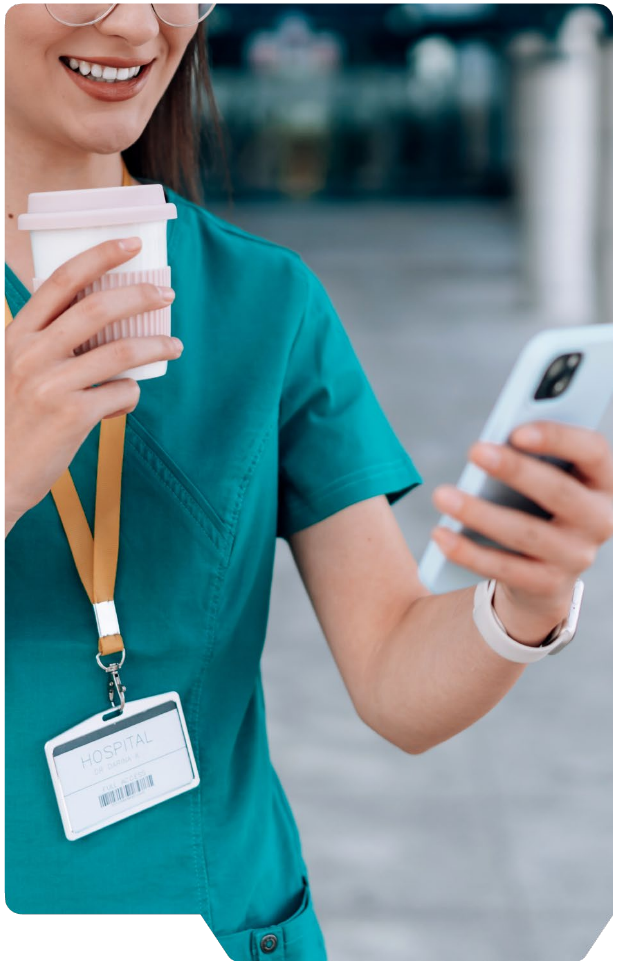
	Without salary packaging	With salary packaging
Annual salary before tax	$65,000	$65,000
Pre-tax expenses	-	$18,550
Taxable income	$65,000	$46,450
PAYG tax	$11,592	$5,563
Medicare levy	$1,300	$929
Annual salary after tax	$52,108	$39,958
Post-tax expenses	$18,550	-
Net disposable income	**$33,558**	**$39,958**
Potential Annual saving		**$6,400**
Potential Fortnightly Saving		$246
Equivalent Salary		$74,771
% increase to take home pay		19.07%

1. Calculations assume a charity worker on $65,000 packaging $15,900 of rent payments and $2,650 of meal costs per FBT year, using 2023/24 individual tax rates. The calculations do not take into account any applicable: low income tax offsets (LITO), low and middle income tax offsets (LITMO), low income Medicare levy reduction or any Smartgroup fees that may apply.

Our ambition

Smarter Benefits for a Smarter Tomorrow

Simplifying benefits and adding value to our clients and customers, while enabling businesses to attract and retain great teams as we build a more sustainable Australia.



Our strategic priorities and focus

Our strategic priorities

Customer-focussed, digital and efficient salary packaging offering	• Digitise operations and enable self-service to delight clients and customers • Simplify and consolidate the core technologies and drive scale benefits including moving to a single brand
Leadership in EVs via Novated Leasing	• Maintain a market-leading proposition for EVs through sustained digital investment • Accelerate our digital sales engine
Innovation of propositions to meet growing customer needs	• Expand our offering to meet a broader set of needs around the mobility journey • Scale our benefits program
Targeted investment in fleet capabilities	• Continue to support client demand • Increase capability via balance sheet-funded pilot

Our focus

Smarter Experiences

Market-leading customer experience, helping customers and employers work with us how and when they want

Smarter Products

Simple and innovative products and services to help customers do more and save more

Working Smarter

Simple and scalable operations, with improved capability that puts the customer first

03 — 2023 Financials

Full Year CY2023

Strong revenue drives earnings growth

- Revenue growth driven by increased novated leasing settlements and yield
- Higher product costs from growth in sale of vehicle aftermarket products
- Staff costs increased as a result of wage inflation, investments in resourcing to meet novated leasing demand, and increasing in-house IT capability
- Add-backs of acquired amortisation and cash tax benefit minimal now that acquired assets have been fully amortised

$m	CY 2023[1]	CY 2022	Change %
Revenue	**251.6**	**224.7**	**12%**
Product costs (cost of sales)	(9.6)	(7.6)	26%
Net revenue	**242.0**	**217.1**	**11%**
Staff costs	(103.8)	(87.1)	19%
Other overhead	(37.9)	(36.6)	4%
Total overheads	**(141.7)**	**(123.7)**	**15%**
Operating EBITDA	**100.3**	**93.4**	**7%**
Operating EBITDA margin	*40%*	*42%*	
Net finance costs	(3.0)	(2.1)	43%
Depreciation	(5.0)	(4.0)	25%
Amortisation	(2.9)	(3.9)	(26%)
Joint venture contribution	0.3	0.3	0%
Profit Before Tax	**89.7**	**83.7**	**7%**
Tax expense	(26.6)	(24.8)	7%
Net Profit After Tax	**63.1**	**58.9**	**7%**
Tax-effected amort. of acquired intangibles and cash tax benefit	0.1	2.3	(96%)
NPATA[2]	**63.2**	**61.2**	**3%**

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.

High cash conversion at 103% of NPATA

- 2022 receipts included one-off financier payment of future performance fees[2]
- Increase in RBA target cash rate leading to increase in interest received and interest paid
- Reduced capex, with a focus on benefit realisation for IT assets delivered, and increased use of internal resourcing
- Balance sheet funding pilot for fleet vehicles expanded

$m	CY 2023[1]	CY 2022	Change %
Receipts from customers (inc GST)	292.4	277.6	5%
Payments to suppliers and employees (inc GST)	(198.7)	(178.7)	11%
Interest received from operations	5.9	1.8	228%
Interest paid	(3.6)	(1.5)	140%
Interest paid on lease liabilities	(0.7)	(0.7)	0%
Income taxes paid	(30.1)	(26.9)	12%
Net cash from operating activities	**65.2**	**71.6**	**(9%)**
As a % of NPATA[2]	*103%*	*117%*	
Capitalised IT development costs	(0.9)	(9.2)	(90%)
Payments for funding of motor vehicles	(7.6)	(4.6)	65%
Other capex	(0.9)	(1.2)	(22%)

1. Excludes payments for M&A transaction costs (inclusive of GST) of $0.02m (2022: $0.19m). Net cash from operating activities excludes receipts and payments from customers' salary packaging accounts and significant non-operating items.
2. Excluding one-off financier payment of future performance fees, 2022 operating cash flow would have been 104% of NPATA.

Strong and flexible balance sheet with 0.3x leverage

- Increase in net debt position following payment of $58.9m of total dividends and funding of additional c.$7.6m of on-balance sheet fleet vehicle leases to a total of $12.2m

$m	31 Dec 2023	31 Dec 2022
Cash	*32.8*	*26.7*
Other current assets	*65.2*	*58.9*
Current assets	98.0	85.6
Non-current assets	319.5	320.2
Total assets	**417.5**	**405.8**
Current liabilities	104.6	102.1
Borrowings	*64.7*	*53.8*
Other non-current liabilities	*4.4*	*9.6*
Non-current liabilities	69.1	63.4
Total liabilities	**173.7**	**165.5**
Net assets	**243.8**	**240.3**
Net corporate debt[1]	**32.2**	**27.2**
Net corporate debt/last 12 months EBITDA	**0.3**	**0.3**

1. Excludes capitalised borrowing costs of $0.3m (31 December 2022: $0.1m) and vehicle borrowings of $2.0m (31 December 2022: $1.7m).

Capital allocation – maximising shareholder value

- Allocate capital for medium and long-term growth
- Deliver sustainable distributions to shareholders
- Maintain flexible balance sheet

Operating cash flow

- Investments
  - Digital and technology simplification
  - Customer experience improvements
  - Potential acquisitions or partnerships
- Return to shareholders
  - Dividend policy 60-70% of NPATA
  - Other returns to shareholders[1]

- Focus on core business
- Invest in technology landscape to accelerate digitisation and scale; ~$11-13m expected capex spend in 2024
- Since IPO in mid-2014 Smartgroup has paid c.$470m in fully franked dividends to shareholders[2]

1. May include special dividends or share buy-backs.
2. Excluding 16.0 cps final ordinary and 16.0 cps special dividends declared on 20 February 2024.

04 — Summary and Outlook

CY2023 Summary

Revenue
$251.6m
+12%

NPATA[1]
$63.2m
+3%

Customers
+17,000
new salary packages, both from existing clients and from client wins

Leases
+3,400
new novated leases under management

NL volume
26%
Growth in leasing settlements[2] v pcp

NL yield
9%
Increase in yield v pcp

Ordinary dividends
16 cps
final ordinary fully franked[3]

Special dividends
16 cps
special dividend fully franked[3]

Priorities
Strategic priorities determined

Progress
Progress to be reported throughout 2024

1. NPATA is net profit after tax, adjusted to exclude the non-cash tax-effected amortisation of intangibles and significant non-operating items. Refer to Appendices for the reconciliation of NPATA to statutory NPAT.
2. Comparison to pcp excludes a large client that transitioned out in October 2022. If included, CY2023 settlements are +20% versus pcp.
3. Record date of final ordinary and special dividend is 7 March 2024 and payment date is 21 March 2024. Special dividend is an interim dividend in respect of the 2024 financial year.

Outlook

- Continued solid leasing demand – January 2024 orders and settlements up on pcp
- Divestment of payroll business – sale agreement executed 9 February 2024
- SA Government contract commences 1 July 2024, with upfront investments and additional resourcing ahead of contract start
- Ongoing competitive pressures, but Smartgroup is well positioned to compete effectively
- Deliver on strategic priorities
- Focus on margins, including through implementing productivity initiatives

Smart

To learn more about Smart visit:

smartgroup.com.au/introducing-smart

05 — Appendix

Reconciliation of earnings to statutory financial statements

$m	CY 2023 statutory	Non-IFRS measures	Add back: Restructuring costs	Add back: CEO transition costs	CY 2023 adjusted
Net revenue	242.0				242.0
Operating EBITDA	**98.7**	-	0.8	0.8	**100.3**
Joint venture contribution	0.3	-	-	-	0.3
Segment note EBITDA	**99.0**	-	0.8	0.8	**100.6**
Depreciation expense	(5.0)	-	-	-	(5.0)
Amortisation expense	(2.9)	-	-	-	(2.9)
Net finance costs	(3.0)	-	-	-	(3.0)
PBT	**88.1**	**-**	**0.8**	**0.8**	**89.7**
Income tax expenses	(26.2)	-	(0.2)	(0.2)	(26.6)
NPAT	**61.9**	-	0.6	**0.6**	**63.1**
Add back amortisation of acquired intangibles	-	0.1	-	-	0.1
NPATA	**61.9**	**0.1**	**0.6**	**0.6**	**63.2**
Shares on issue (millions)					132.8
NPATA per share (cps)					47.6

Balance sheet

$m	31 Dec 2023 statutory	31 Dec 2022 statutory
Cash	32.8	26.7
Restricted cash	38.1	36.0
Trade and other current assets	27.1	22.9
Current assets	**98.0**	**85.6**
Property and equipment	2.1	1.9
Right-of-use assets – Smartgroup funded vehicles	12.2	6.5
Right-of-use assets – other	4.4	6.6
Intangible assets	285.4	288.9
Other non-current assets	15.4	16.3
Non-current assets	**319.5**	**320.2**
Total assets	**417.5**	**405.8**
Trade and other payables	35.3	31.9
Customer salary packaging liabilities	38.1	36.0
Lease liabilities	5.6	8.9
Provisions and other liabilities	30.0	34.9
Non-current interest-bearing loans	64.7	53.8
Total liabilities	**173.7**	**165.5**
Net assets	**243.8**	**240.3**
Issued capital	263.4	263.4
Retained earnings & reserves	(19.6)	(23.1)
Total capital	**243.8**	**240.3**
Net corporate debt	**32.2**	**27.2**
Net corporate debt / LTM EBITDA	**0.3**	**0.3**

Investor contact

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