CY 2022 full year results

Tim Looi – Managing Director and Chief Executive Officer
Anthony Dijanosic – Chief Financial Officer
Sarah Haas – Chief Operating Officer
23 February 2023

1. 2022 Overview

Steady operational performance

NPATA at top end of guidance range of $60-61m

Revenue of $224.7m (up 1% v pcp)

EBITDA of $93.4m (down 9% v pcp)

NPATA[1] of $61.2m (down 12% v pcp)

reflecting car supply constraints and higher operating costs

Strong leasing demand

Strong 14% growth in leasing leads[2] 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

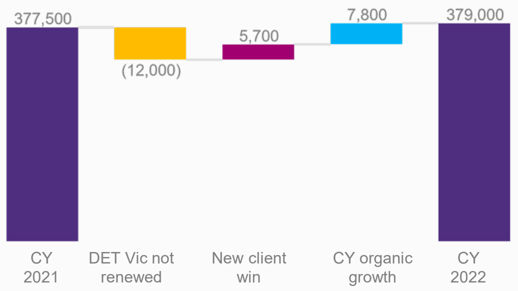
Strong operating cash flow at 117% of NPATA

Final ordinary dividend of 15.0cps and special dividend of 14.0cps, bringing total 2022 dividends to 46.0cps[3] fully franked

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. 2021 and 2022 lead comparison excludes Department of Education and Training Victoria (DET Victoria), which transitioned out in October 2022.
3. Record date of final ordinary and special dividend is 9 March 2023 and payment date is 23 March 2023.

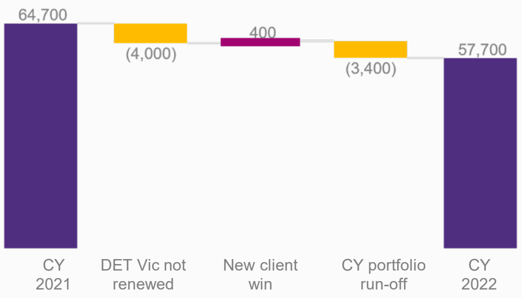
2022 packages, novated leases and fleet managed vehicles

Salary packages



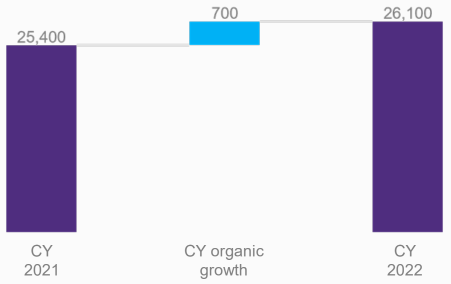
Organic salary package growth combined with new client wins offsets transition out of DET Victoria customers

Novated leases under management



Strong growth in leasing leads (c.14% higher than pcp[1]) and 'excess' new lease order pipeline (c.25% higher than pcp), although vehicle supply remains constrained, which has resulted in a reduction in leases under management

Fleet managed vehicles



- Growth in vehicles under management largely from existing clients
- Vehicle supply constraints continue to impact volumes
- Smartgroup-funded lease pilot continues, with just over 200 vehicles funded for 12 clients

1. 2021 and 2022 lead comparison excludes DET Victoria, which transitioned out in October 2022. CY 2022 leads and orders were 13% above CY 2021 if DET Victoria included.

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Positive novated lease lead momentum, with a significant increase in lease enquiries at the start of the sales process

	H1 2022 v pcp	H2 2022 v pcp	v CY 2021
Digital leasing leads[1]	+10%	+33%	+20%
Total leasing leads[1]	+6%	+22%	+14%
New lease vehicle orders[1]	-7%	-3%	-5%
Settlement volume	+1%	-4%	-2%
Leasing yield	+5%	+3%	+4%

	Dec 2022 v Dec 2021
Open leasing leads[2]	+50%

Strong lead performance

- Customer interest remains strong, driven by significant growth in digital and inbound leads – both EV and non-EV
- Additional open leads represent potential revenue of \$2-3m[2]

Increased orders in early 2023 after slower H2 2022[3]

- Completed financier transitions led to resourcing challenges, impacting lead conversion and order levels throughout the year, particularly in H2
- Credit approval rates reduced by 2-3% points, but reverted to historic levels late in the year
- Some customer hesitancy ongoing

Car supply challenges remain

- Further growth in the excess VO pipe to c.\$15m[4], with a total pipeline of \$19m. Order cancellation rates remaining low

Increased vehicle values driving higher yield

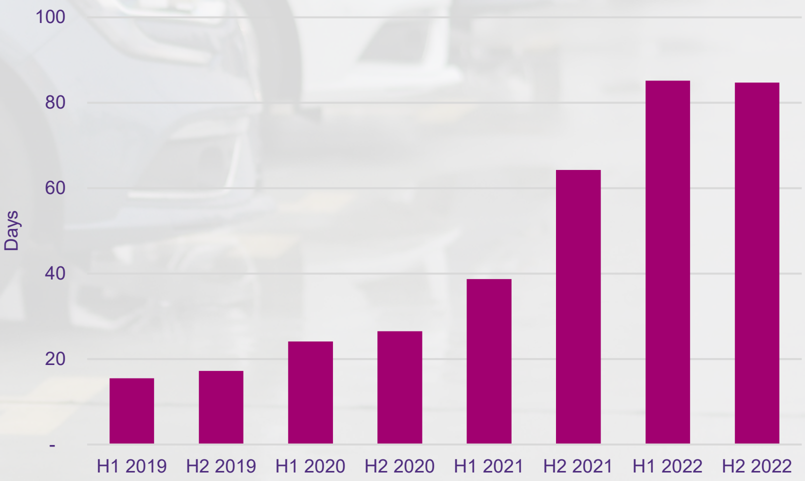
- New car prices remain high compared to historic levels
- Higher yielding new novated leases stable at 74% of novated volumes, remaining lower than pre-COVID levels of c.78-80%

1. 2021 and 2022 lead and order comparison excludes DET Victoria, which transitioned out in October 2022. CY 2022 digital leads, total leads and orders were 19% above, 13% above and 6% below CY 2021 respectively, if DET Victoria included.
2. 'Open' leads are those at the start of the sales process. Comparison of open leads at 31 December 2022 v 31 December 2021, assuming H1 2022 fully mature conversion rates and 2022 leasing yield.
3. Excluding the impact of DET Victoria, H2 2022 orders were 2% below H1 2022.
4. 'Excess' pipeline represents committed customer orders above pre-COVID levels.

Vehicle supply challenges continued throughout 2022

- Delivery timeframes have extended further in 2022 (though stabilised in H2), leading to further growth in the Vehicle Order pipe
- Delays are resulting in credit re-approval for a large proportion of deals, increasing the need for customer engagement and lengthening the sales cycle – leasing team resourcing increasing further to meet additional workload
- As significant costs are incurred to generate orders, supply improvements will flow to earnings at relatively higher margins and reduce the need for additional customer engagement costs

Average vehicle order to delivery timeframes for Smartgroup top 30 makes/models by volume[1]



1. Top 30 makes/models comprise over half of all Smartgroup vehicle orders. H2 2022 updated for movement of several vehicles in/out of the top 30.

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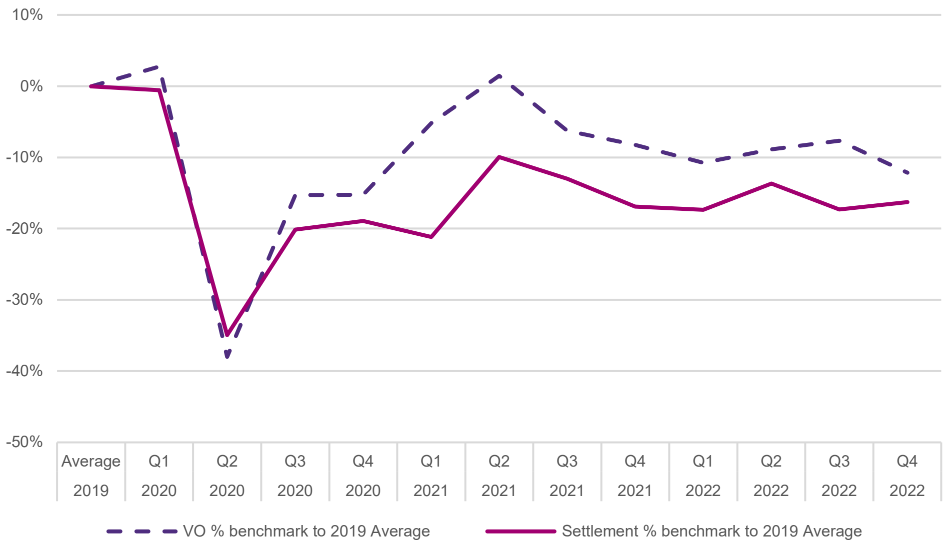
New vehicle orders continue to exceed settlements[1], leading to further growth in the open order pipe



Customers delaying buying decisions

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

Car supply continues to impact settlements

- Excess VO pipe[2] now at c.$15m, up from c.$12m at December 2021, with total VO pipe at c.$19m
- Supply constraints expected to continue for H1 2023

1. Orders and settlements graph from 2019 onward excludes DET Victoria, which transitioned out in October 2022.
2. ‘Excess’ pipeline represents committed customer orders above pre-COVID levels.

Creating diverse and inclusive teams; investing in our customers and our communities

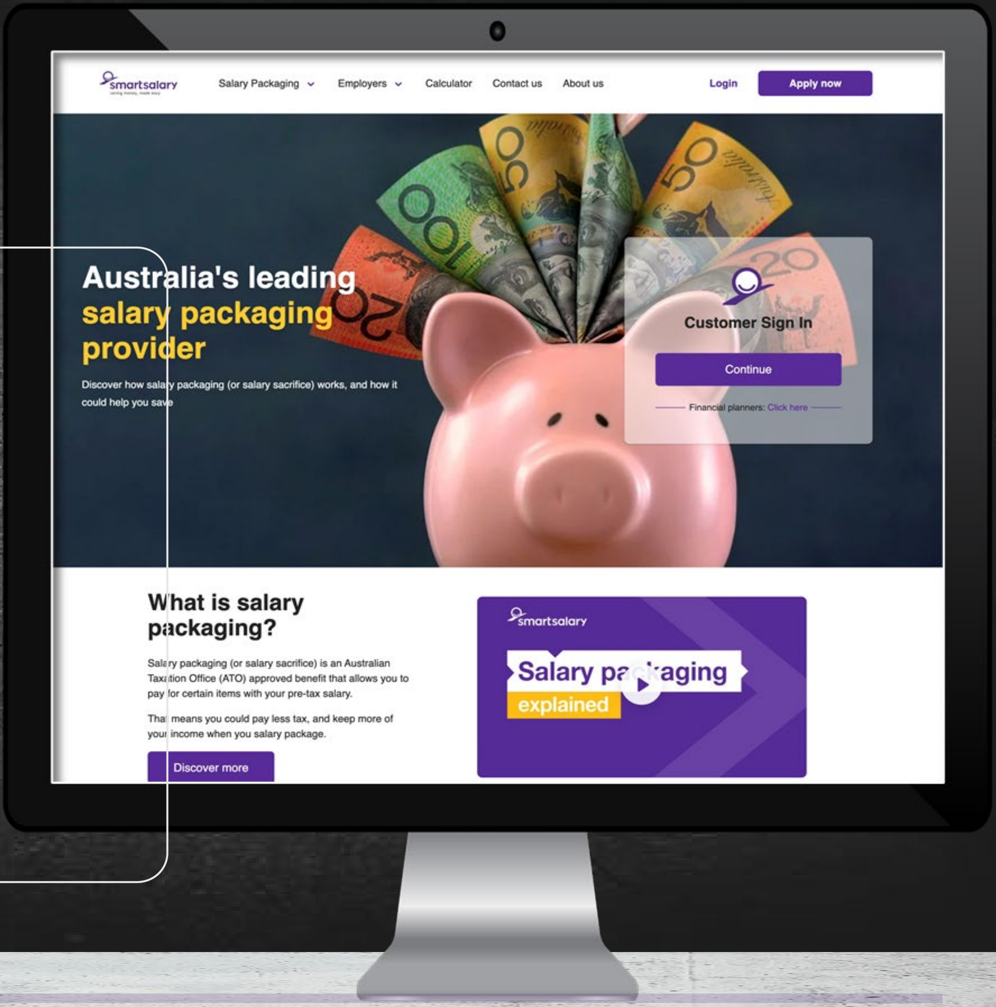
- ✓ **Employer of Choice for Gender Equality 2021-2023**. 40/40/20 gender target achieved at every level
- ✓ Recognised again as an **Inclusive Employer in 2021/2022** by Diversity Council Australia

- ✓ 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

3. Smart Future



Smart Future
Delivered to-date…

- Customer sales incentive scheme restructure
- Digital experience platform
- API and data platforms
- Online Smartleasing and Autopia[1] novated leasing calculators
- Integrated appointment booking system[1]
- Smartsalary website[1] and salary packaging calculator[1]
- Car Leasing Portal (phase 1) [1] – live Feb 2023

Highlights…

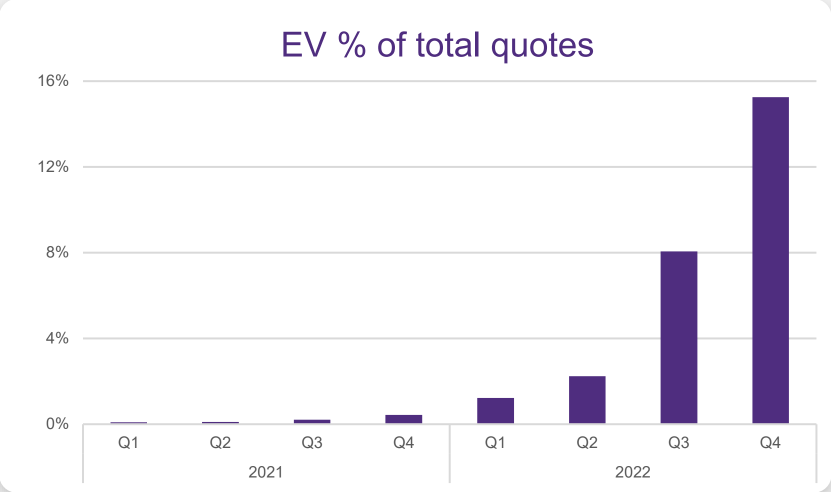
- Leasing calculator website visit to lead conversion rate uplift worth c.$4m per annum in revenue[2]
- Initial booking system data indicates >15% uplift in novated quotes from the field sales channel
- 8,000+ views per month of new self-education content on Smartsalary website; time on those website pages around double that on other pages. Salary packaging calculator providing practical education via tailored calculations
- Car Leasing Portal to be rolled out to clients progressively in 2023 – improving self serve capabilities

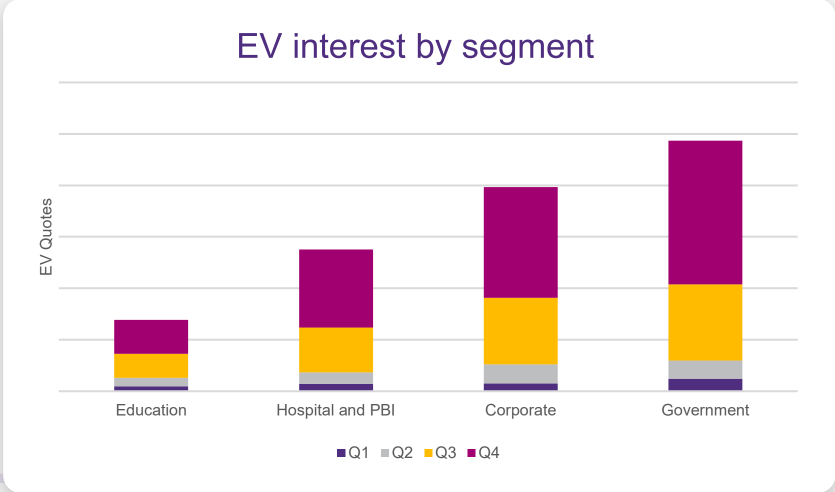
1. Delivered in 2022. Car Leasing Portal development substantially completed in 2022, with a 2023 launch.
2. Assuming fully mature H1 2022 lead to Vehicle Order conversion rate.

2. 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 leases[1]
- c.270% increase in qualifying EV quotes for Q4 2022 v average Q1-Q3 2022
- EV demand has increased strongly across the board, but primarily in Government and Corporate 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.

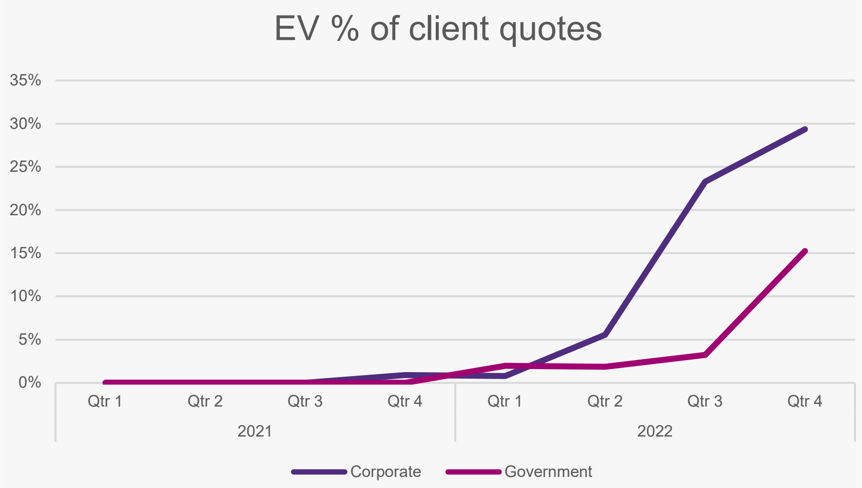
Early EV case studies

Large Corporate client

- c.29% of Q4 2022 quotes are for EVs versus less than 5% in 2021 and early 2022
- EV uplift drove overall Q4 2022 quote levels 79% above pcp

Large Government client

- c.15% of Q4 2022 quotes are for EVs versus less than 5% in 2021 and early 2022
- EV uplift drove overall Q4 2022 quote levels 51% above pcp



Total (EV and non-EV) quotes	Q4 2022 v pcp	Q3 2022 v pcp
Top 30 Corporate client	+79%	+22%
Top 30 Government client	+51%	+38%

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New EVs[1] due in Australia in 2023; EV supply is expected to improve through the year, with more models at accessible price points

Q1

- BYD Seal
- BYD EA1/Dolphin[2]
- Cupra Born
- Hyundai Ioniq 6

Q2

- Fiat 500e[2]
- GWM Ora Good Cat[2]
- MG4[2]
- Subaru Solterra

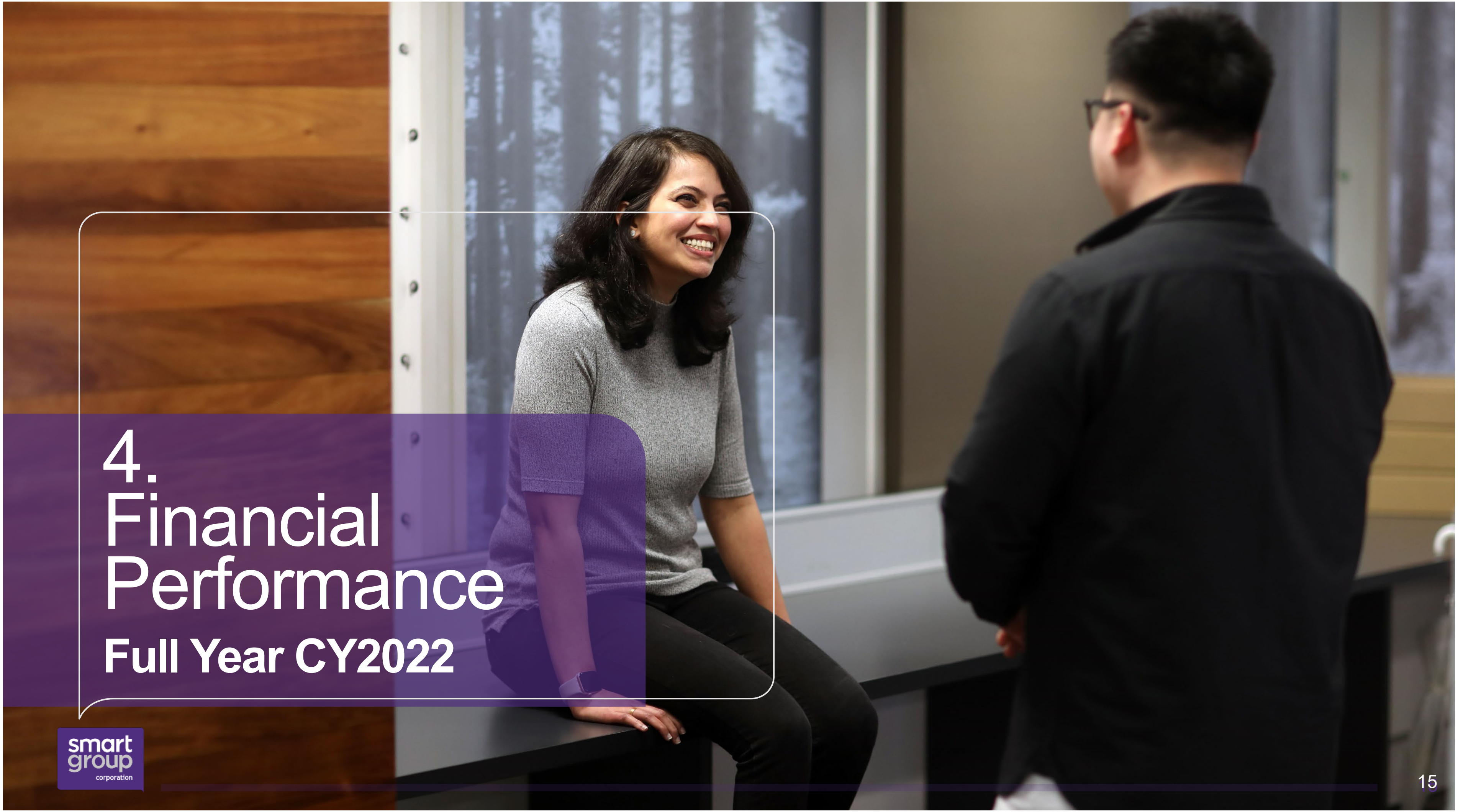
Q3

- Peugeot e-208
- Toyota bZ4x

Q4

- GWM Ora Next Cat
- Hyundai Kona Electric
- Volkswagen ID.4

1. Only including EVs expected to be below the luxury car tax threshold of $84,916 (2022-23). Final Australian release dates, model names and pricing have not been confirmed in some cases.
2. Pricing expected to start at or below $50,000.



4. Financial Performance

Full Year CY2022

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Strong 42% EBITDA margin despite cost inflation and vehicle supply impacting revenue

	CY 2022[1]	CY 2021[1]	Change %
Revenue	**224.7**	**221.8**	1%
Product costs	(7.6)	(6.0)	27%
Staff costs	(87.1)	(80.8)	8%
Other overhead	(36.6)	(32.0)	14%
Operating EBITDA	**93.4**	**103.0**	(9%)
Operating EBITDA margin	*42%*	*46%*	
Net finance costs	(2.1)	(1.7)	24%
Depreciation	(4.0)	(3.4)	18%
Amortisation	(3.9)	(9.3)	(58%)
Joint venture contribution	0.3	0.3	0%
PBT	**83.7**	**88.9**	(6%)
Tax expense	(24.8)	(27.1)	(8%)
NPAT	**58.9**	**61.8**	(5%)
Tax-effected amort. of acquired intangibles and cash tax benefit	2.3	7.7	(70%)
NPATA[2]	**61.2**	**69.5**	(12%)

Improved novated lease yield offset lower settlements as a result of vehicle supply challenges, resulting in modest revenue growth

Increase in Product costs (the cost price of after market products sold) from improved novated after market uptakes

Investments in capability, capacity and remuneration reviews lifting staff costs

Other overhead increase with return to office costs, and higher level of project and on-site client activities

Tax-effected amort. -$4.0m and cash tax benefit -$1.4m versus CY 2021, as acquired assets become fully amortised. In 2023, add-backs are expected to be $0.1m in total

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 117% of NPATA

$m	CY 2022 adjusted[1]	CY 2021 adjusted[1]
Receipts from customers (inclusive of GST)	277.6	252.5
Payments to suppliers and employees (inclusive of GST)	(178.7)	(151.3)
Interest received from operations	1.8	–
Interest paid	(1.5)	(0.5)
Interest paid on lease liabilities	(0.7)	(0.8)
Income taxes paid	(26.9)	(21.5)
Net cash from operating activities	**71.6**	**78.4**
As a % of NPATA	117%	113%
Capitalised IT development costs	(9.2)	(4.3)
Payments for funding of motor vehicles	(4.6)	(2.8)
Other capex	(1.2)	(0.8)

Cash flow includes $7.9m in relation to future performance fees received upfront from one novated funder, on transition to other funders. Excluding this payment in advance, operating cash flow is 104% of NPATA

Increase in interest payments reflects higher BBSY and average corporate borrowings

Capitalised IT development costs represent investments made in the delivery of Smart Future program digital assets

1. Excludes payments for M&A transactions costs (inclusive of GST) of $0.2m (CY 2021: $2.4m). Net cash from operating activities excludes receipts and payments from customers' salary packaging accounts and significant non-operating items.

Conservative balance sheet despite payment of $40m of special dividends

$m	31 Dec 2022 statutory	31 Dec 2021 statutory
Cash	*26.7*	*32.5*
Other current assets	*58.9*	*68.7*
Current assets	85.6	101.2
Non-current assets	320.2	307.1
Total assets	**405.8**	**408.3**
Current liabilities	102.1	107.2
Borrowings	*53.8*	*28.7*
Other non-current liabilities	*9.6*	*6.2*
Non-current liabilities	63.4	34.9
Total liabilities	**165.5**	**142.1**
Net assets	**240.3**	**266.2**
Net corporate cash/(debt)[1]	**(27.2)**	**3.6**
Net corporate debt/LTM EBITDA	**(0.3)**	**N/A**

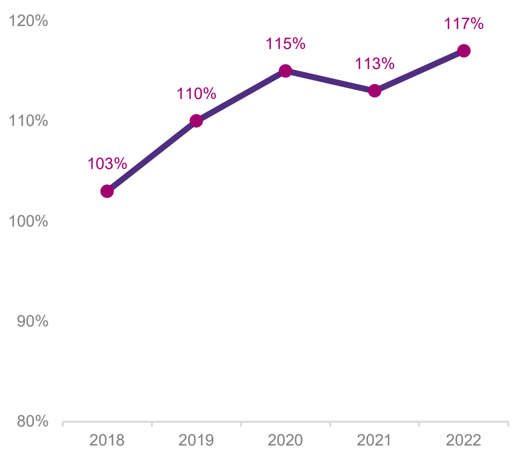
Decrease in Cash and increase in Borrowings following payment of $39.7m special dividend in March 2022, resulting in a small net debt position at the end of 2022

Non-current assets increase includes capitalisation of $9.2m of Smart Future program costs and $3.8m of additional Smartgroup fleet vehicle funding

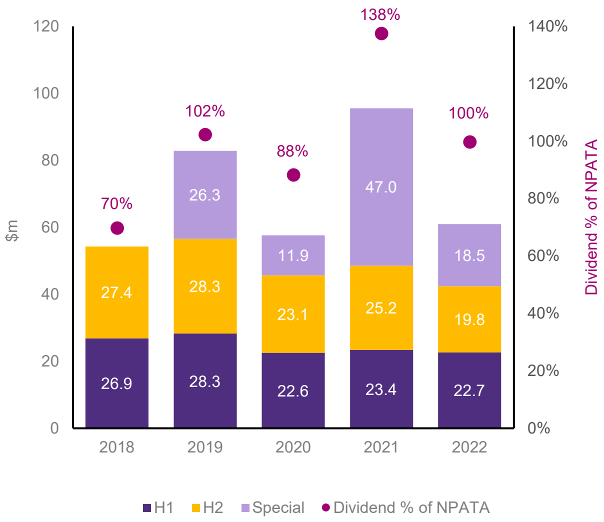
1. Excludes capitalised borrowing costs of $0.1m (31 December 2021: $0.2m) and vehicle borrowing costs of $1.7m (31 December 2021: $1.6m).

Capital light business model generates strong cash flows, with regular capital management via fully franked dividends

Cash flow conversion (% NPATA)[1]



Dividend (fully franked)[2]



- Cash flow conversion remains strong and consistent
- Track record of attractive shareholder income including delivering top end of dividend policy payout ratio
- c.$214m ($1.615 per share) in fully franked dividends declared in the last 3 years, despite vehicle supply impacting earnings – represents c.$300m in shareholder value inclusive of franking credits

1. Excludes receipts and payments from customers' salary packaging, M&A transaction costs, borrowing costs, and other significant non-operating items. 2022 cash flow includes $7.9m in relation to future performance fees received upfront from St George, on transition to other novated funders. Excluding this payment in advance, operating cash flow is 104% of NPATA.
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 was classified as an interim special dividend within the 2021 Annual Report.

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5. Summary and Outlook

Steady operational performance for 2022 and a positive start for 2023

NPATA at top end of guidance range of $60-61m

Revenue impacted by vehicle availability

Cost inflation to be addressed via targeted cost review

YTD financial performance in line with pcp

Leasing demand remains strong

Strong lead volume maintained at start of 2023, with elevated open leads carried over from late 2022

Increased resourcing and digital assets to support increased conversion

EVs a significant opportunity

Strong initial interest expected to continue into 2023

Expected increase in range and supply of new EV makes/models to improve availability and price points

Progress on Smart Future program

New Smartsalary website and salary packaging calculator delivered

Car Leasing Portal live Feb 2023 to pilot clients – progressive roll-out to all clients in 2023

CEO to retire

Tim Looi will retire after 14 years with Smartgroup

Board expects CEO recruitment process to complete during 2023

Tim will continue as CEO until replacement found to ensure a smooth transition

6. Appendix

Reconciliation of earnings to statutory financial statements

$m	CY 2022 statutory	Non-IFRS measures	Add back: Merger & Acquisition costs	CY 2022 adjusted
Revenue	224.7	–	–	224.7
Operating EBITDA	**93.3**	–	0.1	**93.4**
Joint venture contribution	0.3	–	–	0.3
Segment note EBITDA	**93.6**	–	0.1	**93.7**
Depreciation expense	(4.0)	–	–	(4.0)
Amortisation expense	(3.9)	–	–	(3.9)
Net finance costs	(2.1)	–	–	(2.1)
PBT	**83.6**	–	0.1	**83.7**
Income tax expense	(24.8)	–	(0.0)	(24.8)
NPAT	**58.8**	–	0.1	**58.9**
Add back: amortisation of acquired intangibles	–	1.8	–	1.8
Cash tax benefit	–	0.5	–	0.5
NPATA	**58.8**	**2.3**	**0.1**	**61.2**
Shares on issue (millions)				133.7
NPATA per share (cps)				45.8

Reconciliation of movement in net tangible assets

	$m	# of shares (m)	NTA (cps)
Net tangible assets – Dec 2021	(35.8)	133.5	(26.8)
Net cash from operating activities	71.3		
Increase in borrowings	(25.0)		
Dividends paid	(87.7)		
Other tangible asset/liability movements	7.1		
Net tangible assets – Dec 2022	**(70.0)**	133.7	**(52.4)**

Balance sheet

$m	Note	31 Dec 2022 statutory	31 Dec 2021 statutory
Cash	1	26.7	32.5
Restricted cash	2	36.0	41.2
Trade and other current assets		22.9	27.5
Current assets		**85.6**	**101.2**
Property and equipment		1.9	1.6
Right-of-use assets – Smartgroup funded vehicles		6.5	2.8
Right-of-use assets – other		6.6	5.6
Intangible assets	3	288.9	283.7
Other non-current assets		16.3	13.4
Non-current assets		**320.2**	**307.1**
Total assets		**405.8**	**408.3**
Trade and other payables		31.9	38.2
Customer salary packaging liabilities	2	36.0	41.2
Lease liabilities		8.9	7.9
Provisions and other liabilities	4	34.9	26.1
Non-current interest-bearing loans		53.8	28.7
Total liabilities		**165.5**	**142.1**
Net assets		**240.3**	**266.2**
Issued capital		263.4	262.9
Retained earnings & reserves	5	(23.1)	3.3
Total capital		**240.3**	**266.2**
Net corporate cash/(debt)[1]		**(27.2)**	**3.6**
Net corporate debt / LTM EBITDA		**(0.3)**	**Nil**

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