INVESTOR PRESENTATION

Full year CY 2020 results

24 February 2021

Tim Looi – Managing Director and CEO
Anthony Dijanosic – Interim Chief Financial Officer

smart group corporation

2020 OVERVIEW

Tim Looi
Managing Director and CEO

Delivering good performance in challenging times

✓ **Financial results in line with guidance**
- Revenue of $216.3m down 13% vs CY2019
- NPATA[1] of $65.2m vs guidance of c.$65m, down 20% vs CY2019

✓ **Steady operational performance in a challenging environment**
- 100% renewal or extension of the top 20 client contracts maturing in 2020 (8 in total)
- 360,500 total packages, in line with Dec 2019
- 66,700 novated leases under management, down 3% vs Dec 2019
- 24,900 fleet vehicles under management, up 4% vs Dec 2019

✓ **Continued simplification**
- Restructure of operational workforce, leading to c.$4m annual cost savings
- Retirement of the Selectus platform
- Ongoing rationalisation of systems

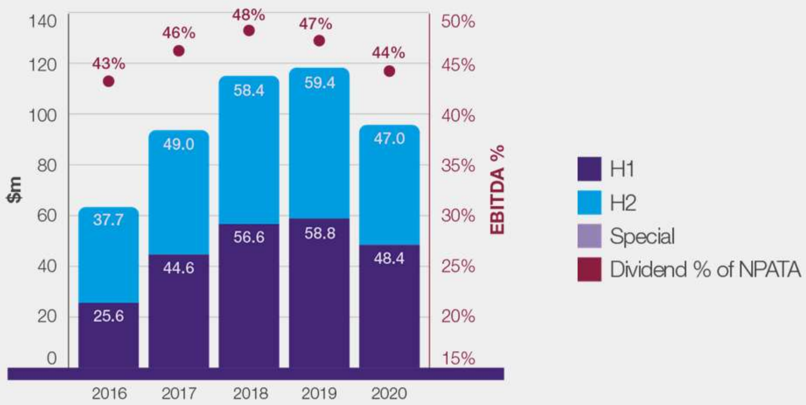
✓ **Strong cashflow generation and net cash position**
- Adjusted after-tax operating cashflows at 115% of NPATA[1] and a net cash position at $2.5m
- Fully franked final dividend of 17.5cps[2] (covering H2 CY 2020 period) and fully franked special dividend of 14.5cps[2]
- Total fully franked ordinary and special dividends of 49.0cps[3]

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 Appendix for the reconciliation.
2. Record date of final ordinary and special dividends of 9 March 2021 and payment date of 23 March 2021. Special dividend is comprised of a final special dividend of 9.0 cents per share in respect of the year ended 31 December 2020, and an interim special dividend of 5.5 cents per share in respect of the current year.
3. Includes interim dividend paid in September 2020.

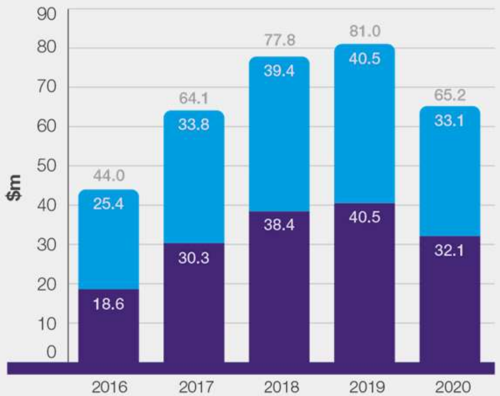
Cost discipline supports strong EBITDA margin of 44%

Revenue

EBITDA[1]



NPATA[1]



Dividend (fully franked)[2]

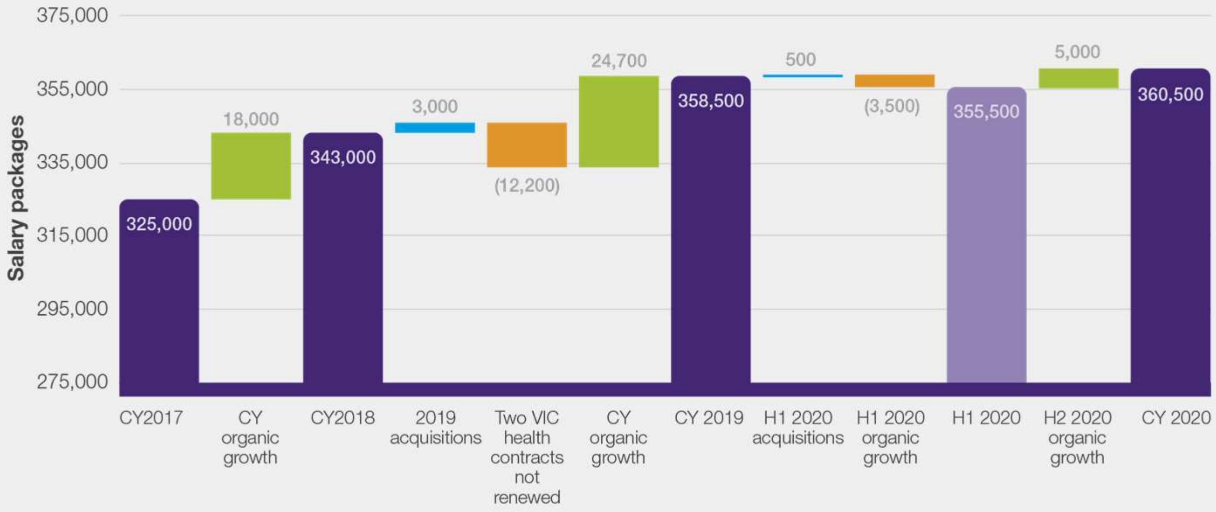
Shares on issue (m)	121.5	123.2	130.9	131.7	132.8

In addition to the $12.0m 2020 special dividend, a $7.3m special dividend was declared in relation to profits earned by group companies in 2020[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. The profits related to the $7.3m special dividend were transferred to the group holding company in 2021 and therefore this is classified as an interim special dividend in respect of the 2021 year.

Salary packaging customer numbers remained stable

Salary packaging customers

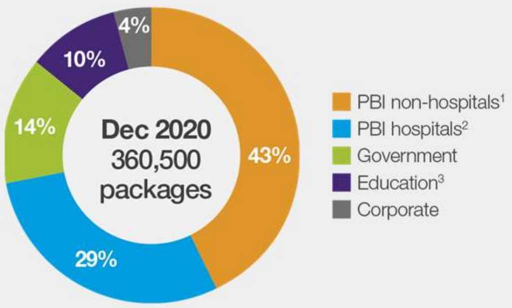


H1 2020 acquisition – novated lease portfolio acquisition

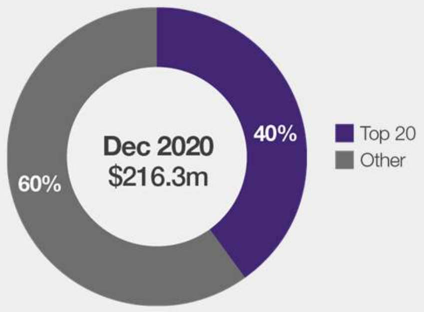
Net organic growth of 1,500 packages

Onboarded new health client in late 2020 with c.3,500 packages and added to novated leasing panel for 4 government departments

Salary packaging client and customer profile



Top 20 client revenue profile

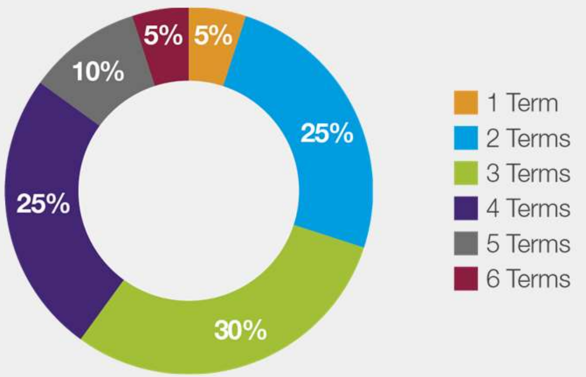


Diversified client base operating in attractive sectors underpinned the resilience of the business model

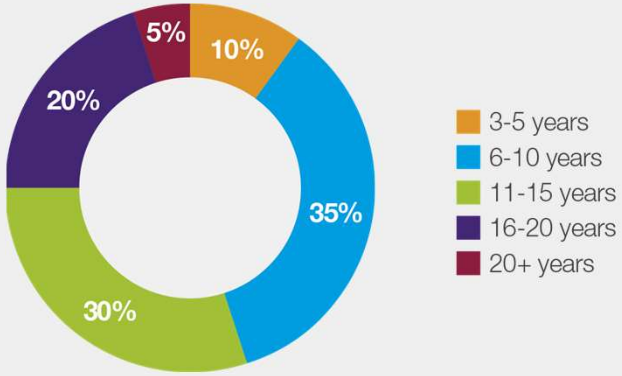
1. 'PBI non-hospitals' includes charities and other not-for-profit organisations registered as a public benevolent institution (PBI) and recognised by the ATO as eligible for FBT exemption, excluding PBI hospitals with hospital employees having a different tax status to employees of all other PBI organisations.
2. 'PBI hospitals' includes public and private not-for-profit hospitals.
3. 'Education' includes public and private not-for-profit educational institutions.

Smartgroup has strong long-term relationships with key clients, with most having undergone multiple renewal cycles

Top 20 clients by number of contract terms



Relationship length of Top 20 clients

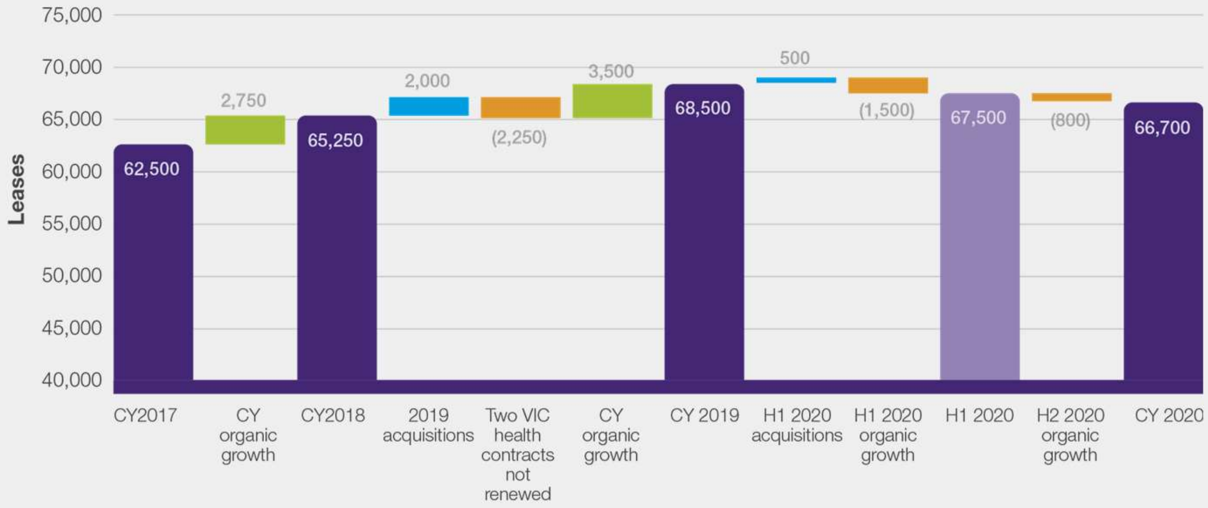


Renewed or extended all top 20 contracts that fell due in 2020 (8 in total)

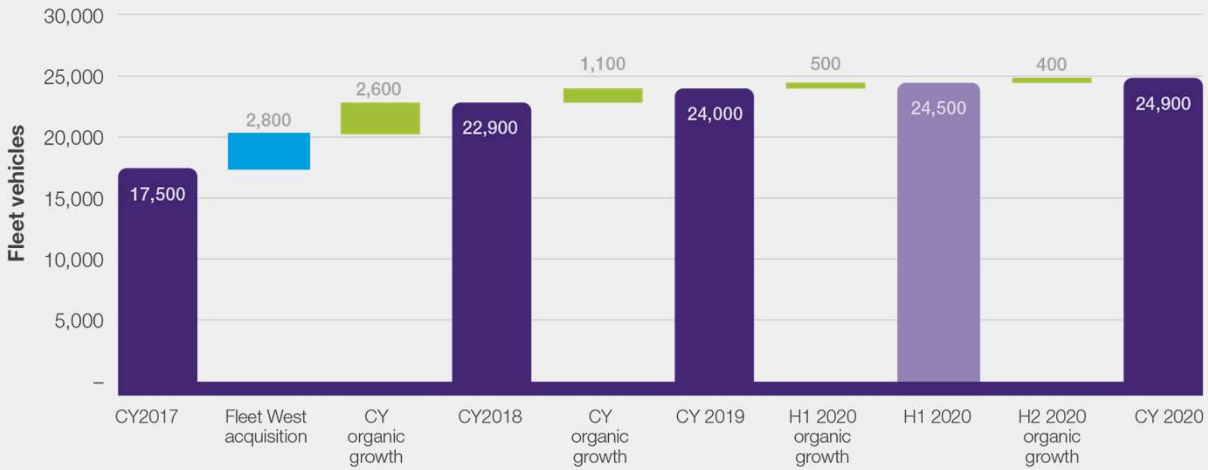
Similar level of contract renewals in 2021 with client discussions in progress

Novated leases and fleet vehicles under management remained stable

Novated leases under management



Fleet vehicles under management



Novated lease volumes were impacted by the economic disruption

	CY 2019	H1 2020	H2 2020	CY 2020
Novated volume (vs pcp)	4%	(15%)	(13%)	(14%)
Novated yield (vs pcp)	(3%)	(2%)	(10%)	(6%)
New leases (% of novated volume)	78%	74%	74%	74%

- Novated leasing volumes at -14% vs pcp - in line with the broader vehicle sales market, but underperforming private new car sales
- Shift to refinancing and H2 insurance partner repricing lowered yields, with the insurance repricing accounting for the majority of this change
- Levels of new novated leases have moved from a low of 65% in May, progressively improving in H2, closer to historical levels

Well-placed to implement regulatory changes resulting from the review of add-on insurances

✓ Increased certainty regarding the regulatory changes that will apply to the sale of add-on insurance:

- Final legislation regarding the Deferred Sales Model for the sale of Add on Insurance products passed through parliament in December 2020
- ASIC has confirmed that its revised PIO will not apply to motor vehicle add-on-insurance, other than to Extended Warranty motor vehicle products

✓ Smartgroup has commenced the work for compliance with the Deferred Sales Model to ensure that the necessary changes are made to processes and systems by the due date of 5 October 2021

✓ Smartgroup is also continuing to further enhance novated leasing disclosures

Simplification of the business remains a focus with continued consolidation of acquired brands

	Brand	Acquisition completion date	Integration completion date	Rebatable[1]	PBI[2]	Government	Corporate
Continuing brands	smartsalary	NA					
	AccessPay	May 2017					
	Autopia	July 2016					
Retiring/retired brands	Advantage Salary Packaging	December 2015					
	Selectus	August 2016	Q2 CY 2020				
	salarysolutions	October 2017	Q2 CY 2019				
	ASPIRE Benefits Management	August 2017	Q4 CY 2017				
	mylease	April 2019	Q3 CY 2019				
	PAY-PLAN Salary Packaging	June 2019	Q3 CY 2019				
	LEASE & ASSET Finance	October 2019	Q4 CY 2019				

New client servicing functionality | Continuing client service model | Clients transitioned and brand retired or transition in progress

Selectus consolidation completed 6 months ahead of schedule

Advantage consolidation in progress

1. Rebatables are tax exempt employers that meet a number of special conditions under FBT legislation. Examples include non-government schools, trade unions and employer associations. Employees of Rebatables can salary package non cash benefits up to a cap and be entitled to a rebate of the gross FBT payable.
2. Public Benevolent Institutions fall under one of two categories for FBT purposes, with hospital employees having a different tax status to employees of all other PBI organisations.

Continuing to play our part in supporting our people, our customers and our communities

- ✓ In 2020, Smartgroup joined a select group of Australian companies recognised as an Employer of Choice for Gender Equality by the Workplace Gender Equality Agency (WGEA)
- ✓ Smartsalary once again received the highest-ever audit score from the Customer Service Institute of Australia – a ranking we have maintained for five years
- ✓ The Smartgroup Foundation continued into its second year, supporting causes that are close to our community, client and customers

WGEA Employer of Choice for Gender Equality

Diversity Council Australia INCLUSIVE EMPLOYER 2019–2020

customer service institute of australia csia certified

Smartgroup Foundation

FINANCIAL PERFORMANCE FULL YEAR CY2020

Anthony Dijanosic
Interim Chief Financial Officer

Good performance in a challenging environment

	H1 2020 adjusted[1]	H2 2020 adjusted[1]	CY 2020 adjusted[1]	CY 2019 adjusted[1]	Change %
Revenue	111.4	104.9	**216.3**	249.8	(13%)
Product costs	(3.2)	(2.8)	**(6.0)**	(8.1)	(26%)
Staff costs[2]	(42.4)	(37.5)	**(79.9)**	(89.4)	(11%)
Other overhead	(17.4)	(17.6)	**(35.0)**	(34.1)	3%
Operating EBITDA	48.4	47.0	**95.4**	118.2	(19%)
EBITDA margin	*43%*	*45%*	***44%***	*47%*	
Net finance costs	(2.7)	(0.4)	**(3.1)**	(3.0)	3%
Depreciation and amortisation	(12.5)	(12.8)	**(25.3)**	(25.2)	0%
Joint venture contribution	(0.2)	0.2	**–**	–	0%
PBT	33.0	34.0	**67.0**	90.0	(26%)
Tax expense	(10.1)	(10.1)	**(20.2)**	(27.5)	(27%)
NPAT	22.9	23.9	**46.8**	62.5	(25%)
Tax-effected amort. of acquired intangibles and cash tax benefit	9.2	9.2	**18.4**	18.5	(1%)
NPATA[3]	32.1	33.1	**65.2**	81.0	(20%)

Revenue reduced with novated leasing volumes impacted by COVID. Insurance partner repricing in H2 reduced revenue by around $2.5m

c.$4m annual cost savings versus 2019

H1 finance costs inflated by one-off $1.3m charge from debt refinancing; H2 saw a one-off $1.2m benefit from debt repayment

No JobKeeper Payment

1. A reconciliation of the statutory accounts to adjusted earnings is attached in the Appendix.
2. Excludes $0.4m of accelerated share-based payments expensed in the year ($0.3m CY 2019).
3. NPATA is the net profit after tax, adjusted to exclude the non-cash tax-effected amortisation of intangibles and significant non-operating items.

Cash flow generation remained strong at 115% of NPATA

$m	CY 2020[1] adjusted	CY 2019[1] adjusted
Receipts from customers (inclusive of GST)	254.6	283.0
Payments to suppliers and employees (inclusive of GST)	(151.4)	(161.4)
Interest received from operations	0.9	2.2
Interest paid	(1.7)	(1.6)
Interest paid on lease liabilities	(1.0)	(1.0)
Income taxes paid	(26.6)	(31.8)
Net cash from operating activities	**74.8**	**89.4**
As a % of NPATA	115%	110%
Capital expenditure	(1.2)	(0.9)

1. Excludes payments for M&A transaction costs (inclusive of GST) of $0.0m (CY2019: $0.5m). Net cash from operating activities excludes receipts and payments from customers' salary packaging accounts and significant non-operating items.

Significant amount of debt paid down; Smartgroup in a net cash position

$m	31 Dec 2020 statutory	31 Dec 2019 statutory
Cash	*27.4*	*39.6*
Other current assets	*66.6*	*93.7*
Current assets	94.0	133.3
Non-current assets	314.4	339.6
Total assets	**408.4**	**472.9**
Current liabilities	101.5	122.6
Borrowings	*24.7*	*60.4*
Other non-current liabilities	*11.3*	*13.2*
Non-current liabilities	36.0	73.6
Total liabilities	**137.5**	**196.2**
Net assets	**270.9**	**276.7**
Net corporate cash (debt)[1]	**2.5**	**(21.0)**
Net corporate debt / LTM EBITDA	**N/A**	**(0.2)**

Other current assets and Current liabilities movements are largely from a reduction in funds held on behalf of customers, which fluctuates from week to week

Non-current assets reduced with the amortisation of acquired software and customer contracts

1. Excludes capitalised borrowing costs of $0.2m (2019 $0.3m) and vehicle borrowings of nil (2019 $1.1m).

KEY PRIORITIES AND OUTLOOK

Tim Looi
Managing Director and CEO

We continue to improve our business

Experience

Customer journey mapping

Experience training across front lines

Rollout of NPS across the group

Digital

Consolidation of back end and digital IT platforms

Insource intelligent automation capability

Simplification

Simplified organisation structure

Rollout of group wide values

Aligned incentive structures across all brands

Summary and outlook

✓ CY2020 a good year in the context of COVID-19

- Successful in renewing or extending 100% of expiring key client contracts
- Restructure of operational workforce achieved c.$4m of annual cost savings
- Consolidation of acquired businesses continued

✓ Capital light business model, strong cash flow generation and strong balance sheet have enabled Smartgroup to declare a special dividend

✓ 2021 has started well with an improving outlook

- Recently successful with another health client win, with approximately 8,000 packages to be onboarded in Q2 2021
- Novated leasing continues to show signs of recovery
  - 2021 novated leasing leads to date are 15% higher than H2 2020 average
  - January new novated leases as a percentage of total novated leases at 76% were favourable to the H2 2020 average of 74%
  - However, supply of new vehicles is expected to remain tight for at least H1 2021
- Cautiously optimistic that client on-site activities will increase through 2021

✓ 2021 will see us focus on customer experience, digital and continued simplification, all of which will position Smartgroup well for the future

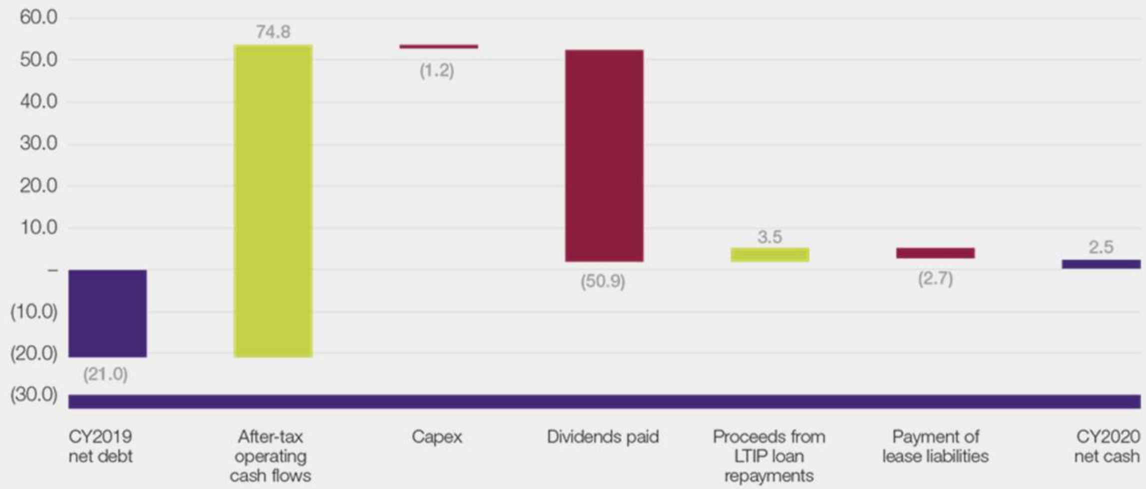
QUESTIONS?

Reconciliation of earnings to statutory financial statements

$m	2020 statutory results	Non-IFRS Adjustment measures	Reclass: Equity share of investments	Add back: Acceleration of LTIP expense	Add back: Impairment of joint venture investment	2020 adjusted
Revenue	216.3	–	–	–	–	216.3
Operating EBITDA	**95.0**	–	–	**0.4**	–	**95.4**
Joint venture contribution	–	–	0.3	–	–	0.3
Segment note EBITDA	**95.0**	–	**0.3**	**0.4**	–	**95.7**
Depreciation expense	(3.2)	–	–	–	–	(3.2)
Amortisation expense	(22.1)	–	(0.3)	–	–	(22.4)
Impairment of joint venture investment	(5.1)	–	–	–	5.1	–
Net finance costs	(3.1)	–	–	–	–	(3.1)
PBT	**61.5**	–	–	**0.4**	**5.1**	**67.0**
Income tax expense	(20.2)	–	–	–	–	(20.2)
NPAT	**41.3**	–	–	**0.4**	**5.1**	**46.8**
Add back: Amortisation of acquired intangibles	–	14.8	0.2	–	–	15.0
Cash tax benefit	–	3.4	–	–	–	3.4
NPATA	**41.3**	**18.2**	**0.2**	**0.4**	**5.1**	**65.2**
Shares on issue (millions)						132.8
NPATA per share (cps)						49.1

Net debt movement

CY2020 movements in net debt



$m	2020	2019
Net corporate cash (debt)[1]	2.5	(21.0)
EBITDA	95.4	118.2
Net corporate debt / EBITDA	**N/A**	**(0.2)**

1. Excludes capitalised borrowing costs of $0.2m (2019 $0.3m) and vehicle borrowings of nil (2019 $1.1m).

Reconciliation of the movement in net tangible assets

	$m	# of shares (m)	NTA (cps)
Net tangible assets – Dec 2019	(55.1)	131.7	(41.9)
Net cash from operating activities	74.8		
Decrease in borrowings	(35.7)		
Dividends paid	(50.9)		
Other tangible asset/liability movements	26.1		
Net tangible assets – Dec 2020	**(40.8)**	**132.8**	**(30.8)**

Balance sheet

$m	Note	31 Dec 2020 statutory	31 Dec 2019 statutory
Cash	1	27.4	39.6
Restricted cash	2	48.1	65.4
Trade and other current assets		18.5	28.3
Current assets		**94.0**	**133.3**
Property and equipment		1.7	1.4
Right-of-use assets		9.1	11.6
Intangible assets		290.4	311.9
Other non-current assets		13.2	14.7
Non-current assets		**314.4**	**339.6**
Total assets		**408.4**	**472.9**
Trade and other payables		29.9	35.3
Customer salary packaging liabilities	2	48.1	65.4
Lease liabilities		12.4	15.1
Provisions and other liabilities		22.4	20.0
Non-current interest-bearing loans	1	24.7	60.4
Total liabilities		**137.5**	**196.2**
Net assets		**270.9**	**276.7**
Issued capital		262.5	259.1
Retained earnings & reserves	3	8.4	17.6
Total capital		**270.9**	**276.7**
Net corporate cash (debt)[1]		**2.5**	**(21.0)**
Net corporate debt / LTM EBITDA		**Nil**	**(0.2)**

Notes

1. Cash reduced due to paydown of debt.
2. Restricted cash and customer salary packaging liabilities represent funds held in common salary packaging accounts on behalf of clients.
3. Retained earnings & reserves reduced due to payment of 2019 final and 2020 interim ordinary dividends ($50.9m).

1. Excludes capitalised borrowing costs of $0.2m (2019 $0.3m) and vehicle borrowings of nil (2019 $1.1m).

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