



ASX Announcement

Release date: 12 May 2021

2021 AGM presentation materials

Attached are the following documents to be presented at the 2021 Annual General Meeting (**AGM**) of Smartgroup Corporation Limited (**ASX: SIQ**) to be held at 11.00am this morning at Wesley Conference Centre, Lyceum Room, 220 Pitt Street, Sydney NSW 2000 and via online platform at <https://agmlive.link/SIQ21>

1. Chairman's address
2. CEO's address
3. AGM presentation slides

This announcement was approved for release by Jonathan Swain, Joint Company Secretary.

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Chief Financial Officer
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Joint Company Secretary
02 8280 7355

SMARTGROUP CORPORATION LIMITED

2021 ANNUAL GENERAL MEETING – CHAIRMAN AND CEO’S ADDRESS

11.00 AM, WEDNESDAY 12 MAY 2021

CHAIRMAN’S ADDRESS

Introduction and 2020 results

In 2020, we were confronted by the business and community challenges brought on by the global COVID-19 pandemic.

The Board is proud of the business resilience that our company showed and the individual resilience of our people who continued to support our clients and their employees, many of whom were at the front line of the challenges throughout that difficult year.

Smartgroup remains a strong and customer-focused organisation. However, we could not fully escape the impacts of the deterioration in economic conditions, nor the pandemic-related restrictions on normal business activities.

Revenue of \$216.3 million represents a reduction of 13% on our CY2019 results. Operating Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) also reduced 19% to \$95.4 million. Net Profit After Tax and Amortisation (NPATA) reduced 20% to \$65.2 million, and Statutory Net Profit After Tax was down 33% to \$41.3 million.

Despite these impacts, the Board is pleased that we have been able to deliver investors a strong fully franked final dividend of 17.5 cents per share as well as an additional fully franked special dividend of 14.5 cents per share.

Delivery of this dividend reinforces the confidence that the Board has in the core business and our commitment to continue to support all those who have invested in Smartgroup and what we do.

I would like to take a moment to share with you some key statistics on Smartgroup's performance since it publicly listed in 2014. Smartgroup has delivered total shareholder returns of around 550% from IPO until today and returned more than \$280 million in net cash and franking credits to shareholders. Whilst we expect more moderated growth going forward, we are proud of what we have been able to deliver for our investors and continue to strive to provide sustainable and growing total returns for our shareholders.

Like so many other businesses, the last year has required us to incorporate flexibility into how we work. Our ability to do that, while maintaining good customer service, is a testament to our culture of innovation and our inclusive workplace.

Our efforts in these areas have seen us named as an Employer of Choice for Gender Equality as well as being one of a select group of companies named as an Inclusive Employer by Diversity Council Australia for 2019–2020.

In February 2020, Tim Looi was appointed Managing Director and CEO following the retirement of Deven Billimoria, Smartgroup's previous Managing Director and CEO.

Tim developed a detailed knowledge of the business working alongside Deven in his role as Chief Financial Officer over the previous 10 years. He has shown the drive and insight to manage this business through an unprecedented year while laying the foundations for us to continue to build business success through ongoing focus on our customers, improving our digital capabilities and simplifying Smartgroup's activities.

I will now make some brief comments about the company's performance in 2021.

2021

We are pleased with the start to 2021. In the four months to 30 April, Smartgroup has made a sound start to the year, recording revenue of \$71 million and NPATA of \$21.9 million.

We have had some important client renewals as well as significant client wins, including a new health sector client that was onboarded in April with approximately 8,500 packages, with our total salary packaging customers increasing by 12,000 packages, representing a 3% growth since December 2020.

Tim will provide a more detailed update on 2021 performance later in our presentation.

We are also pleased to announce that the Board has resolved to establish a Board Sub-Committee dedicated to Environmental, Social and Sustainability matters at Smartgroup. This Committee will be formally established this year and reflects our focus on the importance of our environment and community in our operations.

Finally, I would like to welcome to the Company's Executive Team Anthony Dijanosic, whose appointment as Chief Financial Officer was announced last week. Anthony has been Smartgroup's Deputy Chief Financial Officer since April 2016 and Interim Chief Financial Officer since December 2020. In his 5 years with Smartgroup to date, Anthony has driven and led many key projects, including acquisitions and integrations and, with his strong background in finance, he will strengthen our Executive Team as we continue to simplify our business.

Conclusion

In conclusion, I would like to thank Tim, the entire management team and all of our employees for their focus and commitment in a year that has tested us all.

I would also like to thank our loyal clients, suppliers and shareholders for their ongoing support and to take this opportunity to thank my fellow Non-Executive Directors who have provided invaluable support and wise counsel during these unprecedented times.

CEO'S ADDRESS

This morning, I will first introduce a bit about Smartgroup and then I will talk to our 2020 results and provide an update on our performance to-date for 2021. Finally, I will talk to the initiatives we are working on and the investments that we are making to drive organic growth within the business.

Smartgroup is one of Australia's leading employee management services business with approximately 700 team members managing over 360,000 customers and 90,000 cars, in both novated and fleet.

Smartgroup's investment proposition to shareholders is underpinned by its capital light business model. It is through this business model that it is able to generate strong cashflows and pay fully franked dividends. We don't need any recurring capital investment for growth generation.

Underpinning our business is our relationship with our clients – most clients are on multi-year contracts and our top clients have been with us, in some cases, more than 15 years.

At Smartgroup, we provide and simplify a range employee management services for Australian employers. Our services range from salary packaging through to workforce optimisation.

We contract through employers, typically on an exclusive basis, to provide benefits to their employees. We are a national organisation and service some of Australia's largest employers such as government departments through to smaller not-for-profits and corporates.

One of the key strengths of our business is the long term relationships we have with key clients.

Typically, contracts are long term with 3-5 year average tenures. Among our top 20 clients, more than half have had a relationship of 10 years or more with us, reappointing Smartgroup through multiple renewals.

43% of our customer base is in PBI non health – think national, state and local based aged care, disability care and charitable organisations. Public hospitals account for around 30% of customers and government and education around 25%. All are attractive segments with stable employee bases.

Smartgroup is conscious of its role as part of the broader community.

Our strength as a business comes from the diversity, experience and skills of our team members. In 2020, Smartgroup joined one of only 119 Australian companies recognised as an Employer of Choice for Gender Equality by the Workplace Gender Equality Agency. Our workplace diversity is also reflected in our rating as an Inclusive Employer by Diversity Council Australia.

In service excellence, Smartsalary continues to maintain its high standings with the Customer Service Institute of Australia, the peak body for service quality.

The work done by the Smartgroup Foundation this year reinforces our commitment to supporting the not-for-profit sector and the communities that we work with and service. The Foundation supported 11 organisations and their grassroots projects; from an early literacy program for children living in

disadvantaged communities, to supporting young mothers in continuing their education.

In 2020, Smartgroup delivered a good set of financial results, in light of the disruption caused by the pandemic.

We are all aware of the broad impact the pandemic had on our economy, our society and the changes it has brought to our ways of working. Like most businesses in the country, we have had to deal with the rapid onset of operational challenges and the financial impact of this crisis.

We implemented cost containment measures early, quickly transitioned our workforce to remote working and replaced face to face interactions with our customers with phone, digital and web channels.

It is a testament to the dedication and hard work of our team, and the strength of our business model, that in a challenging year, Smartgroup was able to deliver a good set of results for 2020, while continuing to progress simplification and efficiency initiatives in all aspects of our business.

The highlights from the 2020 results are as follows:

First, we delivered revenues for the full year of \$216.3 million dollars and NPATA of \$65.2 million dollars. Top and bottom-line numbers were down on the prior year by 13% and 20%, respectively. Our business did not require any JobKeeper assistance, we introduced a number of cost containment measures, and we remained profitable and cashflow positive in each and every month of the year.

Second, we continued to make steady progress in what was a challenging operating environment. We renewed or extended 100% of the top 20 client contracts maturing in 2020. Packages, novated leasing and fleet metrics held steady.

Third, we continued to simplify our business operations, resulting in \$4m of annual cost savings. We also continued to streamline our systems and made good progress on the ongoing rationalisation of another legacy system.

And finally, our capital light business model means we generated a strong level of free cashflows. After-tax cashflows were 115% of NPATA.

This strong financial position allowed us to declare a final as well as a special fully franked dividend, to bring total dividends for 2020 to 49.0 cents per share, fully franked.

In 2020 we operated much of the year with reduced in-person site visitations and client interactions. This traditionally has been a strong channel that generates interest and demand for our business. Despite the material downturn in visitations, our customer base for salary packaging remained stable over the full year, with some growth in customers experienced in the second half of 2020.

During late 2020, we onboarded a new health client with 3,500 packages and were added to several government department panels for novated leasing.

Our novated leases and fleet vehicles under management remained relatively stable throughout the year.

Now, I would like to give you an update on our business and its progress so far in 2021.

We are off to a solid start to 2021; we are really pleased with what we have achieved so far in the first 4 months of the year.

We onboarded another new health client with over 8,500 packages and we were successful in renewing a long term government education contract.

Clients are engaging well with us for renewals and a tender is in progress for the largest client.

We have also seen good salary packaging growth – around 3,500 excluding the Health client win over 4 months is strong and we are pleased with that.

The tight vehicle supply market is still impacting our business, however our volumes are progressively improving month on month with our vehicle order pipeline at record levels.

We are cycling through the insurance partner repricing that took effect 1 July 2020 and novated yields are down 2% from last half, primarily from lower insurance products attachment rates.

After 4 months, revenue is at \$71m and NPATA is at \$22m. Our balance sheet remains strong with a small net debt position.

I would now like to outline our program to drive organic growth for the next few years. I will explain the rationale for it and also the benefits and outcomes we are targeting.

Over the last several years, we have acquired more than 10 private salary packaging and fleet businesses. These acquisitions have helped us build out a large client base that extends into not-for-profits, private schools and corporates.

Smartgroup is a B2B2C business. We contract with employers to provide benefits to their employees, in most cases, on an exclusive basis. We are uniquely placed to deliver education, awareness and services.

We estimate that within our existing client base, we are able to reach up to 1.5 million employees. We also estimate that those 1.5 million employees own up to 1.2 million cars.

Our largest clients are in Education, Health, Disability and Aged Care as well as Government. Employment in these sectors is stable and growing and their employees typically drive to work.

Within this addressable market, we have approximately 360,000 customers. After 20 years of operations and multiple acquisitions, we manage only around 65,000 cars. We think there is room for good levels of organic growth over a medium term.

How do we intend to do this? We have long recognised great service as a key requirement to increase uptake. Customer experience is a natural extension to complement service. The delivery of great customer experience will increase client and customer advocacy, increasing referrals as well as cross-sales.

For the last 2 years we have been integrating multiple salary packaging acquisitions. At the end of this year, the integration work is expected to be largely complete. This means we can then focus on an investment into digital – this investment will be made across a smaller footprint of systems following completion of the integration work.

This digital investment, together with a focus on streamlining operations to reduce and eliminate complexity, will see us build capability to grow revenue from across the broader client base, as well as reduce the cost to serve.

Our goal is to build a great customer experience, enabled by technology, delivered by engaged team members, to build out our brands and build scale within our business.

Over the next three years, we will be investing in Customer experience - comprising a refresh of client and customer portals, our websites and apps. We will also rollout a standardised CRM across the group.

Given the amount of transactions and data we hold, we intend streamline data and reporting, as well as continue to invest in a few core systems for scalability and efficiencies.

We are making good progress on the introduction of a digital experience platform as well as mapping out our API requirements.

We have started to roll out experience training to front line team members, as well as customer journey mapping.

On the digital front, we continue to consolidate acquired businesses, allowing us to retire legacy IT platforms. We have also formed an in-house Intelligent Automation team to reduce manual work and increase accuracy.

In the area of simplification, our organisation structure has become less complex, with duplicated roles removed through the restructure in mid-2020.

We refreshed our company values late last year to reflect our One Company, One Team culture. Our new values – Accountability, Care and Team – will help us to strengthen our One Team, One Company culture, foster positive and respectful working relationships, and give clear direction on what we stand for.

We have also undertaken a comprehensive review of our remuneration structure, replacing a complex set of incentives with a simpler and more transparent measurement program.

We are targeting up to \$20 million of annualised EBITDA uplift from the full implementation of the Smart Future program, with approximately 2/3 expected to come from revenue expansion and the remainder from sales and service efficiencies. We expect this to be on top of system growth.

We estimate a \$5-6 million spend per annum over the next 3 years.

The integration work we are doing for brand consolidation will reduce at the end of 2021 and we are targeting a c.\$2 million per annum pre-tax reduction in operating expenses.

With an addressable market of 1.5 million employees from existing clients alone, the Smart Future program can only enhance and accelerate our goals of increasing client and customer advocacy, growth from the broader client base, reducing our cost to serve and increasing our employee engagement.

In conclusion, we have delivered a good result in 2020 given the circumstances and we are pleased with the start to 2021. Vehicle supply has been tight since H2 2020 and is expected to remain so for the remainder of the year. The remainder of 2021 will see us focus on continued integration, as well as progressing the Smart Future program.

The team has positioned our business well through the pandemic and we are excited to commence working on building capabilities that will see us grow the business organically.

I would like to extend my thanks to all our team members and the Executive Team for staying focussed and engaged throughout the last 12 months. On behalf of Smartgroup, we are excited about our business and I can say with confidence that our business model, our well diversified, long standing client base and strong customer engagement, all position us well for ongoing success.

Thank you Michael and all Board members for your support throughout the year.

Smartgroup Corporation 2021 Annual General Meeting

12 May 2021

smart
group
corporation

Smartgroup Board of Directors



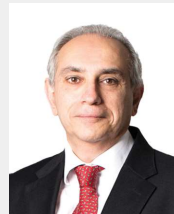
**Gavin
Bell**
Non-Executive
Director



**Andrew
Bolam**
Non-Executive
Director



**Carolyn
Colley**
Non-Executive
Director



**Michael
Carapiet**
Chairman and
Non-Executive
Director



**Tim
Looi**
Managing
Director and
CEO



**Deborah
Homewood**
Non-Executive
Director



**John
Prendiville**
Non-Executive
Director



**Ian
Watt AC**
Non-Executive
Director

Chairman's Address

Michael Carapiet
Chairman

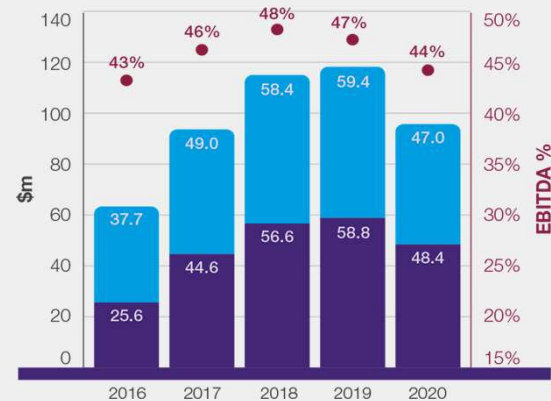


Pleasing performance despite a challenging 2020

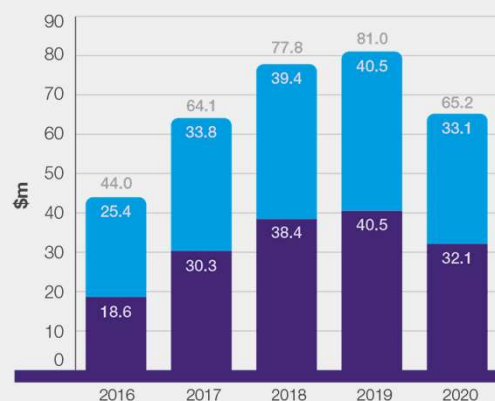
Revenue



EBITDA



NPATA



Dividend (fully franked)



Smartgroup Leadership team



**Justine
Carmichael**
Chief People
Officer



**Tony
Forward**
Chief Technology
Officer



**Bijal
Desai**
Chief Risk
Officer



**Tim
Looi**
Managing Director
and CEO



**Sarah
Haas**
Chief Operating
Officer



**Anthony
Dijanosic**
Chief Financial
Officer



**Sophie
MacIntosh**
Chief Legal
Officer

Managing Director and CEO's Address

Tim Looi
Managing Director and CEO



Our investment proposition

Smartgroup's investment proposition is underpinned by its capital light business model, generating strong cash flows and dividends

- ✓ Premium established player with scale in a proven industry
- ✓ High quality 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
- ✓ Strong long-term contractual relationships with key clients
- ✓ Organic growth strategy and targeting enhanced operational efficiencies through digital investment



360,000+

Salary
Packaging
customers



~66,000

Novated
Leases



~25,000

Fleet
Vehicles
Managed

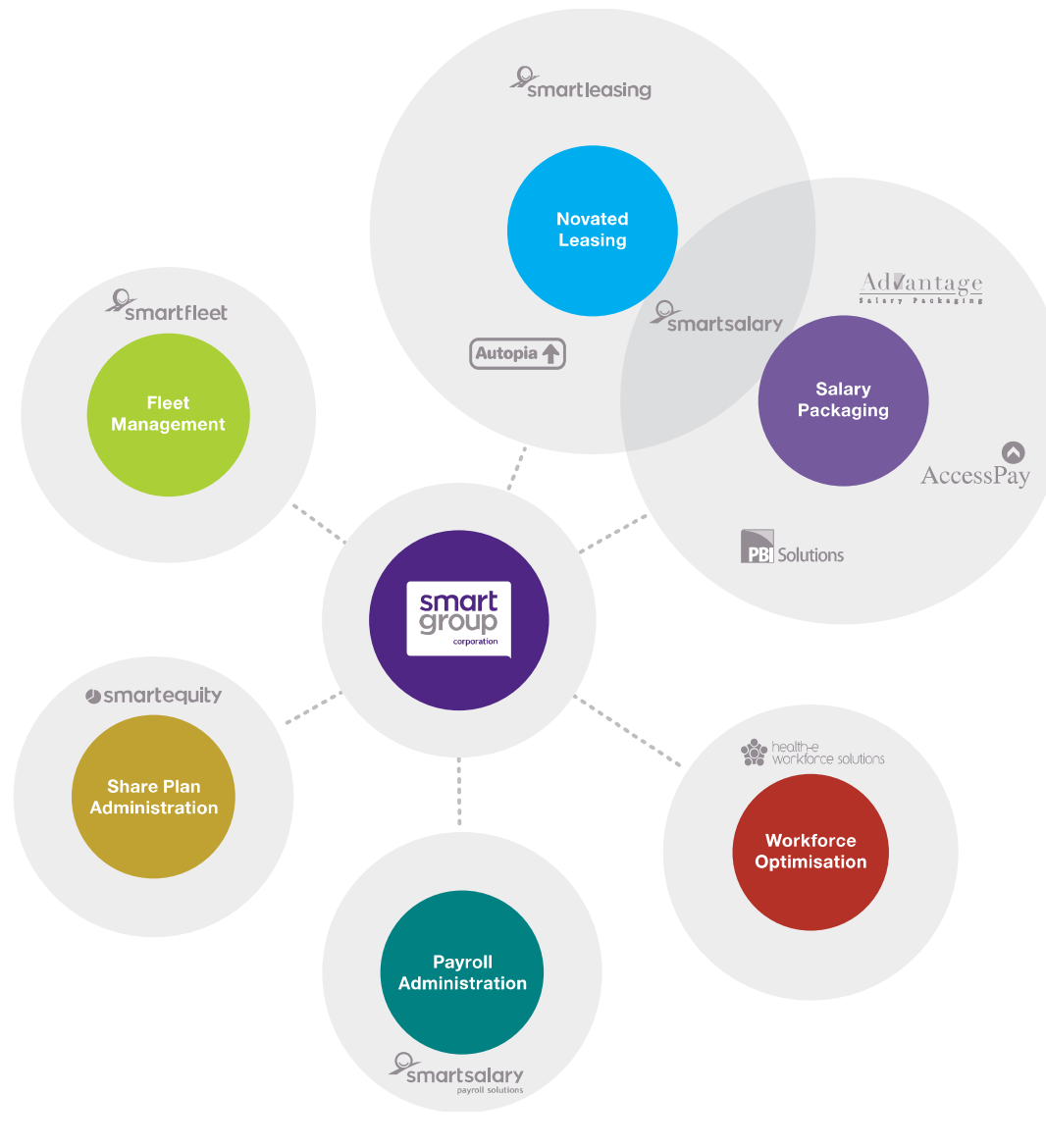


~700

Full Time
Equivalents

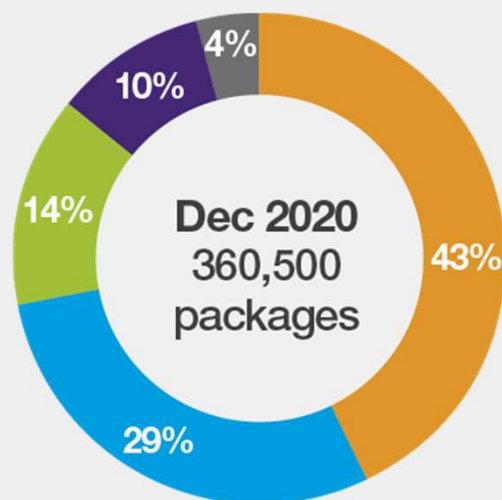
What we do

At Smartgroup, we simplify salary packaging, fleet management and a range of other employee management services for organisations across Australia

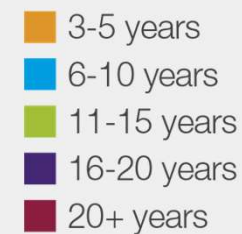
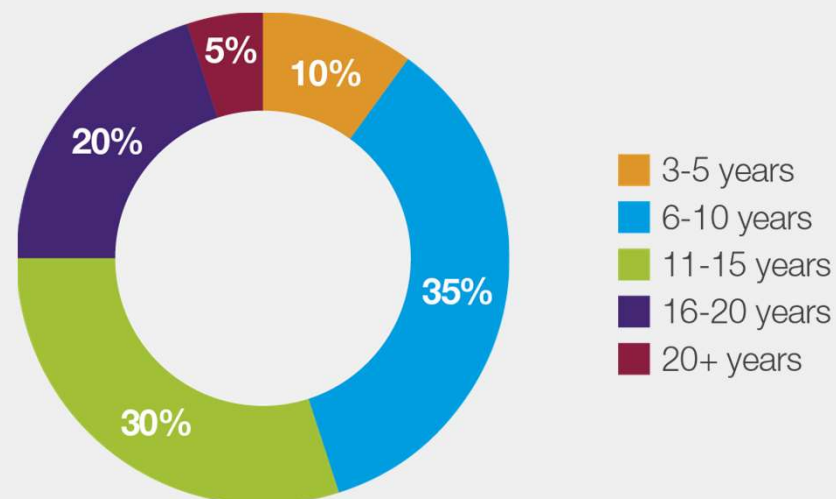


Strong long-term relationships with key clients

Salary packaging client and customer profile



Relationship length of Top 20 clients



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.

We 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, clients and customers



Delivering good performance in challenging times

Results to 31 December 2020

✓ Financial results in line with guidance

- Revenue of \$216.3m down 13% vs CY2019
- NPATA¹ 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)
- Total packages in line with Dec 2019
- Novated leases under management down 3% vs Dec 2019
- 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 NPATA¹ and a net cash position at \$2.5m
- Fully franked final dividend of 17.5cps² (covering H2 CY 2020 period) and fully franked special dividend of 14.5cps²
- Total fully franked ordinary and special dividends of 49.0cps³

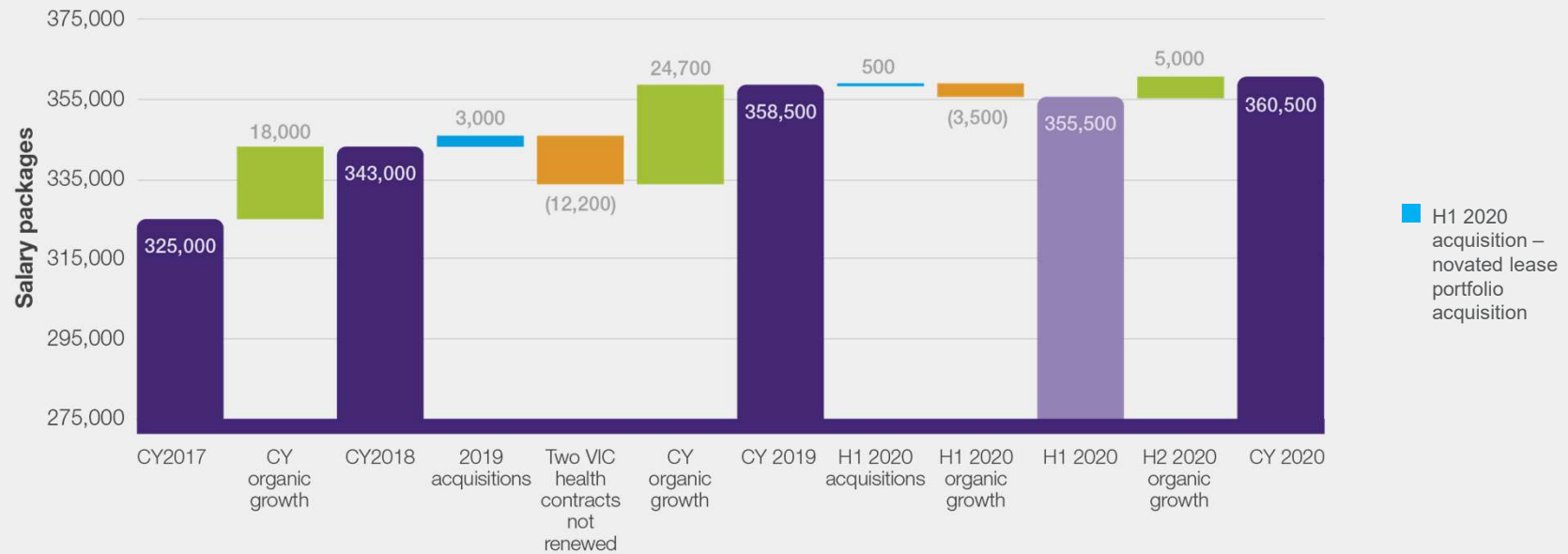
1. NPATA is net profit after tax, adjusted to exclude the non-cash tax-effected amortisation of intangibles and significant non-operating items.

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.

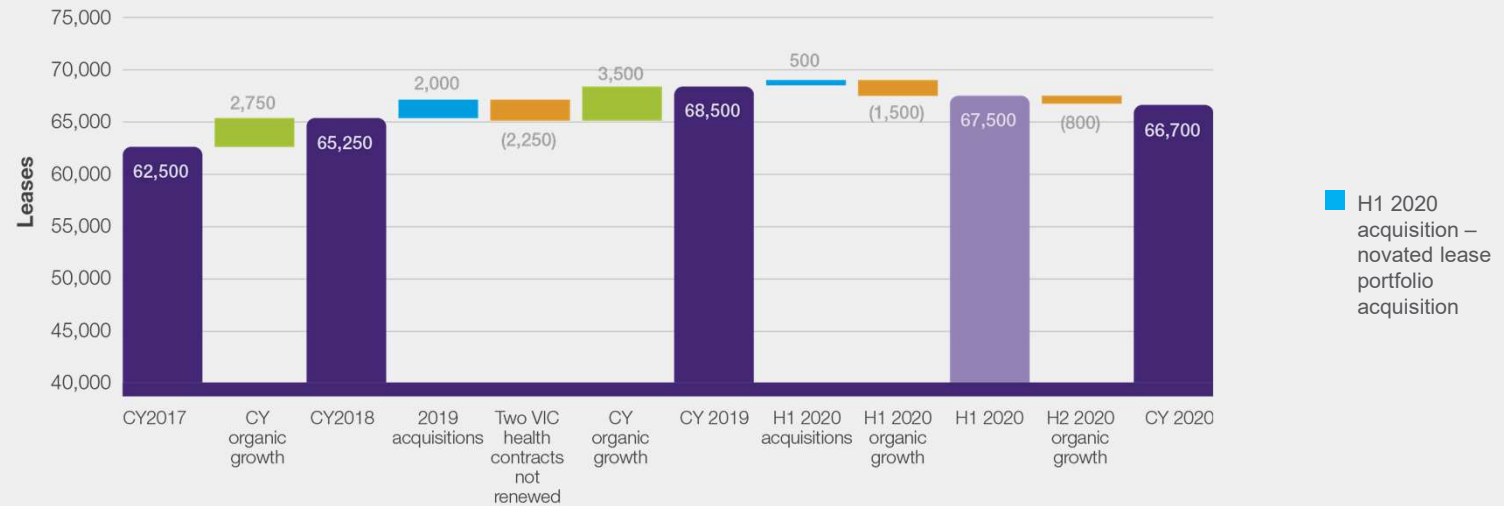
Salary packaging customer numbers remained stable

Salary packaging customers

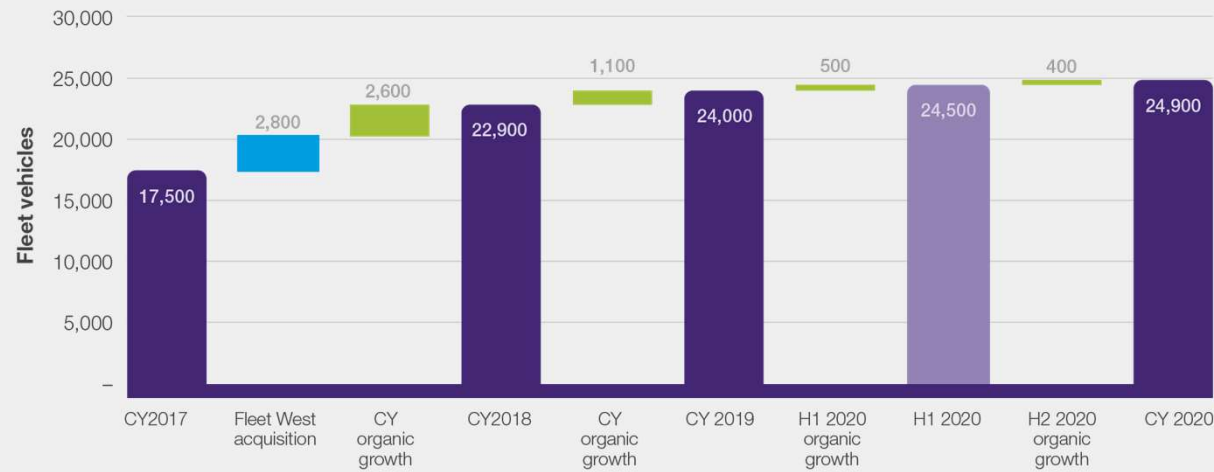


Novated leases and fleet vehicles under management remained stable

Novated leases under management



Fleet vehicles under management



Business update: Solid start to 2021

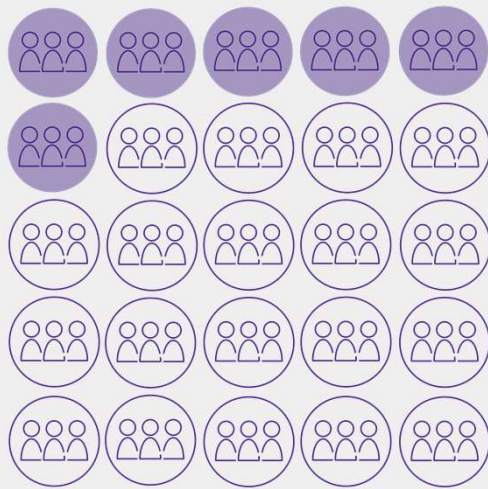
Update to 30 April 2021


- ✓ New client and renewals – a positive start to the year
 - Onboarded new health contract in April – c.8,500 packages
 - Successful multi-year contract renewal for a long-term government education client
 - Large client renewals progressing well, with tender in progress for largest client
- ✓ Operations – strong growth in salary packaging customers
 - Salary packaging customers up by c.12,000 (+3%) since December 2020
 - Stable novated leases and fleet vehicles under management
 - New novated leasing volumes stable versus H2 2020 monthly average
 - Novated lease yields down 2% on H2 2020 monthly average due to lower product uptakes
 - As expected, vehicle supply issues continue to impact new novated lease volumes
- ✓ Financials – in line with expectations
 - Revenue at \$71.0m and NPATA at \$21.9m (both unaudited) for the 4 months to 30 April 2021
 - Small net debt position following payment of 2020 final and special dividends in March


We have built a client base that employs a large number of Australians

Significant organic growth opportunities from existing clients

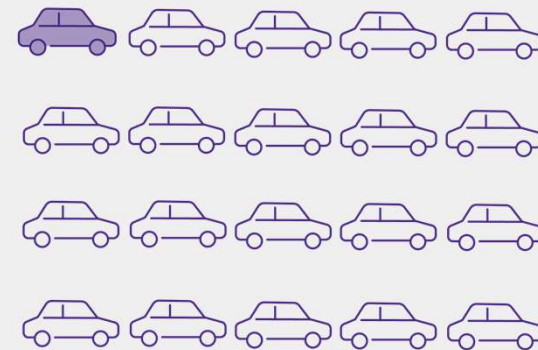
Addressable market
c.1.2-1.5m¹ employees within
existing client base





 Equals 60,000 employees
(potential customers)

 Smartgroup customers

Addressable market
c.0.9-1.2m² total cars owned by
those employees



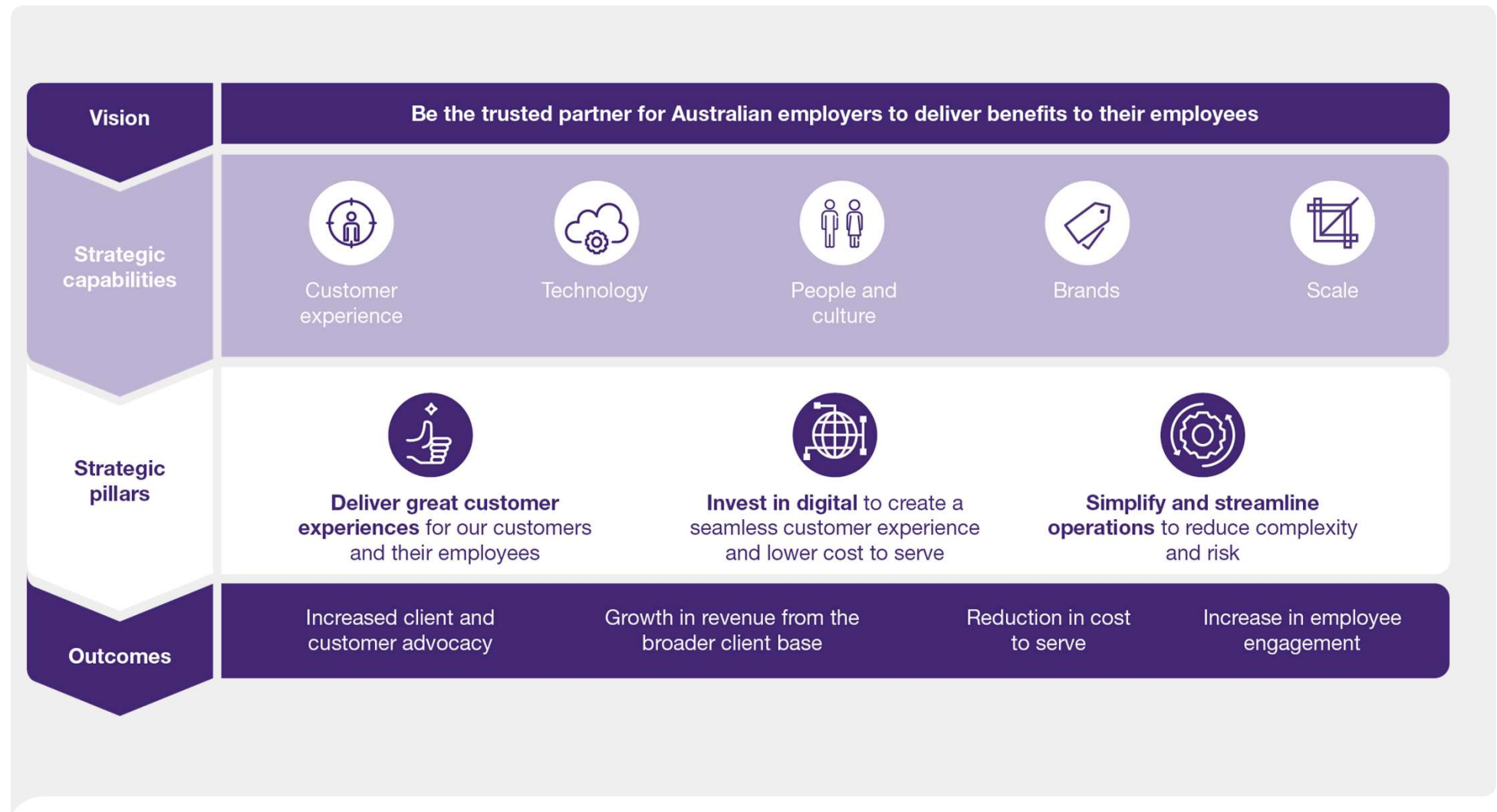
 Equals 60,000 cars (potential
Smartgroup novated vehicles)

 Smartgroup novated vehicles

1. Number of employees within existing client base is a Smartgroup management estimate based on publicly available data and data provided by current clients
2. Number of cars owned by those employees is a Smartgroup management estimate derived within input from ABS 3101.0 National, state and territory population Sept 2020, ABS Motor Vehicle Census Australia 2020, and VFACTS private vehicle sales data

The Smart Future program

Driving dividend and earnings growth



The Smart Future will deliver great digital experience to our customers

New digital capabilities will drive simplification, growth and efficiency

Customer experience



Re-design client and customer portals and apps



Re-design websites and calculators



Leverage common CRM across group

Streamline operations



Streamline reporting and dashboards across brands



Align processes across brands and core systems



Invest further in business automation

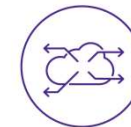
Technology foundations



Continue migration to cloud-based software



Implement new digital experience platform



Enhance API capabilities

We are making good progress on the foundations of the program

Brand consolidation and operational simplification well advanced, paving the way for digital investment

Strategic pillars



Customer experience

Customer journey mapping

Experience training across front lines

Rollout of NPS across the group



Digital investment

Consolidation of back end and digital IT platforms

Insource intelligent automation capability



Streamline operations

Simplified organisational structure

Rollout of group wide values

Aligned incentive structures across all brands

The Smart Future program: Targeting EBITDA uplift of c.20%

- ✓ The full implementation of the program is expected to result in significant operational and financial benefits
- ✓ Targeting \$15-20 million annualised EBITDA uplift from those strategic initiatives, in addition to system growth
 - 2/3 from revenue expansion
 - 1/3 from sales and service efficiencies
- ✓ Sustainable EBITDA uplift expected to commence in H2 2022, building to targeted \$15-20m in 2024
- ✓ Estimated \$5-6m p.a. of digital investment over the next 3 years, funded from operational cash flows, of which c.\$4m p.a. is expected to be capex (amortised over 3-5 years)
- ✓ Partially offsetting this investment is a c.\$2m p.a. reduction in operating expenses, once brand consolidation program is completed at the end of 2021

The Smart Future outcomes

Increased client and customer focus

Growth in revenue from the broader client base

Reduction in cost to serve

Increase in employee engagement

2021 off to a good start

- We are pleased with the start to 2021. In the four months to 30 April 2021 Smartgroup has performed in line with our expectations, with client renewals and wins, and an increase in on-site client activities
- Vehicle supply expected to remain tight for the remainder of the year
- Remainder of 2021 will see us focus on the transition of Advantage clients to the Smartsalary and AccessPay brands, and delivering the foundations for The Smart Future investment program
- Focus on organic growth to drive dividends and earnings for shareholders

Important notice and disclaimer

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Non-International Financial Reporting Standards (Non-IFRS) information

This presentation presents financial information on both a statutory basis (prepared in accordance with Australian accounting standards which comply with International Financial Reporting Standards (IFRS) and non-IFRS basis.