



## ASX Announcement

Release date: 26 August 2022

### Smartgroup delivers increased revenue and a strong EBITDA margin; continues to invest in future growth

**Smartgroup Corporation Ltd (ASX: SIQ)** ("Smartgroup" or "the Company"), a leading specialist employee management services provider, today reported its half year results for the period ended 30 June 2022 (H1 2022).

- Revenue of \$113.6m up 4% vs pcip
- Operating EBITDA of \$49.4m in line with pcip
- NPAT of \$30.9m up 16% vs pcip
- NPATA<sup>1</sup> of \$32.4m down 4% vs pcip, in line with lower acquired asset amortisation add-backs
- Adjusted after-tax operating cashflows at 134% of NPATA and net debt at \$26.0m<sup>2</sup>
- Fully franked interim ordinary dividend of 17.0cps<sup>3</sup>

Smartgroup has again been able to deliver a strong EBITDA margin, at 43% for the half year.

#### Sound operating performance

Smartgroup CEO Tim Looi said: "We have been able to deliver a good financial result for the half year, despite lengthening vehicle delivery timeframes and we continue to have success in increasing our level of engagement with potential customers via both digital and non-digital channels."

Smartgroup recorded organic growth of approximately 5,500 salary packages for the half year, and now serve a total of 383,000 customers across Australia.

Vehicle supply disruptions continued to lengthen sales lead times, with the excess pipeline of future settlements increasing to around \$14m, from \$12m at 31 December 2021. Importantly, despite these supply constraints, leasing settlement volumes and novated leasing yield were up 1% and 5% on pcip, respectively. As a result of supply issues, novated leases under management and managed fleet vehicles were down slightly to 62,800 and 24,850 respectively.

Leasing leads were up 6% on pcip and 15% on the previous half, demonstrating the success of new digital assets, such as the updated Smartleasing novated leasing calculator. However, lower consumer confidence, driven by rising interest rates and inflationary pressures on households, and extended vehicle delays have led to potential customers delaying buying decisions. This has resulted in vehicle order levels being in line with the previous half and 7% down on pcip.

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

<sup>2</sup> After payment of \$39.7m special dividend in March 2022

<sup>3</sup> Record date 9 September 2022 and payment date 23 September 2022



## Smart Future

The Smart Future program was launched in May 2021 to drive future earnings growth through investment in three key strategic priorities – optimising customer experience, enhancing digital platforms and streamlining operations.

During the half year to June 2022, we progressed the build phase of several key digital assets, with the new Smartsalary website launched in late July and Phase 1 of the Vehicle Sales Portal to be launched later in 2022. These digital assets will deliver superior user experience, improved self-education and will enable customers to engage with Smartgroup digitally, at any time of day.

## Outlook

Smartgroup CEO Tim Looi said “We are in good shape operationally and I am pleased with our results for the half year.

“Like all businesses in Australia, we are experiencing some wage inflation. It’s good to see the growth in vehicle leads as we roll out our digital assets, but the impact of interest rate rises on consumer confidence is leading to an extension to the timeframe for customers to proceed to a vehicle order.

“The second half of 2022 will see us onboard a number of new clients, including one client with c. 6,000 salary packages, partially offsetting the non-renewal of Department of Education and Training Victoria, whose transition out will occur later in the year.”

“Vehicle supply timeframes are continuing to extend and delay our settlement timeframes, resulting in a further increase in our pipeline of future settlements. While we face some short to medium term macro-economic and industry-wide headwinds, we have a resilient business model and our operational performance is strong, so any improvement in these external factors should have a positive impact on our business.”



## H1 2022 Investor Briefing Presentation

Chief Executive Officer Tim Looi and Chief Financial Officer Anthony Dijanosic will hold a briefing this morning to discuss the results. The details are as follows:

Time: 9:00 am AEST

Date: Friday 26 August 2022

URL: <http://www.openbriefing.com/OB/4802.aspx>

The audio briefing will be streamed live at the above URL. The briefing will also be made available on the investor section of the Smartgroup website: <https://ir.smartgroup.com.au/Investors/> under the Financial Reports and Presentations tab.

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

### **For further information:**

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