



ASX Announcement

Release date: 23 February 2023

Smartgroup reports full year NPATA of \$61.2 million and declares final ordinary and special dividends of 29.0 cents per share, bringing full year fully franked dividends to 46.0 cents per share

Smartgroup Corporation Ltd (ASX: SIQ) (“Smartgroup” or “the Company”), a leading specialist employee management services provider, today reported its full year results for the year ended 31 December 2022 (CY 2022).

Revenue for the full year was \$224.7 million, up 1% on the prior year to 31 December 2021.

Operating EBITDA of \$93.4m was down 9% on the prior year reflecting continued car supply constraints and higher operating costs. EBITDA margin remains strong at 42% for the year.

Profit after tax, as measured by NPATA, was \$61.2 million for CY 2022, at the top end of the guidance range announced to the market in November last year, albeit down 12% on the prior year.

Smartgroup has continued to generate a strong operating cash flow of \$71.6 million, representing 117% of NPATA, and maintains a strong balance sheet with a modest net debt position of \$27.2m.

A strong cashflow conversion has enabled the Board of Directors to declare a final ordinary fully franked dividend of 15.0 cents per share and after consideration of the Group's capital requirements, the Directors have determined that a further return to shareholders is appropriate, declaring a fully franked special dividend of 14.0 cents per share. This brings total dividends for the year to 46.0 cents per share. These dividends are payable on 23 March 2023, with a record date of 9 March 2023.

Steady operational performance despite some cost pressures

Smartgroup CEO Tim Looi said: “We are proud of the efforts of our team to-date, with steady operational performance in 2022 despite continued new vehicle supply issues and the pressures of increasing interest rates and rising costs. We continue to see strong leasing leads, resulting in further growth in the new lease vehicle order pipeline which currently stands at around \$19 million, \$15 million higher than the levels historically recorded in a normalised supply market.”

The Company recorded salary package growth from new and existing clients, offsetting the transition out of the Department of Education and Training Victoria in October 2022. Smartgroup recorded organic growth of approximately 7,800 salary packages during 2022 and one significant new client win added a further 5,700 salary packages, meaning that Smartgroup now serves around 379,000 customers across Australia.

Customer interest remained strong with leasing leads and in particular digital leasing leads, growing significantly. However, new lease vehicle orders were lower both as a consequence of the challenges in the vehicle supply chain and interest rates rises.

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Improved novated leasing yield offset lower vehicle settlements, resulting in modest revenue growth.

Ongoing vehicle supply shortages saw new lease vehicle orders continue to exceed settlements. The vehicle delivery pipeline also continued to expand to around \$19 million of delayed revenue, which is around \$15 million above historic levels and up from c.\$12 million at the end of CY 2021.

Delayed vehicle delivery timeframes are increasing the need for credit re-approval and increased customer engagement, which along with increased on-site activities and higher labour costs, have seen the Company's cost base increase. A targeted cost review is now underway to address some of these inflationary pressures.

There has been a significant uptick in electric vehicle (EV) demand since the introduction of the Electric Car Discount Policy in November 2022, with an increase of c.270% in novated leasing quotes for EVs in Q4 2022 compared to average EV quotes in Q1 to Q3 2022. The legislative change makes leasing of electric vehicles more appealing and we have seen strong interest from all segments, particularly from our government and corporate clients, presenting a significant opportunity for Smartgroup. It is anticipated that there will be an increasing range and supply of electric vehicles, improving availability and price points, extending the attractiveness of electric vehicles to a broader range of customers.

A 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 year, work on the Smart Future program has delivered the new Smartsalary website and salary packaging calculator, the Autopia brand leasing calculator and a new integrated appointment booking system. 2022 also saw the substantial completion of development for the Car Leasing Portal, launched in February 2023, further improving the customer experience.

The leasing calculators launched in 2021 and 2022 have produced an uplift in the number of customers that are converting from a lead to a quote, with this uplift representing a potential increase of c.\$4 million in revenue per annum. The integrated appointment booking tool is also delivering approximately a c.15% uplift in novated leasing quotes from the field sales channel.

A Smarter, More Sustainable Tomorrow

This year we approved our first detailed Sustainability Strategy, which includes our commitment to net zero carbon emissions from our direct operations by 2030, and a range of initiatives to encourage the take up of electric vehicles in Australia. We are pleased to also release today our first stand-alone Sustainability Report, reporting against GRI standards and demonstrating our commitment to a *A Smarter, More Sustainable Tomorrow*.

CEO to retire

Tim Looi, Managing Director and Chief Executive Officer has advised the Board of his intention to retire after three years in the role and more than 14 years with the company. Under his leadership Tim has navigated Smartgroup through the global pandemic, has streamlined operations and established and actively implemented the organisation's strategic plan. Tim will continue in his role

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until a replacement has been appointed ensuring a smooth transition. Further information has been provided in a separate ASX announcement released today.

Outlook

Smartgroup CEO Tim Looi said "Our business has proven to be resilient and has maintained steady operational performance despite the challenging economic environment and the ongoing supply chain disruption for new vehicles.

"With vehicle orders continuing to exceed settlements, the company is well positioned to benefit upon the easing of new vehicle supply constraints. When this occurs we will realise the excess new vehicle order pipeline of c.\$15 million as well as reduce the operating costs associated with maintaining this excess pipeline. Together with the introduction of the Federal Government Electric Car Discount Policy and the associated growth in electric vehicle leasing, Smartgroup is well placed for future growth" Tim Looi concluded.

CY 2022 Investor Briefing Presentation

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

Time: 9:00 am AEDT

Date: Thursday 23 February 2023

URL: <http://www.openbriefing.com/OB/4994.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.

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