Investor Presentation
H1 2020 Results

19 August 2020

Tim Looi – Managing Director and CEO
Nigel Underwood – Chief Financial Officer

H1 2020 NPATA in line with guidance

1. Financial results in line with guidance

- H1 2020 revenue of $111.4m
- H1 2020 EBITDA[1] of $48.4m
- H1 2020 NPATA[2] of $32.1m vs. guidance of c.$32m

2. Resilient performance against COVID-19 backdrop

- More than 90% of 2020 client renewals already completed (based on top 20 clients by revenue)[3]
- 355,500 total packages and 67,500 novated leases in car park (down c.1% vs. 31 Dec 19)
- Fleet vehicles under management stable at 24,500 vehicles

3. Continued simplification and business improvement

- Retirement of the Selectus platform
- Restructure of operational workforce effective June 2020
- Expansion of panel of funding providers

4. Strong cashflow generation with net debt / EBITDA of 0.1x

- Adjusted after-tax operating cashflows at 112% of NPATA[2]
- Fully franked interim dividend of 17.0 cps[4], representing a dividend payout ratio of 70%
- Net debt of $12.2m at 30 June 2020

1. EBITDA is earnings before interest, tax, depreciation and amortisation of intangibles adjusted to exclude significant non-operating items.
2. NPATA is net profit after tax, adjusted to exclude the non-cash tax-effected amortisation of intangibles and significant non-operating items. Adjusted to exclude $5.1m impairment to the investment in HWS. Refer to Appendix for the reconciliation.
3. The remaining 10% of client renewals are expected to be completed before 31 December 2020.
4. Record date of 2 September 2020 and payment date of 16 September 2020.

Financial results in line with guidance with COVID-19 impacting result versus prior year

$m	H1 2020	H1 2019	Change %
Revenue	**111.4**	125.8	(11%)
EBITDA[1]	**48.4**	58.8	(18%)
NPATA[2]	**32.1**	40.5	(21%)
Shares on issue (millions)	**132.9**	131.9	1%
NPATA per share (cps)	**24.1**	30.7	(21%)

	As at 30 June 2020	As at 30 June 2019	Change %
Packages	**355,500**	348,000	2%
Novated leases under management	**67,500**	66,250	2%
Fleet vehicles under management	**24,500**	22,200	10%
FTEs[3]	**617**	703	(12%)

1. EBITDA is earnings before interest, tax, depreciation and amortisation of intangibles adjusted to exclude significant non-operating items.
2. NPATA is the net profit after tax, adjusted to exclude the non-cash tax-effected amortisation of intangibles and significant non-operating items. In H1 2020, it has been adjusted to also exclude $5.1m impairment to the HWS investment.
3. The 617 FTE excludes 20 vacancies for roles created in the operational restructure and 30 roles previously filled with temp employees. Refer to the 30 June 2020 Half Year Report for more information.

smart group corporation

COVID-19 response and our people

We continue to actively respond to the COVID-19 environment

- The group moved to a working from home environment for 100% of all employees in late March
- Changes were made to customer engagement, including webinars to replace face-to-face visits
- A cost containment plan was implemented in April 2020 for a period of 3 months, including:
  - Temporary salary reductions (Chairman and CEO 50%; Board and Group Executives 20%; Others 0-10%)
  - Suspension of commissions and short-term incentive arrangements
  - Restriction of all non-essential expenditure and implementation of an annual leave reduction program

The group implemented a restructure to simplify the business, effective June 2020

- Reduction of net c.50 FTE roles in the group, with annualised savings of c.$4.0m (pre-tax)

In May 2020, the group completed the successful refinancing of its debt facilities

- Maturities extended to May 2022; Total facility amounts unchanged at $103.0m

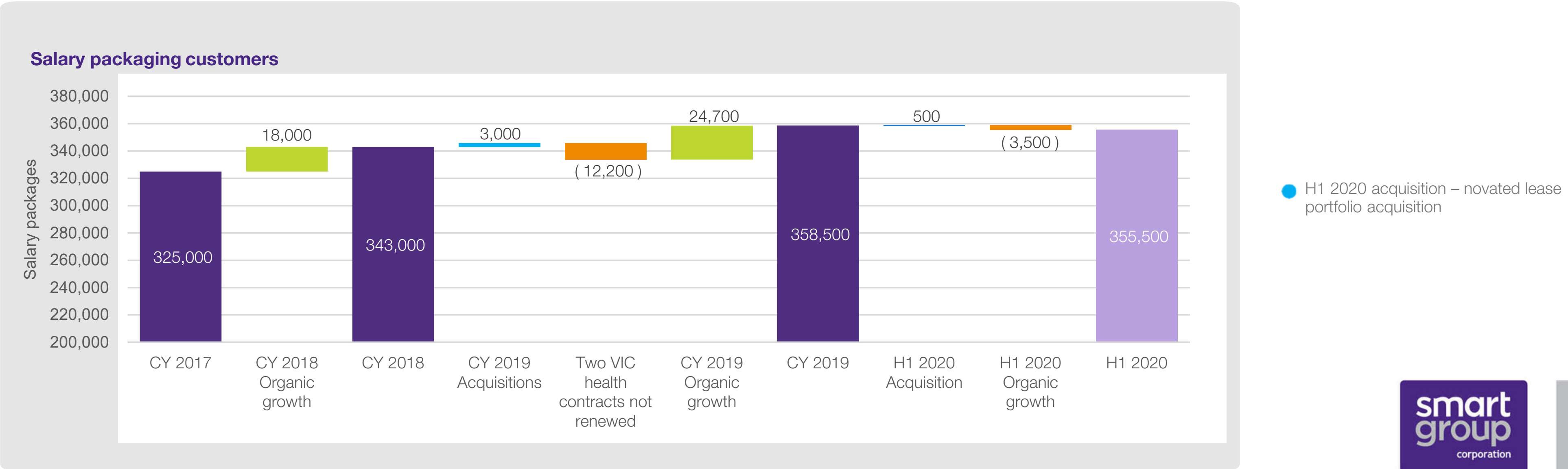
Throughout this period, our focus remains on safeguarding the well-being of our employees and maintaining a high level of service to customers

Salary packaging has been resilient with most 2020 client renewals completed

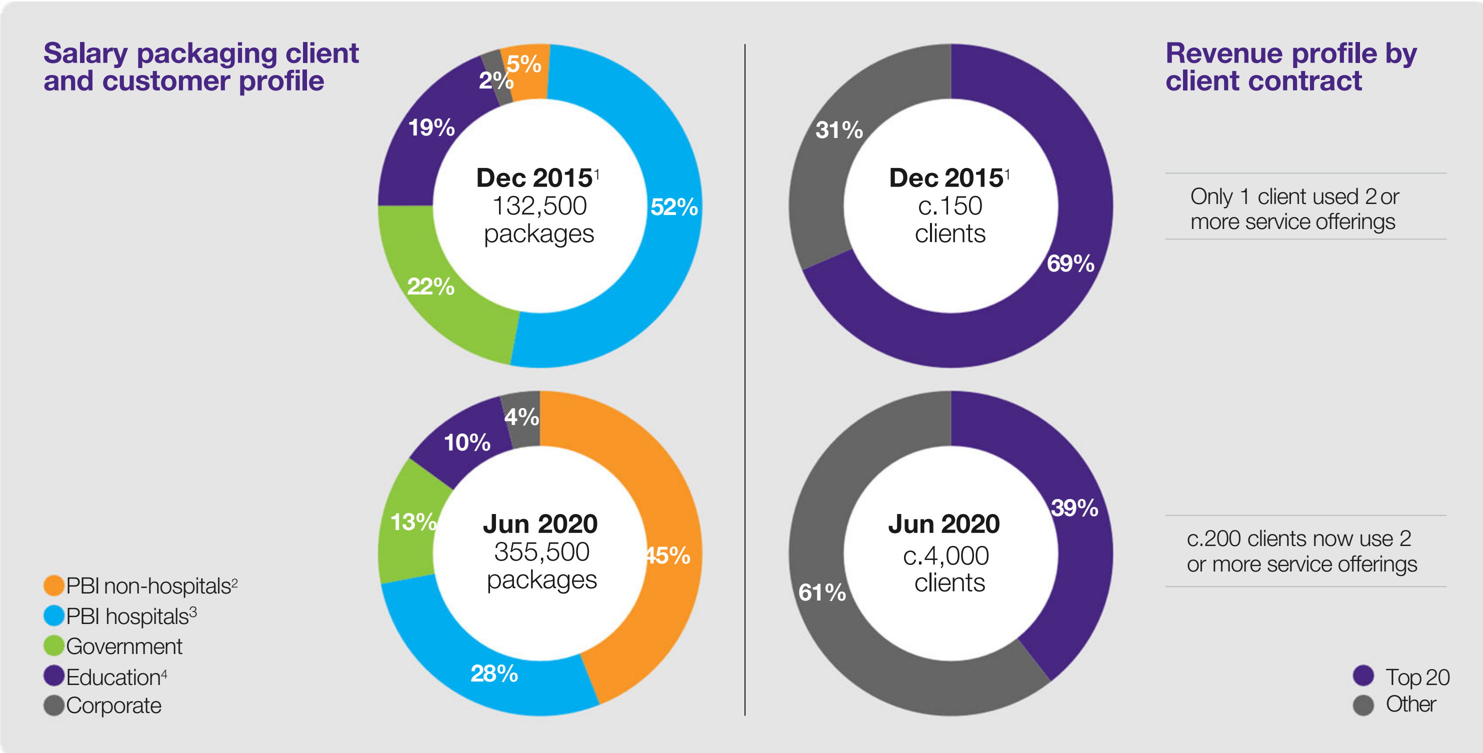
Salary package numbers remained resilient throughout H1 2020, down c.1% vs December 2019

We are well progressed on the renewal or extension of contracts due in 2020, with more than 90% of 2020 renewals already successfully executed (based on top 20 contracts)

Client activity and access improved throughout Q2 2020 (albeit on a State by State basis). We continue to monitor ongoing developments, including recent restrictions in Victoria



We continue to have a diversified employer client base that represent attractive sectors within the Australian workforce

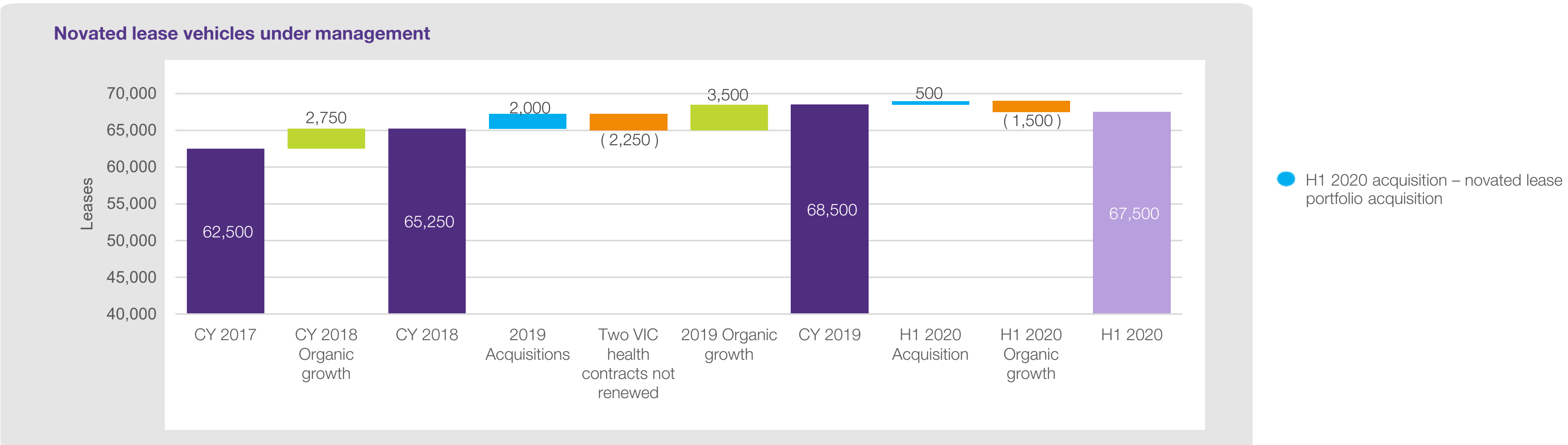


1. December 2015 adjusted to exclude c.50,000 packages and c.350 clients from the acquisition of Advantage completed in December 2015 and the investment in Health-e Workforce Solutions in October 2015.
2. 'PBI non-hospitals' includes charities and other not-for-profit organisations registered as a public 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.
3. 'PBI hospitals' includes public and private not-for-profit hospitals.
4. 'Education' includes public and private not-for-profit educational institutions.

Overall novated lease car park ended H1 2020 at similar levels to December 2019 despite COVID-19 impacts

June 2020 car park c.1% lower than December 2019

- H1 2020 impacts mainly seen in Q2 2020 as lease settlement volumes declined
- Acquisition of c.500 vehicle lease portfolio



Novated leasing volumes performed above market in Q1 2020 with Q2 2020 COVID period slightly lower than market

Novated leasing revenue performance for Q1 2020 broadly in line with Q1 2019 despite the 12% decline in Australian private new vehicle sales

Impacts of COVID-19 seen in Q2 2020 with a reduction in new novated leases and an increase in refinances (vs. new leases) from lease expiry customers

Overall yields up slightly in Q1 2020 and reduced in Q2 2020 given an increased mix of refinances

Novated lead volumes improved from April to June 2020 but remain below historical levels

	CY 2019 (vs pcp)	Q1 2020 (vs pcp)	Q2 2020 (vs pcp)	H1 2020 (vs pcp)
Aust private new vehicle sales[1]	(7%)	(12%)	(25%)	(19%)
Total novated volume	**4%**	**1%**	**(29%)**	**(15%)**
Yield (total)	**(3%)**	**2%**	**(9%)**	**(2%)**
Refinance (% of total)	**22%**	**20%**	**32%**	**26%**

1. Australian private new vehicle sales data source: VFACTS. Excludes other new vehicle sales categories – Business, Government, Rental, Heavy Commercial.

smart group corporation

Selectus transition completed in H1 2020, further simplifying the platform footprint

		Acquisition completion date	Integration completion date	Rebatable[1]	PBI[2]	Government	Corporate
Continuing brands	smartsalary	NA					
	AccessPay	May 2017					
	Advantage Salary Packaging	December 2015					
	Autopia	July 2016					
Retiring/retired brands	Selectus	August 2016	Q2 CY 2020				
	salarysolutions	October 2017	Q2 CY2019				
	ASPIRE Benefits Management	August 2017	Q4 CY2017				
	mylease	April 2019	Q3 CY2019				
	PAY-PLAN Salary Packaging	June 2019	Q3 CY2019				
	Lease & Asset Finance	October 2019	Q4 CY2019				

New client servicing functionality   Continuing client service model   Clients transitioned and brand retired

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.

smart group corporation

Other updates

Funding

- Overall credit approval rates were in line with H2 2019 levels
- Successfully executed a multi-year contract with our largest provider on similar terms
- Added two new funding providers to broaden our funding panel

Regulatory and add on insurance update

- Announcement by the Department of Treasury to delay the introduction of legislation in connection with a deferred sales model for the sale of add-on insurance for 6 months until December 2020
- Release of the revised ASIC draft Product Intervention Order for Add-on Motor Vehicle Financial Risk Products on 5 August 2020. Consultation with ASIC continues regarding this draft order
- As announced in December 2019, new pricing from add-on insurance provider commenced 1 July 2020. Applying this price change to H1 2020 volumes would have reduced after-tax profit by $2.3m [1]

Health-e Workforce Solutions (HWS)

- Non-cash impairment of $5.1m to investment in HWS following a review of financial performance. The carrying value of HWS as at 30 June 2020 is $0.6m
- The group's adjusted contribution from HWS was a loss of $0.1m in H1 2020

1. Estimated impact of price change on H2 2020 profit was $4m (after tax) announced in December 2019. The application of the price changes to H1 2020 sales would have reduced profit by $2.3m (after tax). The variance arises from lower volumes than the comparative H2 2019, lower penetration rates and a favourable mix of products.

Financial results
H1 2020

Nigel Underwood
Chief Financial Officer

H1 2020 NPATA of $32.1m, a 26% decrease from the prior year, reflects the impact of COVID-19

$m	Q1 2020	Q2 2020	H1 2020 adjusted[1]	H1 2019	Change %
Revenue	62.1	49.3	**111.4**	125.8	(11%)
Product costs	(2.0)	(1.2)	**(3.2)**	(4.0)	(20%)
Overhead	(31.7)	(28.1)	**(59.8)**	(62.1)	(4%)
EBITDA[2]	28.4	20.0	**48.4**	58.8	(18%)
NPAT	14.5	8.4	**22.9**	30.8	(26%)
NPATA[3]	19.6	12.5	**32.1**	40.5	(21%)

- Revenue decreased 22% from Q1 to Q2 2020 due to COVID-19. The decrease was mostly in leasing
  - Q1 2020 leasing business consistent with pcp in both revenue and volumes
  - Q2 2020 leasing volumes (29%) vs. pcp, while yields fell 9% due to an increase in refinancing proportion to 32%
- No government assistance (JobKeeper) received
- NPAT includes $5.1m write-down of the investment in HWS, excluded for the purpose of NPATA

1. A reconciliation of the statutory accounts to adjusted earnings is attached in the Appendix.
2. EBITDA excludes ($0.1m) (H1 2019: $0.3m) for joint venture contribution.
3. NPATA is the net profit after tax, adjusted to exclude the non-cash tax-effected amortisation of intangibles and significant non-operating items.

After-tax operating cashflow remains strong at 112% of NPATA

$m	Adjusted H1 2020[1]	Adjusted H1 2019[1]
Receipts from customers (inclusive of GST)	**136.8**	142.3
Payments to suppliers and employees (inclusive of GST)	**(86.9)**	(83.1)
Interest receipts from operations	**0.6**	1.4
Interest paid	**(0.9)**	(0.8)
Interest paid on lease liabilities	**(0.5)**	(0.5)
Income taxes paid	**(13.3)**	(17.6)
Net cash from operating activities	**35.8**	**41.7**
As a % of NPATA	**112%**	103%
Capital expenditure	**(0.2)**	(0.2)

1. H1 2019 excludes payments for M&A transaction costs (inclusive of GST) of $0.2m ($0.0m in H1 2020). Net cash from operating activities excludes receipts and payments from customers' salary packaging accounts and significant non-operating items.

The balance sheet is well capitalised with net debt reduced to $12m

$m	Note	30 June 2020 statutory	31 Dec 2019 statutory
Cash	1	86.5	39.6
Restricted cash*	2	56.5	65.4
Trade and other current assets		21.6	28.3
Current assets		**164.6**	**133.3**
Property and equipment		1.2	1.4
Right-of-use assets		10.4	11.6
Intangible assets	3	301.5	311.9
Other non-current assets	4	10.4	14.7
Non-current assets		**323.5**	**339.6**
Total assets		**488.1**	**472.9**
Trade and other payables		30.5	35.3
Customer salary packaging liabilities	2	56.5	65.4
Lease liabilities		13.9	15.1
Provisions and other liabilities		18.3	20.0
Non-current interest-bearing loans	5	99.4	60.4
Total liabilities		**218.6**	**196.2**
Net assets		**269.5**	**276.7**
Issued capital		262.5	259.1
Retained earnings & reserves	6	7.0	17.6
Total capital		**269.5**	**276.7**
Net corporate debt**		**12.2**	**21.0**
Net corporate debt / LTM EBITDA		**0.12**	**0.20**

Notes

1. $38.0m additional debt drawn in H1 2020.
2. Restricted cash and customer salary packaging liabilities represent funds held in dedicated salary packaging accounts on behalf of clients.
3. $0.6m intangible assets added from the acquisition of contract rights in 2020. Total amortisation for H1 2020 is $11.0m.
4. Other non-current assets reduced due to the $5.1m impairment of the investment in HWS.
5. Syndicated debt facility is provided by two major Australian banks. $38.0m additional debt was drawn in H1 2020 and the debt facility was refinanced to May 2022.
6. Retained earnings & reserves reduced due to the payment of the 2019 final dividend of $28.3m.

* Restricted cash can be used only for customers' salary packaging payments and are unavailable for working capital purposes.

** Excludes capitalised interest of $1.2m (2019: nil) and borrowing costs of $0.5m (2019: $0.3m).

smart group corporation

Closing remarks…

Tim Looi
Managing Director and CEO

Summary and trading update

1. Financial results in line with guidance

- Half year NPATA of $32.1m vs. guidance of c.$32m
- Fully franked H1 2020 dividend of 17.0 cps, representing 70% payout

2. Resilient performance against COVID-19 backdrop

- More than 90% of top 20 client renewals complete
- Total packages, car park and fleet vehicles under management stable

3. Continued simplification and business improvement

- Retirement of the Selectus platform
- Restructure of operational workforce effective June 2020

4. Strong cash flow generation and well capitalised balance sheet

- Cashflow generation at 112% of NPATA
- Net debt to EBITDA of 0.1x

5. H2 2020 off to a positive start but Victoria expected to be challenging

- Improvements in vehicle volumes and mix in July, relative to Q2 2020
- Reinstatement of full salaries and incentives
- Outlook difficult to forecast given ongoing COVID impacts

Questions ?

Appendix: Reconciliation of earnings to statutory financial statements

$m	H1 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	H1 2020 Adjusted
Revenue	**111.4**	–	–	–	–	111.4
Operating EBITDA	**48.0**	**–**	**–**	**0.4**	**–**	**48.4**
Joint venture contribution	**(0.2)**	–	0.1	–	–	(0.1)
Segment note EBITDA	**47.8**	**–**	**0.1**	**0.4**	**–**	**48.3**
Depreciation expense	**(1.5)**	–	–	–	–	(1.5)
Amortisation expense	**(11.0)**	–	(0.1)	–	–	(11.1)
Impairment of joint venture investment	**(5.1)**	–	–	–	5.1	–
Net finance costs	**(2.7)**	–	–	–	–	(2.7)
PBT	**27.5**	**–**	**–**	**0.4**	**5.1**	**33.0**
Income tax expense	**(10.1)**	–	–	–	–	(10.1)
NPAT	**17.4**	**–**	**–**	**0.4**	**5.1**	**22.9**
Add back: Amortisation of acquired intangibles		7.3	0.1	–	–	7.4
Cash tax benefit		1.8	–	–	–	1.8
NPATA	**17.4**	**9.1**	**0.1**	**0.4**	**5.1**	**32.1**
Shares on issue (millions)						132.9
NPATA per share (cps)						24.1

Important notice and disclaimer

Disclaimer

This presentation has been prepared by Smartgroup Corporation Ltd (ACN 126 266 831) ("Smartgroup") and is general background information about Smartgroup's activities current as at the date of this presentation. The information is given in summary form and does not purport to be complete.

To the extent that certain statements contained in this presentation may constitute "forward-looking statements" or statements about "future matters", the information reflects Smartgroup's intent, belief or expectations at the date of this presentation. Smartgroup gives no undertaking to update this information over time (subject to legal or regulatory requirements). Any forward-looking statements, including projections, guidance on future revenues, earnings and estimates, are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause Smartgroup's actual results, performance or achievements to differ materially from any future results, performance or achievements expressed or implied by these forward- looking statements. Any forward-looking statements, opinions and estimates in this presentation are based on assumptions and contingencies which are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions. Neither Smartgroup, nor any other person, gives any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this presentation will actually occur. Past performance is no guarantee of future performance.

No representation or warranty, express or implied, is made as to the accuracy, adequacy or reliability of any statements, estimates or opinions or other information contained in this presentation. To the maximum extent permitted by law, Smartgroup, its subsidiaries and their respective directors, officers, employees and agents disclaim all liability and responsibility for any direct or indirect loss or damage which may be suffered by any recipient through use of or reliance on anything contained in or omitted from this presentation. No recommendation is made as to how investors should make an investment decision. Investors must rely on their own examination of Smartgroup, including the merits and risks involved. Investors should consult with their own professional advisors in connection with any acquisition of securities.

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.