Smart Group

2024 Half Year Results

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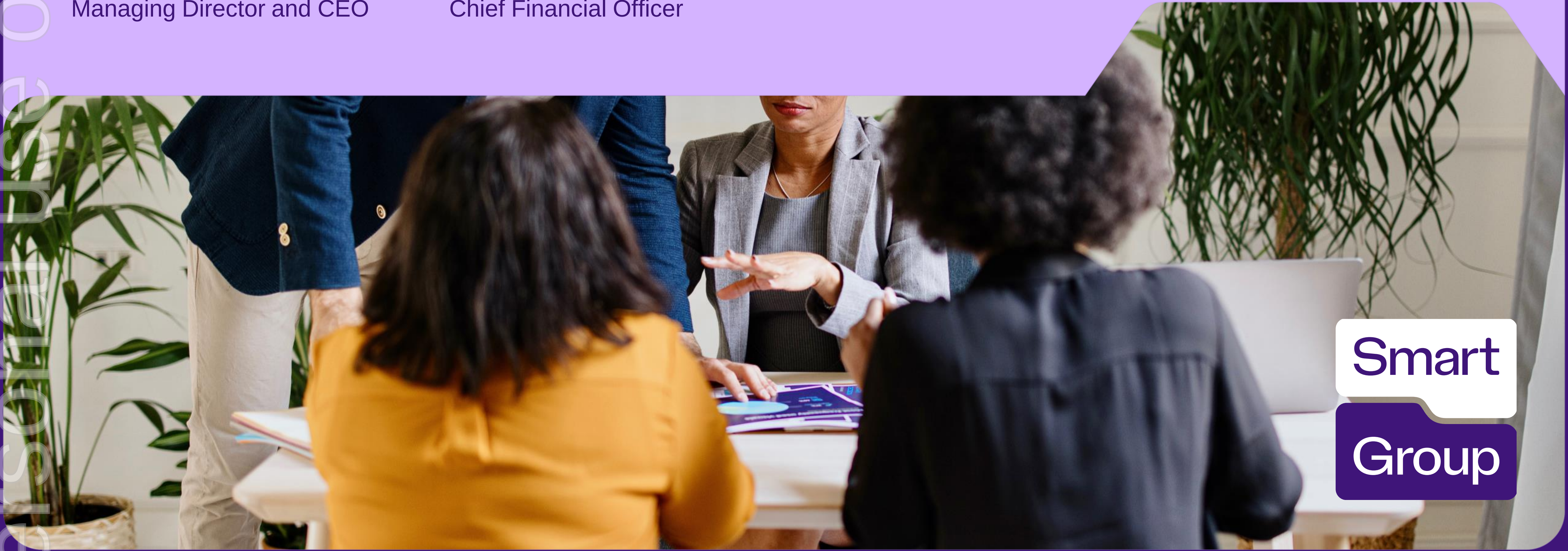


Acknowledgement of Country

I would like to acknowledge the Traditional Owners of the land on which I am speaking with you today, the Gadigal People of the Eora Nation.

I would also like to acknowledge the Traditional Custodians of the various lands on which you all join this call from today. I recognise their continuing connection to land, waters and culture and pay my respects to their Elders past and present.

Artist Statement

Co-existing with Mother Earth from the first days of understanding of kinship and the importance of caring for Country. Preparing for the future and prospering by putting country first which started through gatherings of our ancient ancestors which continues through time to this day, Country has always been an important part of First Peoples of Australia cultures.

Country has sustained us, revitalised, and rejuvenated our mind, body, and spirit for many millennia. And by putting Country first it will continue to do so. It has been our most important commandment handed to us down throughout the generations through loving careful instructions. A nourishing thought for the ages of our continuous culture on this ancient landscape.

Narrative written by Jade Kennedy of the Tatti-Tatti/WadiWadi/Muddi-Muddi - West Kulin Nation and Wajak/Kaardjin - Noongar Nation.

Kengatha-nak-thangi Grow Mother Country

Contents

01 — 2024 Half Year Highlights

H1 2024 Highlights

Solid financial performance

- **Revenue of $148.5m**, up +27% v pcp
- **Operating EBITDA of $56.2m**, up +20% v pcp
- EBITDA Margin was 40%[1] excluding costs associated with SA contract implementation
- **NPATA[2] of $34.1m**, up +16% v pcp, statutory net profit of $34.3m
- Strong operating cash flow conversion at **108% of NPATA**
- 2024 interim dividend[3] of 17.5 cps fully franked

Customer growth

- **402,000[4]** active customers at June, +17,000 v pcp
- **64,600[4]** novated leases under management, +6,300 v pcp
- **30,600** fleet-managed vehicles, +4,400 v pcp

Demand for novated leasing

- +27% **growth in leasing settlements** v pcp
- Vehicle supply improving
- EV orders **42% of total new car orders** in H1 2024
- +14% **increase in yield** v pcp

Strategic priorities

- Enhanced car leasing portal
- Improved customer benefits
- New Smart brand
- Digitalisation of operational processes
- New executive team bringing depth and skills
- Successful divestment of two non-core businesses

Sustainability

- **Sustainalytics ESG** Risk Rating 8.6. Ranked 98th percentile globally
- Ranked 92nd percentile in the **S&P Global Corporate Sustainability Assessment**
- Recognised as an Employer of Choice for Gender Equality by **WGEA** for 2023-2025

1. Including South Australia government contract implementation costs, EBITDA margin was 38%.
2. NPATA is net profit after tax, adjusted to exclude the non-cash tax-effected amortisation of intangibles and significant non-operating items. Refer to Appendices for the reconciliation of NPATA to statutory NPAT.
3. Record date of interim ordinary dividend is 9 September 2024 and payment date is 23 September 2024.
4. Excludes SA government implementation in July.

Investment proposition

Smart

Leading, resilient business	Leading player with diversified exposure	• Uniquely positioned as market leader in salary packaging and novated leasing • Broad product offering with exposure to fleet management	**402,000** active salary packaging customers; **~2m** potential customers in existing client base
	Resilient business with high client retention	• Resilient customer demand through the cycle • Significant recurring revenue • Long-term client contracts in attractive and growing segments	**51%** Not-for-profit, **21%** Hospitals, **19%** Government, **6%** Education
Attractive financial profile	Attractive financial profile	• Proven track record of strong revenue growth • Solid margins supported by increasingly scalable model • Strong operating cash flow conversion	**+15.6%** revenue[1] CAGR (10y); **108%** operating cash flow to NPATA
	Capital light business model	• Strong and flexible balance sheet • Minimal credit exposure with limited on balance sheet funding	**P&A** funding model; **0.5x** net debt / EBITDA[2]
Positioned for growth	Favourable operating environment	• Vehicle delivery timeframes improving • Strong novated leasing demand	**EV 42%** of total new car orders; **~20%** improvement in average delivery time[3]
	Clear priorities and strong market position	• Focus on core business performance and simplification • Investment in core technology to drive scale benefits, strengthen customer experience and accelerate digitisation	**Strategic Priorities on track**

1. H1 2014 Gross Revenue was $34.8m compared to $148.5m in H1 2024.
2. (Corporate debt – cash) / LTM EBITDA
3. Average Vehicle Order to delivery timeframes (for Smartgroup top 30 makes/models by volume), H1 2024 v H1 2023.

02 — Strategic Priorities

Building a smarter future

Our context

Cost of living pressures

- Increasing financial stress
- Softening economic environment

Sustainability

- Electric Car Discount Policy
- Corporate ESG focus

Evolving needs

- Desire for e-mobility
- Digital experience

Salary packaging comparison table[1]

	Without salary packaging	With salary packaging
Annual salary before tax	$65,000	$65,000
Pre-tax expenses	-	$18,550
Taxable income	$65,000	$46,450
PAYG tax	$10,288	$4,723
Medicare levy	$1,300	$929
Annual salary after tax	$53,412	$40,798
Post-tax expenses	$18,550	-
Net disposable income	**$34,862**	**$40,798**
Potential Annual saving		**$5,936**
Potential Fortnightly Saving		$228
Equivalent Salary		$73,730
% increase to take home pay		17.03%

1. Calculations assume a charity worker on $65,000 packaging $15,900 of rent payments and $2,650 of meal costs per FBT year, using 2024/25 individual tax rates. The calculations do not take into account any applicable: low income tax offsets (LITO), low and middle income tax offsets (LITMO), low income Medicare levy reduction or any Smartgroup fees that may apply.

Our strategic priorities and focus

Our ambition	**Smarter Benefits for a Smarter Tomorrow** Simplifying benefits and adding value to our clients and customers, while enabling businesses to attract and retain great teams as we build a more sustainable Australia.		
Our focus	**Smarter Experiences** Market-leading customer experience, helping customers and employers work with us how and when they want	**Smarter Products** Simple and innovative products and services to help customers do more and save more	**Working Smarter** Simple and scalable operations, with improved capability that puts the customer first
Our strategic priorities	Customer-focused, digital and efficient salary packaging offering	• Digitise operations and enable self-service to delight clients and customers • Simplify and consolidate the core technologies and drive scale benefits including moving to a single brand	
	Leadership in Novated Leasing via EVs	• Maintain a market-leading proposition for EVs through sustained digital investment • Accelerate our digital sales engine	
	Adapt to address evolving customer needs	• Expand our novated leasing offering to meet a broader set of needs • Scale our benefits program	
	Targeted investment in fleet capabilities	• Continue to support client demand for tailored products • Increase capability via balance sheet-funded pilot	

Continued progress on our Strategic Priorities

Smarter Experiences

- ✓ Enhanced car leasing portal delivering improved customer experience
- ✓ Improved benefit offerings through new partnerships

Smarter Products

- ✓ New Smart brand to enable simplification - starting with South Australian Government

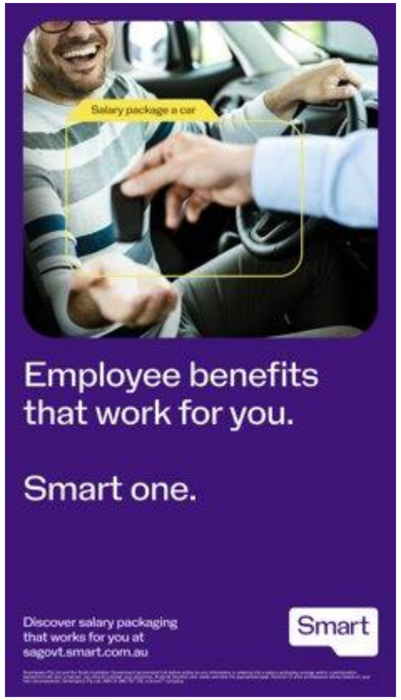
Working Smarter

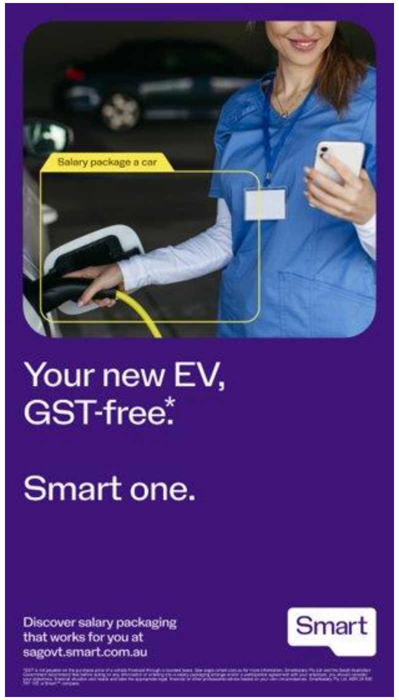
- ✓ Refreshed executive team bringing depth and skills, operating model reset
- ✓ Digitalisation of operational processes, including scaling of GenAI across contact centres
- ✓ Strengthened focus on core business of salary packaging, novated leasing and fleet - divesting the payroll business (in February) and Health-e Workforce Solutions (in July)

Smart

Strong market position
SA Government case study

- The contract commenced on 1 July 2024
- Services made available to approximately 110,000 South Australian Government employees
- Transitioned 36,500 salary packages and 5,600 novated leases in July 2024
- H1 2024 operating costs associated with this contract implementation were $3m, in line with expectations
- First customers to experience Smart brand
- No material profit contribution from this contract is expected in CY2024

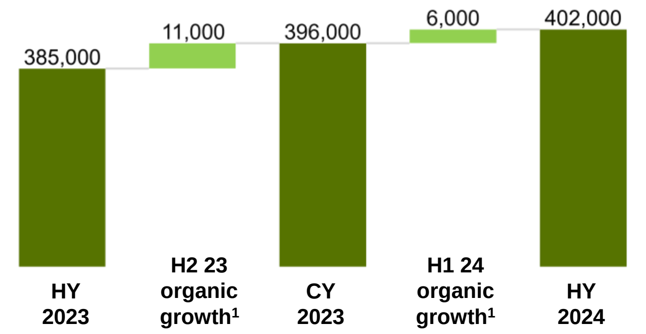




03 — 2024 Half Year Performance

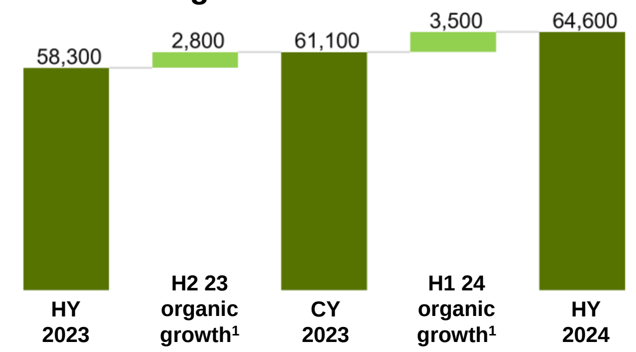
Growth across all key product lines

Salary packages



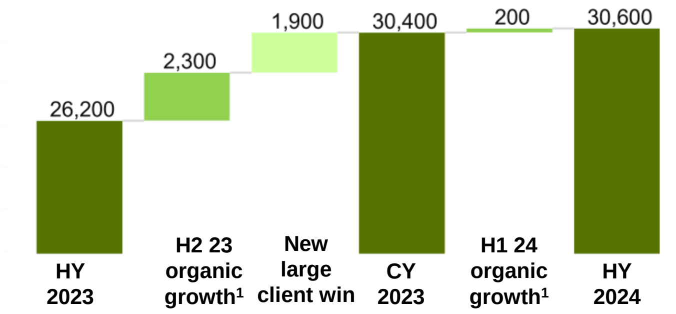
- Increased uptake in existing clients and the onboarding of new clients
- In July, an additional 36,500 packages from the SA Government contract transitioned in

Novated leases under management



- Strong settlement levels and improving vehicle supply have seen novated leases under management growth accelerate in H1 2024
- In July, an additional 5,600 novated leases from the SA Government contract transitioned in

Fleet managed vehicles

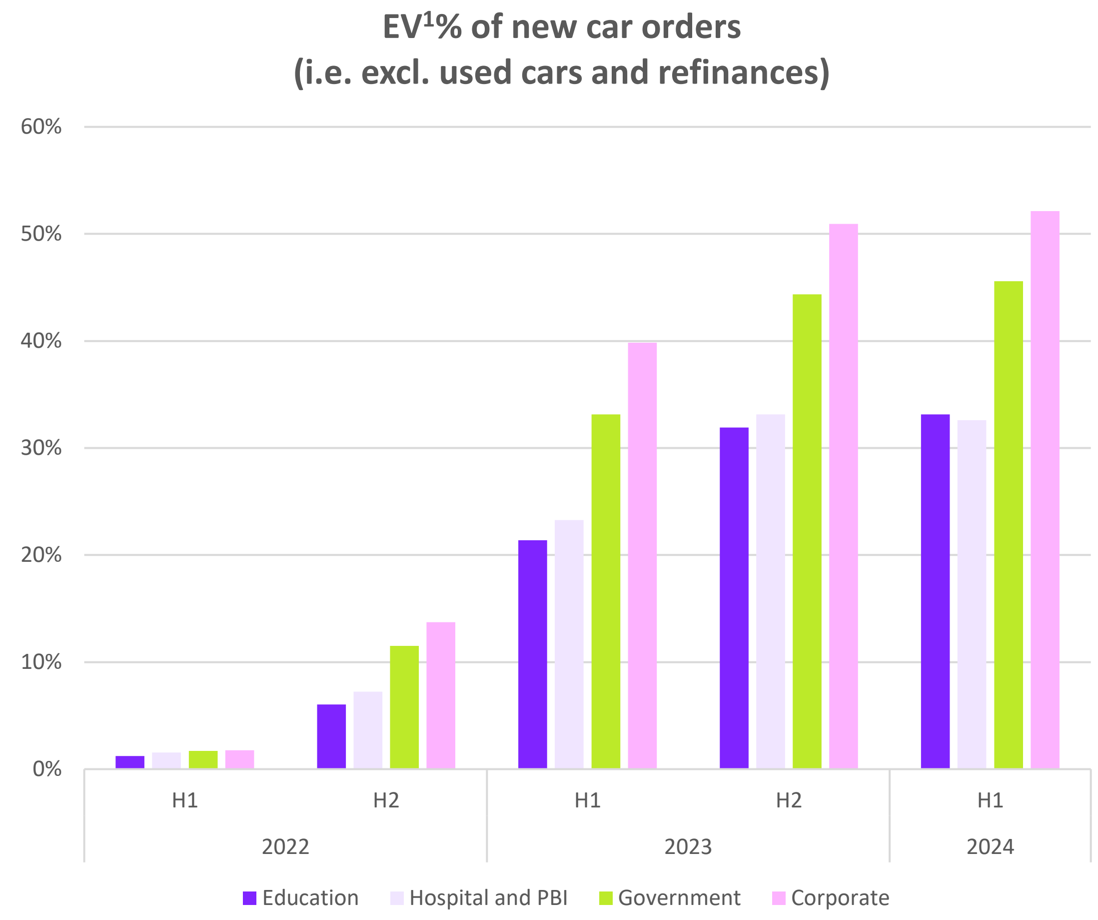


- Self-funded fleet pilot expanded, with c.600 vehicles funded for 32 organisations as at 30 June 2024

1. Includes growth from existing clients and small to medium sized client wins.

New EV orders continue to grow

- Strong EV interest continuing
- EV proportion of new car lease orders and settlements grew across all client segments year-on-year
- Availability of EVs is generally good, with some variance across makes and models
- From 1 April 2025, PHEV buyers will no longer benefit from the government EV policy, but PHEVs will remain eligible for novated leasing



1. For EVs below the luxury car tax threshold of $91,387. Legislation also applies to plug-in hybrid vehicles leased before 1 April 2025.

Strong leasing demand and yield sustained

	H1 2024 v pcp	H1 2024 v H2 2023
New lease vehicle orders	+31%	+11%
Settlement volume	+27%	+10%
Leasing yield	+14%	steady

Strong customer demand

- Customer interest remains strong

Electric Car Discount Policy[1] is contributing to demand uplift

- Focus on customer education regarding new policy continues
- While the EV demand is growing, ICE vehicles remain an important part of our business

Vehicle delivery timeframes are improving

- Total pipeline future revenue of c.$14m at the end of June 2024 (from $18m in December 2023) remains above pre-COVID levels (c.$4m)

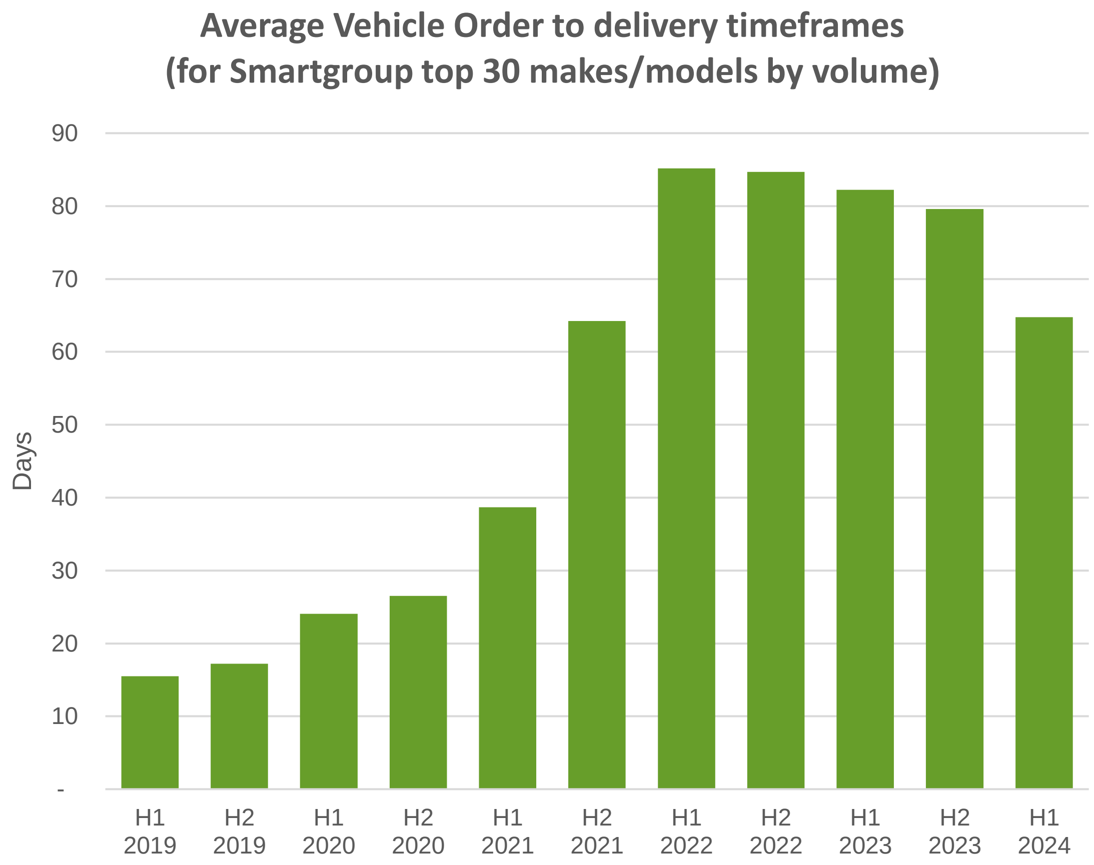
Yield improvement maintained

- Supply chain renegotiation in H2 2023, vehicle mix and higher proportion of new car leases delivered yield uplift vs pcp
- New novated leases[2] improved to c.81% of total novated volume for H1 2024 (vs 74% in H1 2023), broadly in line with pre-COVID levels
- Active focus on yield management

1. Policy abolished Fringe Benefits Tax on eligible electric vehicles provided through a novated lease.
2. New novated leases exclude refinanced deals.

Delivery timeframes improving but remain above historic levels

- Vehicles Delivery timeframes improving, albeit remain significantly above pre-COVID levels (>20 days)
- Substantial variation across makes and models
- Good availability for existing EV models
- Delays and vehicle price changes continue to result in credit re-approval rework for some deals



Continued revenue growth delivers earnings uplift

- Novated leasing drives strong revenue growth
- Higher product costs from growth in the sale of vehicle aftermarket products
- Staff expenses increased as a result of investments in resourcing to meet novated leasing demand and wage inflation
- Other expenses were driven by project costs, marketing and strategic priorities
- EBITDA margin, excluding costs associated with SA Government contract implementation, at 40%
- NPATA grew 16% to $34.1 million

$m	H1 2024[1]	H1 2023	Change %
Revenue	**148.5**	**116.6**	**27%**
Product costs (cost of sales)	(6.6)	(4.1)	60%
Net revenue	**141.9**	**112.5**	**26%**
Staff expenses	(61.7)	(49.9)	24%
Other expenses	(24.0)	(15.6)	54%
Total expenses	**(85.7)**	**(65.5)**	**31%**
Operating EBITDA	**56.2**	**47.0**	**20%**
Operating EBITDA margin	38%	40%	-2ppt
Operating EBITDA margin ex- SA implementation costs	*40%*	*40%*	-
Net finance costs	(1.8)	(1.3)	45%
Depreciation	(3.1)	(2.3)	31%
Amortisation	(2.0)	(1.4)	48%
Joint venture contribution	0.0	0.2	(100%)
Profit Before Tax	**49.3**	**42.2**	**17%**
Tax expense	(15.2)	(12.9)	18%
Net Profit After Tax	**34.1**	**29.3**	**16%**
Tax-effected amort. of acquired intangibles and cash tax benefit	0.0	0.1	(100%)
NPATA[2]	**34.1**	**29.4**	**16%**

1. A reconciliation of the statutory accounts to adjusted earnings is contained in the Appendix.
2. NPATA is net profit after tax, adjusted to exclude the non-cash tax-effected amortisation of acquired intangibles and significant non-operating items.

High cash conversion at 108% of NPATA

- Half-year receipts grew in line with revenue
- Increase in RBA target cash rate leading to increase in interest received and interest paid
- Higher capex associated with the delivery of our strategic priorities and the South Australia contract implementation, CY24 capex expected to be ~$11-13m
- Expanded balance sheet funding pilot for fleet vehicles

$m	H1 2024[1]	H1 2023	Change %
Receipts from customers (inc GST)	173.5	134.0	30%
Payments to suppliers and employees (inc GST)	(120.7)	(90.2)	34%
Interest received from operations	3.5	2.7	30%
Interest paid	(2.5)	(1.7)	51%
Interest paid on lease liabilities	(0.3)	(0.4)	(27%)
Income taxes paid	(16.9)	(14.7)	15%
Net cash from operating activities	**36.6**	**29.7**	**22%**
As a % of NPATA[1]	*108%*	*101%*	
Capitalised IT development costs	(8.5)	(0.3)	Nm
Payments for funding of motor vehicles	(3.2)	(2.9)	10%
Other PP&E capex	(1.1)	(0.5)	120%

1. Excludes payments for M&A transaction costs (inclusive of GST) of $0.29m (2023: $0.01m). Net cash from operating activities excludes receipts and payments from customers' salary packaging accounts and significant non-operating items.

Strong and flexible balance sheet with 0.5x leverage

- Increase in net debt position following payment of $42.3m of total dividends, $8.5m in capitalised IT development, and funding of additional c.$3.2m of on-balance sheet fleet vehicle leases to a total of $14.4m
- Refinanced revolving credit facility and increased by $35m to $120m, the facility was also extended to September 2028

$m	30 Jun 2024	31 Dec 2023
Cash	*24.3*	*32.8*
Other current assets[1]	*188.6*	*168.2*
Current assets	212.9	201.0
Non-current assets	329.8	319.6
Total assets	**542.7**	**520.6**
Current liabilities[1]	220.4	207.7
Borrowings	*79.3*	*64.7*
Other non-current liabilities	*3.8*	*4.4*
Non-current liabilities	83.1	69.1
Total liabilities	**303.5**	**276.8**
Net assets	**239.2**	**243.8**
Net corporate debt[2]	**55.7**	**32.2**
Net corporate debt/last 12 months EBITDA	**0.5**	**0.3**

1. Includes restricted cash of $149.4m, of this amount $109.8m was previously disclosed as cash held on behalf of customers, but not on balance sheet. Prior period has been re-presented for consistency.
2. Excludes capitalised borrowing costs of $0.7m (31 December 2023: $0.3m) and vehicle borrowings of $3.1m (31 December 2023: $2.0m).

Capital allocation – maximising shareholder value

Allocate capital for medium and long-term growth

Deliver sustainable distributions to shareholders

Maintain flexible balance sheet

Operating cash flow

- **Investments**
  - Digital and technology simplification
  - Customer experience improvements
  - Potential acquisitions or partnerships
- **Return to shareholders**
  - Dividend policy 60-70% of NPATA
  - Other returns to shareholders[1]

- Focus on core business - salary packaging, novated leasing and fleet
- Invest in technology landscape to accelerate digitisation and scale; ~$11-13m expected capex spend in 2024
- Since IPO in mid-2014 Smartgroup has paid ~$510m in fully franked dividends to shareholders

1. May include special dividends or share buy-backs.

04 — Summary and Outlook

HY 2024 Summary

Revenue

$148.5m +27% v pcp

NPATA[1]

$34.1m +16% v pcp

Customers

+17,000 v pcp new salary packages, both from existing clients and from client wins

Leases

+6,300 v pcp new novated leases under management

NL volume

27% Growth in leasing settlements v pcp

NL yield

14% Increase in yield v pcp

Interim dividends

17.5 cps interim ordinary fully franked[2]

Conversion

108% of NPATA operating cash flow conversion

Priorities

Steady progress on strategic priorities

New Contract

South Australia Government contract started on 1 July 2024

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 Appendices for the reconciliation of NPATA to statutory NPAT.
2. Record date of interim ordinary dividend is 9 September 2024 and payment date is 23 September 2024.

Outlook

- Continue to experience strong leasing and salary packaging demand – July 2024 orders and settlements up on pcp
- Ongoing competitive pressures, with Smartgroup well positioned to compete and differentiate in customer service
- Focus on driving operating leverage, including through cost management and productivity program
- Divestment of Health-e Workforce Solutions – sale completed on 17 July 2024
- SA Government contract commenced 1 July 2024, no material profit contribution expected from this contract in 2024
- Demonstrated steady progress on Strategic Priorities in H1 2024, with additional initiatives planned for H2 2024

05 — Appendix

Reconciliation of earnings to statutory financial statements

$m	H1 2024 statutory	Non-IFRS measures	Add back: M&A activity	Add back: Gain on sale of business	H1 2024 adjusted
Net revenue	141.9				141.9
Operating EBITDA	**56.2**	-	0.0	-	**56.2**
Joint venture contribution	0.0	-	-	-	0.0
Segment note EBITDA	**56.2**	-	0.0	-	**56.2**
Depreciation expense	(3.1)	-	-	-	(3.1)
Amortisation expense	(2.0)	-	-	-	(2.0)
Gain on sale of business	0.3	-	-	(0.3)	-
Net finance costs	(1.8)	-	-	-	(1.8)
PBT	**49.6**	**-**	**0.0**	**(0.3)**	**49.3**
Income tax expenses	(15.3)	-	(0.0)	0.1	(15.2)
NPAT	**34.3**	-	0.0	**(0.2)**	**34.1**
Add back amortisation of acquired intangibles		0.0	-	-	0.0
NPATA		**0.0**	**0.0**	**(0.2)**	**34.1**
Shares on issue (millions)					134.0
NPATA per share (cps)					25.5

Balance sheet

$m	30 Jun 2024 statutory	31 Dec 2023 statutory
Cash	24.3	32.8
Restricted cash[1]	149.4	141.1
Trade and other current assets	39.2	27.1
Current assets	**212.9**	**201.0**
Property and equipment	3.0	2.1
Smartgroup funded vehicles	14.4	12.2
Right-of-use assets – other	3.5	4.4
Intangible assets	296.8	285.4
Other non-current assets	12.1	15.5
Non-current assets	**329.8**	**319.6**
Total assets	**542.7**	**520.6**
Trade and other payables	42.9	35.3
Customer salary packaging liabilities	149.4	141.1
Lease liabilities	3.9	5.6
Provisions and other liabilities	28.0	30.1
Non-current interest-bearing loans	79.3	64.7
Total liabilities	**303.5**	**276.8**
Net assets	**239.2**	**243.8**
Issued capital	264.1	263.4
Retained earnings & reserves	(24.9)	(19.6)
Total capital	**239.2**	**243.8**
Net corporate debt	**55.7**	**32.2**
Net corporate debt / LTM EBITDA	**0.5**	**0.3**

1. Includes restricted cash of $149.4m, of this amount $109.8m was previously disclosed as cash held on behalf of customers, but not on balance sheet. Prior period has been re-presented for consistency.

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