ASX Announcement

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Smartgroup delivers strong financial and operational performance

Smartgroup Corporation Ltd (ASX: SIQ) ("Smartgroup" or "the Group"), a leading employee services and fleet solutions provider, today reported its full-year results for the 12 months ended 31 December 2024 (CY 2024).

CY 2024 Highlights

- Revenue of $305.8m, up 22% on CY 2023 (pcp)
- Operating EBITDA of $118.7m, up 18% on pcp
- EBITDA margin was 39%, (CY 2023: 40%), with H1 2024 at 38%, including South Australia Government contract implementation costs, and H2 2024 at 40%
- NPATA[1] of $72.4m, up 15% on pcp, Statutory NPAT of $75.6m, up 22% on pcp
- 20% increase in novated leasing settlements on pcp, up 4% on H1 2024
- Electric Vehicles (EV) accounted for 44% of CY 2024 new car lease orders, including plug-in-hybrid EVs (PHEV) at 13%
- Internal Combustion Engine (ICE) new car lease orders also increased 12% compared to pcp
- Strong operating cash flow at 108% of NPATA
- Capitalised IT development costs of $12.0m, in line with guidance
- Strong and flexible balance sheet with low net debt position at 0.4x EBITDA[2]
- Final ordinary dividend declared of 20 cents per share (cps) and special dividend declared of 11 cps, both fully franked[3]; total dividends declared in CY 2024 represent 90% of CY 2024 NPATA

Commenting on Smartgroup's performance over CY 2024, Managing Director and CEO, Scott Wharton, said: "Smartgroup delivered a strong financial and operational performance in 2024, with growth in revenue and earnings, and continued improvements in customer experience which supported the retention of key clients and attraction of many new ones during the year.

"In 2024, we continued to invest in customer experience and acquisition, delivering record customer numbers across salary packaging, novated leasing and fleet.

"We are making progress against our Strategic Priorities, announced in February 2024. This includes our new digital customer home, Smart.com.au, as well as our enhanced car leasing portal, both delivering improved functionality and better customer experience. We also expanded benefits through partnerships, including Qantas and Intellihub.

"The Group further simplified its operations in 2024, divesting two non-core businesses and transitioning our Advantage brand customers and clients to the new Smart brand."

1 NPATA is net profit after tax, adjusted to exclude the non-cash tax-effected amortisation of intangibles and significant non-operating items.
2 EBITDA for the 12 months to 31 December 2024.
3 Record date 7 March 2025 and payment date 21 March 2025.

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Strong financial performance in CY 2024

Revenue for the full year was $305.8m, up 22% on pcp, underpinned by higher novated leasing volumes. This was driven by demand-generating activities and improved vehicle supply. Smartgroup's service proposition and continued focus on customer experience have enabled the Group to re-sign all significant clients due for renewal in 2024 and increasingly attract new ones.

Vehicle delivery timeframes have continued to improve in 2024. Smartgroup's Vehicle Order pipeline reduced to $12m (vs $18m in December 2023).

The Group continued to make deliberate investments with total expenses of $173.2m. This was driven by a considered strategy to meet the increase in leasing demand and further strengthen customer experience, as well as build additional capabilities to deliver Smartgroup's Strategic Priorities. Non-staff costs were largely driven by enhanced marketing and lead generation activities, software development costs and strategic project delivery. Management remains focussed on ensuring the Company operates efficiently while continuing to differentiate and improve its competitive position.

EBITDA of $118.7m was up 18% on pcp and EBITDA margin was 39% for the year. EBITDA margin was 38% in H1 2024 and was impacted by costs related to the implementation of the South Australia Government contract, with H2 2024 EBITDA margin improving to 40% as planned. Management remains focussed on EBITDA margin as the Group positions itself for efficiencies from digital and technology investments in the medium term.

Profit after tax, as measured by NPATA, was $72.4m for CY 2024, up 15% on pcp.

Smartgroup has continued to generate a strong operating cash flow of $78.1m, representing 108% of NPATA[4], and maintains a flexible balance sheet with a modest net debt level of $45.4m as at 31 December 2024, being 0.4x EBITDA.

The Group's strong cash flow conversion and low net debt position have enabled the Board of Directors to declare a final ordinary fully-franked dividend of 20 cps and a special dividend of 11 cps fully-franked, which brings total dividends for the year to 48.5 cps, representing 90% of CY 2024 NPATA.

This special dividend shows the benefit of Smartgroup's high cash-generating, capital-light business model and its commitment to its capital allocation policy of returning capital to investors where prudent, while ensuring the Group continues to invest for growth.

Growth in salary packaging, novated leasing and fleet customer numbers

At 31 December 2024, Smartgroup had 445,000 active packaging customers, an increase of 49,000 year on year. In the last 12 months, Smartgroup provided salary packaging services to around 541,000 customers, an increase of 10% compared to the 12 months to December 2023.

Strong leasing demand resulted in a 25% increase in new lease vehicle orders and a 20% increase in novated leasing settlements versus pcp. At the end of December, Smartgroup had 74,300 novated leasing customers.

4 Excludes payments for M&A transaction costs (inclusive of GST) of $0.67m (2023: $0.01m). Net cash from operating activities excludes receipts and payments from customers' salary packaging accounts and significant non-operating items.

In July 2024, the Group successfully onboarded the South Australia Government's salary packaging employees, making our services available to over 110,000 government employees. This contract is performing in line with expectations.

Demand for EVs continued to be strong in 2024. In the latter part of the year, various EV manufacturers offered significant price discounts. This, and increased awareness of the benefits of novated leasing, resulted in EVs accounting for 44% of all new car novated lease orders for the year, including PHEVs at 13%.

In H2 2024, EVs represented 45% of all new car novated orders, including PHEVs at 17%. It is important to note that PHEVs will no longer benefit from the Federal Government Electric Car Discount Policy after 31 March 2025.

The number of ICE vehicles ordered in 2024 increased 12% versus pcp. This highlights the relevance of our service for all types of cars.

A higher proportion of new cars, supply chain renegotiations and vehicle mix resulted in a 7% improvement in novated leasing yield in 2024 versus pcp. Smartgroup remains actively focussed on managing yield.

Strong progress on Smartgroup's Strategic Priorities

For many Australians, cost of living pressures continue to be front of mind. Smartgroup is well-positioned to help Australians maximise their take-home pay.

2024 was the first full year of Smartgroup implementing its new Strategic Priorities. The Group has now delivered several milestones that further improve customer and client experience and will increase its focus on generating efficiencies from simplification.

In CY 2024, examples of achievements include:

- Increased volumes in salary packaging, novated leasing and fleet;
- Launched Smart.com.au, its new digital customer home, bringing together Smartsalary and Smartleasing digital assets;
- Enhanced the car leasing portal, further improving customer experience;
- Introduced the new Smart brand that will enable further simplification, starting with South Australia Government in July, followed by the decommissioning of its Advantage brand after the successful migration of customers and clients to Smart; and,
- Strengthened the focus on the core business of salary packaging, novated leasing and fleet, divesting the payroll business (in February) and Health-e Workforce Solutions (in July).

CY 2025 Outlook

Commenting on Smartgroup's CY 2025 outlook, Managing Director and CEO, Scott Wharton, said: "While we remain cautiously optimistic for the year ahead, we continue to monitor consumer sentiment closely and recognise there is some uncertainty in the near term from continued high interest rates and inflation, international factors and the PHEV incentive ending in March.

"We made strong progress last year. Our customer-centric focus and stronger digital proposition, backed up by the energy in our business, are delivering. We are well-positioned within the industry to deliver profitable growth through the implementation of our Strategic Priorities.

"Importantly, we will continue to focus on the delivery of our digital assets in our leasing and salary packaging businesses. These investments will further improve customer experience and increase efficiency and scalability.

"We continue to make investments to deliver our Strategic Priorities with CY 2025 technology capex expected to be $11-13m, similar to CY 2024."

CY 2024 investor briefing presentation

Smartgroup Managing Director and CEO, Scott Wharton and Chief Financial Officer, Jason King, will hold an audio briefing to discuss the results as follows:

Date: Wednesday 26 February 2025

Time: 9:00am (Sydney Time)

URL: https://webcast.openbriefing.com/siq-fyr-2025/

The audio briefing will be streamed live at the above URL. The briefing will also be available on the Smartgroup website investor section: 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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