

ASX Announcement

Smartgroup Corporation Ltd (SIQ) – Acquisition of the AccessPay Group

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Acquisition of the AccessPay Group

Smartgroup is pleased to announce that it has acquired the AccessPay Group for \$15 million. The transaction completed today and accordingly ownership of AccessPay is effective immediately.

AccessPay, based in Adelaide, provides salary packaging services principally to clients in the Public Benevolent Institutions (PBI) sector across Australia. It manages approximately 40,000 salary packages, for approximately 500 employer clients. AccessPay is similar to Advantage Salary Packaging (Advantage) in both service offering and client base and there exists opportunity to leverage best practice across both businesses.

The acquisition represents an implied EV/FY2017 EBITDA of approximately 6.5x. Consideration includes \$14.7 million in cash, funded through existing cash reserves, and \$0.3m of SIQ shares issued to one of the vendors. These shares will be escrowed, to be released in two tranches in 2018.

Smartgroup expects to incur approximately \$2m in one-off IT and other integration expenses in the first 12 months after completion (c.\$1.5m in CY2017 and c.\$0.5m in CY2018) to enhance the IT platform and customer interface. Including the one-off IT and other integration expenses, under Smartgroup ownership, AccessPay is forecast to contribute approximately:

- CY2017 - EBITDA of c.\$0.5m and NPATA of c.\$nil.
- CY2018 - EBITDA of c.\$4.0m and NPATA of c.\$2.5m.

Commenting on the acquisition, Smartgroup Managing Director and CEO Deven Billimoria said:

“AccessPay is a well-managed business and we have always had high regard for their team. The business will be a very good fit for us and further expands our salary packaging footprint into the PBI sector. Following the acquisition, we will have more than 260,000 outsourced salary packages under management. AccessPay will be led by Anton Gaudry, who also continues as the CEO of Advantage. Two senior managers of AccessPay will assist in running the new business and the vendors will continue to provide support and assistance.”

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