

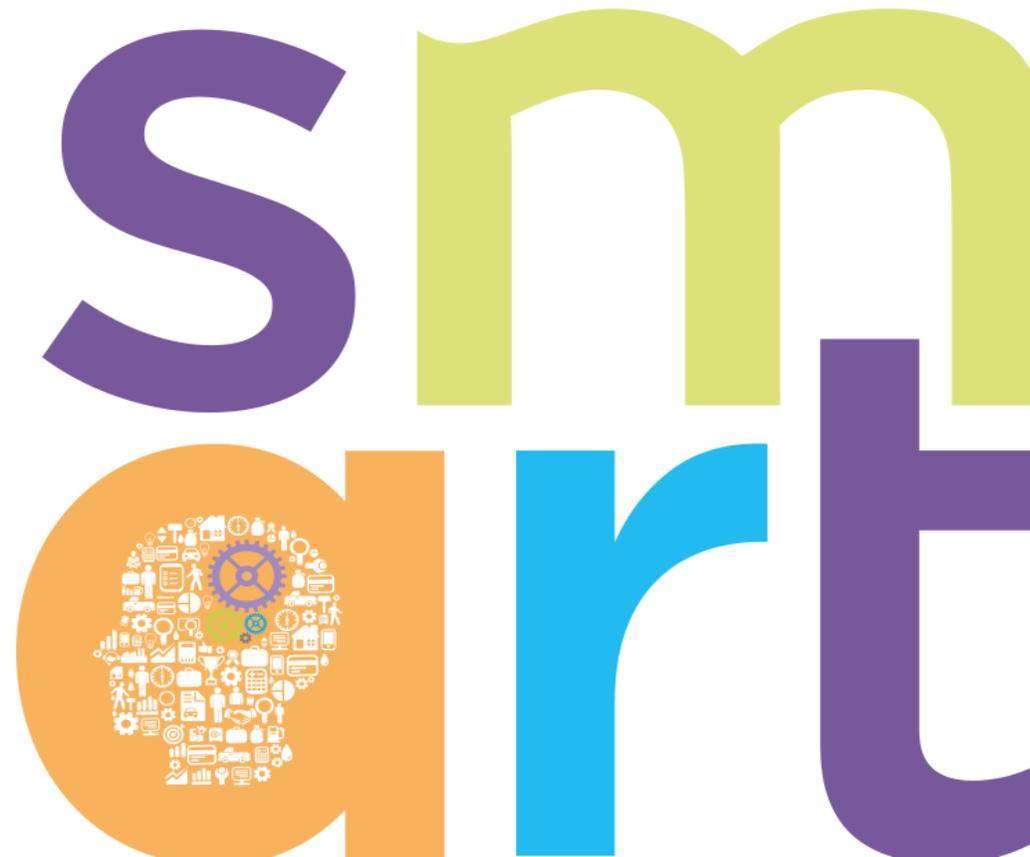


Investor Presentation Full Year CY 2017 Results

Deven Billimoria – Managing Director and CEO

Tim Looi – Chief Financial Officer

22 February 2018



Smartgroup has had another successful year...

1

Continued strong financial performance

- Revenue of \$205.4m up 40% vs CY 2016
- NPATA⁽¹⁾ of \$64.1m up 46% vs CY 2016

2

Continued client growth and diversification

- Organic growth of c.24,500 packages and c.2,900 leases
- Expanded footprint in the not-for-profit sector

3

Continued service excellence at Smartsalary

- Digital innovation continues to improve customer service
- Recognised for customer service and innovation awards

4

Integration of recent acquisitions tracking well

- Four new acquisitions announced in CY 2017⁽²⁾
- Synergies achieved earlier than expected from acquisitions completed in CY 2017

5

Fully franked final dividend of 18.5 cps (covering H2 CY 2017 period)

- Full year fully franked dividends of 35.0 cps, up 41% from CY 2016

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 Appendix for the reconciliation.
2. AccessPay, Aspire Benefits Management and RACV Salary Solutions completed in CY 2017. Acquisition of Fleet West announced on 14 Dec 2017 and completed on 4 Jan 2018.

...with growth across all financial and operational metrics...

\$m	CY 2016	CY 2017	Change % (CY17 v CY16)	CY 2017 proforma ⁽²⁾	Change % (CY17PF v CY16)
Revenue	147.1	205.4	40%	226.8	54%
EBITDA ⁽¹⁾	63.3	93.6	48%	100.6	59%
NPATA	44.0	64.1	46%	68.5	56%

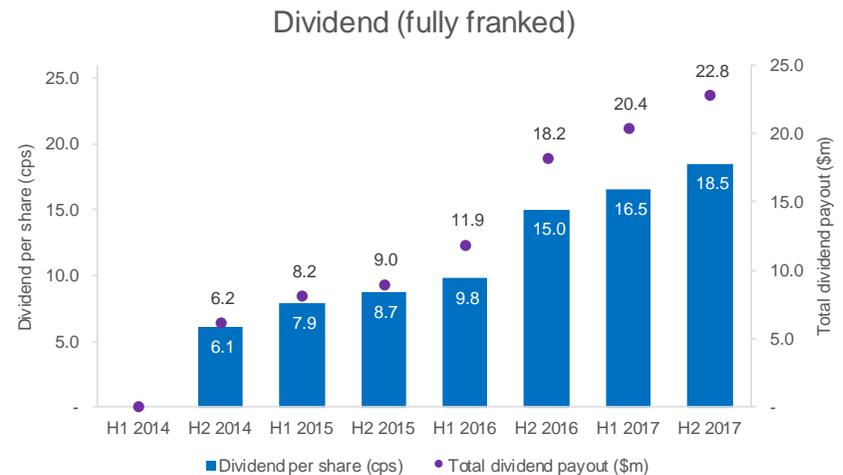
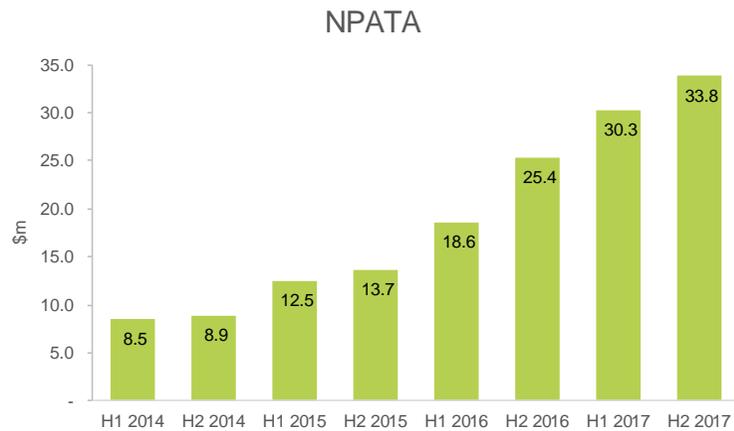
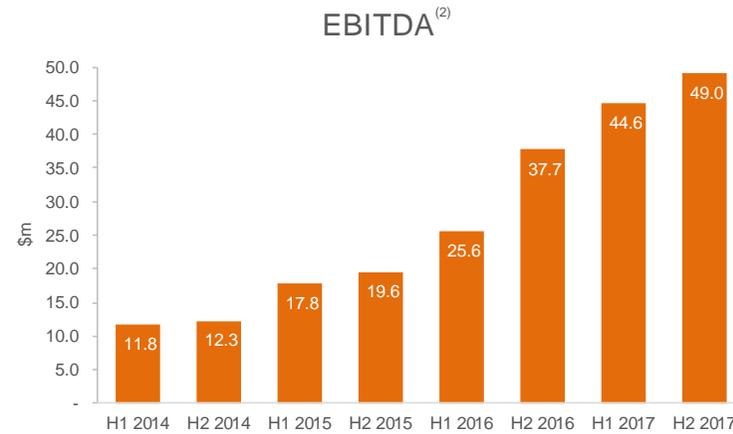
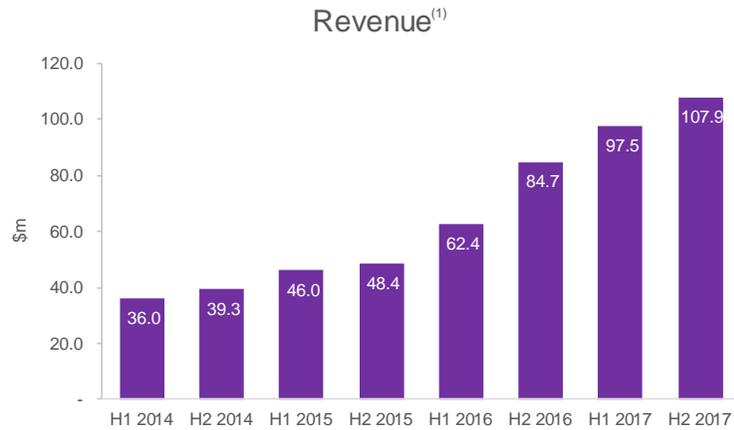
Shares on issue (millions)	121.5	123.2	1%	123.3	1%
NPATA per share (cps)	36.2	52.0	44%	55.5	53%

	As at December 2016	As at December 2017	Change %
Packages	221,000	325,000	47%
Novated leases under management	53,000	62,500	18%
FTEs	544	706	30%

1. EBITDA is earnings before interest, tax, depreciation and amortisation adjusted for significant non-operating items. Refer to Appendix for the reconciliation.

2. CY 2017 proforma is arrived at by including the pre-acquisition financial performance of AccessPay, Aspire, RACV Salary Solutions and Fleet West.

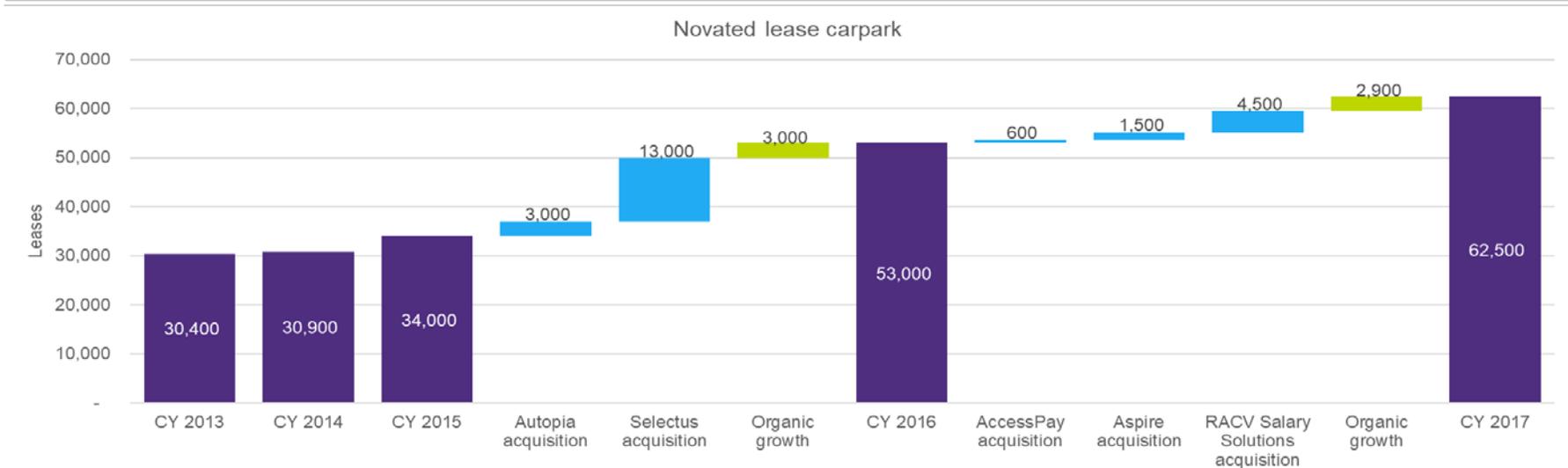
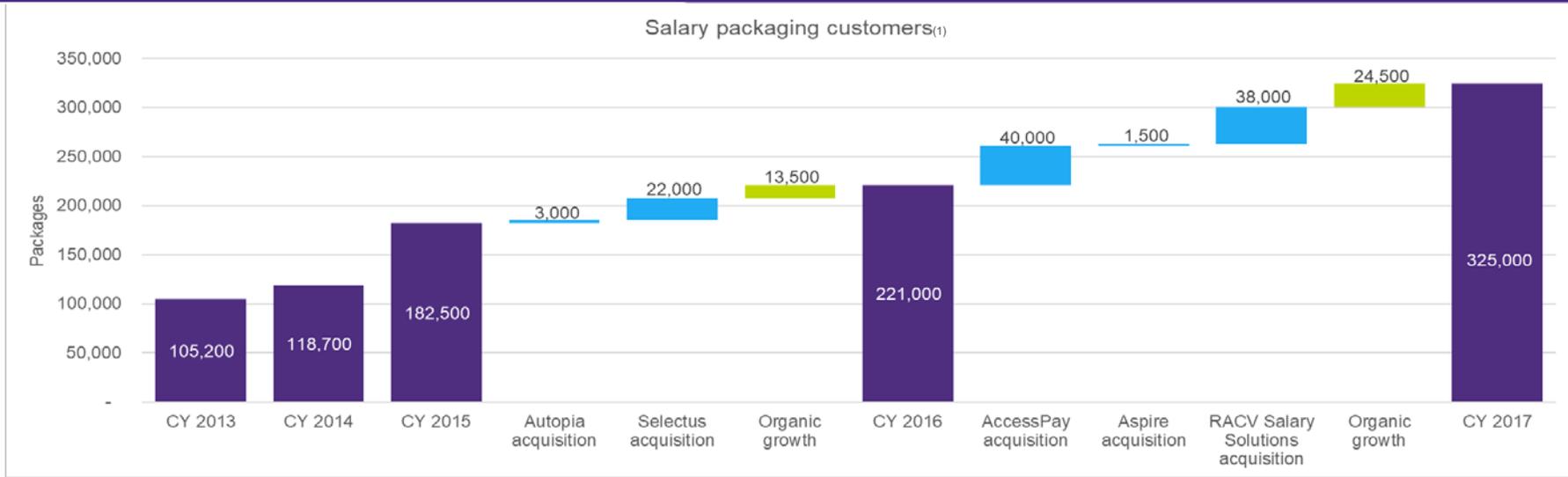
...and increasing shareholder returns.



	H1 2014	H2 2014	H1 2015	H2 2015	H1 2016	H2 2016	H1 2017	H2 2017
Shares on issue (millions)	n/a	101.5	103.7	103.7	107.3	121.5	123.1	123.2

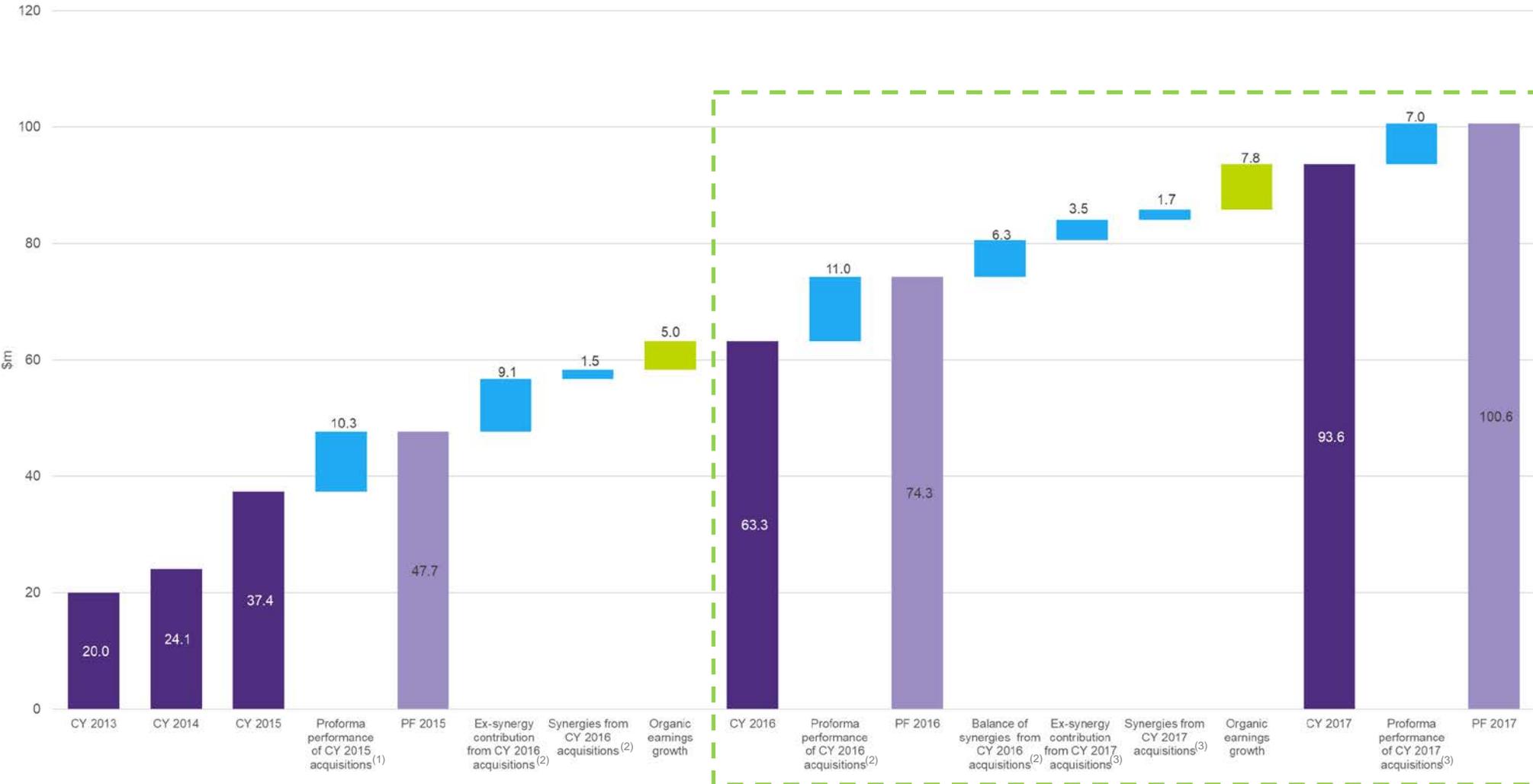
1. Revenue restated for change in recognition of some products to a gross basis. Refer to page 14.
 2. EBITDA in CY 2016 restated for reclassification of a joint venture contribution.

Smartgroup continues to grow salary packages and novated leases both organically and through acquisition ...



1. CY 2015 package figure includes the acquisition of Advantage with c.50,000 packages, and a major client win of c.7,400 packages. CY 2016 and CY 2017 organic growth figures include major client wins of c.6,500 and c.8,500 packages, respectively.

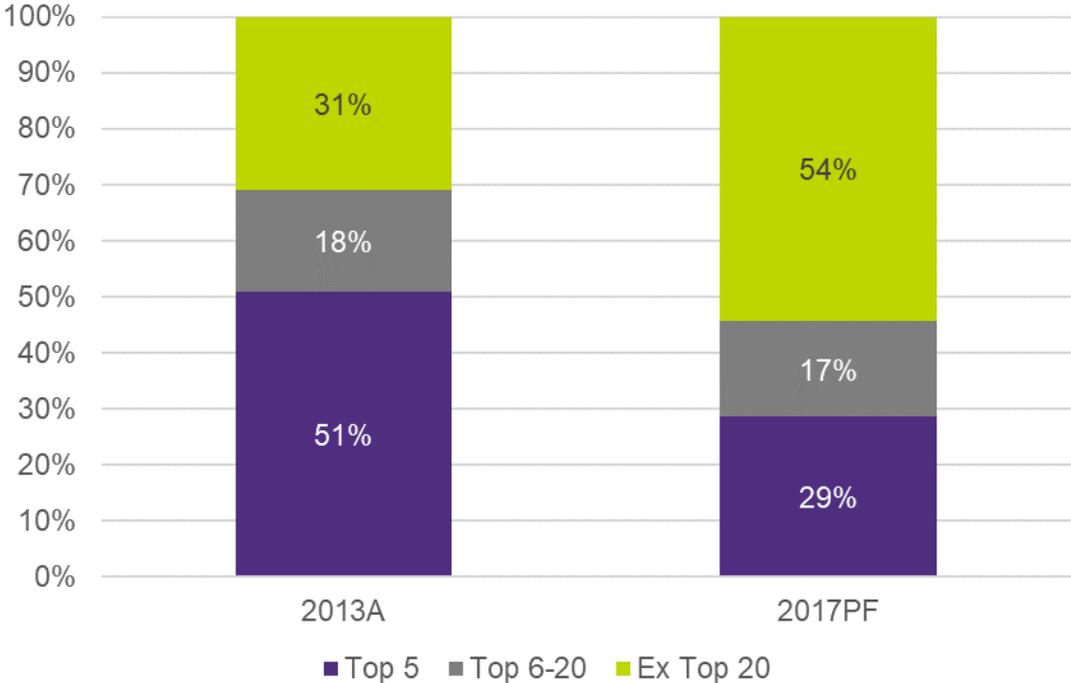
... delivering strong EBITDA growth.



1. CY 2015 acquisition – Advantage. Proforma is arrived at by including the pre-acquisition financial performance.
 2. CY 2016 acquisitions – Smartequity, Autopia and Selectus.
 3. CY 2017 acquisitions – AccessPay, Aspire, RACV Salary Solutions and Fleet West (completed 4 Jan 2018).

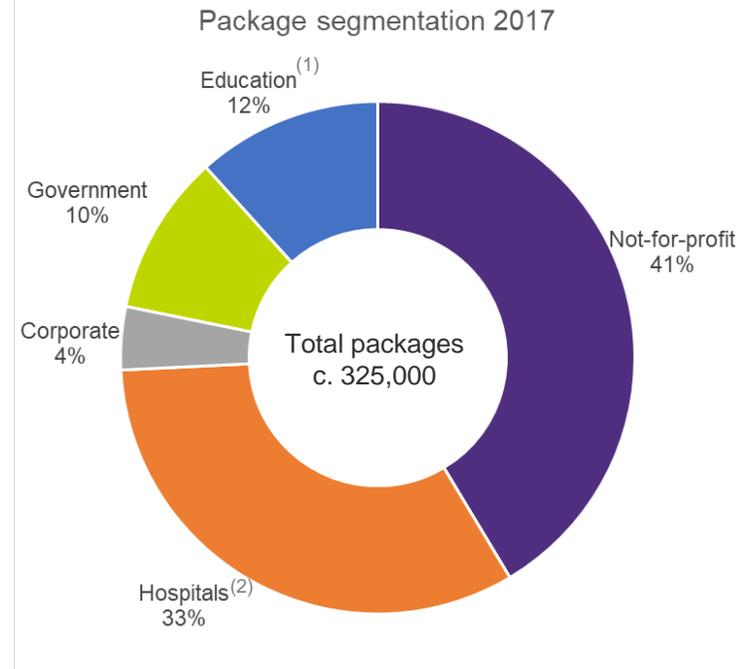
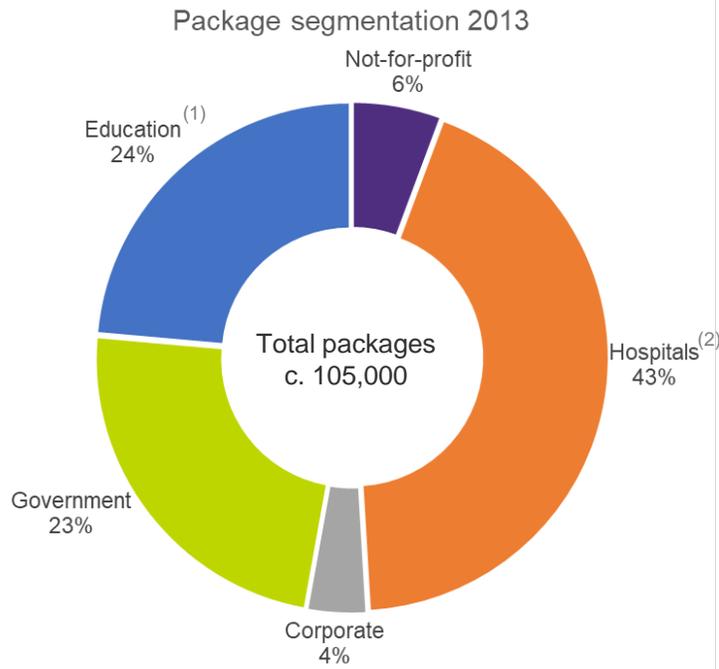
Smartgroup continues to grow and diversify its client base...

Given the growth in Smartgroup’s client base, the top 5 clients account for 29% of revenue vs 51% in 2013⁽¹⁾. Smartgroup’s employer clients now total c.3,900 vs c.200 in 2013.



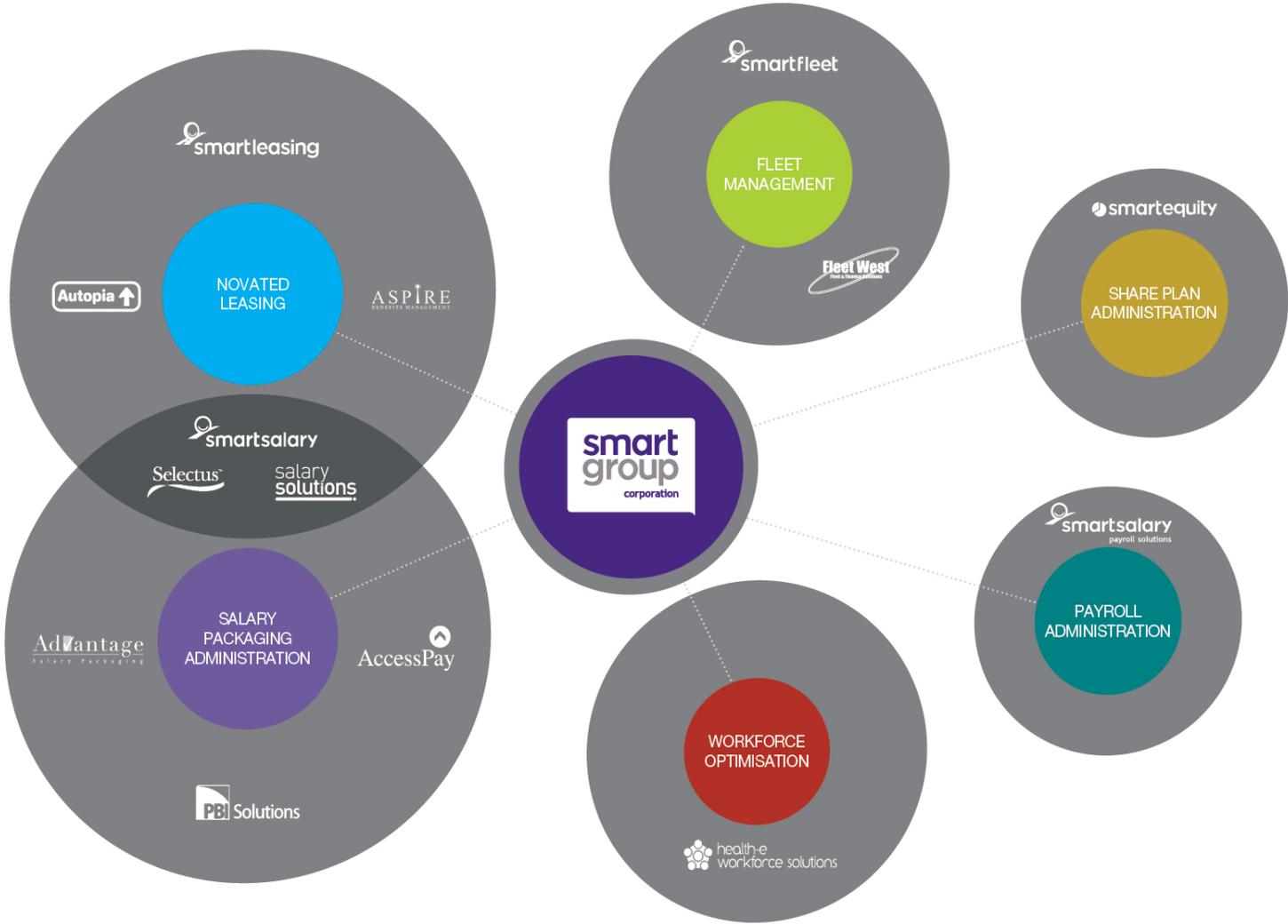
Notes: Total revenue CY13: \$62.4m, PF17: \$226.8m

... expand its client footprint ...



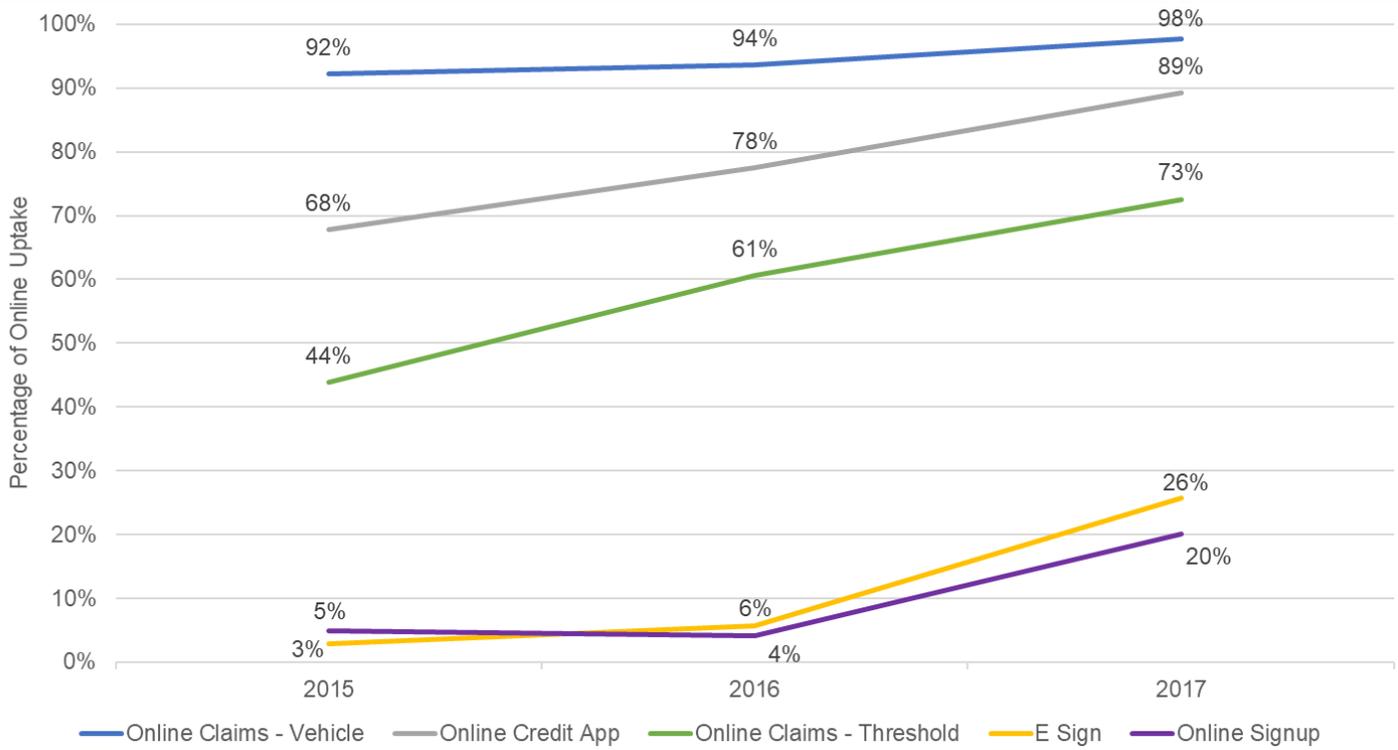
1. 'Education' includes public and private not-for-profit educational institutions.
 2. 'Hospitals' includes public and private not-for-profit hospitals.

...and extend its service offering.



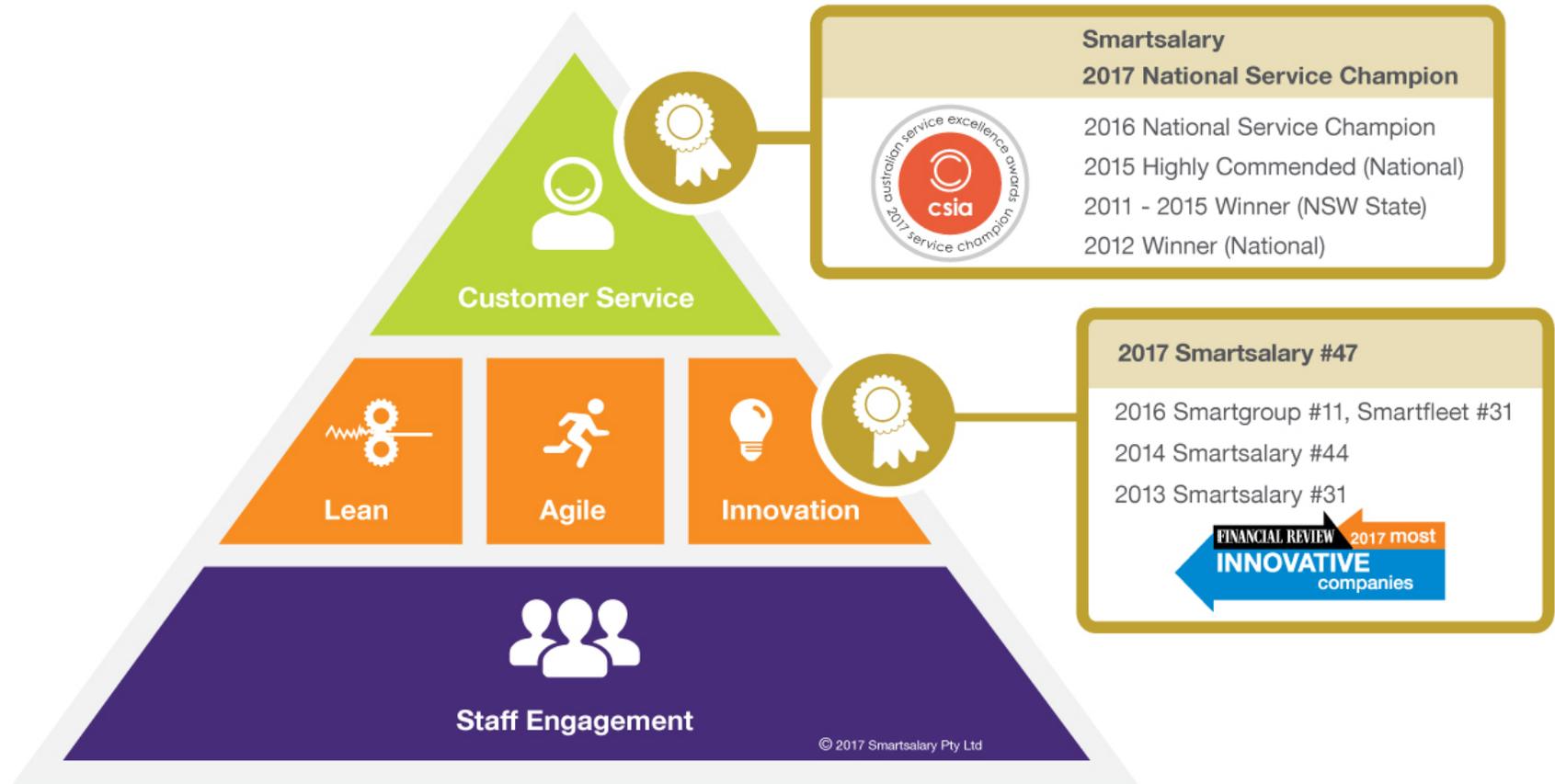
Digital channels at flagship Smartsalary brand continue to see increasing levels of customer adoption.

Online processing uptake of high-volume Smartsalary⁽¹⁾ transactions



1. At Dec 2017, Smartsalary represented c.50% of total SIQ packages and c.60% of total SIQ leases. Data excludes acquired brands not currently on the Smartsalary digital platform.

Smartgroup continues to be recognised as one of Australia's most innovative and customer-centric companies...



Smartgroup capabilities triangle

... and Smartsalary achieved the highest audit score awarded in the history of the Customer Service Institute of Australia, for the third consecutive year.





Financial results Full year CY 2017

Tim Looi
Chief Financial Officer

In CY 2017, Smartgroup delivered another year of record revenue and earnings.

\$m	CY 2017 statutory	Adjusted for M&A costs and non-operating items ⁽¹⁾	CY 2017 adjusted	CY 2016 adjusted	Change %
Revenue ⁽²⁾	205.4	-	205.4	147.1	40%
EBITDA ⁽³⁾	86.7	6.9	93.6	63.3	48%
NPAT	41.3	7.1	48.4	32.8	
NPATA ⁽⁴⁾	56.8	7.3	64.1	44.0	46%

1. A reconciliation of the statutory accounts to adjusted earnings is attached in the Appendix.

2. Revenue increased as some products have been recognised on a gross basis \$4.8m (\$3.6m CY 2016, \$3.1m CY 2015, \$2.6m CY 2014, \$2.2m CY 2013).

3. EBITDA is earnings before interest, tax, depreciation and amortisation adjusted for significant non-operating items. EBITDA excludes \$0.7m (\$1.0m CY 2016) for a joint venture contribution.

4. NPATA refers to net profit after tax, adjusted to exclude the non-cash tax-effected amortisation of intangibles amortisation and significant non-operating items.

After-tax operating cash flow⁽¹⁾ at 99% of NPATA, with continued low recurring capex.

\$m	CY 2017	CY 2016
Receipts from customers (inclusive of GST)	212.2	154.4
Payments to suppliers and employees (inclusive of GST) ⁽²⁾	(117.8)	(94.2)
Interest receipts from operations	1.8	1.6
Interest paid	(4.7)	(3.3)
Income taxes paid	(27.8)	(13.2)
Net cash from operating activities	63.7	45.3
As a % of NPATA ⁽³⁾	99%	103%
Capital expenditure – recurring ⁽⁴⁾	(0.4)	(0.3)

1. Operating cash flow excludes receipts and payments from customers' salary packaging accounts and significant non-operating items.

2. Excludes payments for M&A transaction costs (inclusive of GST) of \$1.3m in CY 2017 and \$2.9m in CY 2016.

3. NPATA of \$64.1m in CY 2017 and \$44.0m in CY 2016.

4. Excludes office fitout expenses of nil in CY 2017 and \$0.4m in CY 2016.

Smartgroup's intangibles increased due to acquisitions, which were primarily funded by cash reserves.

\$m	31 Dec 2017 statutory	31 Dec 2016 statutory
Cash	30.9	80.0
Restricted cash (1)	67.6	39.5
Trade and other current assets	26.7	22.9
Current assets	125.2	142.4
Property and equipment	3.2	3.2
Goodwill	260.6	217.5
Identifiable intangibles (2)	66.1	68.0
Other non-current assets	9.0	7.5
Non-current assets	338.9	296.2
Total assets	464.1	438.6
Trade and other payables	30.9	26.4
Customer salary packaging liabilities (1)	67.6	39.5
Provisions and other liabilities (3)	19.8	28.3
Non-current interest-bearing loans (4)	140.9	150.1
Total liabilities	259.2	244.3
Net assets	204.9	194.3
Issued capital	176.9	170.9
Retained earnings & reserves	28.0	23.4
Total capital	204.9	194.3

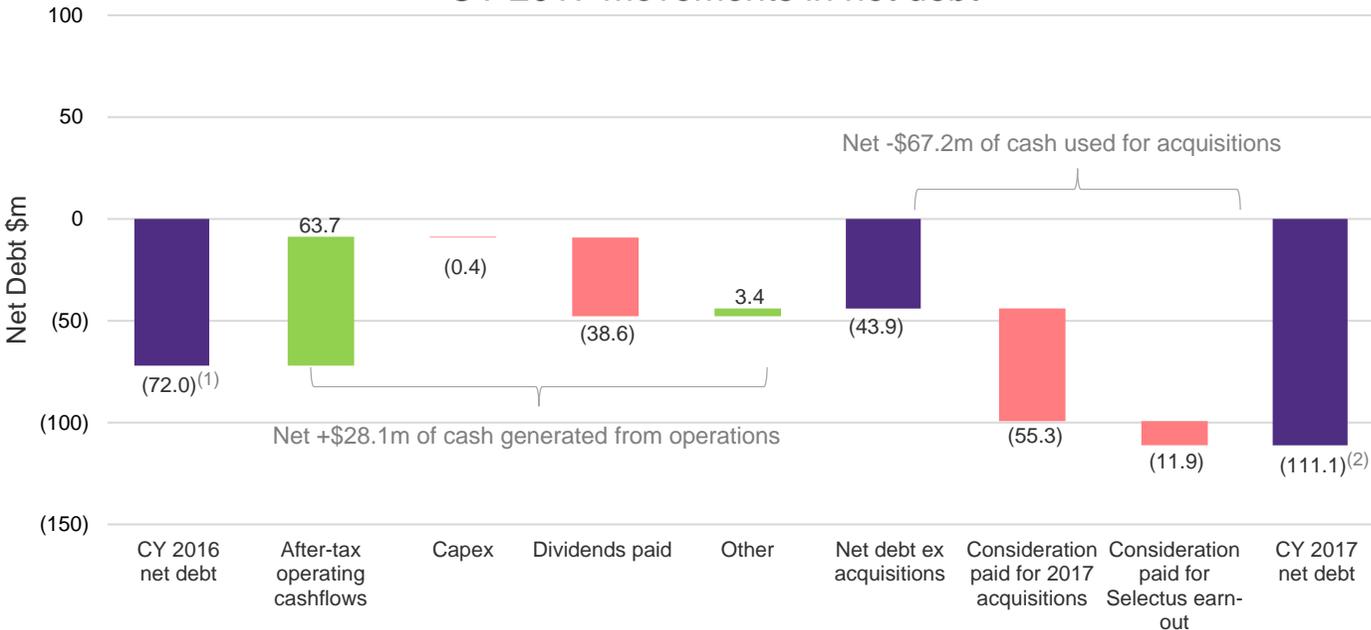
1. Restricted cash and customer salary packaging liabilities represent funds held in common salary packaging accounts on behalf of clients*.
2. A total of \$15.8m of identifiable intangibles is recognised from acquisitions in CY 2017. \$6.7m of the acquired intangibles is classified as software and \$9.1m as customer contracts.

Total amortisation for CY 2017 is \$17.7m.
3. Decrease in provisions during the year is primarily due to the release of contingent consideration for 2016 acquisitions (\$10.7m).
4. Syndicated debt facility is provided by two major Australian banks. The facility term expires in mid CY 2019.

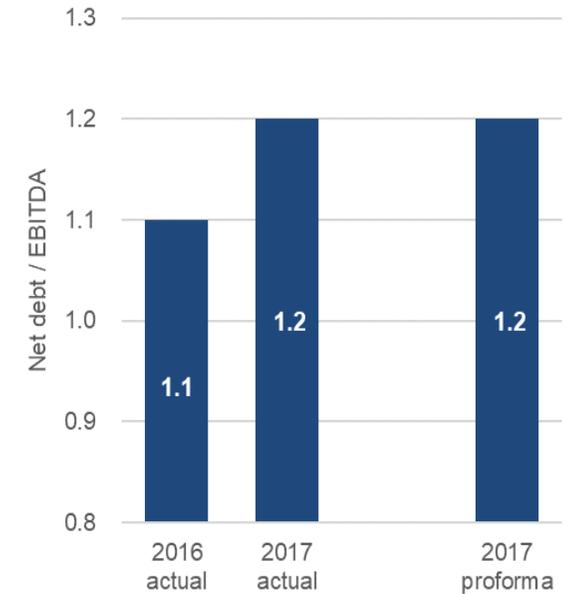
* Restricted cash and all customer salary packaging cash can be used only for those customers' salary packaging payments and not for working capital purposes.

Due to consideration paid in respect of acquisitive activities, Net debt / EBITDA has expanded slightly to c.1.2x.

CY 2017 movements in net debt

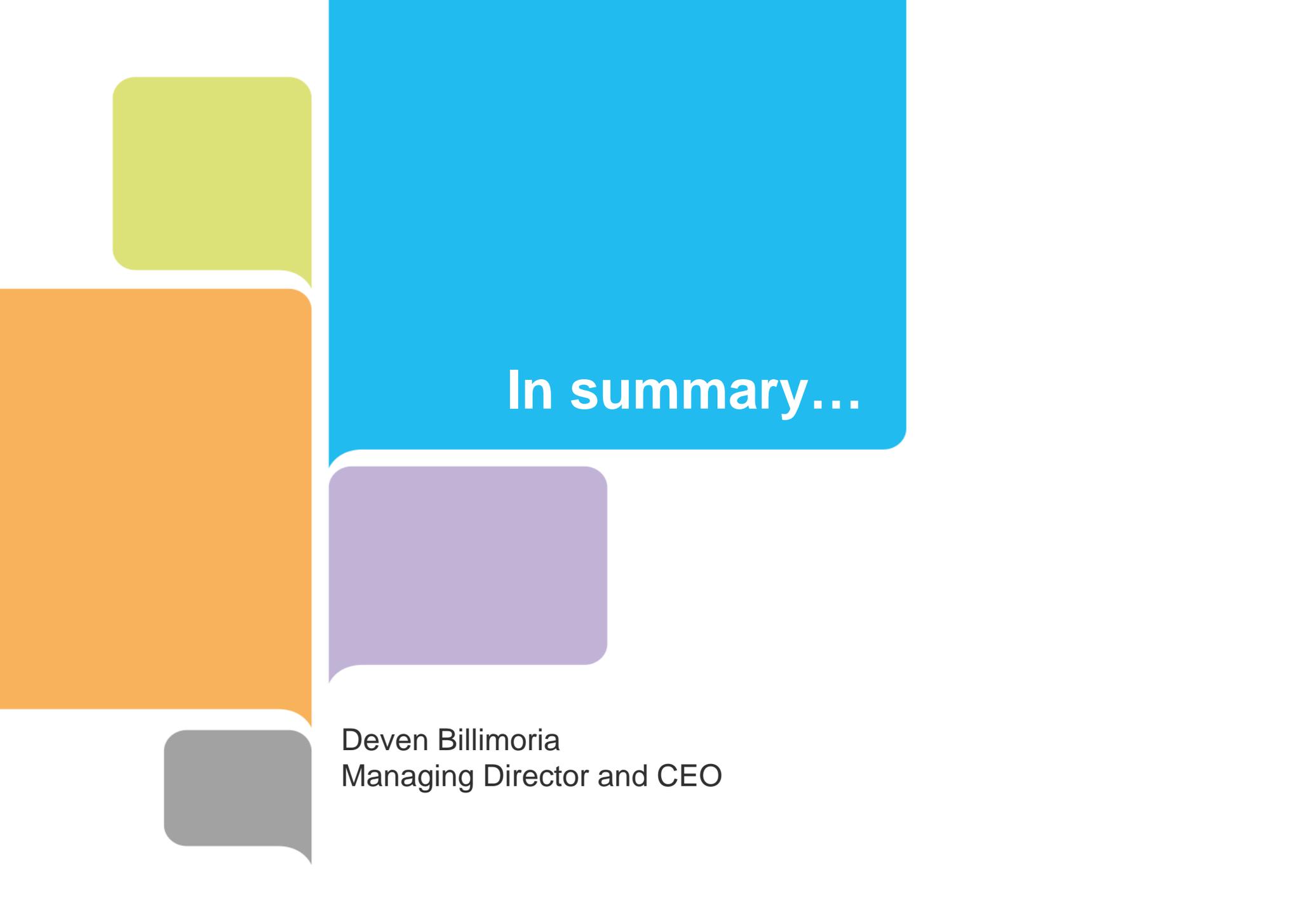


Net debt / EBITDA



Net debt (\$m)	72.0 ⁽¹⁾	111.1 ⁽²⁾	111.1 ⁽²⁾
Add debt for Fleet West (\$m)	-	-	8.0
Adjusted net debt (\$m)	72.0	111.1	119.1
EBITDA (\$m)	63.3	93.6	100.6

1. Excludes capitalised borrowing costs of \$1.9m.
 2. Excludes capitalised borrowing costs of \$1.1m.



In summary...

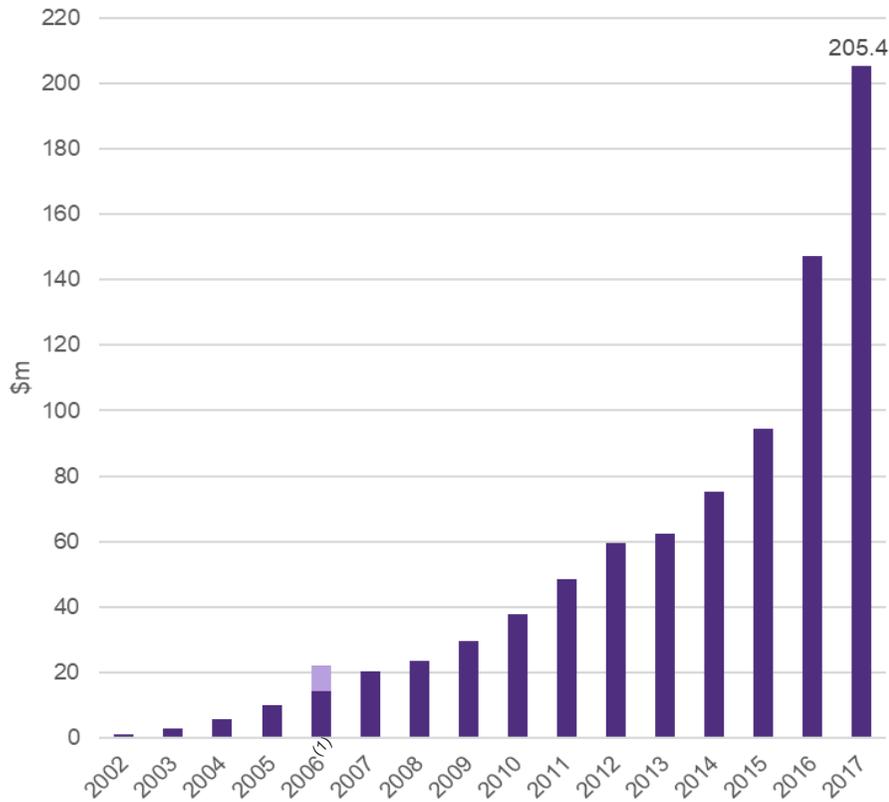
Deven Billimoria
Managing Director and CEO

CY 2017 marks another successful year...

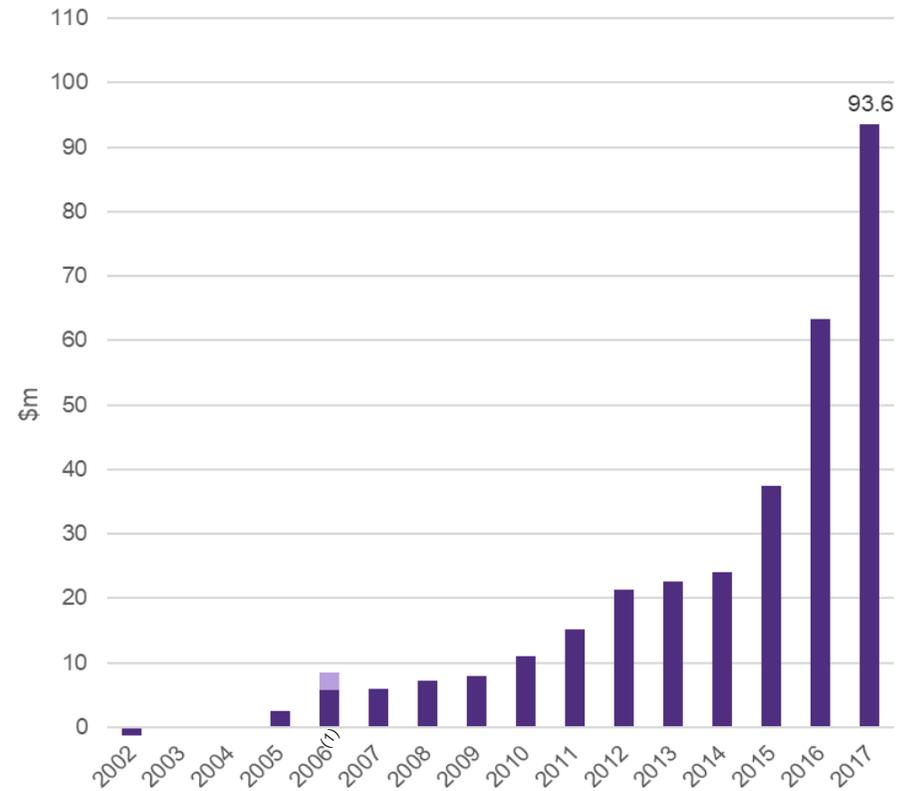
- Growth across all key financial and operational metrics
- Acquisitions performing well with integrations on track
- Net debt to EBITDA of c.1.2x
- Final dividend of 18.5 cps bringing full year dividends to 35.0 cps

...building on our track record since company inception.

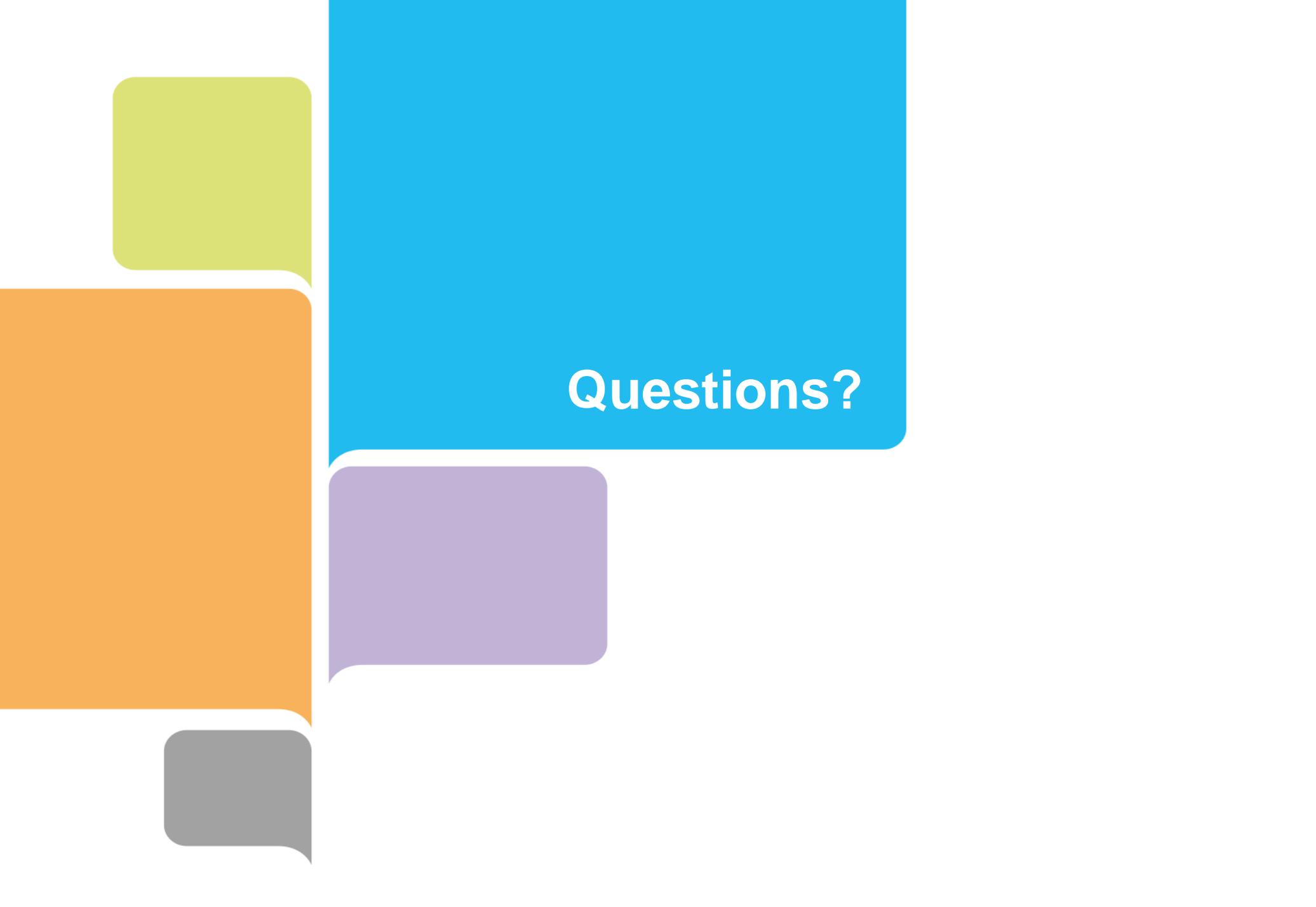
Revenue



EBITDA



1. 2006 represents 18 months of results due to the change of year end from 30 Jun to 31 Dec.



Questions?

Appendix – reconciliation of earnings to statutory financial statements.

	CY 2017 statutory financials	Reclassify: equity share of investments	Add back: M&A costs	Add back: net fair value loss ⁽¹⁾	Add Back: GST adjustment ⁽²⁾	Reclass corporate interest revenue	CY 2017 adjusted	Add: proforma adjustment ⁽³⁾	CY 2017 proforma
Revenue	205.4	-	-	-	0.8	(0.8)	205.4	21.4	226.8
Operating EBITDA	86.7	-	1.6	4.9	1.2	(0.8)	93.6	7.0	100.6
Joint venture contribution	0.3	0.4	-	-	-	-	0.7	-	0.7
Segment note EBITDA	87.0	0.4	1.6	4.9	1.2	(0.8)	94.3	7.0	101.3
Depreciation expense	(1.6)	-	-	-	-	-	(1.6)	(0.1)	(1.7)
Amortisation expense	(17.7)	(0.3)	-	-	-	-	(18.0)	(0.7)	(18.7)
Net finance costs	(5.6)	-	-	-	-	0.8	(4.8)	(1.0)	(5.8)
PBT	62.1	0.1	1.6	4.9	1.2	-	69.9	5.2	75.1
Income tax expense	(20.8)	(0.1)	(0.3)	-	(0.3)	-	(21.5)	(1.5)	(23.0)
NPAT	41.3	-	1.3	4.9	0.9	-	48.4	3.7	52.1
Add back: amortisation	12.4	0.2	-	-	-	-	12.6	0.5	13.1
Cash tax benefit	3.1	-	-	-	-	-	3.1	0.2	3.3
NPATA	56.8	0.2	1.3	4.9	0.9	-	64.1	4.4	68.5
Shares on issue (millions)							123.2	0.1	123.3
NPATA per share (\$)							0.52		0.56

1. Includes \$6.1m fair value loss from Selectus deferred consideration partially offset by \$1.2m fair value gain on write off of Smartequity deferred consideration.

2. Represents a non-recurring historical GST adjustment.

3. Represents the pre-acquisition contributions of AccessPay, Aspire, Salary Solutions and Fleet West.

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