



15 October 2019

ASX Market Announcements Office
ASX Limited
20 Bridge Street
Sydney NSW 2000

Investor presentation – Citi Australia and New Zealand Investment Conference

Attached is a copy of an investor presentation to be given by Deven Billimoria, Managing Director and CEO, to Citi's 11th Annual Australia and New Zealand Investment Conference on Wednesday 16 October 2019.

Yours faithfully

Jonathan Swain
Company Secretary

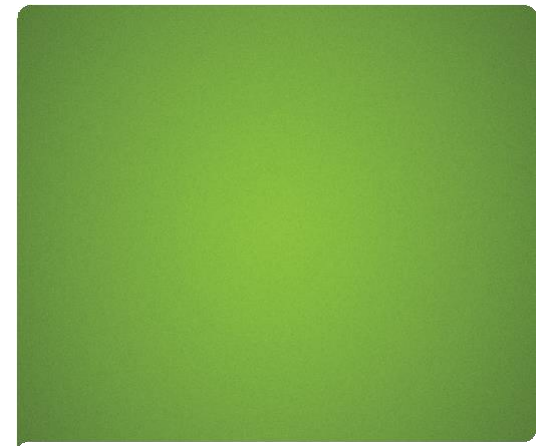
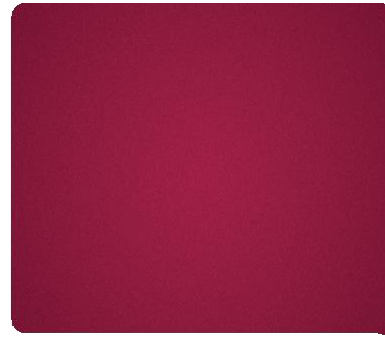
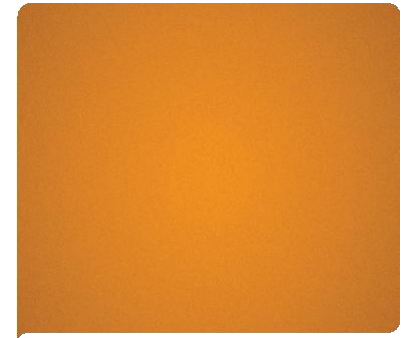
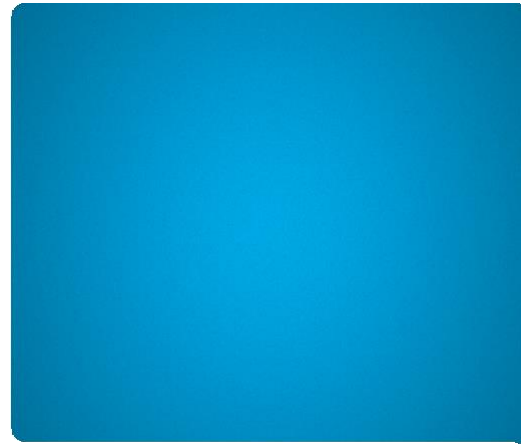
Investor Presentation

Citi's 11th Annual Australian and New Zealand Investment Conference



16th & 17th October 2019

Deven Billimoria – Managing Director and CEO



Smartgroup has delivered another half year of growth, despite slowdown in private new vehicle sales...

1. Positive financial performance

- Revenue of \$125.8m up 3% vs pcg
- NPATA¹ of \$40.5m up 5% vs pcg

2. Success in servicing clients

- Net growth of c.5,000 salary packages and c.1,000 novated leases
- Fleet vehicles under management stable at c.22,000
- 3rd largest client now secured until 2022; now top 3 clients secured

3. Further expansion of service offering

- 180 clients now use two or more service offerings, growth of c.20% over the last 12 months
- 7 new partnerships, 5 signed in H1 2019

4. Integration of acquired businesses

- Two further systems retired: Salary Solutions and Mylease²
- Integration of Pay-Plan on track
- Premises consolidated from 17 to 6 over the past 18 months

5. Strong cashflow generation with leverage less than 0.3x

- Adjusted after-tax operating cashflows at 103% of NPATA
- Fully franked interim dividend of 21.5cps³, up 5% vs pcg
- Special fully franked dividend of 20.0cps paid on 6 May 2019

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 Aspire and Fleet West systems previously retired in 2018.

³ Record date of 2 September 2019 and payment date of 16 September 2019.

...with steady performance across all financial and operational metrics...

\$m	H1 2019	H1 2018 ²	Change %
Revenue	125.8	122.6	3%
EBITDA ¹	58.8	56.6	4%
NPATA	40.5	38.4	5%
Shares on issue (millions)	131.9	131.0	1%
NPATA per share (cps)	30.7	29.3	5%

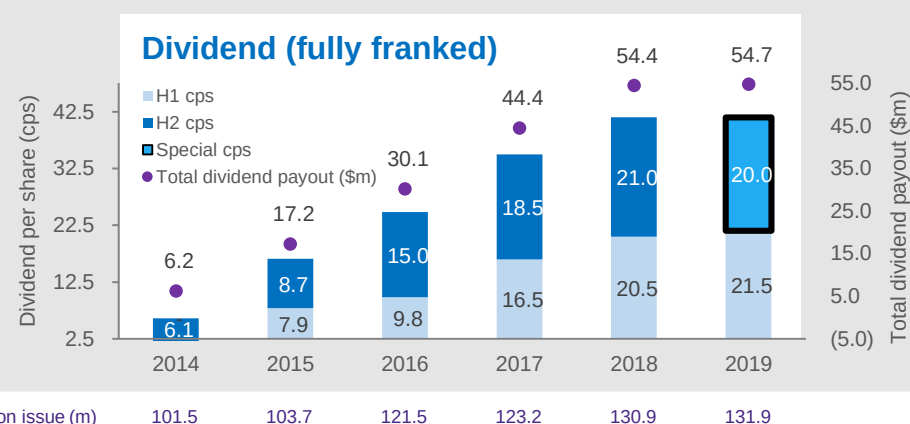
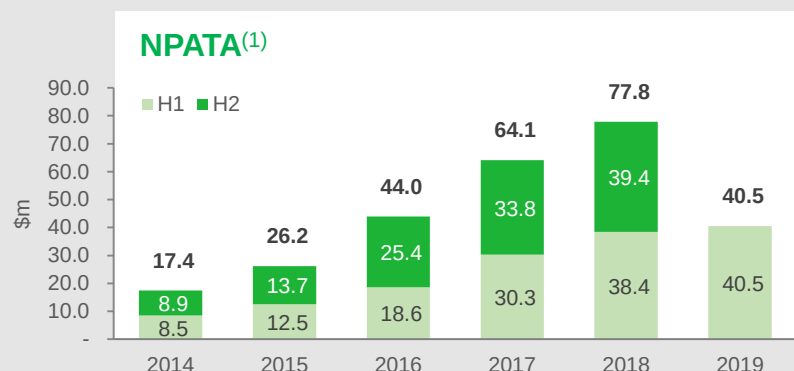
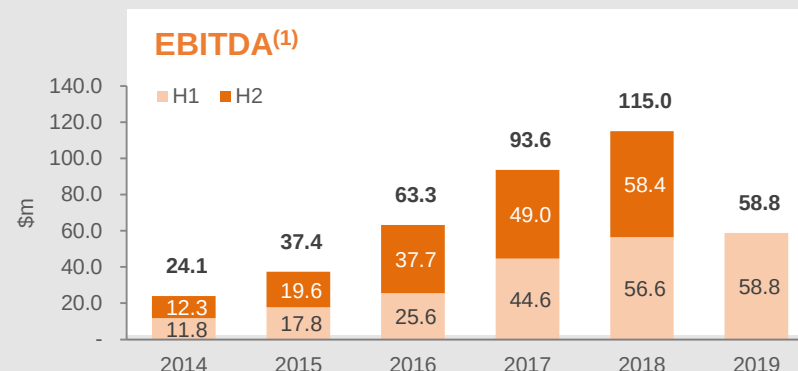
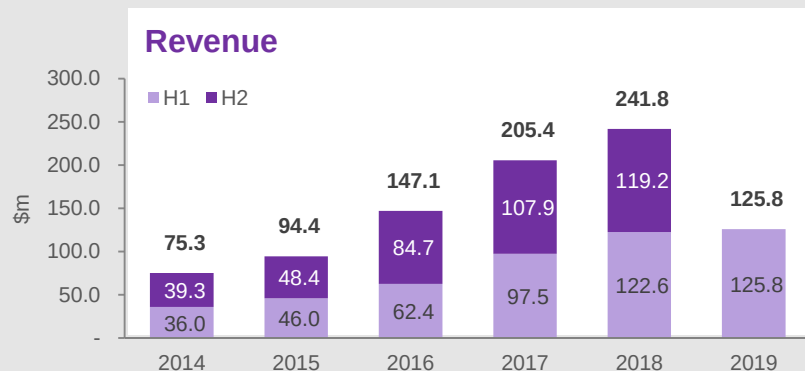
	As at 30 June 2019	As at 30 June 2018	Change %
Packages	348,000	334,000	4%
Novated leases under management	66,250	64,000	4%
FTEs ³	703	712	(1%)

¹ EBITDA is earnings before interest, tax, depreciation and amortisation of intangibles adjusted to exclude significant non-operating items.

² H1 2018 EBITDA and NPATA comparatives restated for application of AASB 16 Leases from 1 January 2018.

³ FTE figure at 30 June 2019 includes 21 FTEs related to the Mylease and Pay-Plan acquisitions, both completed in Q2 2019.

...and increasing revenue, earnings and dividends.



Shares on issue (m)

101.5

103.7

121.5

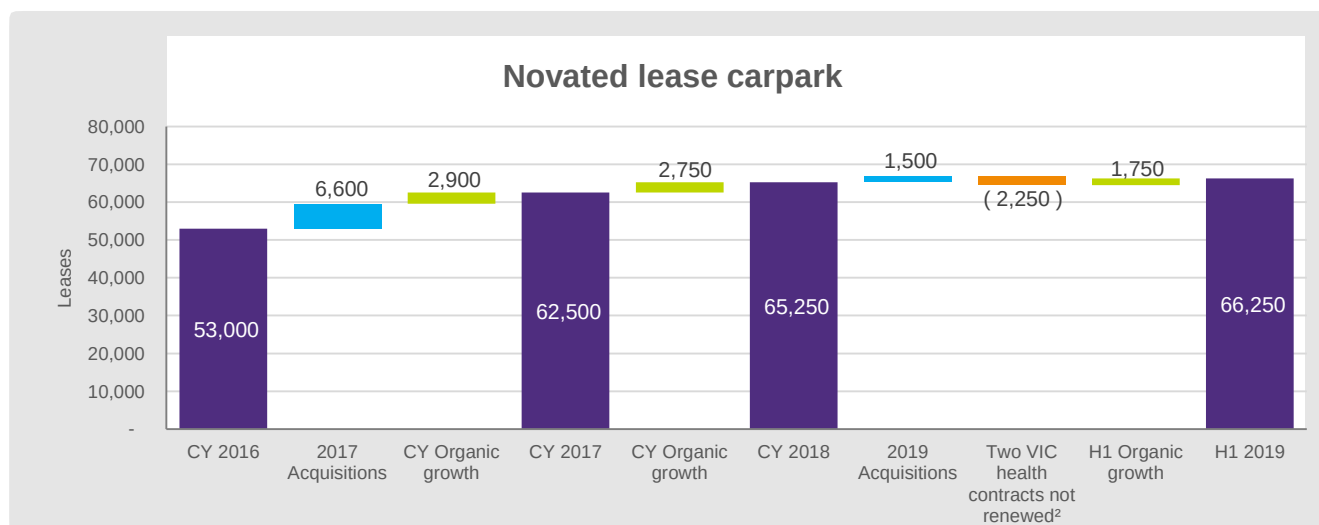
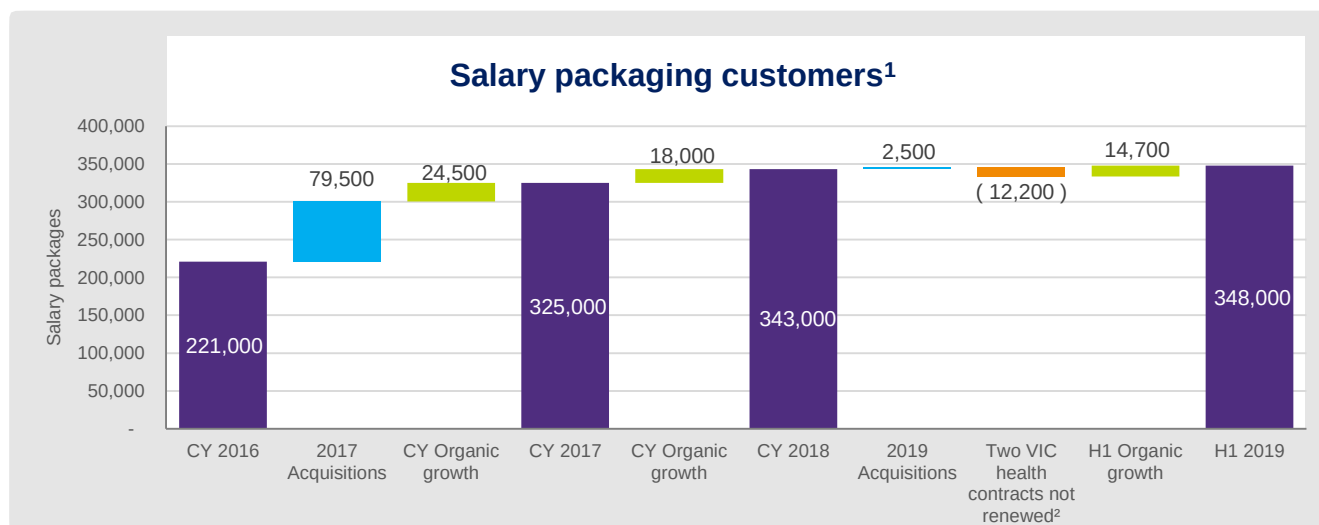
123.2

130.9

131.9

¹ Adjusted to reflect adoption of AASB 16 Leases from January 2018. Impact is to increase 2018 EBITDA by \$1.6m in each of H1 and H2; and reduce 2018 NPATA by \$0.1m in each of H1 and H2.

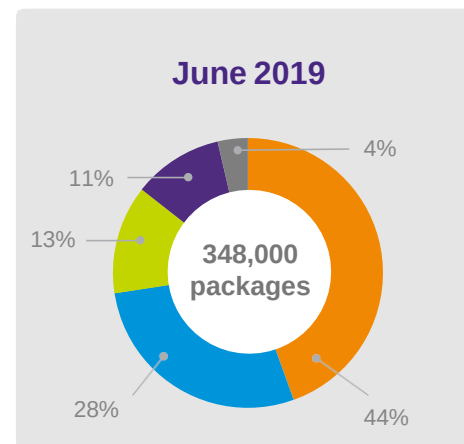
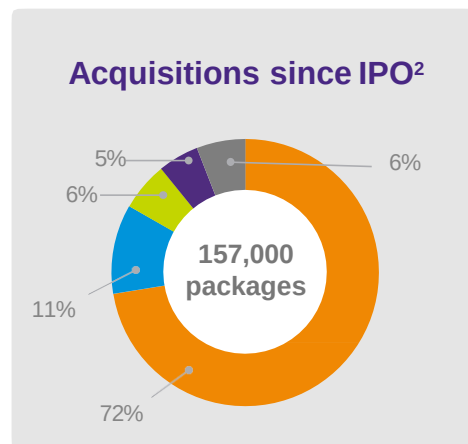
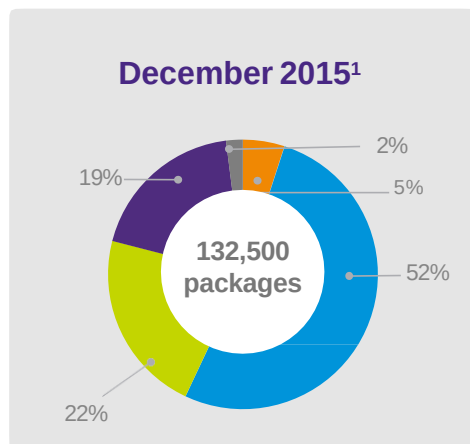
Smartgroup continues to see organic growth across salary packaging and novated leasing...



¹ CY 2017 organic growth includes major client win of c.8,500 packages. CY 2018 and H1 2019 organic growth includes no major client wins.

² The contract end dates for the two clients were 31 March 2019 and 30 June 2019; each client represented c.1% of EBITDA.

...from a diversified employer client base that represents stable, growing sectors within the Australian workforce.



Employer client's number of packages	% of Smartgroup employer client base
5,000+	0.2
4,000 – 4,999	0.1
3,000 – 3,999	0.1
2,000 – 2,999	0.1
1,000 – 1,999	0.4
500 – 999	0.8
250 – 499	1.6
<250	96.7
Total	100.0

¹ December 2015 adjusted to exclude 50,000 packages from the acquisition of Advantage completed in December 2015.

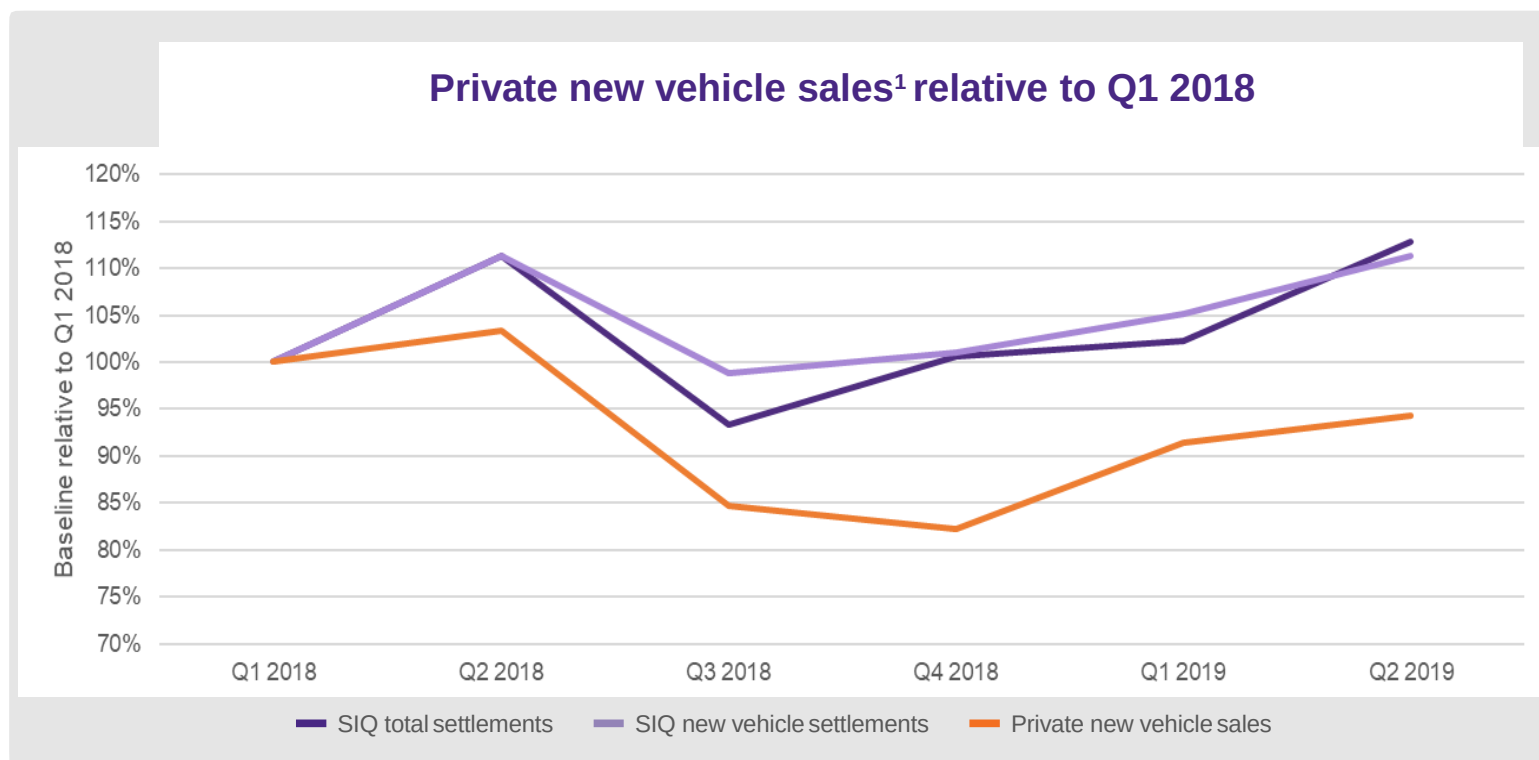
² Includes all eight salary packaging and novated leasing acquisitions completed since November 2015.

³ '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.

⁴ 'PBI Hospitals' includes public and private not-for-profit hospitals.

⁵ 'Education' includes public and private not-for-profit educational institutions.

Smartgroup's novated leasing volumes have continued to grow, despite the 9% pcg downturn in private new vehicle sales

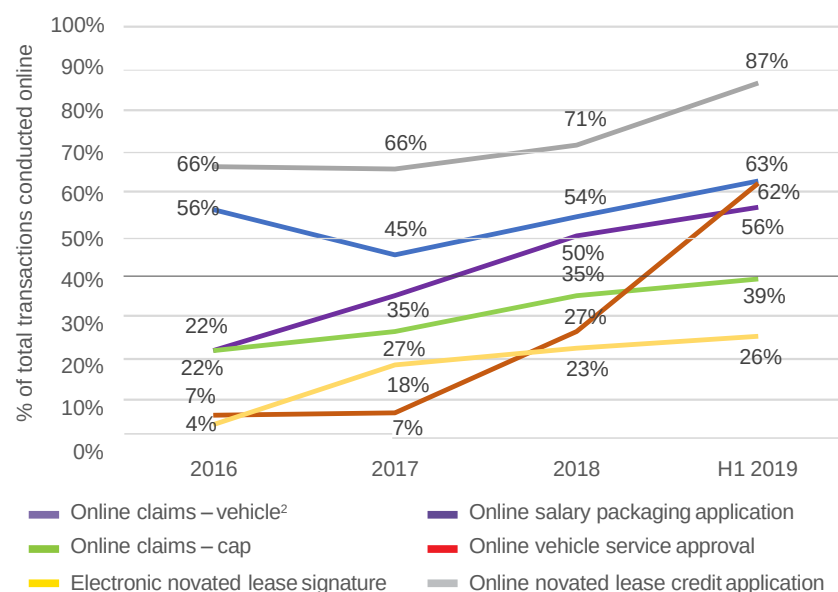


- Smartgroup has increased its new and total novated leasing volumes in H1 2019 by c.2% versus pcg; this is despite a decline in H1 2019 finance approval rates of c.2% versus pcg

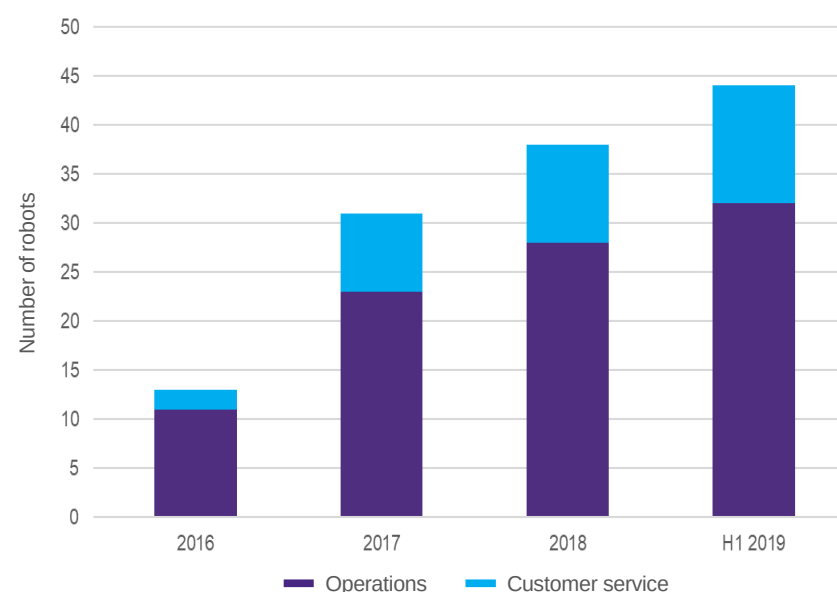
¹ Private new vehicle sales data source: VFACTS.

We continue to focus on increasing adoption of digital channels and automation

Progressive uptake of online channels from increased customer adoption and migration of packages and leases onto core platforms¹



Progressive implementation of Robotic Process Automation (RPA) to enhance customer service and operational efficiency



¹ Does not include transactions from discontinued Salary Solutions, Aspire and Mylease systems.

² 2017 reflects full year impact of less-automated Autopia and Selectus acquisitions.

Smartgroup continues to see success in delivering multiple services, through core and differentiated partner offerings...

180 clients use two or more service offerings, growth of c.20% over the last 12 months

Smartgroup service	Number of Smartgroup services used by individual clients															
	2 services				3 services				4 services							
Core services																
Salary packaging ¹ c.4,000 clients																
Fleet management																
PBI fleet solutions																
Payroll																
Share plan administration																
Workforce management ²																
Partner service offerings																
Mortgage health check																
Client numbers using services	51+	11-50	11-50	1-10	1-10	1-10	1-10	1-10	1-10	1-10	1-10	1-10	1-10	1-10	1-10	1-10
	Clients using two service offerings						Clients using three service offerings				Clients using four service offerings				Total	
Total 30 June 2019	162						15				3				180	
Total 31 December 2018	150						12				2				164	
Total 30 June 2018	138						11				–				149	

¹ Approximately 20 benefits can be salary packaged, one of which is a novated lease.

² Workforce management clients are individual hospitals, serviced by Health-e Workforce Solutions, 50% owned by Smartgroup.

...and we continue to expand and differentiate our service offering by forming new partnerships...

	Nature of offering/partnership	Status
	Novated lease lead referral from HR Information System	Launched
	Salary packaging cards	Launched
	Mortgage health check	Launched
	Online mortgage health check	New initiative, pre-launch
	Financial wellness and consumer loans	New initiative, pre-launch
	Work platform for filling shifts	New initiative, pre-launch
	Vehicle disposals	New initiative, pre-launch

...building on our journey since IPO.



Integration of acquired businesses and consolidation of salary packaging service delivery continues

	Acquisition completion date	Rebatable ¹	PBI ²	Government	Corporate
	N/A				
	May 2017				
	December 2015				
	July 2016				
	August 2016				
	October 2017				
	August 2017				
	April 2019				
	June 2019				



Continuing client service model



Clients now transitioned, or currently in the processes of transitioning, to most fit-for-purpose service model

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.

³ Retired as a brand.

⁴ Melbourne-based novated leasing business with c.1,000 novated leases, servicing c.500 employer clients. Retired as a brand.

⁵ Perth-based salary packaging company with c.1,500 packages and c.500 novated leases, servicing c.30 employer clients. Acquisition announced at AGM as 'Acquisition 2'. Brand to be retired in H2 2019.

Acquisitions update

H1 2019 acquisitions

Mylease – integration completed August 2019

PayPlan – integration completed September 2019

H2 2019 acquisition

Lease & Asset Finance

- Acquired the novated leasing business for \$0.9m in cash, including \$0.1m retained in escrow
- Administers c.500 novated leases across c.150 employer clients with FY 2019 revenue of c.\$0.5m and EBITDA of c.\$0.2m
- To be integrated into existing Smartgroup brands

In summary

1. Smartgroup has delivered another half year of positive financial and operational results, despite the slowdown in private new vehicle sales

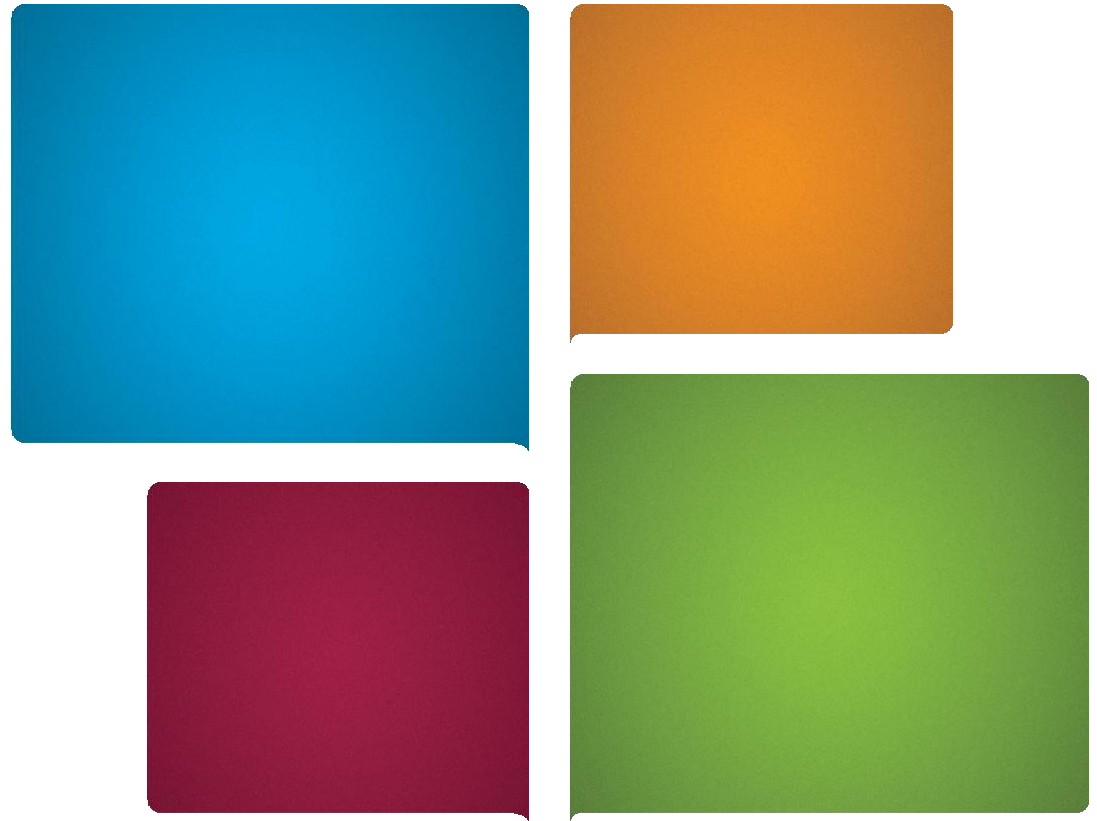
2. Success in servicing existing clients and expanding service offering

3. Continued progress with the integration of acquired businesses

4. Strong cashflow generation with leverage at 0.3x

5. Fully franked H1 2019 dividend of 21.5 cps, up 5% from pcg

Questions?



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