

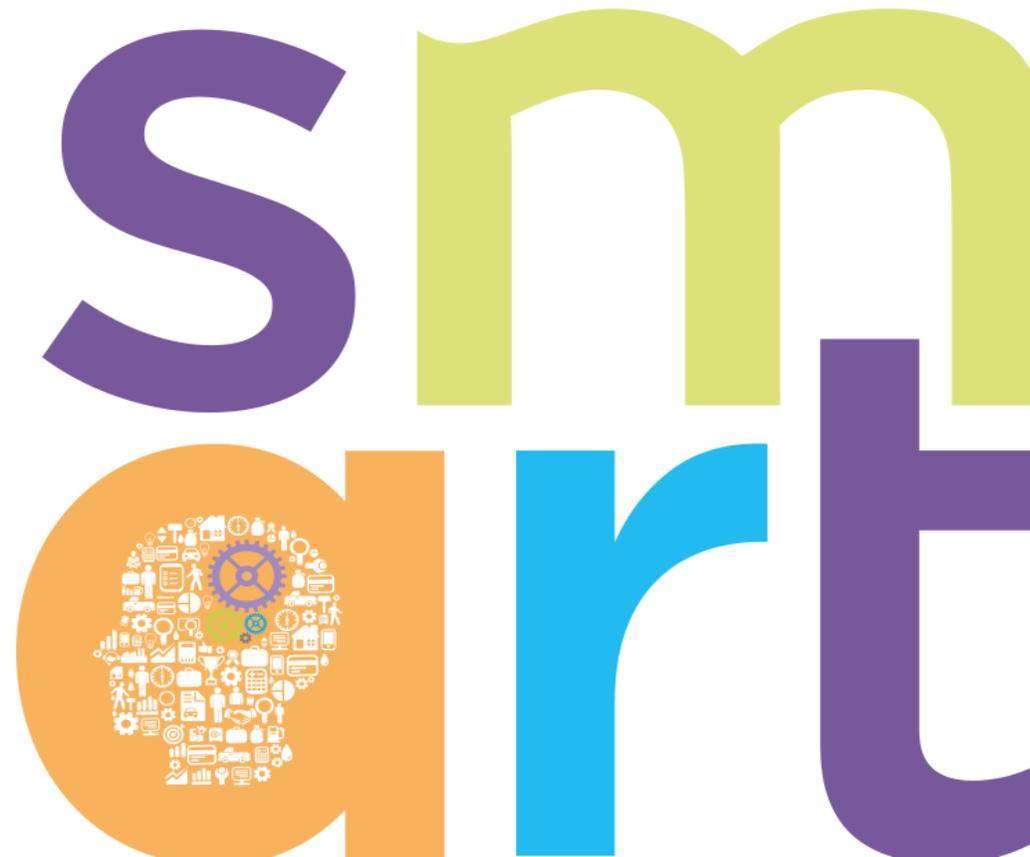


# Investor Presentation Full Year CY 2016 Results

Deven Billimoria – Managing Director and CEO

Tim Looi – Chief Financial Officer

23 February 2017



# Smartgroup has had another successful year . . .

1

## Continued strong financial performance

- Revenue of \$144.4m up 57% vs CY 2015
- NPATA<sup>(1)</sup> of \$44.0m up 68% vs CY 2015

2

## Continued client growth

- Significant client renewals and wins across all SIQ businesses
- Organic growth of c.13,500 packages and c.3,000 leases

3

## Continued long term improvement in Smartsalary's operational efficiencies

- 40% more efficient than in 2011
- 82% of high-volume benefit<sup>(2)</sup> claims processed on-line

4

## Completed two major acquisitions in CY 2016

- Expanded footprint into Corporate and Rebatale market segments
- Synergies tracking ahead of schedule with \$1.5m (pre-tax) realised to end 2016

5

## Fully franked final dividend of 15.0cps (covering H2 CY 2016 period)

- Up 72% from pcp
- Total full year dividends for CY 2016 are 24.8cps, fully franked

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

2. High-volume benefits includes vehicle and PBI threshold, which account for c.90% of all claims.

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

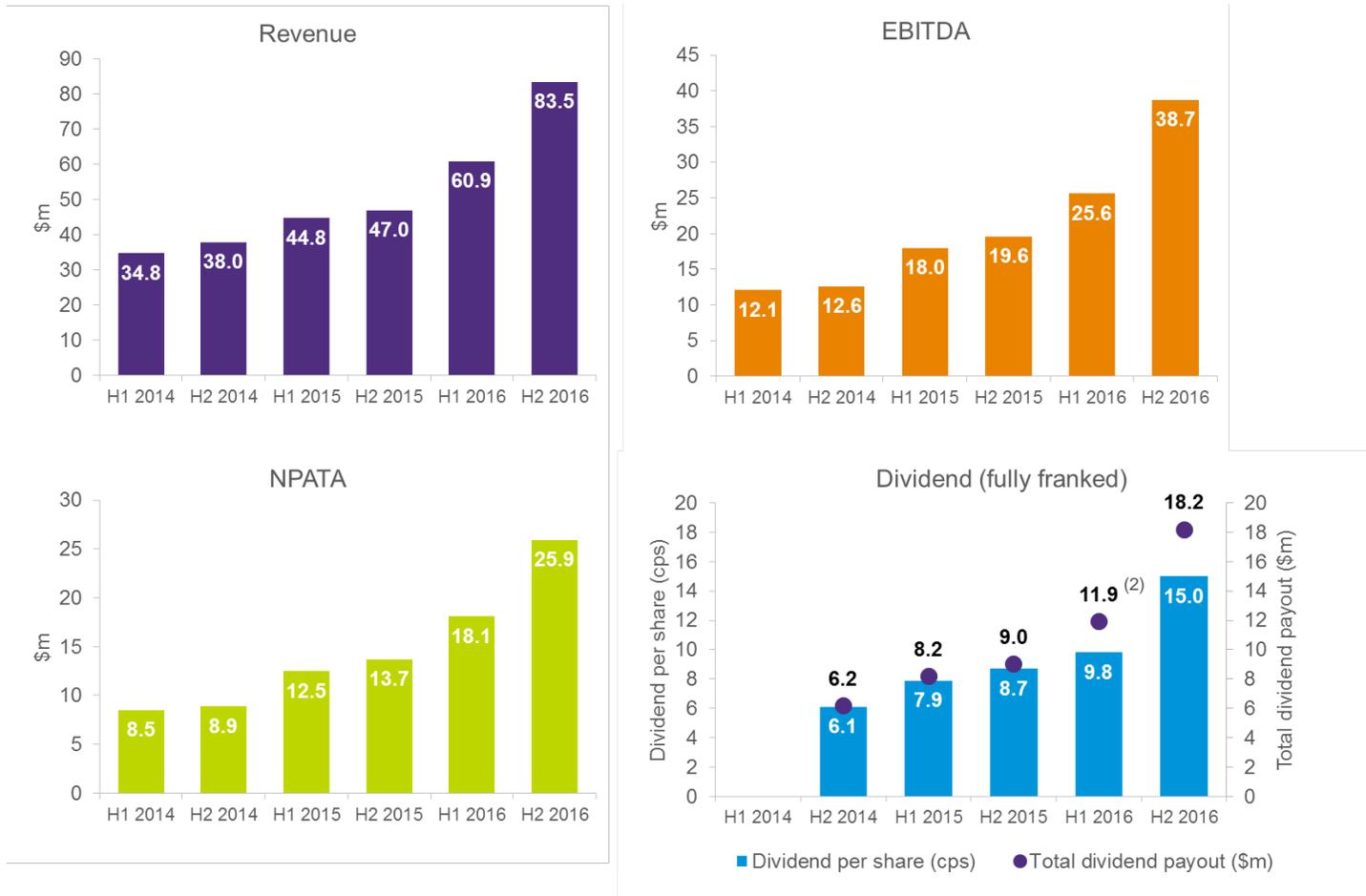
\$m	CY 2015	CY 2016	Change %	CY 2016 pro-forma <sup>(2)</sup>
Revenue	91.8	<b>144.4</b>	57%	<b>168.7</b>
EBITDA <sup>(1)</sup>	37.6	<b>64.3</b>	71%	<b>75.3</b>
NPATA	26.2	<b>44.0</b>	68%	<b>50.7</b>

Shares on issue (millions)	103.7	<b>121.5</b>	17%	121.5
NPATA per share (cps)	25.3	<b>36.2</b>	43%	41.7

	As at December 2015	As at December 2016	Change %
Packages	182,500	<b>221,000</b>	21%
Novated leases under management	34,000	<b>53,000</b>	56%
Staff	398	<b>556</b>	40%

1. EBITDA is earnings before interest, tax, depreciation and amortisation adjusted for significant non-operating items. A reconciliation of the reported financials to the statutory accounts is provided in the Appendix.
2. CY 2016 pro-forma is arrived at by adjusting the statutory financial results to include the pre-acquisition contributions of Autopia and Selectus (as per SIQ disclosure in the H1 CY 2016 results on 25 August 2016 plus the trading results of Selectus for July 2016).

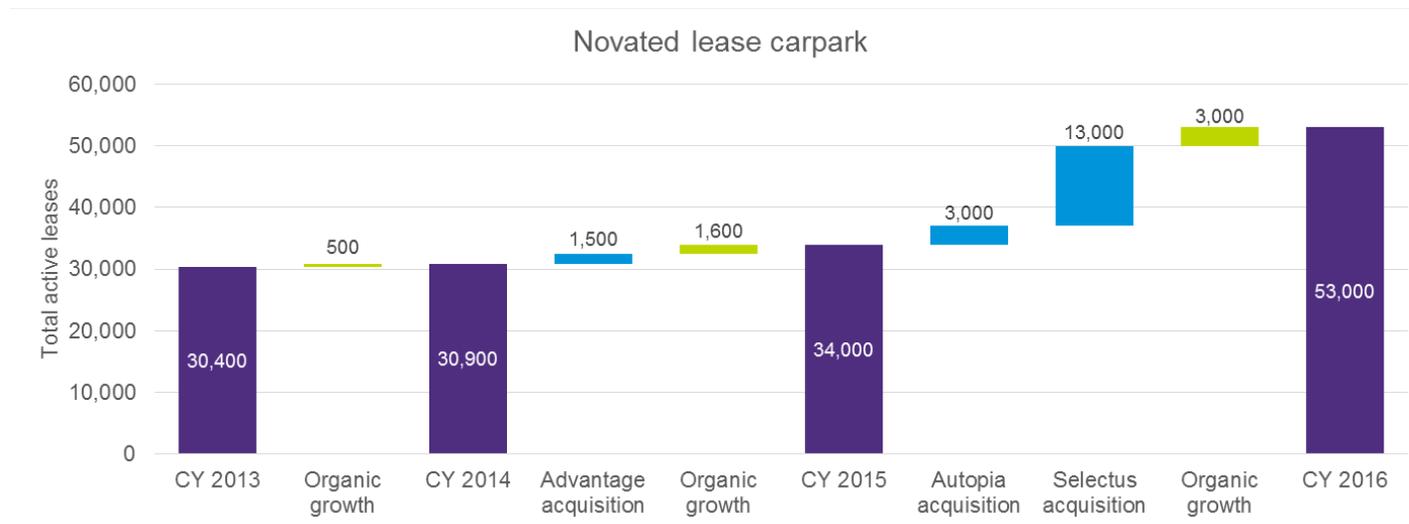
# ... and continuing our track record since IPO.



Shares on issue (1) (million shares)	H1 2014	H2 2014	H1 2015	H2 2015	H1 2016	H2 2016
	n/a	101.5	103.7	103.7	107.3	121.5

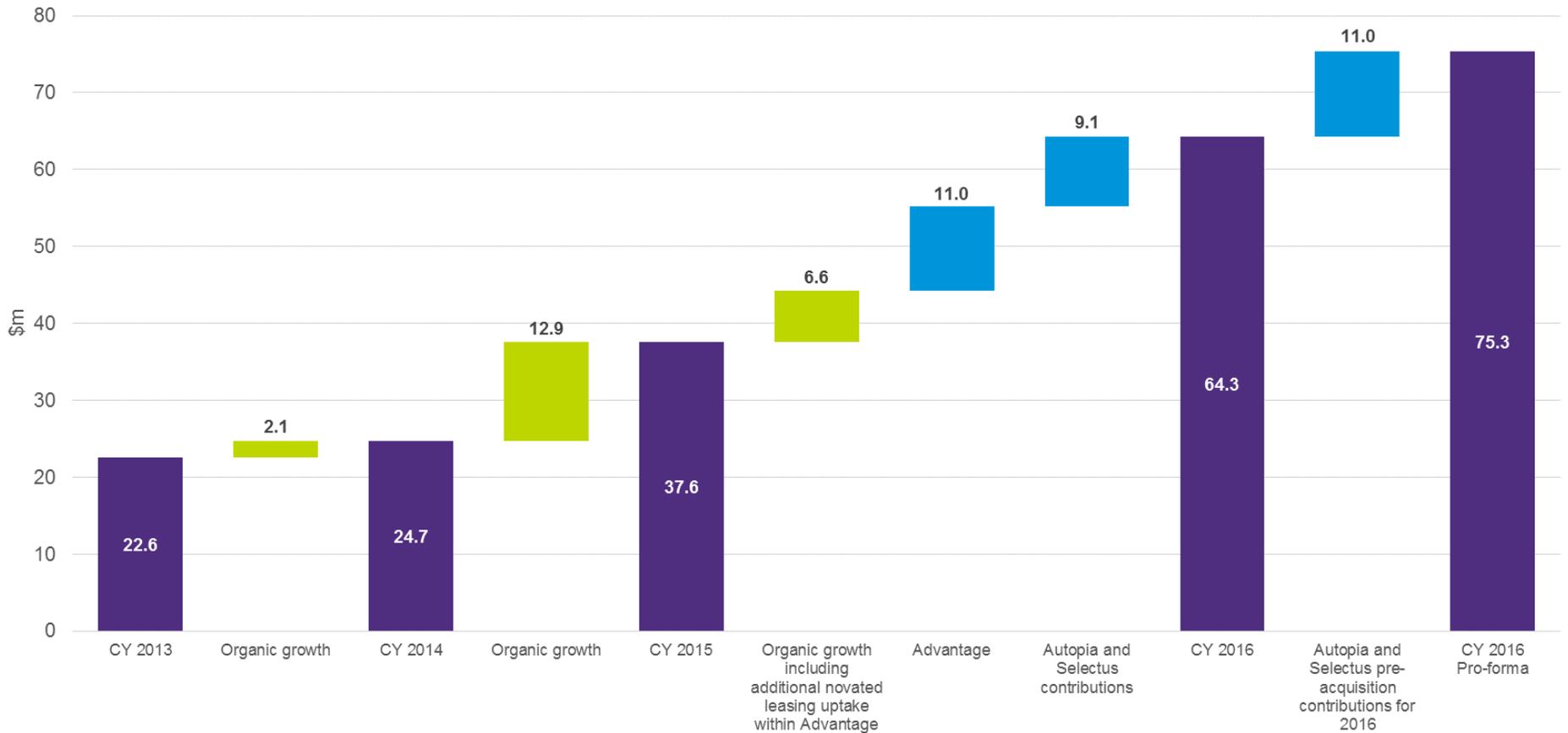
1. Represents shares on issue (SOI) at the end of the period.  
 2. H1 CY 2016 dividend payment of \$11.9m was based on a SOI base of 121.4m which includes the equity raising after period end for the acquisition of Selectus. SOI at all other dividend payment dates was the same as the SOI at the end of the reporting period to which each dividend relates.

# Smartgroup has grown salary packages and novated leases both organically and through acquisition . . .



# ... resulting in strong EBITDA growth in 2016 ...

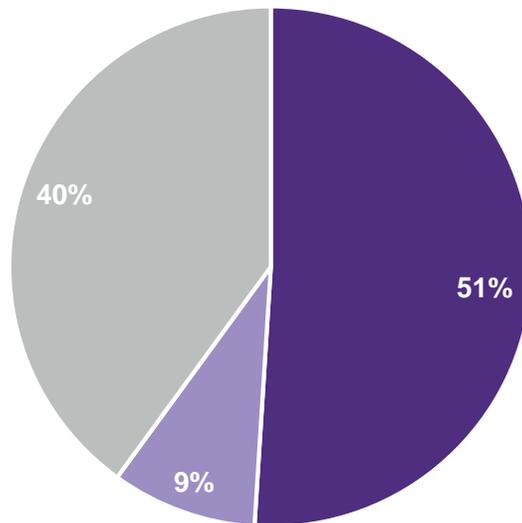
Smartgroup EBITDA growth



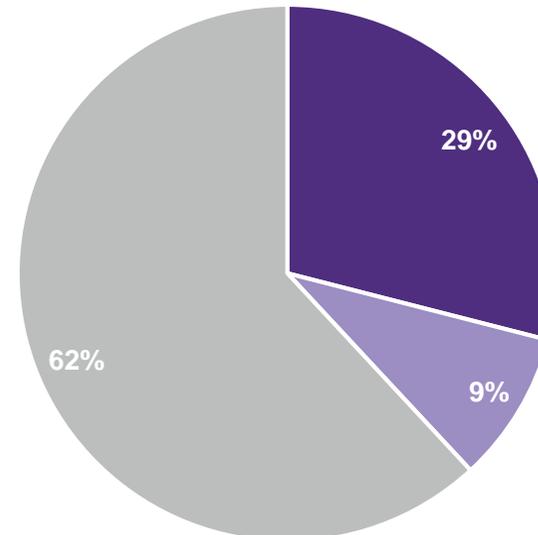
# ... with a more diversified client base ...

Given growth in Smartgroup’s client base, the top 5 clients account for 29% of revenue vs 51% in 2013<sup>(1)</sup>. Smartgroup’s employer clients now total c.1,400 vs c.200 in 2013.

Client concentration by revenue at December 2013



Client concentration by revenue at December 2016



- Percentage of Smartgroup revenue from top 5 clients
- Percentage of Smartgroup revenue from clients 6-10
- Percentage of Smartgroup revenue from other clients

1. December 2013 pro-forma Smartgroup revenue of \$61.5m, as disclosed in SIQ prospectus. December 2016 pro-forma Smartgroup revenue of \$168.7m.

... and increased market coverage across key customer segments.

		Health/PBI	Government	Corporate	Rebatable
Salary packaging and novated leasing	smartsalary smartleasing	As at July 2014 IPO	As at July 2014 IPO	As at July 2014 IPO	
	Advantage <small>SALARY PACKAGING</small>	Incremental at December 2016			
	Autopia ↑ <small>Intelligent Car Ownership</small>			Incremental at December 2016	
	Selectus™	Incremental at December 2016			
Fleet management	smartfleet <small>fleet management, made easy</small>	As at July 2014 IPO	As at July 2014 IPO	As at July 2014 IPO	
Workforce management	health-e <small>workforce solutions</small>	Incremental at December 2016			
Share plan administration	smartequity <small>share plans, made easy</small>			Incremental at December 2016	

As at July 2014 IPO
  Incremental at December 2016

# Smartgroup achieved significant client renewals and wins in 2016.

## 2016 Client renewals and wins

### Salary packaging and novated leasing



- Retained Queensland Government and added Queensland Health (1 of 2 packaging providers)
- Appointed salary packaging provider to a further NSW Local Health District
- Replaced larger of 2 novated leasing providers on Westpac panel via competitive tender
- Appointed to Queensland Government panel (1 of 8 novated leasing providers)



- New client wins representing a total of c.1,000 new packages



- Since July 2016 completion, on-boarded c.75 new corporate clients



- Since August 2016 completion, new clients include large Federal Government and Catholic Schools

### Fleet management



- Appointed to NSW Government fleet panel (1 of 2 fleet management administrators); on-boarded c.1,000 vehicles

### Workforce management



- Client base increased with 6 new clients and 2 client renewals

### Share plan administration

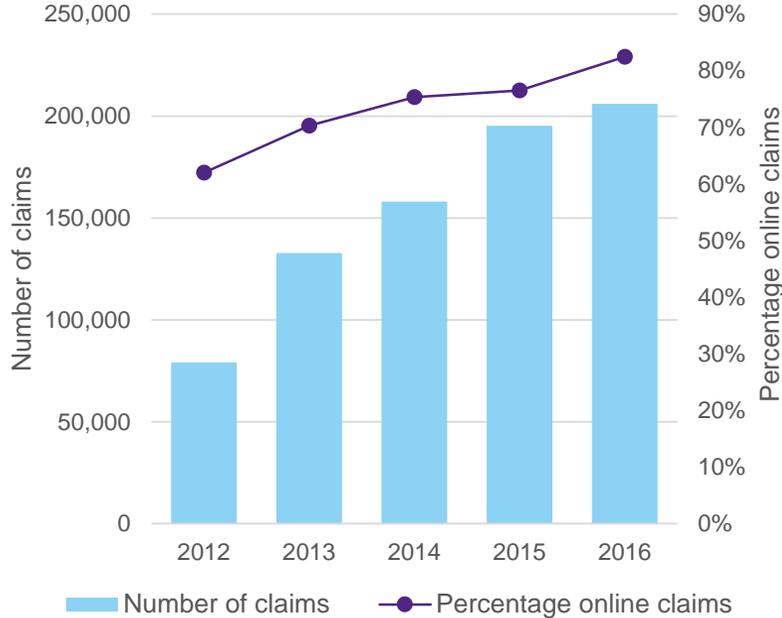


- Client base increased by a further 11 corporates

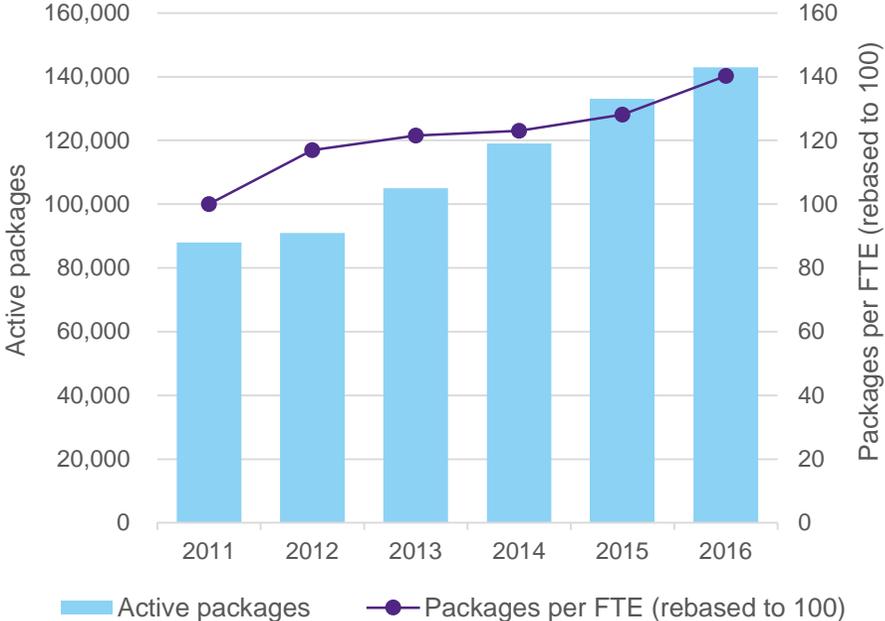
# Smartgroup has continued to focus on driving efficiencies . . .

Smartsalary's increased uptake of online claims has contributed to an improvement in operational efficiency of 40% since 2011

Total claims and percentage submitted online<sup>(1)</sup>



Package growth and operational efficiency<sup>(2,3)</sup>



Operational improvement initiatives for recent acquisitions have not been evaluated.

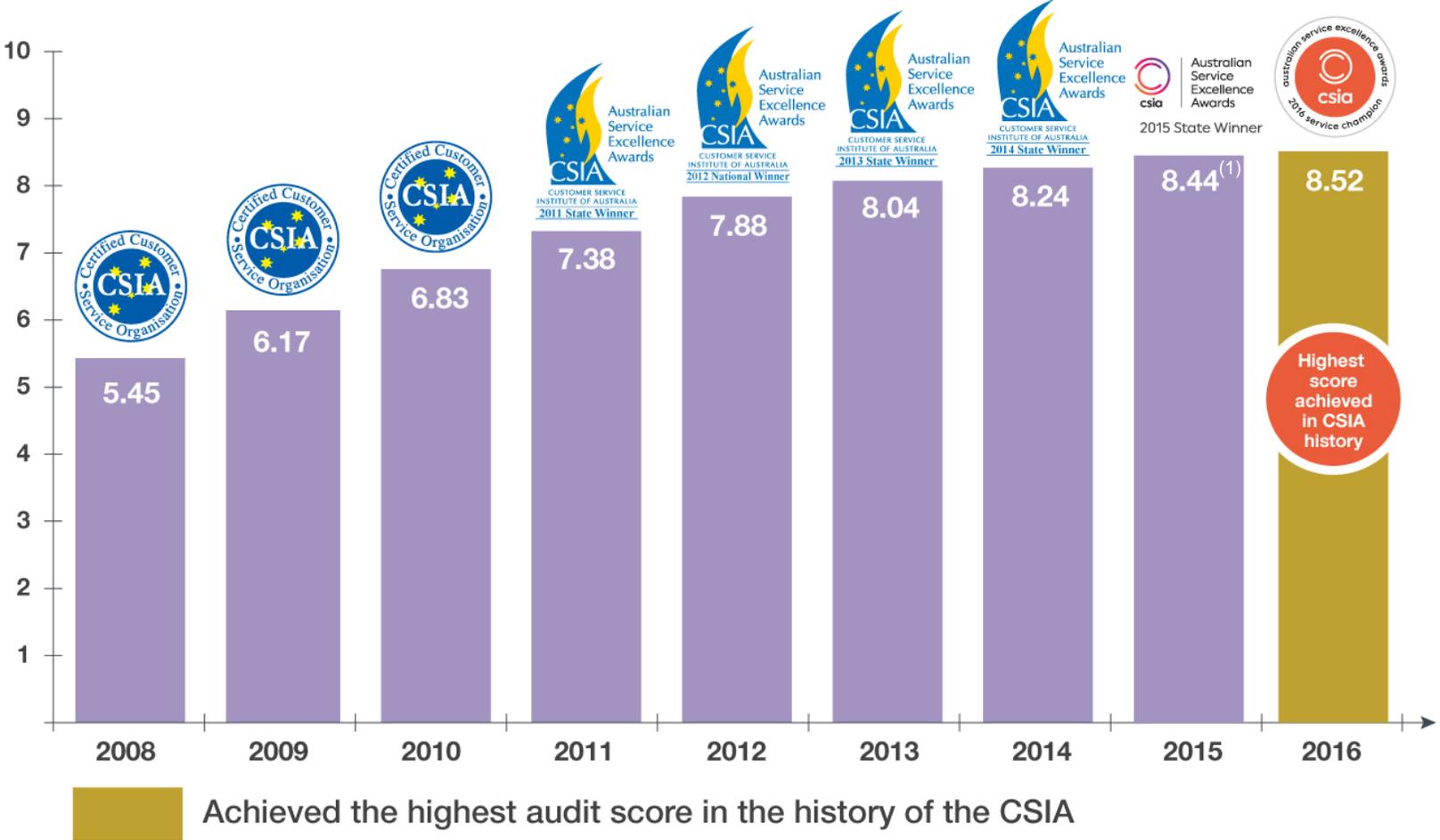
1. High-volume benefits include vehicle and PBI threshold, which account for c.90% of all claims.
2. Figures based on average number of Service and Operations FTE, adjusted to include vacancies. Average FTE was 144 for CY 2016.
3. Total active packages at 31st December.

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



Smartgroup capabilities triangle

# For the second consecutive year, Smartsalary achieved the highest customer service score awarded in CSIA history.



1. The 2015 Smartsalary CSIA customer service score of 8.44 was the highest score ever awarded by CSIA, until surpassed by Smartsalary in 2016.

# Recently appointed SIQ Group Executives add experience and capability to the Executive Management Team.



## Prior experience



**Dr Tony O'Connell**

Group Executive, Health

Joined October 2016

- Tony was the National Health Adviser for KPMG Australia. Tony was also the Director-General of Queensland Health, National Director of Hospitals for the Republic of Ireland and has been a front-line clinician, including time as Head of the Intensive Care Unit at the Children's Hospital, Westmead.



**Sophie MacIntosh**

Group General Counsel

Joined November 2016

- Sophie was a Senior Associate at Ashurst. Sophie was also a corporate solicitor at DLA Piper, the Acting Australian General Counsel at Coca-Cola Amatil, Acting General Counsel at Westfield Retail Trust and a Senior Legal Counsel at PricewaterhouseCoopers.



**Therese McGrath**

Group Chief Operating Officer

Joined December 2016

- Therese was the General Manager Strategy, Projects and Governance at ANZ Banking Group, Global Wealth Division. Therese has also held international leadership positions in finance, strategy and operations positions at SAP, Thomson Reuters, Microsoft and Diageo plc.



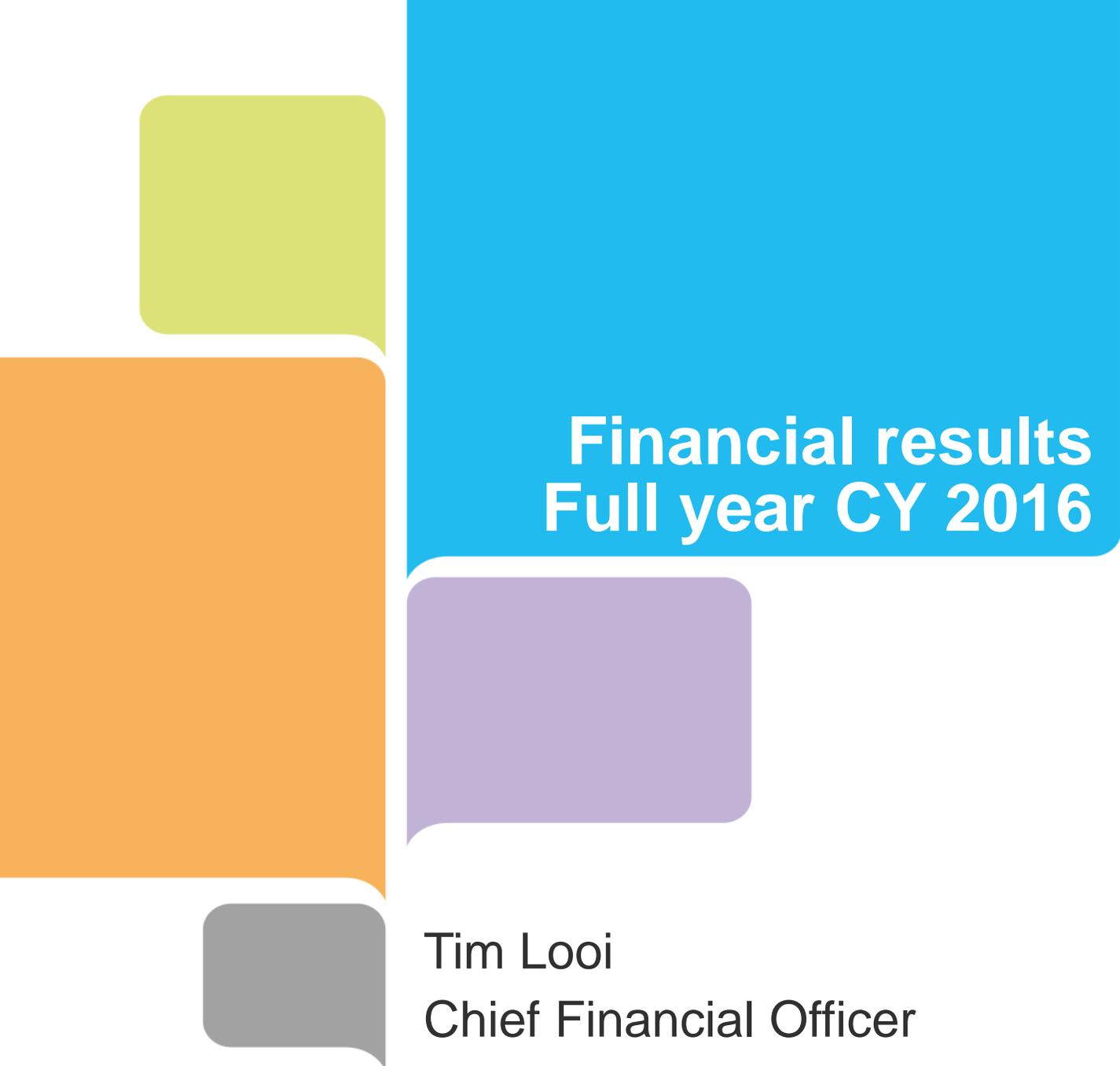
**Clarence Yap**

Group Chief Information Officer

Joined January 2017

- Clarence was the Acting Chief Information Officer and Head of Transformation & IT Strategy at HCF. Clarence has also held leadership positions in technology and consulting at Accenture, CIT Group and St George Bank.

- Tim Looi and Houda Lebbos continue in their roles as Chief Financial Officer and Chief Human Resources Officer, respectively.
- Michael Ellies and Dave Adler have assumed new roles; as CEO Smartsalary, and CEO Smartleasing and Smartfleet, respectively.



# Financial results Full year CY 2016

Tim Looi  
Chief Financial Officer

# In CY 2016, Smartgroup delivered another year of record revenue and earnings.

\$m	CY 2016 statutory	Adjusted for equity share & acquisition items <sup>(1)</sup>	CY 2016 adjusted	CY 2015 adjusted <sup>(2)</sup>	Change %
Revenue	144.4	-	<b>144.4</b>	91.8	57%
EBITDA <sup>(3)</sup>	63.3	1.0	<b>64.3</b>	37.6	71%
NPAT	32.7	0.1	<b>32.8</b>	21.0	
NPATA <sup>(4)</sup>	43.7	0.3	<b>44.0</b>	26.2	68%

1. A reconciliation of the adjustments to the statutory accounts for equity share and acquisition items is attached in the Appen dix.
2. Excludes before-tax and after-tax transaction costs of \$1.2m and \$0.8m, respectively, from the acquisition of Advantage.
3. EBITDA is earnings before interest, tax, depreciation and amortisation adjusted for significant non-operating items.
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<sup>(1)</sup> remained strong at 103% of NPATA, with continued low recurring capex.**

<b>\$m</b>	<b>CY 2016</b>	<b>CY 2015</b>
Receipts from customers (inclusive of GST)	<b>154.4</b>	96.8
Payments to suppliers and employees (inclusive of GST) <sup>(2)</sup>	<b>(94.2)</b>	(64.9)
Interest receipts from operations	<b>1.6</b>	1.0
Interest paid	<b>(3.3)</b>	(0.5)
Income taxes paid	<b>(13.2)</b>	(4.5)
<b>Net cash from operating activities</b>	<b>45.3</b>	27.9
<b>As a % of NPATA<sup>(3)</sup></b>	<b>103%</b>	106%
Capital expenditure – recurring <sup>(4)</sup>	<b>(0.3)</b>	(0.3)

1. Operating cash flow excludes receipts and payments from customers' salary packaging accounts and significant non-operating items.
2. Excludes payments for transaction costs (inclusive of GST) of \$2.9m in CY 2016 and nil in CY 2015.
3. NPATA of \$44.0m in CY 2016 and \$26.2m in CY 2015.
4. Excludes the \$0.4m fitout for 550 Bourke Street Melbourne to consolidate offices.

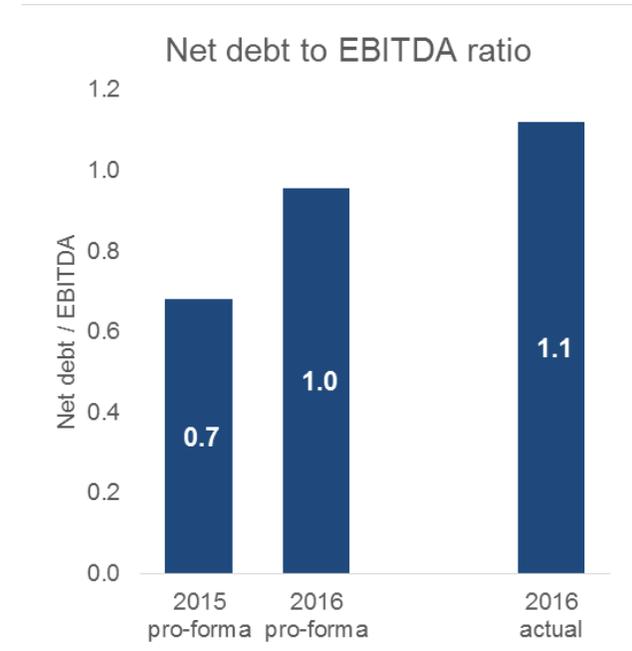
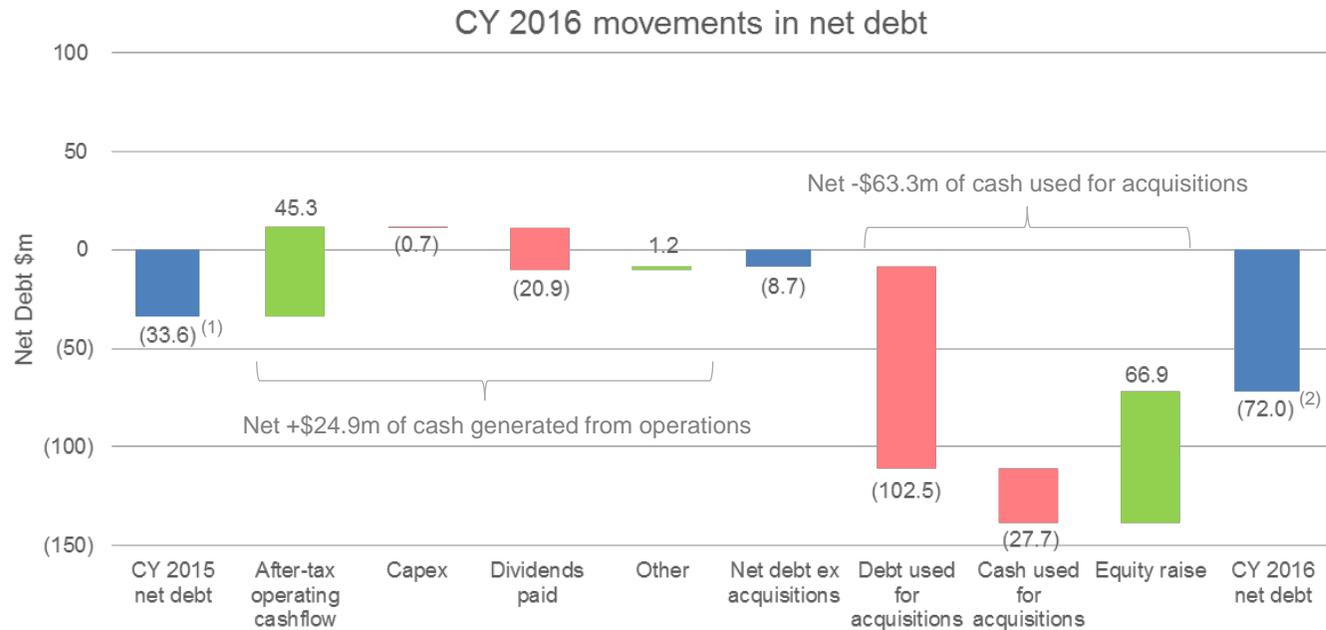
# Smartgroup's intangibles were impacted by acquisitions, which were funded by a debt and an equity raise . . .

\$m	31 Dec 2016 statutory	31 Dec 2015 statutory
Cash	80.0	19.4
Restricted cash <sup>(1)</sup>	39.5	0.7
Trade and other current assets	22.9	13.7
<b>Current assets</b>	<b>142.4</b>	<b>33.8</b>
Property and equipment	3.2	3.2
Goodwill	217.5	90.9
Identifiable intangibles <sup>(2)</sup>	68.0	32.5
Other non-current assets	7.5	7.1
<b>Non-current assets</b>	<b>296.2</b>	<b>133.7</b>
<b>Total assets</b>	<b>438.6</b>	<b>167.5</b>
Trade and other payables	26.4	21.3
Customer salary packaging liabilities <sup>(1)</sup>	39.5	0.7
Provisions and other liabilities	28.3	10.2
Non-current interest-bearing loans <sup>(3)</sup>	150.1	52.8
<b>Total liabilities</b>	<b>244.3</b>	<b>85.0</b>
<b>Net assets</b>	<b>194.3</b>	<b>82.5</b>
Issued capital <sup>(4)</sup>	170.9	62.0
Retained earnings & reserves	23.4	20.5
<b>Total capital</b>	<b>194.3</b>	<b>82.5</b>

1. Restricted cash and customer salary packaging liabilities represent funds held in common salary packaging accounts on behalf of clients by Smartgroup's acquired entities<sup>1</sup>.
2. A total of \$48.0m of identifiable intangibles is recognised from acquisitions in CY 2016.  
  
\$33.3m of the acquired intangibles is classified as software and \$14.7m as customer contracts.  
  
The amortisation for CY 2016 is \$12.5m with an annualised amortisation charge of \$16.3m p.a., of which \$9.4m is attributable to software and \$6.9m to customer contracts.
3. Syndicated debt facility is provided by two major Australian banks. The facility term expires in mid CY 2019.
4. 4.6m shares were issued as part consideration for Selectus and a further 9.6m shares were issued as part of an equity raise.

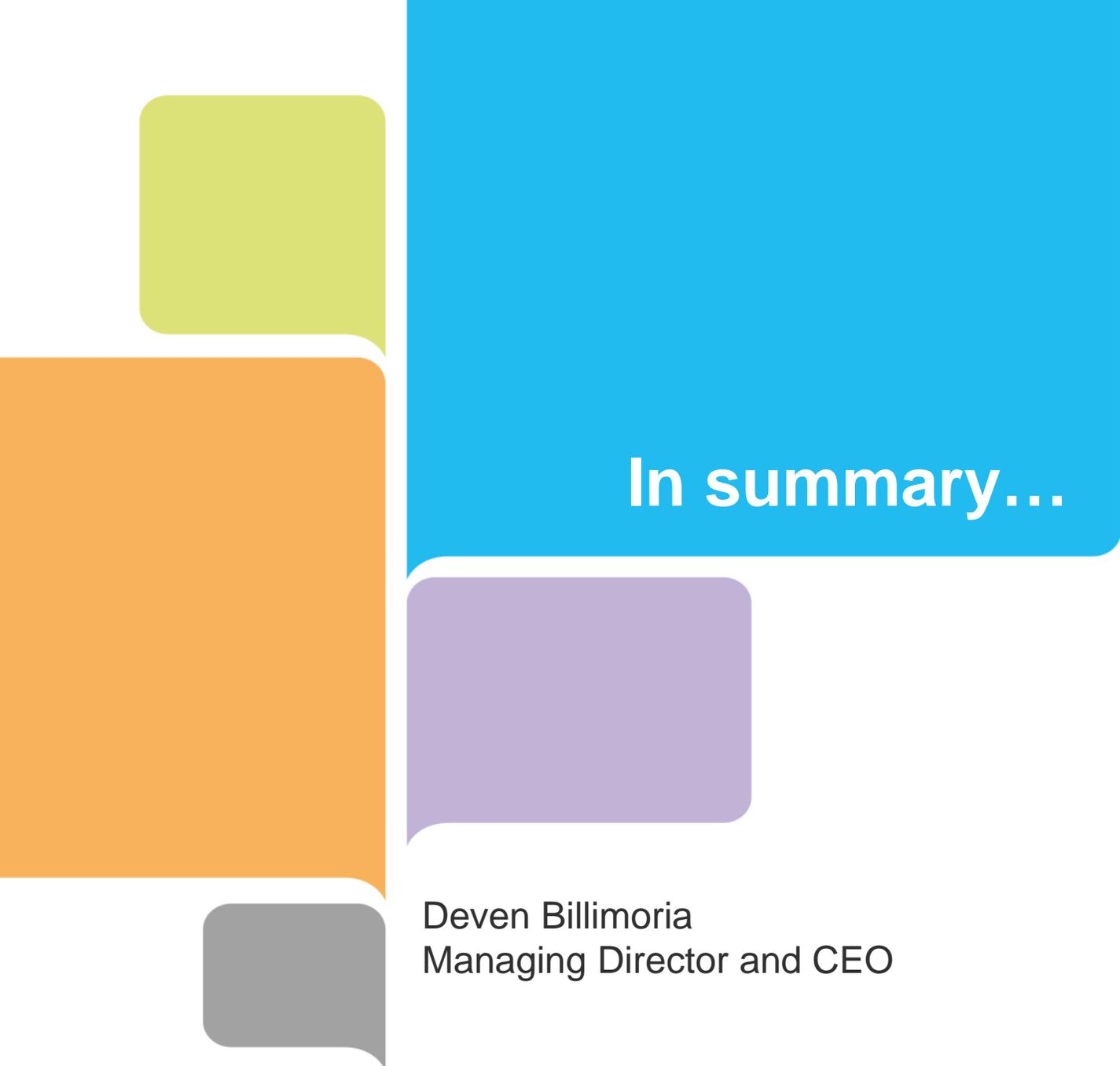
\* Restricted cash and all customer salary packaging cash can only be used for those customers' salary packaging payments and not for working capital purposes.

... with Smartgroup's net debt position at year end at c. \$72m, representing a debt / pro-forma EBITDA of c.1.0x.



Net debt (\$m)	33.6 <sup>(1)</sup>	72.0 <sup>(2)</sup>	72.0 <sup>(2)</sup>
EBITDA (\$m)	49.3	75.3	64.3

1. Excludes capitalised borrowing costs of \$0.2m.  
 2. Excludes capitalised borrowing costs of \$1.9m.



In summary...

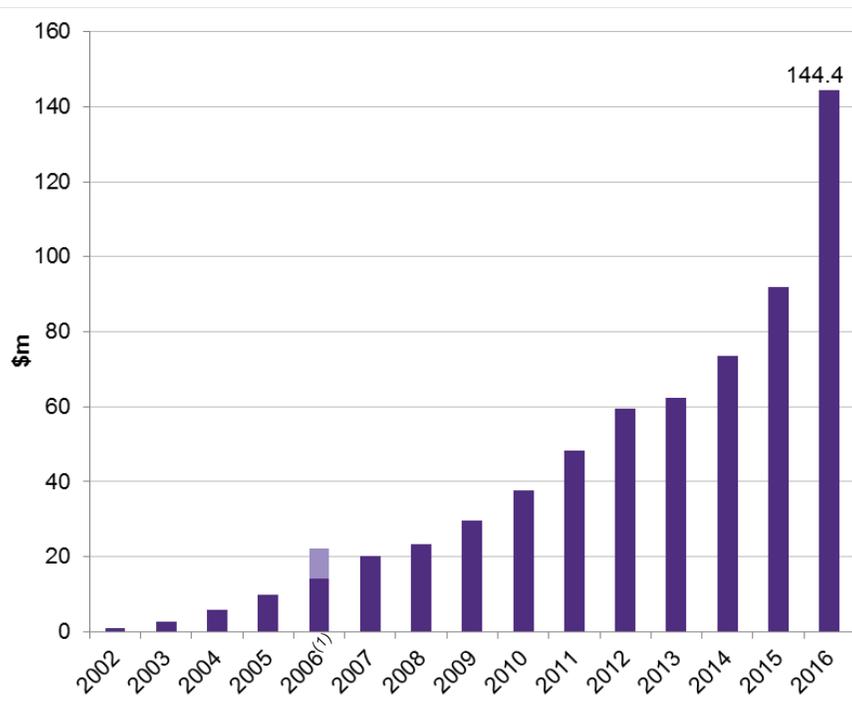
Deven Billimoria  
Managing Director and CEO

## CY 2016 marks off another successful year . . .

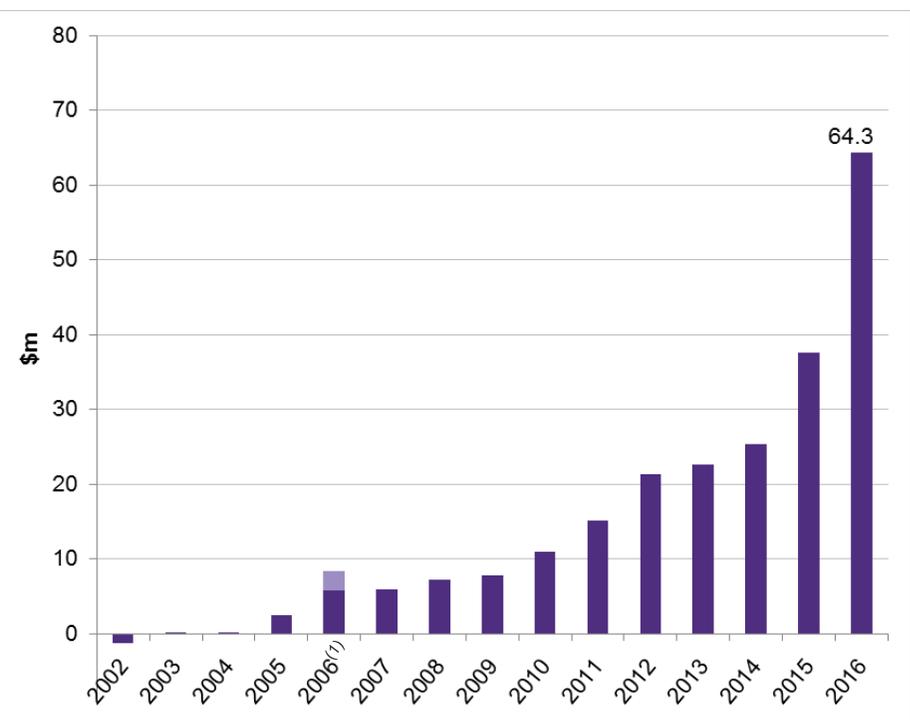
- Growth across all key financial and operational metrics
- Successful acquisitions of Selectus and Autopia with synergies realised earlier than expected
- Cash flows greater than 100% of NPATA
- Net debt to pro-forma EBITDA of c.1.0x
- Final fully franked dividend of 15.0cps, vs. 8.7cps for pcp

... building on our track record since inception.

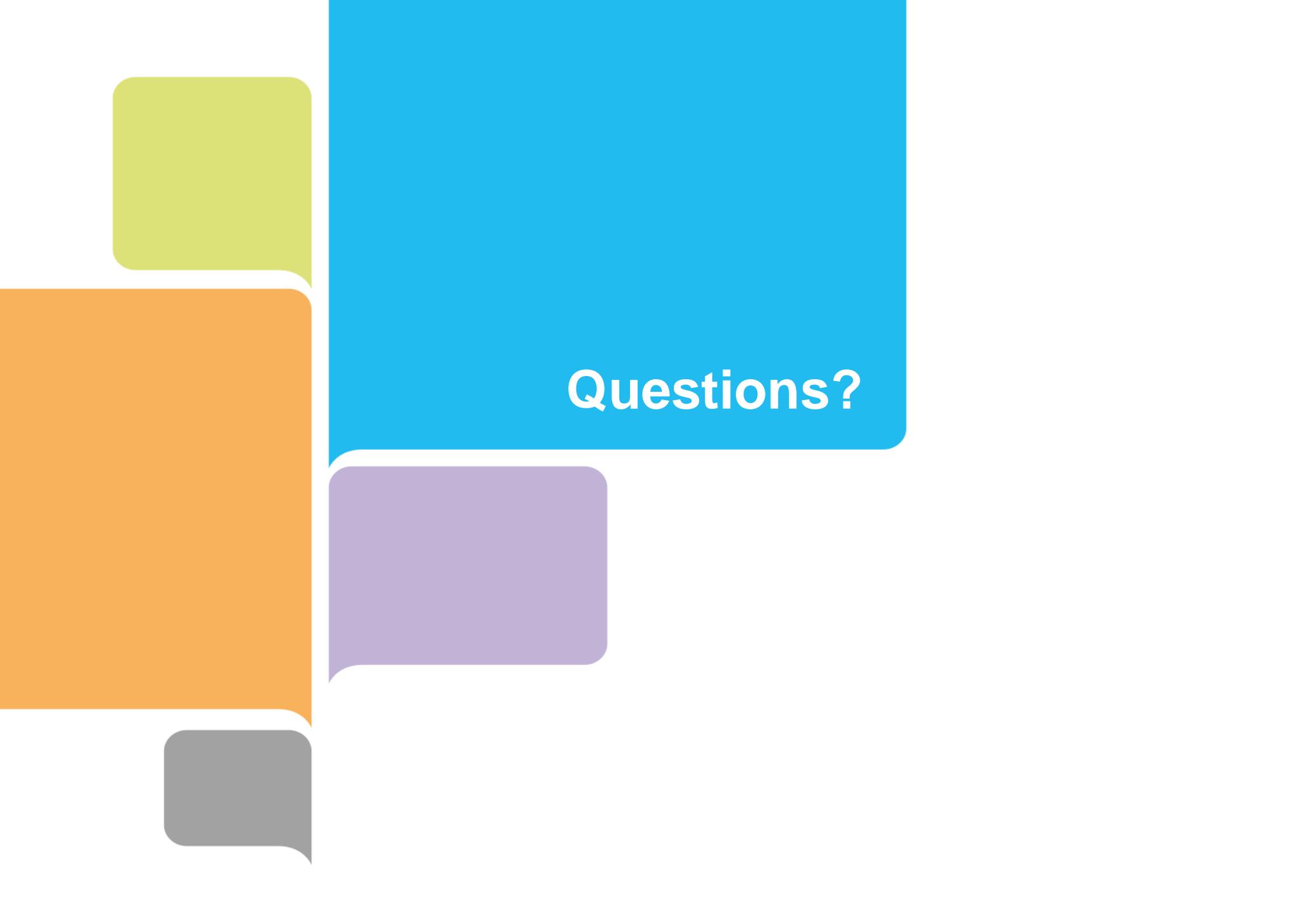
Smartgroup revenues



Smartgroup EBITDA



1. 2006 represents 18 months of results from the change of year end from June to December.



**Questions?**

# Appendix – reconciliation of earnings to statutory financial statements.

	CY 2016 statutory financials	Reclassify: equity share investments	Add back: acquisition costs	Less: fair value gain	CY 2016 adjusted	Add: pro-forma adjustment <sup>(1)</sup>	CY 2016 pro-forma
<b>Revenue</b>	<b>144.4</b>	-	-	-	<b>144.4</b>	24.3	168.7
Operating EBITDA	64.2	1.0	-	-	<b>65.2</b>	11.0	76.2
Corporate interest revenue	(0.9)	-	-	-	<b>(0.9)</b>	-	(0.9)
Equity share of investments	0.5	(0.5)	-	-	-	-	-
M&A transaction costs	(2.1)	-	2.1	-	-	-	-
Fair value adjustment	1.6	-	-	(1.6)	-	-	-
<b>EBITDA</b>	<b>63.3</b>	0.5	2.1	(1.6)	<b>64.3</b>	11.0	75.3
Depreciation	(1.4)	-	-	-	<b>(1.4)</b>	(0.1)	(1.5)
Software amortisation	(7.2)	(0.3)	-	-	<b>(7.5)</b>	(1.9)	(9.4)
Contracts amortisation	(5.3)	-	-	-	<b>(5.3)</b>	(1.6)	(6.9)
Net finance costs	(3.3)	-	-	-	<b>(3.3)</b>	(2.3)	(5.6)
<b>PBT</b>	<b>46.1</b>	0.2	2.1	(1.6)	<b>46.8</b>	5.1	51.9
Income tax expense	(13.4)	(0.2)	(0.4)	-	<b>(14.0)</b>	(1.5)	(15.5)
<b>NPAT</b>	<b>32.7</b>	-	1.7	(1.6)	<b>32.8</b>	3.6	36.4
<b>Add back:</b>							
Amortisation (tax effected)	8.8	0.2	-	-	<b>9.0</b>	2.5	11.5
Cash tax benefit	2.2	-	-	-	<b>2.2</b>	0.6	2.8
<b>NPATA</b>	<b>43.7</b>	0.2	1.7	(1.6)	<b>44.0</b>	6.7	50.7
Shares (million) <sup>(2)</sup>					<b>121.5</b>		121.5
<b>NPATA per share (\$)</b>					<b>0.36</b>		0.42
Weighted average shares (million) <sup>(2)</sup>					<b>111.6</b>		121.5
<b>NPATA per share (\$)</b>					<b>0.39</b>		0.42

1. Representing the pre-acquisition contributions of Autopia and Selectus (as per SIQ disclosure in the H1 CY 2016 results on 25 August 2016 plus the trading results of Selectus for July 2016).
2. Includes loan funded shares.

# Important notice and disclaimer

## Disclaimer

This presentation has been prepared by Smartgroup Corporation Ltd (ACN 126 266 831) (“Smartgroup”) and is general background information about Smartgroup’s activities current as at the date of this presentation. The information is given in summary form and does not purport to be complete.

To the extent that certain statements contained in this presentation may constitute “forward-looking statements” or statements about “future matters”, the information reflects Smartgroup’s intent, belief or expectations at the date of this presentation. Smartgroup gives no undertaking to update this information over time (subject to legal or regulatory requirements). Any forward-looking statements, including projections, guidance on future revenues, earnings and estimates, are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause Smartgroup’s actual results, performance or achievements to differ materially from any future results, performance or achievements expressed or implied by these forward-looking statements. Any forward-looking statements, opinions and estimates in this presentation are based on assumptions and contingencies which are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions. Neither Smartgroup, nor any other person, gives any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this presentation will actually occur. Past performance is no guarantee of future performance.

No representation or warranty, express or implied, is made as to the accuracy, adequacy or reliability of any statements, estimates or opinions or other information contained in this presentation. To the maximum extent permitted by law, Smartgroup, its subsidiaries and their respective directors, officers, employees and agents disclaim all liability and responsibility for any direct or indirect loss or damage which may be suffered by any recipient through use of or reliance on anything contained in or omitted from this presentation. No recommendation is made as to how investors should make an investment decision. Investors must rely on their own examination of Smartgroup, including the merits and risks involved. Investors should consult with their own professional advisors in connection with any acquisition of securities.

## Non-International Financial Reporting Standards (Non-IFRS) information

This presentation presents financial information on both a statutory basis (prepared in accordance with Australian accounting standards which comply with International Financial Reporting Standards (IFRS)) and non-IFRS basis.