



ASX Announcement

Release date: 21 February 2018

Smartgroup announces 46% increase in profits, declares fully franked final dividend of 18.5 cents

Smartgroup Corporation Ltd (ASX: SIQ), a specialist employee management services provider, today reported its financial results for the full year ended 31 December 2017 (CY 2017).

Key financial highlights

| <i>(\$m unless otherwise stated)</i> | CY 2016 | CY 2017 ⁽¹⁾ | Change | CY 2017 Pro-forma |
|--|---------|------------------------|--------|-------------------|
| Revenue | 147.1 | 205.4 | 40% | 226.8 |
| EBITDA ⁽²⁾ | 63.3 | 93.6 | 48% | 100.6 |
| NPATA ⁽³⁾ | 44.0 | 64.1 | 46% | 68.5 |
| Operating cash flow ⁽⁴⁾ / NPATA | 103% | 99% | | |
| Shares on issue (millions) | 121.5 | 123.2 | 1% | 123.3 |
| NPATA per share (cps) | 36.2 | 52.0 | 44% | 55.5 |
| Final dividend (cps) | 15.0 | 18.5 | 23% | |
| Total full year dividends (cps) | 24.8 | 35.0 | 41% | |

Strong growth across all key financial metrics

Over CY 2017, Smartgroup grew revenue by 40% to \$205.4 million. Earnings, as measured by EBITDA, grew 48% to \$93.6 million. Profit after tax, as measured by NPATA was up 46% to \$64.1 million. Smartgroup maintained its strong cash flow generation with operating cash flow of \$63.3 million, which represented 99% of NPATA.

The CY 2017 pro-forma revenue and profit after tax, as measured by NPATA, are \$226.8 million and \$68.5 million, respectively. CY 2017 pro-forma is arrived at by including the pre-acquisition financial performance of AccessPay, Aspire, RACV Salary Solutions and Fleet West.

1. A reconciliation of the reported financials to the statutory accounts is provided in the Appendix to the 2017 Investor Presentation.
2. EBITDA is earnings before interest, tax, depreciation and amortisation adjusted for significant non-operating items.
3. NPATA refers to net profit after tax, adjusted to exclude the non-cash tax effected amortisation of intangibles and significant non-operating items.
4. Operating cash flow excludes receipts and payments from customers' salary packaging accounts and payments for M&A costs.



Acquisition of four complementary businesses

In May 2017, Smartgroup acquired AccessPay, expanding its salary packaging footprint within the PBI sector. In August 2017, Smartgroup acquired Aspire, which provides novated leasing services to the corporate sector. In October 2017, Smartgroup acquired the Salary Solutions business from RACV which provides salary packaging and novated leasing services to all segments of the market. Together, these three acquired businesses administer c.79,500 salary packages and c.6,600 vehicles across 1,300 employer clients.

The integration of these businesses is progressing well, with synergy capture on track.

Post balance date, on 4 January 2018, Smartgroup acquired Fleet West, a specialist fleet management provider managing around 2,800 vehicles for over 180 clients.

Strong balance sheet and growing dividend

Smartgroup remains conservatively geared with net debt of \$111.1 million at 31 December 2017 representing a net debt / pro-forma EBITDA of c.1.2x.

Reflecting the company's earnings profile and balance sheet the Board of Directors declared a final fully franked dividend of 18.5 cents per share. This dividend will be payable on 30 March 2019, with a record date of 15 March 2018. This brings the total dividend for the CY2017 to 35.0 cents per share, fully franked, up 41% from the prior year.

Another successful year

Smartgroup Chairman Michael Carapiet said: "Throughout 2017, Smartgroup marched forward as an industry leader in specialist employee management services. Four acquisitions, continued integration of existing businesses, new client wins and improved sales have all contributed to yet another year of strong growth."

Smartgroup's Managing Director and CEO Deven Billimoria said: "2017 was another excellent year for Smartgroup as we enhanced our capabilities, grew our client base and completed a number of complementary acquisitions. I would like to thank our customers for rewarding us with their loyalty, and our staff for their efforts in building one of Australia's leading customer-centric organisations."



Deven Billimoria and Chief Financial Officer Tim Looi will hold a briefing tomorrow to discuss the results. The details are as follows:

Time: 9:00 am AEST

Date: Thursday 22 February 2018

The audio briefing will be streamed live at this time and can be accessed via the Smartgroup company page on the Open Briefing website: <http://www.openbriefing.com/OB/2776.aspx>

This can also be accessed from the Investors section of the Smartgroup website: <http://ir.smartgroup.com.au/investors/>

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