

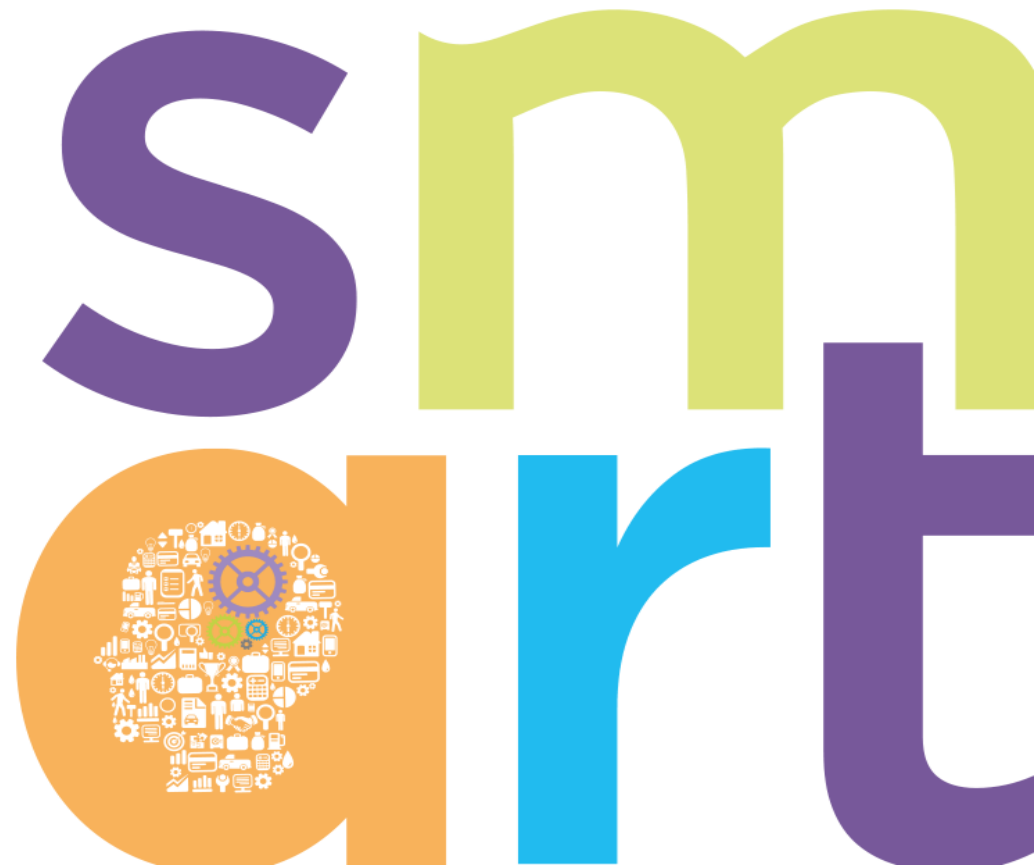


Investor Presentation Full Year CY 2018 Results

Deven Billimoria – Managing Director and CEO

Tim Looi – Chief Financial Officer

18 February 2019



Smartgroup has achieved continued growth in 2018 ...

1

Continued strong financial performance

- Revenue of \$241.8m up 18% vs CY 2017
- NPATA⁽¹⁾ of \$78.0m up 22% vs CY 2017

2

Continued client growth

- Organic growth of c.18,000 packages and c.2,750 leases
- Over 300 new employer client wins across business units
- includes recent appointment to whole of NSW Health packaging and leasing panels

3

Building on initial success delivering multiple services to clients

- 164 clients use two or more service offerings, 10% growth from June 2018
- 14 clients use three or four services

4

Ongoing integration of acquired businesses

- Fleet West integrated into Smartfleet
- Integration progressing with c.700 clients transitioned to core systems
- Consolidation of IT infrastructure well underway, and premises reduced from 17 to 8

5

Fully franked final dividend of 21.0cps (covering H2 CY 2018 period)

- After tax operating cashflow at 100% of NPATA
- Full year fully franked dividends of 41.5cps, up 19% from CY 2017

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.

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

\$m	CY 2017	CY 2018	Change % (CY18 v CY17)
Revenue	205.4	241.8	18%
EBITDA ⁽¹⁾	93.6	111.8	19%
NPATA	64.1	78.0	22%

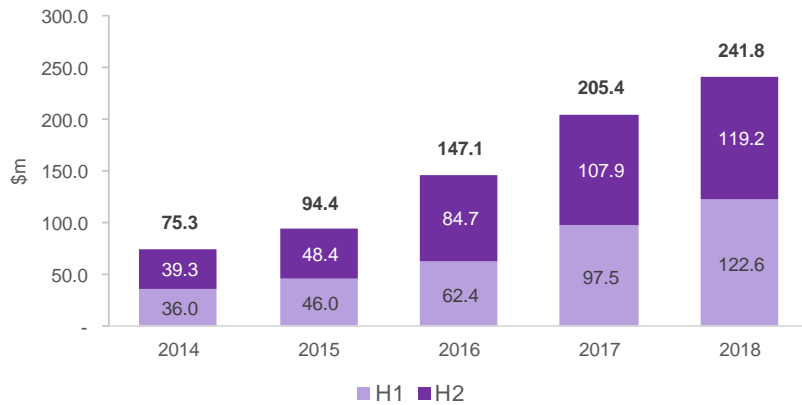
Shares on issue (millions)	123.2	130.9	6%
NPATA per share (cps)	52.0	59.6	15%

	As at December 2017	As at December 2018	Change %
Packages	325,000	343,000	6%
Novated leases under management	62,500	65,250	4%
FTEs	721 ⁽²⁾	695	(4%)

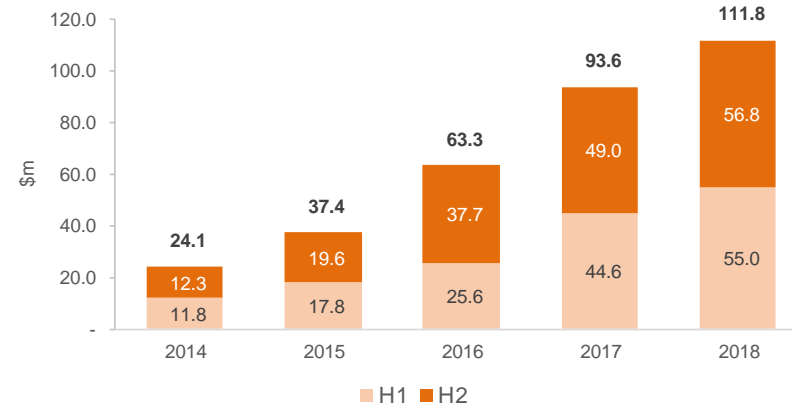
1. EBITDA is earnings before interest, tax, depreciation and amortisation adjusted for significant non-operating items. Refer to Appendix for the reconciliation
 2. Includes 15 staff from Fleet West acquisition completed in January 2018.

...and increasing revenue, earnings and dividends.

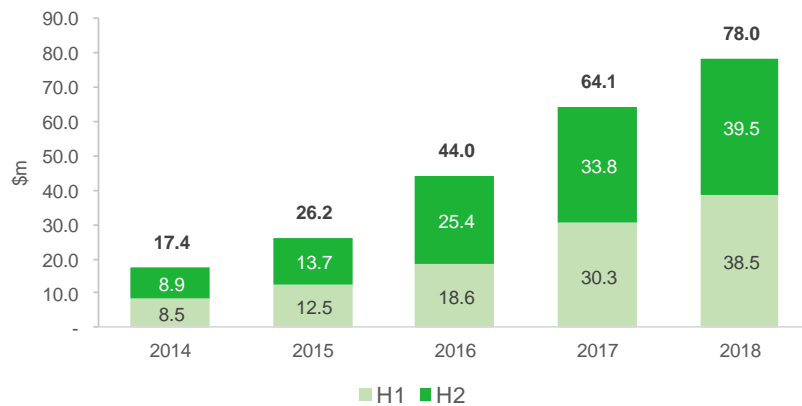
Revenue



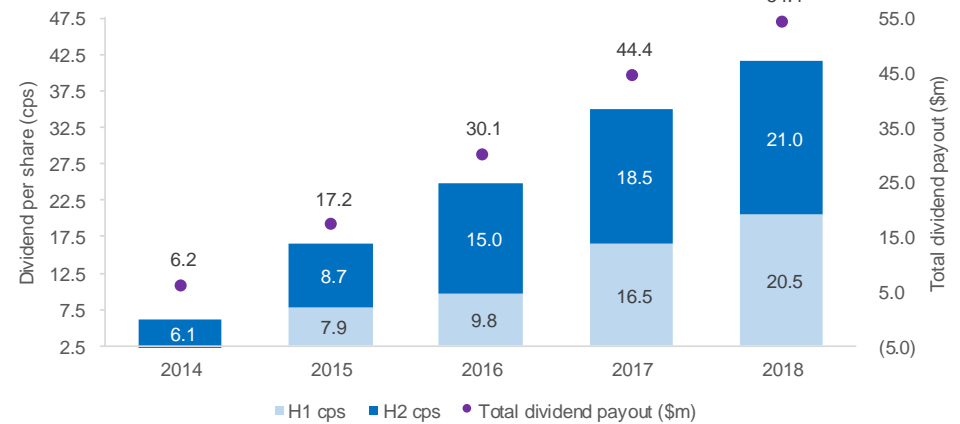
EBITDA



NPATA



Dividend (fully franked)



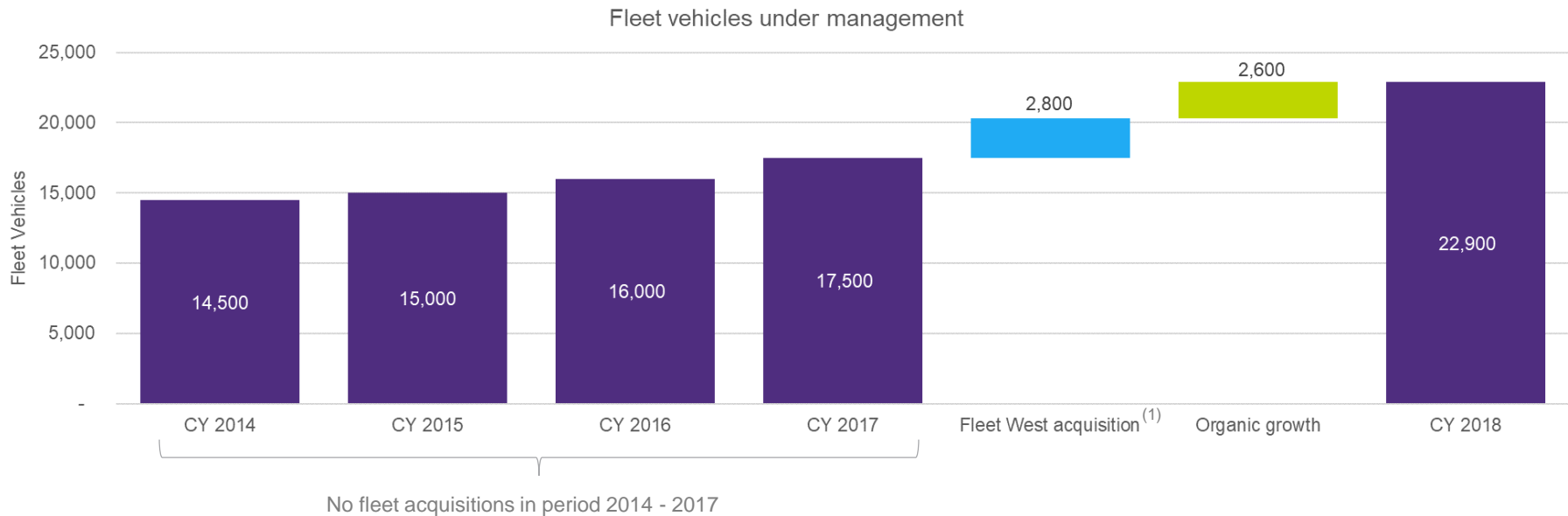
	2014	2015	2016	2017	2018
Shares on issue (m)	101.5	103.7	121.5	123.2	130.9

Smartgroup continues to grow salary packages and novated leases...



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. CY 2018 organic growth includes no major client wins.

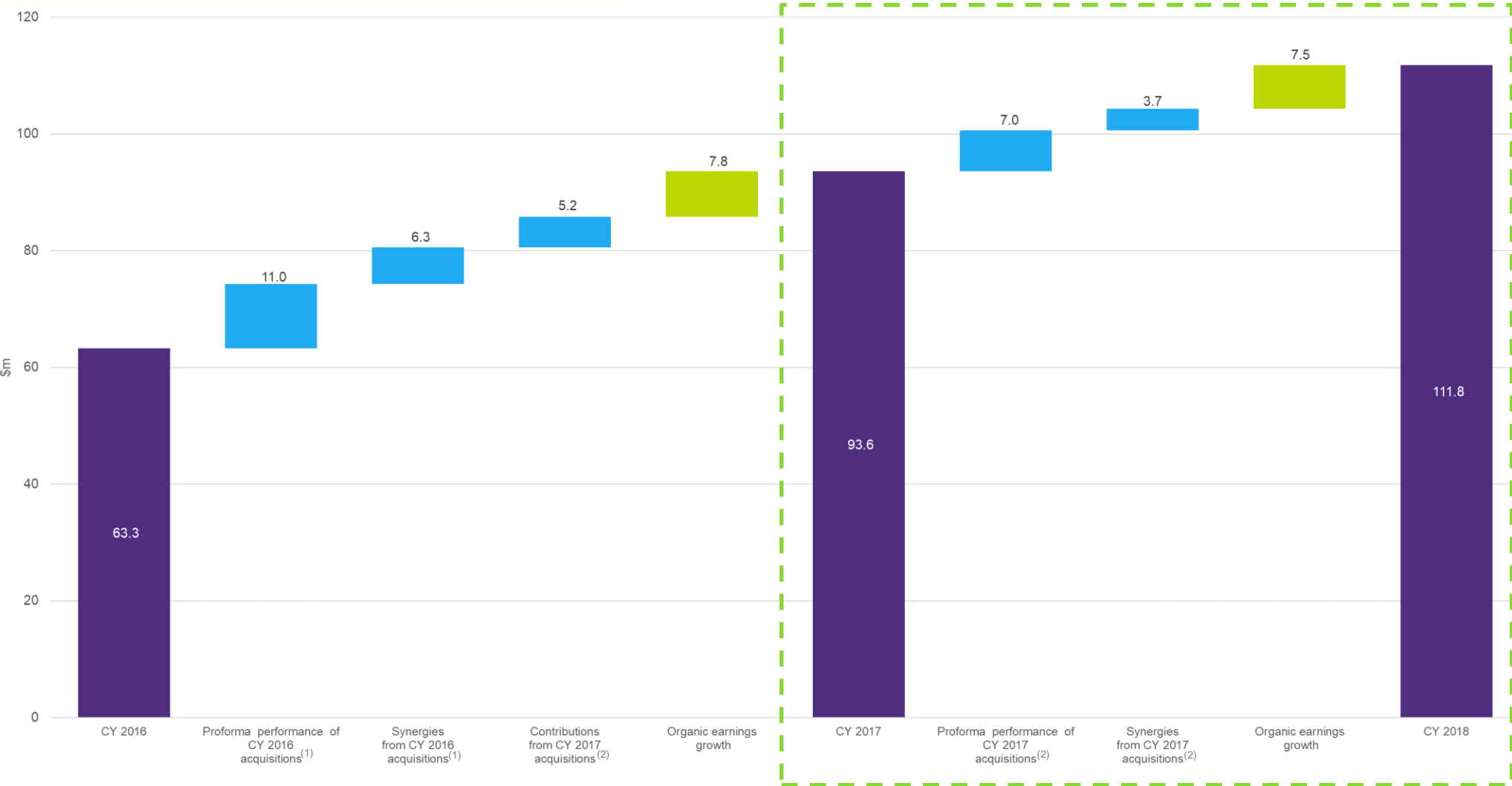
... and also continues to grow its fleet management footprint, both organically and through acquisition...



- Fleet West staffing, operations, technology and branding now integrated into Smartfleet.

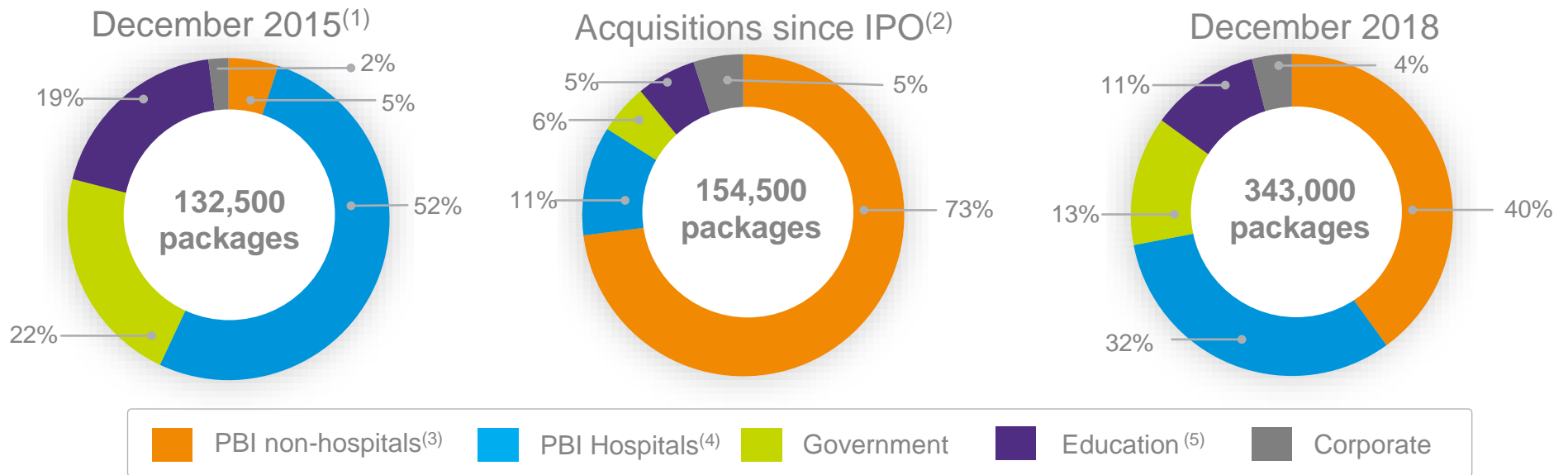
1. Fleet West acquisition was completed in January 2018

... delivering further EBITDA growth in 2018...



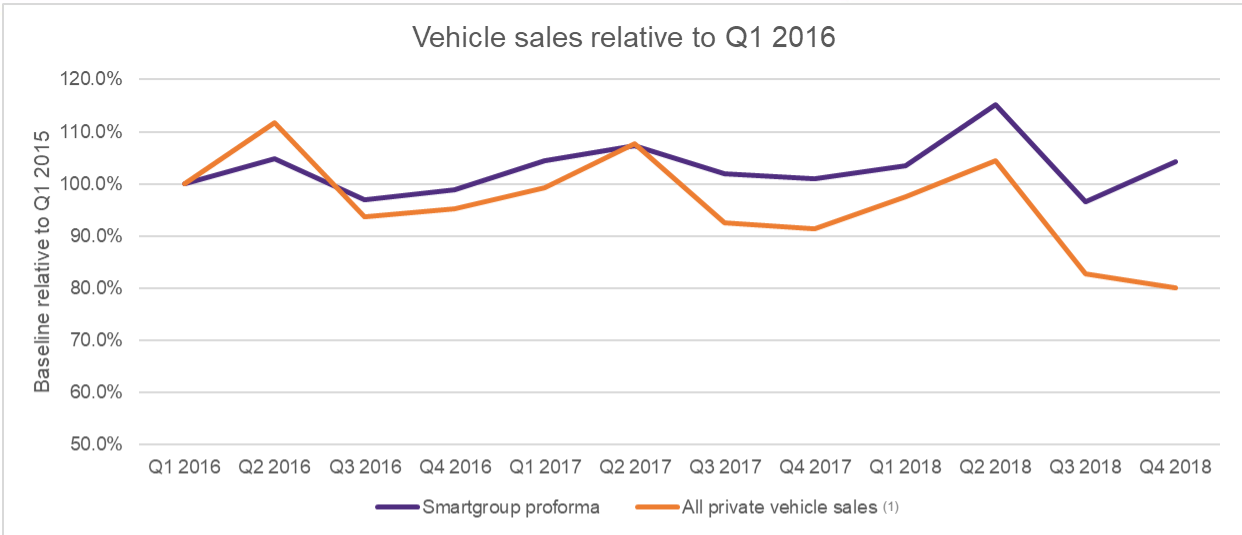
1. CY 2016 acquisitions – Smartequity, Autopia and Selectus.
 2. CY 2017 acquisitions – AccessPay, Aspire, RACV Salary Solutions and Fleet West (completed 4 Jan 2018).

... from a growing and diversified client base.

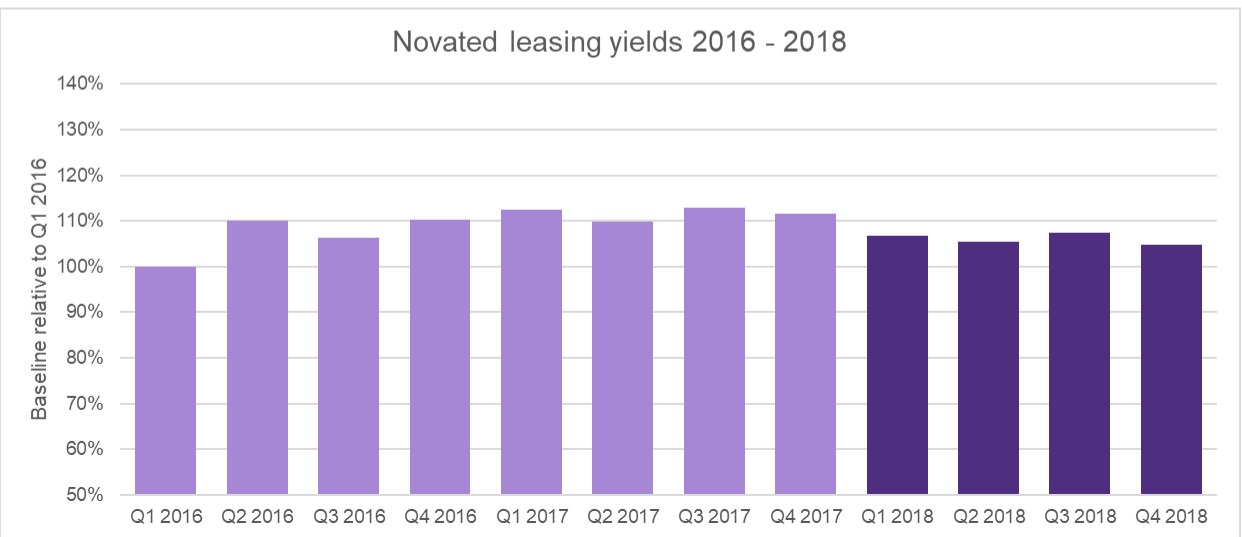


1. December 2015 adjusted to exclude 50,000 packages from the acquisition of Advantage completed in December 2015
2. Includes all 9 acquisitions completed since November 2015;
3. 'PBI non-hospitals' includes charities and other not-for-profit organisations registered as a public benevolent institution (PBI) and recognised by the ACNC and ATO and 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 downturn in private new vehicle sales



- Smartgroup has increased its novated leasing volumes despite private new vehicle sales falling over the course of 2017 and 2018.
- Lift in SIQ NL settlement volumes relative to new private car sales seen in CY 2018 has been maintained YTD CY 2019.



- Novated leasing yields remained relatively stable over the 2016-2018 period.
- Some recent drop-off due to:
 - a shift to lower priced vehicles
 - diminished sales of extended warranties

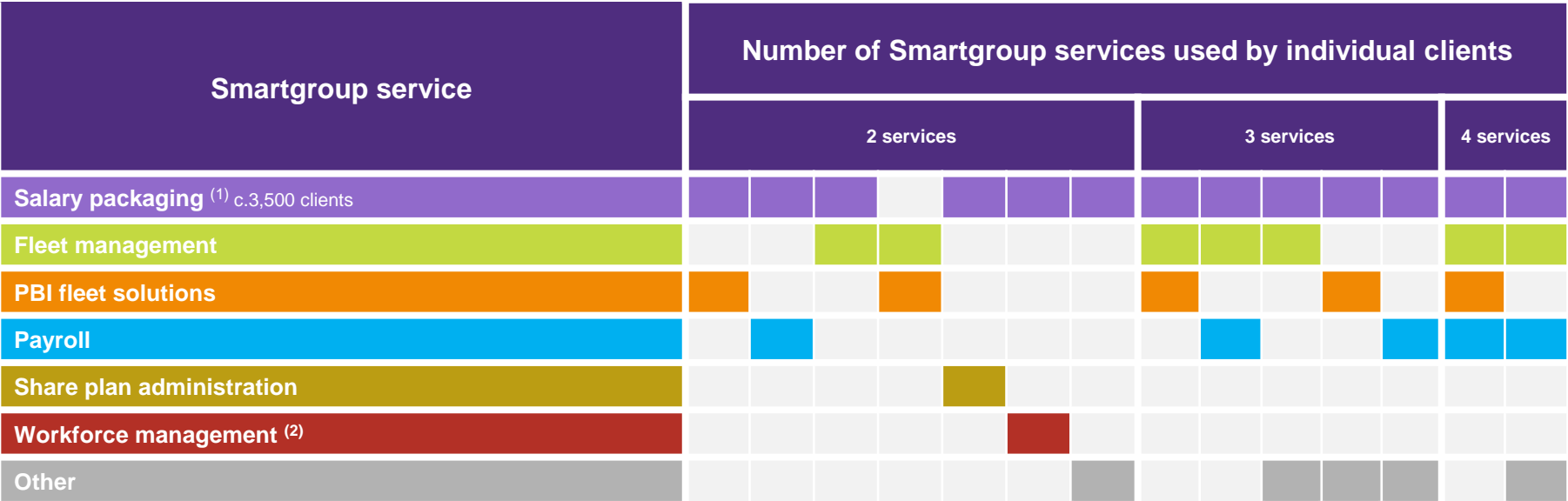
1. Private vehicle data source: VFACTS

Smartgroup is building on early successes in delivering multiple services, principally to our PBI clients.



Common clients across the group

164 clients use two or more service offerings, growth of 10% from June 2018



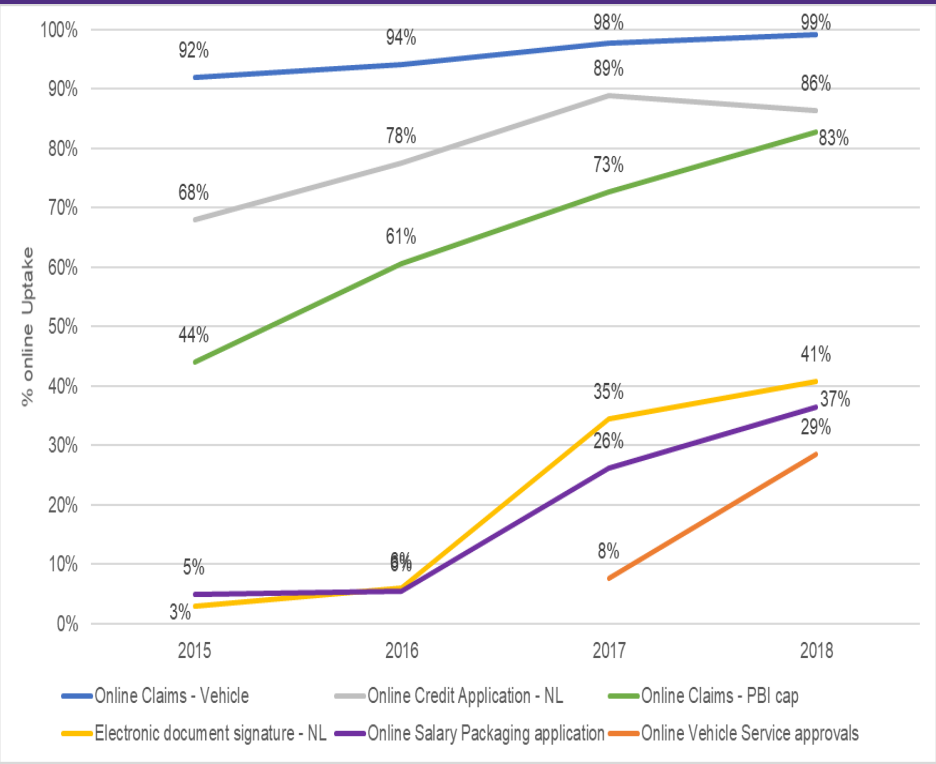
	Number of clients			Total
Total 31 December 2018	150	12	2	164
Total reported 30 June 2018	138	11	-	149

150 clients use two service offerings, 12 clients use three service offerings and 2 clients using four service offerings

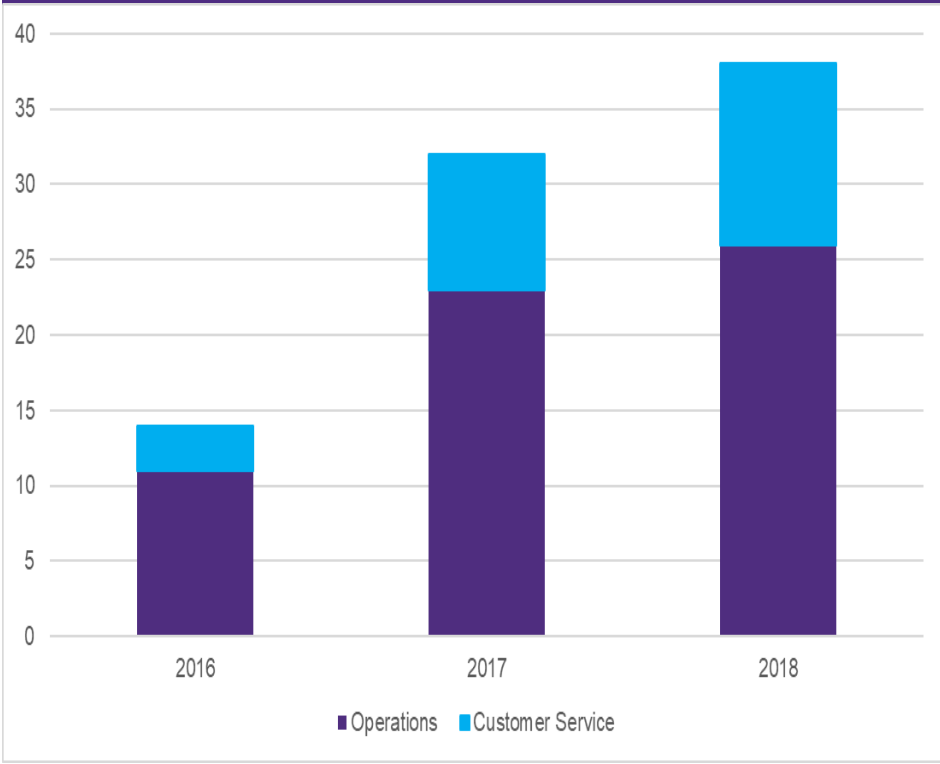
1. Approximately 20 benefits can be salary packaged, one of which is a novated lease
 2. Workforce management clients are individual hospitals

The focus on customer service excellence through increasing levels of customer adoption of digital channels and automation in core systems continues.

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



Progressive implementation of Robotic Process Automation (RPA)

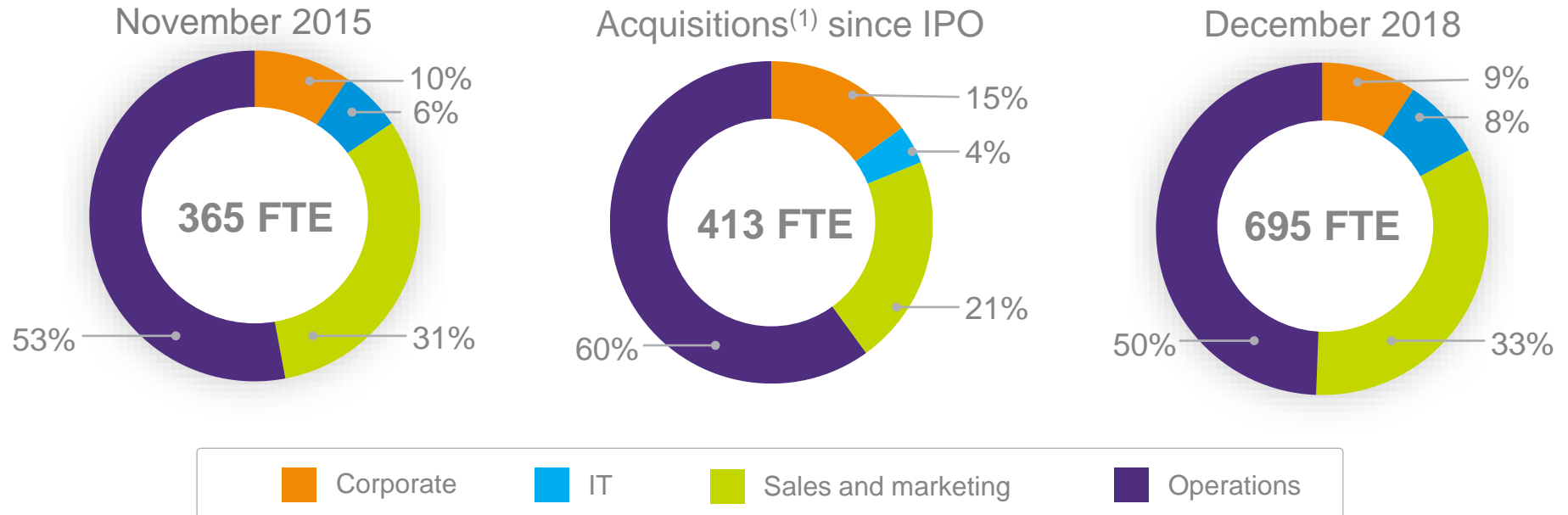


- Continued the long-term improvement in customer adoption of digital channels at Smartsalary.
- Extension to acquired businesses progressing and continues, as integration and client transitions to core systems are completed.

- Work on implementing improvements to business processes through automation is progressing and continues in 2019.
- Enhanced customer service and operational efficiency improvements.

1. At Dec 2018, Smartsalary represented c.50% of total SIQ packages and c.70% of total SIQ leases. Data excludes acquired brands not currently on the Smartsalary digital platform.

The staffing level reflects the continued focus on operational efficiencies and investments in IT, sales and marketing



	November 2015	Acquisitions since IPO	December 2018
Packages	132,500	154,500	343,000
Novated leases under management	32,500	24,100	65,250
Packages / FTE	363	374	494

1. Includes all 9 acquisitions completed since November 2015; excludes 50% equity stake in Health-e Workforce Solutions

A number of recent developments are being experienced, or are expected as we head into CY 2019...



Banking Royal Commission – Final Report

- The recommendations that impact Smartgroup (i.e., Deferred sales model for add-on insurance, Cap on commissions) are consistent with previous recommendations made by ASIC, and we believe that we are well positioned to accommodate them.

Extended warranty

- Most major manufacturers have now introduced 5 year extended warranties as standard, previously 3 years, impacting our ability to sell extended warranties on new cars. We expect this to have a negative c.\$2m NPATA impact in CY 2019.

Client wins – recent appointment to whole of NSW Health packaging and leasing panels

- For salary packaging, Smartgroup is the incumbent for c.40% of c.90k packages across NSW Health, the balance to choose from panel of 2 or internal administration.
- For novated leasing, Smartgroup manages c.3,000 leases across NSW Health and will be 1 of 3 panellists, where previously there was a larger panel in place.

NL settlement volumes

- Lift in SIQ novated leasing settlement volumes relative to new private car sales seen in CY 2018 has been maintained YTD CY 2019.



Financial results Full year CY 2018

Tim Looi
Chief Financial Officer

In CY 2018, Smartgroup delivered another year of record revenue and earnings.



\$m	CY 2018 reported	CY 2017 reported	Change %
Revenue	241.8	205.4	18%
EBITDA ⁽²⁾	111.8	93.6	19%
NPAT	60.0	48.4	
NPATA ⁽³⁾	78.0	64.1	22%

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

2. EBITDA is earnings before interest, tax, depreciation and amortisation adjusted for significant non-operating items. EBITDA excludes \$0.3m (\$0.7m CY 2017) for joint venture contribution.

3. 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 100% of NPATA, with continued low recurring capex.

\$m	Adjusted ⁽²⁾ CY 2018	CY 2017
Receipts from customers (inclusive of GST)	270.1	212.2
Payments to suppliers and employees (inclusive of GST)	(159.5)	(117.8)
Interest receipts from operations	2.6	1.8
Interest paid	(3.8)	(4.7)
Income taxes paid	(31.4)	(27.8)
Net cash from operating activities	78.0	63.7
As a % of NPATA	100%	99%
Capital expenditure – recurring	(0.5)	(0.4)

1. Operating cash flow excludes receipts and payments from customers' salary packaging accounts and significant non-operating items.
2. A reconciliation of the statutory accounts to adjusted operating cashflows is attached in the Appendix.

Smartgroup maintains a conservatively geared balance sheet ...

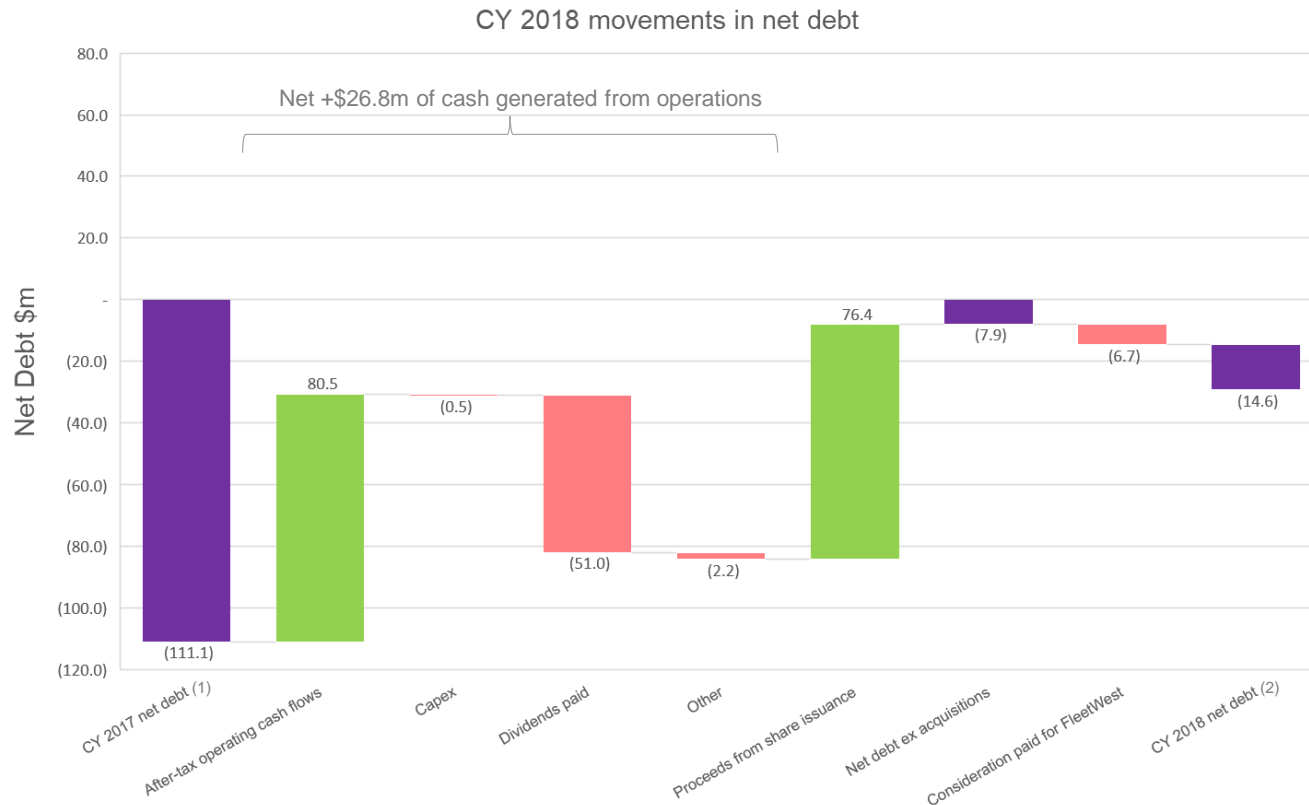
\$m	31 Dec 2018 statutory	31 Dec 2017 statutory
Cash	39.2	30.9
Restricted cash (1)	42.3	67.6
Trade and other current assets (3)	35.8	26.7
Current assets	117.3	125.2
Property and equipment	1.9	2.9
Right-of-use assets (2)	11.5	-
Goodwill	266.6	261.7
Identifiable intangibles (4)	51.7	67.1
Other non-current assets	15.0	9.8
Non-current assets	346.7	341.5
Total assets	464.0	466.7
Trade and other payables	29.2	33.0
Customer salary packaging liabilities (1)	42.3	67.6
Lease liabilities (2)	15.6	-
Provisions and other liabilities (3)	31.6	20.5
Non-current interest-bearing loans (5)	53.0	140.9
Total liabilities	171.7	262.0
Net assets	292.3	204.7
Issued capital	256.7	176.9
Retained earnings & reserves	35.6	27.8
Total capital	292.3	204.7

1. Restricted cash and customer salary packaging liabilities represent funds held in common salary packaging accounts on behalf of clients*.
2. Following adoption of AASB 16 'Leases', Smartgroup has recognised \$11.5m of leased premises and equipment, and an associated \$15.6m lease liability as at 31 December 2018.
3. \$8.2m of assets have been recognised on balance sheet attributable to Fleet West managed vehicles, with \$9.4m of associated borrowings also recognised. These vehicles have a holding period of less than 9 months and subject to a guaranteed re-purchase price. Vehicles borrowings have been excluded from net debt.
4. A total of \$5.5m of identifiable intangibles is recognised from acquisitions in CY 2018. \$4.7m of the acquired intangibles is classified as software and \$0.8m as customer contracts.

Total amortisation for CY 2018 is \$20.9m.
5. Syndicated debt facility is provided by two major Australian banks and matures at the end of CY2021. \$88.3m of the debt facility was repaid during CY 2018.

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

.... with net debt / EBITDA at 0.1x at 31 December 2018.



	2018	2017
Net debt	14.6 ⁽²⁾	111.1 ⁽¹⁾
EBITDA	111.8	93.6
Net debt / EBITDA	0.1x	1.2x

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

2. Excludes capitalised borrowing costs of \$0.7m and \$9.4m of Fleet West leased vehicle borrowings subject to a guaranteed re-purchase within 9 months.



In summary...

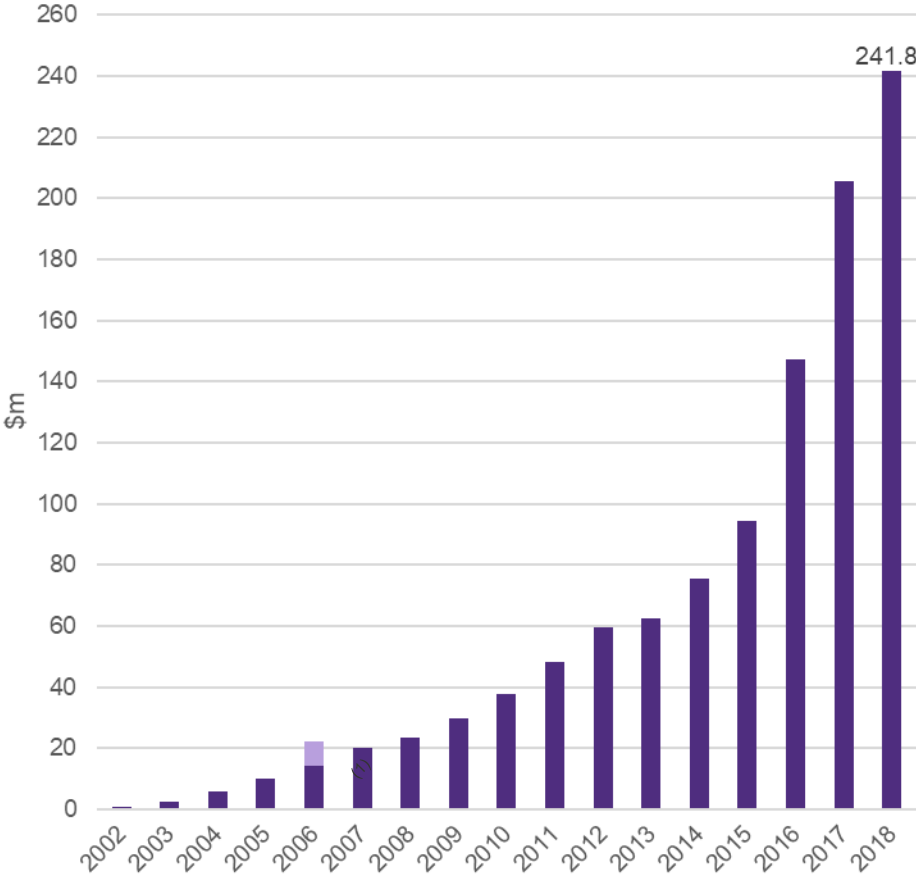
Deven Billimoria
Managing Director and CEO

CY 2018 marks another year of growth...

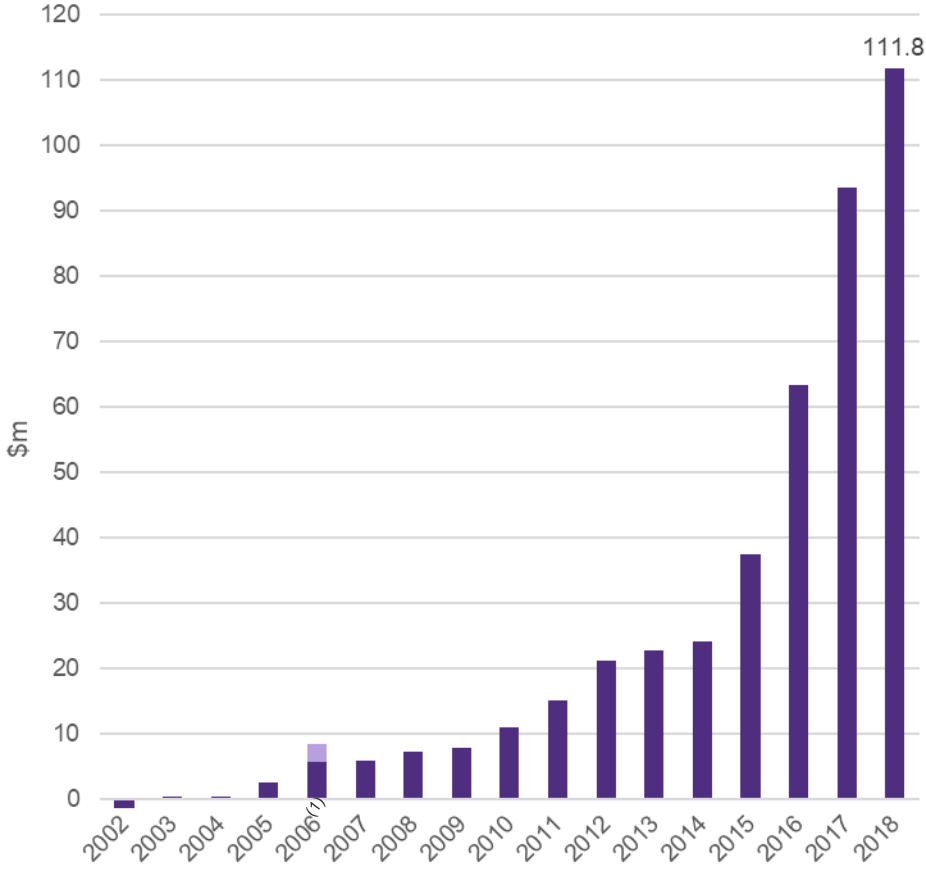
- Growth across all key financial and improved operational metrics
- Continue to build on early successes delivering multiple service offerings to clients
- Ongoing integration of acquired businesses, with clients progressively transitioning to core systems, with consolidation of IT infrastructure well underway, and premises largely consolidated
- Final fully franked dividend of 21.0 cps bringing full year dividends to 41.5 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

	2018 statutory results	Reclass: Equity share of investments	Reclass: Corporate interest revenue	Add back: M&A costs	Add back: Onerous lease costs (acquired properties)	Add back: Impact of AASB 16 Leases adoption	Deduct: Historical GST Adjustment	2018 Reported
Revenue	242.3	-	(0.5)	-	-	-	-	241.8
Operating EBITDA	114.5	-	(0.5)	0.2	1.1	(3.2)	(0.3)	111.8
Joint venture contribution	-	0.3	-	-	-	-	-	0.3
Segment note EBITDA	114.5	0.3	(0.5)	0.2	1.1	(3.2)	(0.3)	112.1
Depreciation expense	(4.1)	-	-	-	-	2.5	-	(1.6)
Amortisation expense	(20.9)	(0.3)	-	-	-	-	-	(21.2)
Net finance costs	(5.2)	-	0.5	-	-	0.9	(0.2)	(4.0)
PBT	84.3	-	-	0.2	1.1	0.2	(0.5)	85.3
Income tax expense	(25.0)	-	-	(0.1)	(0.3)	-	0.1	(25.3)
NPAT	59.3	-	-	0.1	0.8	0.2	(0.4)	60.0
Add back: Amortisation	14.6	0.2	-	-	-	-	-	14.8
Cash tax benefit	3.2	-	-	-	-	-	-	3.2
NPATA	77.1	0.2	-	0.1	0.8	0.2	(0.4)	78.0
Shares on issue (millions)								130.9
NPATA per share (cps)								59.6

Appendix – reconciliation of operating cashflows to statutory financial statements

\$m	2018 statutory results	Adjust: Impact of AASB 16 adoption	Adjust: M&A Costs	2018 reported
Receipts from customers (inclusive of GST)	270.1	-	-	270.1
Payments to suppliers and employees (inclusive of GST)	(156.1)	(3.4)	-	(159.5)
Transaction costs relating to business acquisitions	(0.9)	-	0.9	-
Interest received from cash held on behalf of customers	2.6	-	-	2.6
Interest paid	(3.8)	-	-	(3.8)
Interest paid on lease liabilities	(0.9)	0.9	-	-
Income taxes paid	(31.4)	-	-	(31.4)
Net cash from operating activities	79.6	(2.5)	0.9	78.0
As a % of NPATA				100%

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