



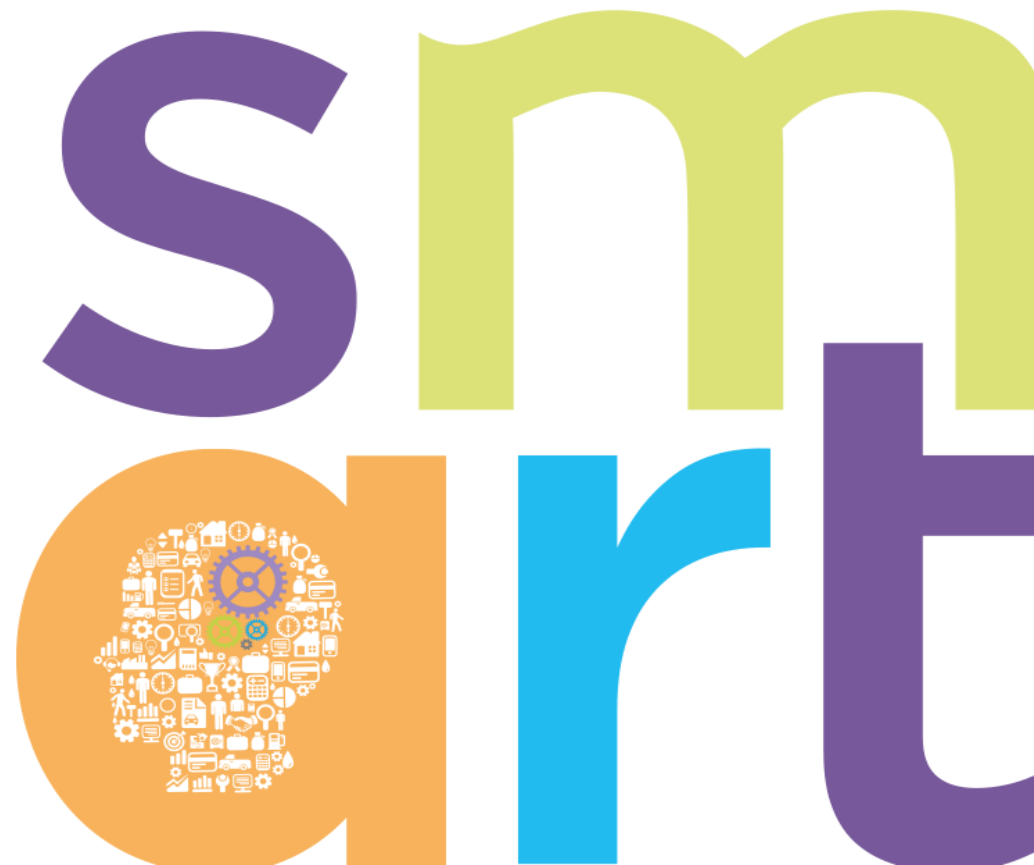
# Investor Presentation H1 CY14 Results

Deven Billimoria – Managing Director and CEO

Tim Looi – Chief Financial Officer

27 August 2014

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# Important notice and disclaimer

## ("Important Notice")



### Disclaimer

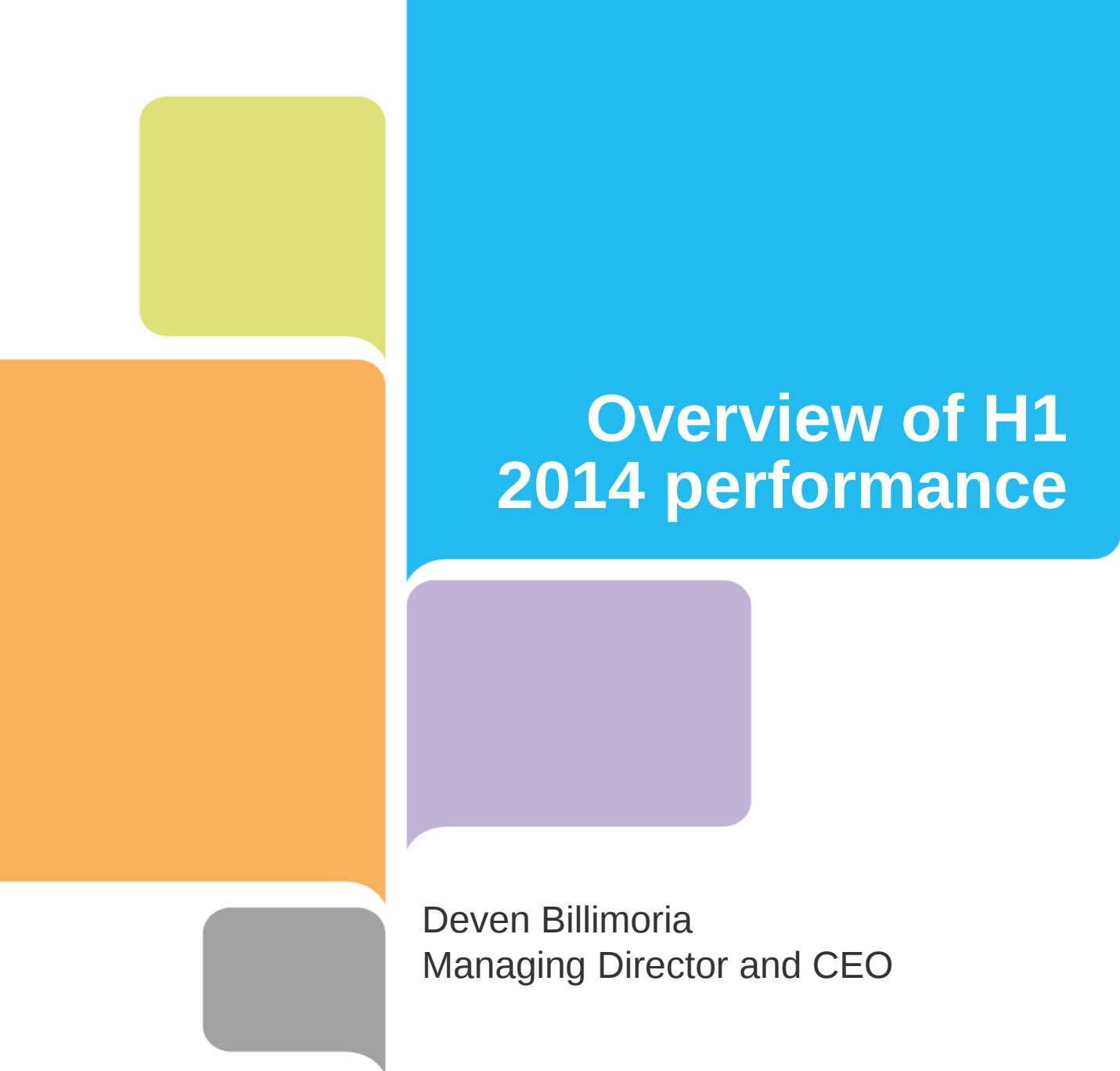
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### Non-International Financial Reporting Standards (Non-IFRS) information

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.



# Overview of H1 2014 performance

Deven Billimoria  
Managing Director and CEO

## An overview of the business shows Smartgroup is tracking well...

1. On track to deliver full year prospectus results
2. Recap of recent major client contract wins
  - North Sydney Local Health District (Dec-13, c.6,000 employee customers)
  - Northern NSW Local Health District (Apr-14, c.3,000 employee customers)
  - St Vincent's Sydney (Apr-14, c.3,000 employee customers)
3. Melbourne Health contract retained
  - Long-standing client since 2003 with c.6,400 employee customers
4. High service and staff engagement metrics maintained
  - Customer Net Promoter Score (NPS) at 50% for July 2014
  - One of 16 companies to be awarded Aon Hewitt Best Employer in 2014
  - Aon Hewitt Best Employer for 2nd consecutive year
5. Stable legislative outlook

## ...with results on track to meet prospectus forecast...

|                       | H1 2014<br>Pro-forma | Full year 2014<br>Prospectus | H1 2014 % of<br>Prospectus |
|-----------------------|----------------------|------------------------------|----------------------------|
| Operating revenue \$m | 34.8                 | 69.6                         | 50%                        |
| EBITA \$m             | 11.5                 | 22.6                         | 51%                        |
| NPATA \$m             | 8.5                  | 16.5                         | 52%                        |
| NPATA per share*      | \$0.08               | \$0.16                       | 50%                        |

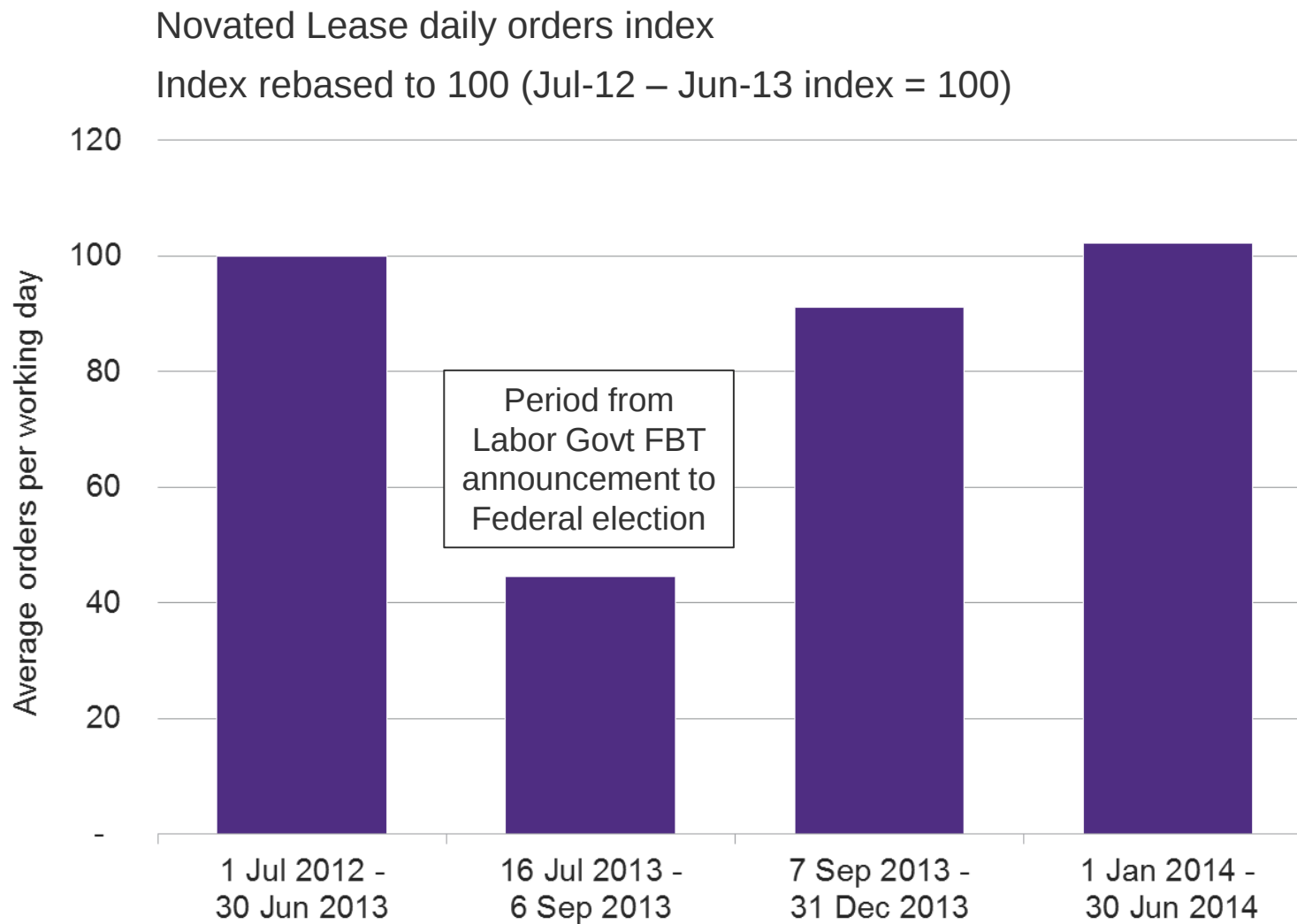
|                                 | H1 2014 | Full year 2014<br>Prospectus |
|---------------------------------|---------|------------------------------|
| Packages                        | 111,889 | 118,457                      |
| Novated leases under management | 30,755  |                              |
| Fleet managed vehicles          | 13,950  |                              |
| Employees                       | 346     | 347                          |

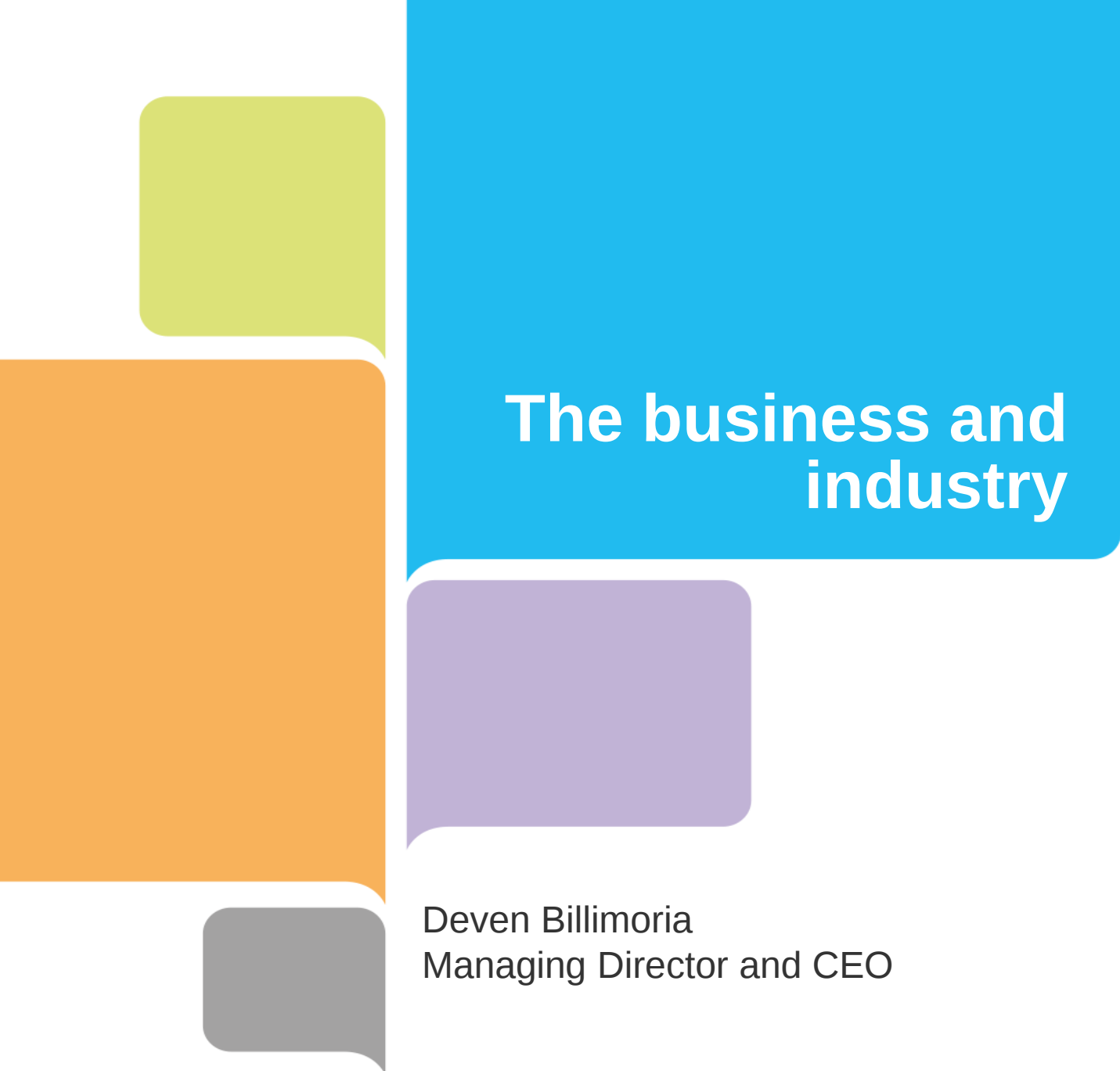
\*based on 101,461,150 shares

The above H1 2014 financials are on a proforma basis, which have been reconciled to the statutory H1 2014 financials in the appendices

All operational metrics count is at period end

## ...and Novated Leasing orders having recovered with a stable legislative outlook





# The business and industry

Deven Billimoria  
Managing Director and CEO

# Smartgroup employs a capital-light business model, principally focused on salary packaging



## Competitor product offering – key areas of focus

Lower capital intensity

|                                     | Salary packaging administration | Novated leasing | Fleet Managed    | Finance/operating lease |
|-------------------------------------|---------------------------------|-----------------|------------------|-------------------------|
| Smartgroup <sup>1</sup>             |                                 |                 |                  |                         |
| McMillan Shakespeare Limited        |                                 |                 |                  |                         |
| SG Fleet Group Limited <sup>2</sup> |                                 |                 |                  |                         |
|                                     | SALARY PACKAGING                |                 | FLEET MANAGEMENT |                         |

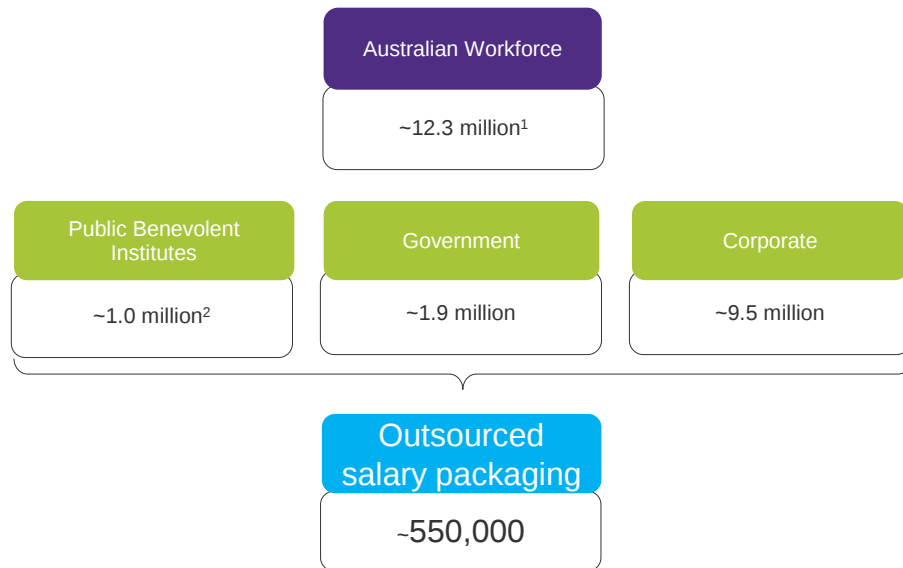
Source: Management estimate

1. Smartgroup is also a provider of software and stand alone cards salary packaging solutions, as well as insurance distribution and vehicle buying retail services.

2. SG Fleet Group Limited's salary packaging offering is primarily focused on novated leases.

# The market for outsourced salary packaging currently comprises c.550,000 employees

## Employees by category



## Salary packaging benefits by employer

| Employer category                                 | Types of employer                                                               | Typical benefits subject to salary packaging |                |                             |                    |                            |
|---------------------------------------------------|---------------------------------------------------------------------------------|----------------------------------------------|----------------|-----------------------------|--------------------|----------------------------|
| Full FBT                                          | Government departments<br>Private companies<br>Public companies                 | Novated leases                               | Superannuation | Portable electronic devices | Meal entertainment | Cap benefit (\$17,000 Cap) |
| Public Benevolent Institutes (PBI17) <sup>3</sup> | Public hospitals<br>Private not-for-profit hospitals                            |                                              |                |                             |                    |                            |
| Public Benevolent Institutes (PBI30) <sup>3</sup> | Medical research institutes<br>Aged care organisations<br>Charities             |                                              |                |                             |                    |                            |
| Partially exempt FBT <sup>4</sup>                 | Independent schools<br>Sporting clubs<br>Religious institutions<br>Trade unions |                                              |                |                             |                    |                            |
|                                                   |                                                                                 |                                              |                |                             |                    | Cap benefit (\$30,000 cap) |

1. Labour force is taken as the sum of the employed and unemployed. Source: ABS, December 2013. Differences due to rounding.

2. Not-for-profit tax concession working group, Discussion paper, November 2012.

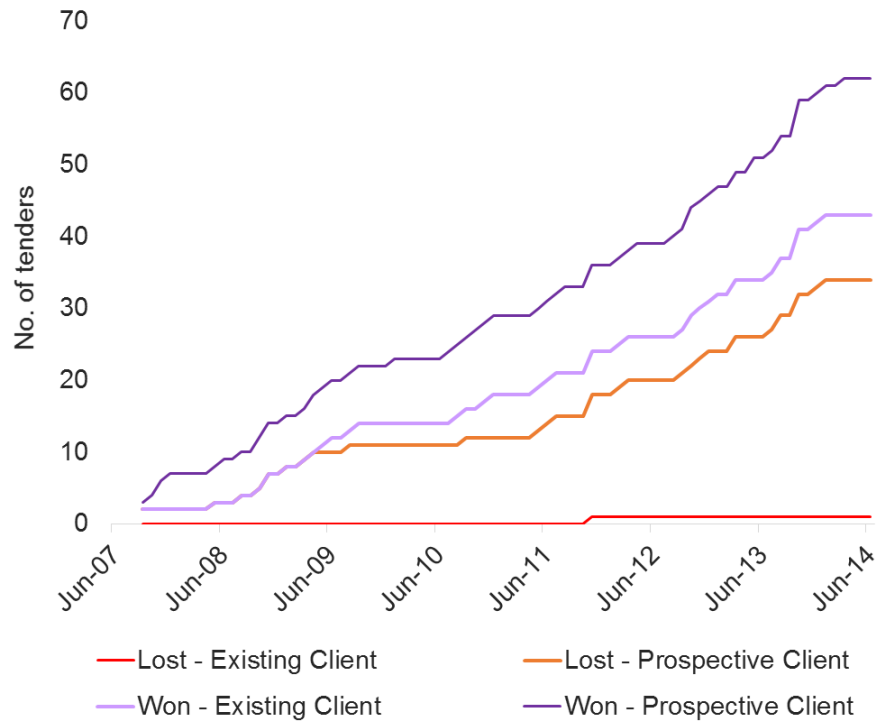
3. PBI17 refers to those organisations who can package tax exempt benefits with a total capped benefit of \$17,000 in grossed up income. PBI30 refers to those organisations who can package tax exempt benefits with a total capped benefit of \$30,000 in grossed up income.

4. The partially exempt FBT sector is not serviced by Smartgroup as at the date of this Presentation. The value of meal entertainment and cap benefits packaging options is lower than it is for employees of Public Benevolent Institutes.

# Within outsourced salary packaging, Smartgroup has won 45% of all public tenders



Tender outcomes – September 2007<sup>(1)</sup> to June 2014



Tender win rate – September 2007<sup>(1)</sup> to June 2014



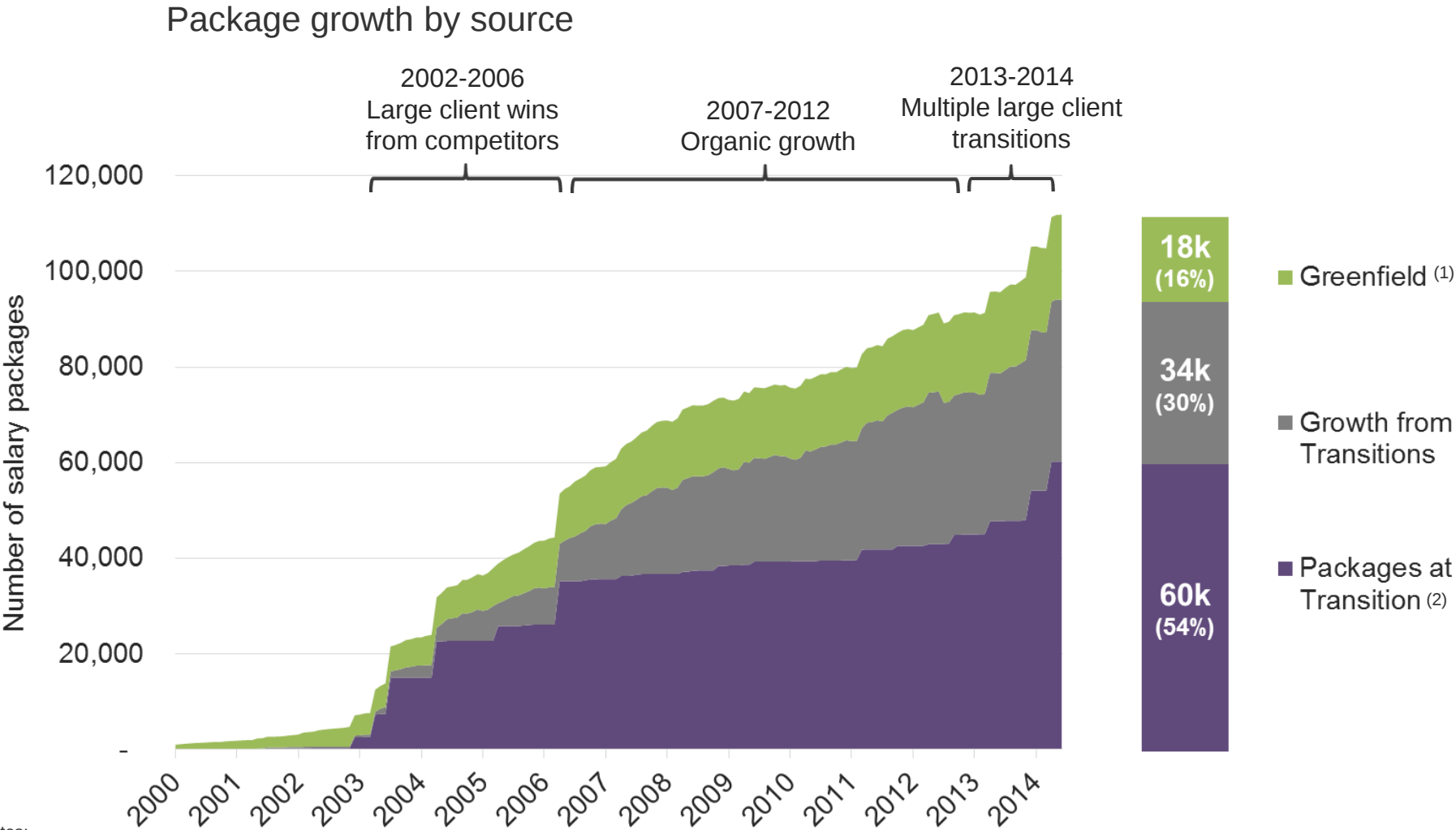
Only one salary packaging Employer Client with >1000 Employee Customers have ever left Smartgroup since inception

Notes:

1. Data available from September 2007

2. Only one salary packaging Employer Client with >1000 Employee Customers and contributing >1% of annual revenue has ever left.

# In addition to tender wins, strong growth comes from organic uptake from existing clients



Notes:  
 1. Employers that had not packaged before  
 2. Includes transitions from competitors and in-house packaging

# We attribute our success to our People focus, which is at the foundation of our strategy...

## Smartgroup's core capabilities



VISION: To be widely recognised as the easiest salary packaging and fleet management company to deal with.

## Smartsalary awards



- 2011, 2012, 2013 NSW State Award for Service Excellence in the Medium Business category
- 2012 National Service Excellence Award in the Medium Business category



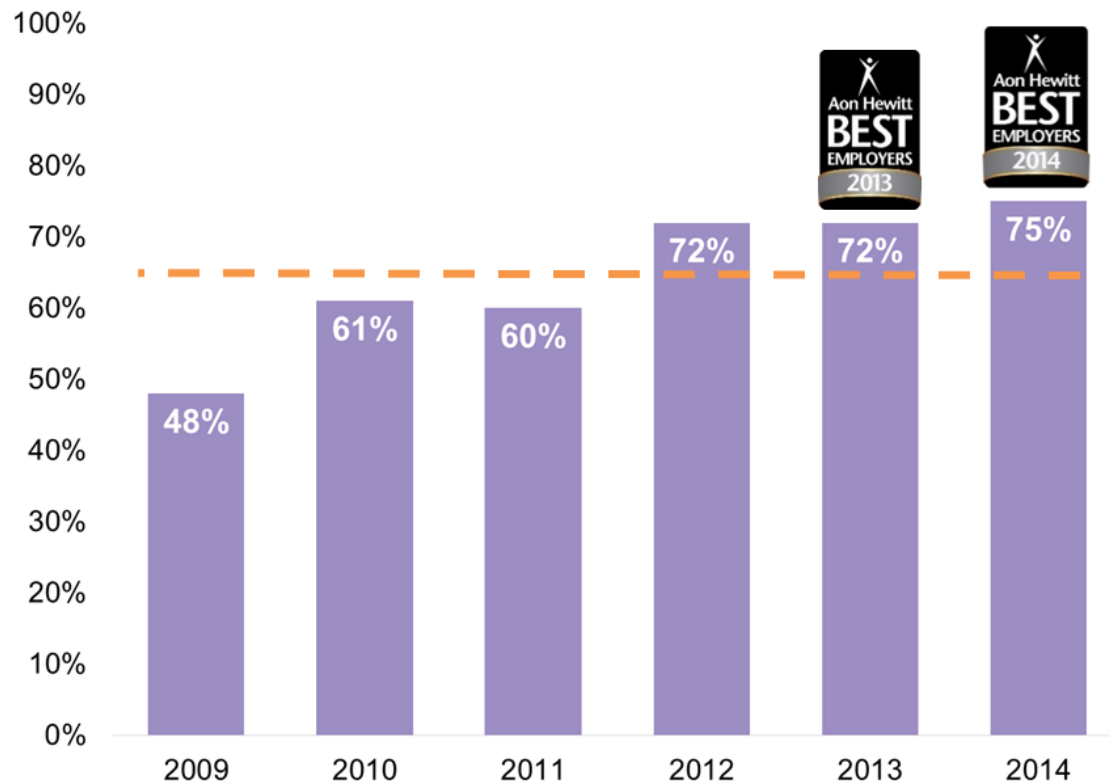
- Ranked 31<sup>st</sup> on BRW Magazine's list of Australia's 50 most innovative companies in 2013



- Accredited as an Aon Hewitt Best Employer in both 2013 and 2014

## ...indeed in both 2013 and 2014 Smartsalary was accredited an Aon Hewitt Best Employer...

Aon Hewitt Employee Engagement Score



--- Organisations with engagement scores above 65% are considered by Aon Hewitt to be highly engaged

Aon Hewitt recognise:

- Employee engagement
- Committed leadership
- High performance culture
- Differentiated employment branding

...which naturally leads to a strong customer service culture, with NSW State and National Service Excellence Awards in recent years...

### Customer Service Institute of Australia (CSIA) Score



NSW State Winner Best Medium Business 2011, 2012, 2013

National Winner Best Medium Business 2012

CSIA recognise service excellence in relation to the following customer perspectives:

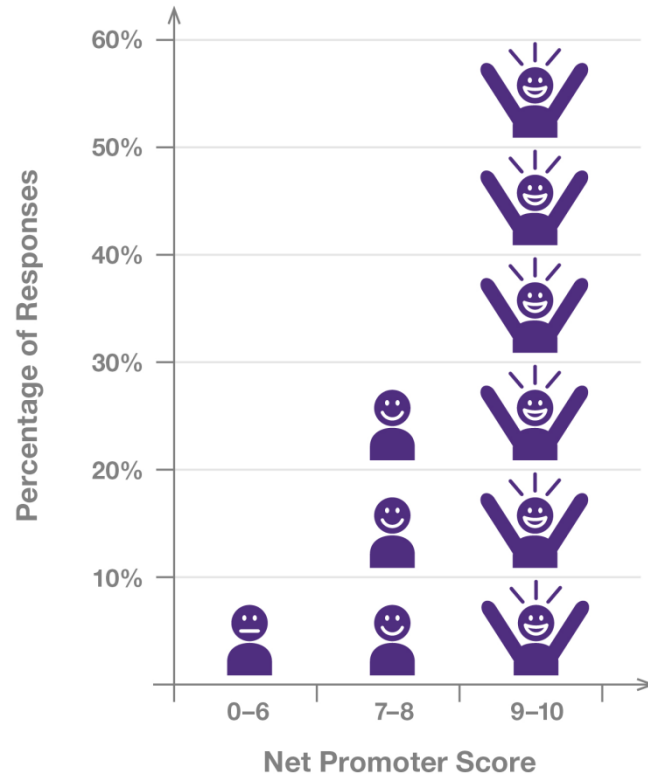
- Service
- Financial
- Operational
- Learning and growth

# ...and ultimately this translates into strong customer loyalty with Smartsalary's July 2014 Net Promoter Score (NPS) at a record 50%



What does a 50% NPS look like<sup>(1)</sup>?

Survey question: How likely are you to recommend Smartsalary to a friend or colleague?



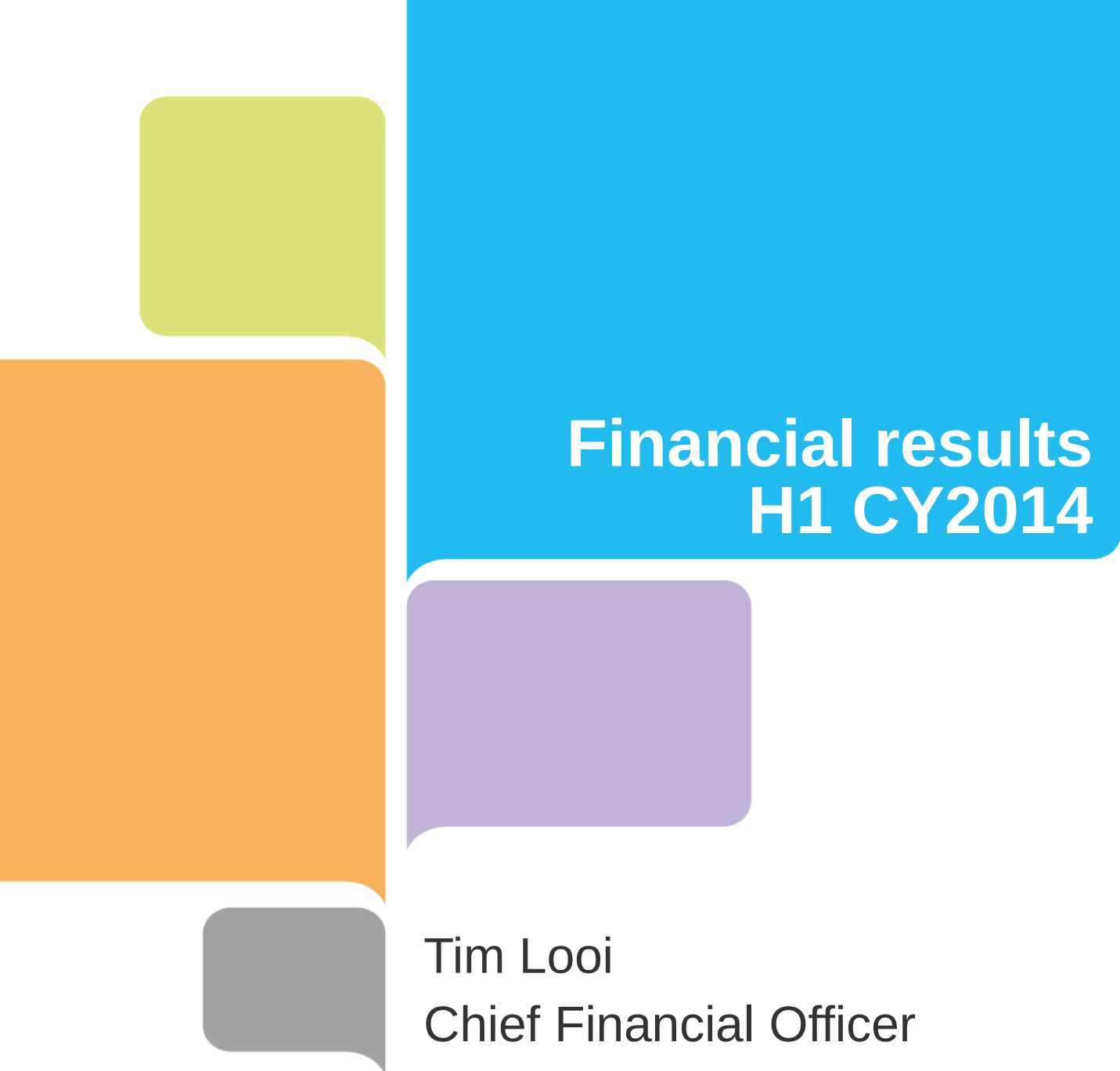
How does this compare to Australian industry benchmarks?

| Industry/sector                      | Date of survey | Average NPS |
|--------------------------------------|----------------|-------------|
| Online retail <sup>(2)</sup>         | Dec-12         | 23%         |
| Motor insurance <sup>(2)</sup>       | Dec-12         | 5%          |
| Financial institution <sup>(3)</sup> | Sep-13         | -6%         |
| Credit cards <sup>(2)</sup>          | Dec-12         | -36%        |
| Salary packaging                     | N/A            | N/A         |

1. Figure is a schematic representation (Smartsalary's actual results for July were 63.3% Promoters, 23.3% Neutral and 13.4% Detractors from a sample of 4,623 surveys)

2. Bain & Company, The powerful economics of customer loyalty in Australia, July 2013 (NPS results from December 2012)

3. Engaged Marketing, Australian Banking NPS Results, September 2013



# Financial results H1 CY2014

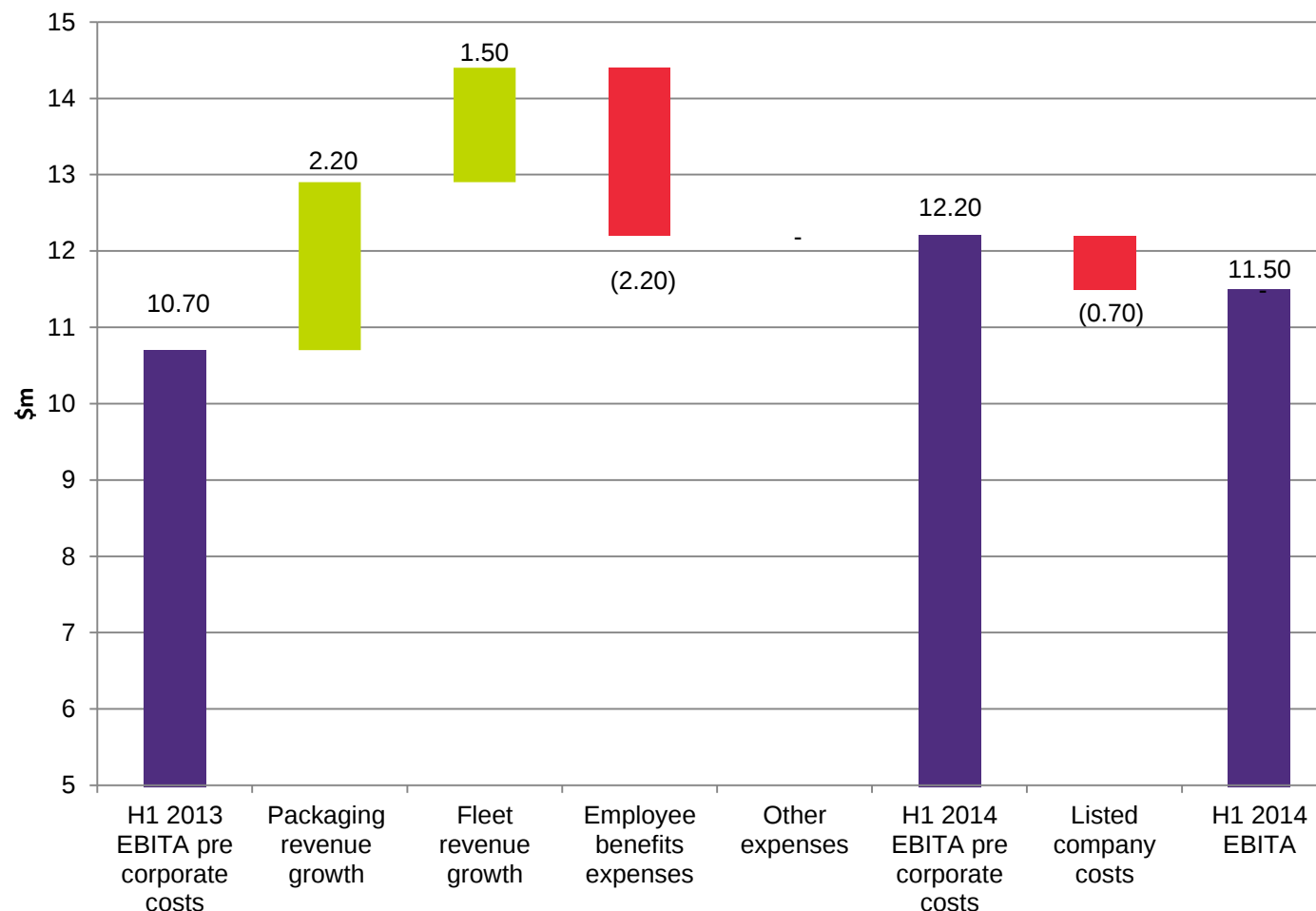
Tim Looi  
Chief Financial Officer

# Smartgroup has achieved double digit growth on key financial metrics for the half year .....

|                                 | Proforma        | Statutory       |          |
|---------------------------------|-----------------|-----------------|----------|
|                                 | H1 2014         | H1 2013         | Change % |
| Total operating revenue \$m     | 34.8            | 31.1            | 12%      |
| EBITA pre corporate costs \$m   | 12.2            | 10.7            | 14%      |
| EBITA \$m                       | 11.5            | 10.6            | 8%       |
| NPATA \$m                       | 8.5             | 6.5             | 31%      |
| Cashflow from operations \$m    | 11.3            | 7.5             | 51%      |
|                                 | At 30 June 2014 | At 30 June 2013 | Change % |
| Packages                        | 111,889         | 95,663          | 17%      |
| Novated leases under management | 30,755          | 29,216          | 5%       |
| Fleet managed vehicles          | 13,950          | 12,395          | 13%      |
| Employees                       | 346             | 296             | 17%      |

The above H1 2014 financials are on a proforma basis, which have been reconciled to the statutory H1 2014 financials in the appendices.  
All operational metrics count is at period end

... with EBITA pre corporate costs increasing from \$10.7m to \$12.2m due to revenue growth from packaging and fleet



The above EBITA pre corporate costs reconciliation is on a proforma basis, which has been reconciled to the statutory H1 2014 financials in the appendices.

# Cashflow from operations conversion is strong with capital expenditure remaining low

| Summary of cashflows                             | Proforma    | Statutory  | change %   |
|--------------------------------------------------|-------------|------------|------------|
|                                                  | \$ millions | H1 2014    | H1 2013    |
| Receipts from customers                          | 37.6        | 33.6       |            |
| Payments to suppliers and employees              | (24.3)      | (22.3)     |            |
| Interest paid (net of interest revenue received) | (0.1)       | (0.7)      |            |
| Net income tax paid                              | (1.9)       | (3.1)      |            |
| <b>Cashflow from operations</b>                  | <b>11.3</b> | <b>7.5</b> | <b>51%</b> |
| Cashflow from operations as % of NPATA           | 133%        | 115%       |            |
| Capital expenditure                              | (0.2)       | (0.1)      |            |

The above H1 2014 financials are on a proforma basis, which have been reconciled to the statutory H1 2014 financials in the appendices.

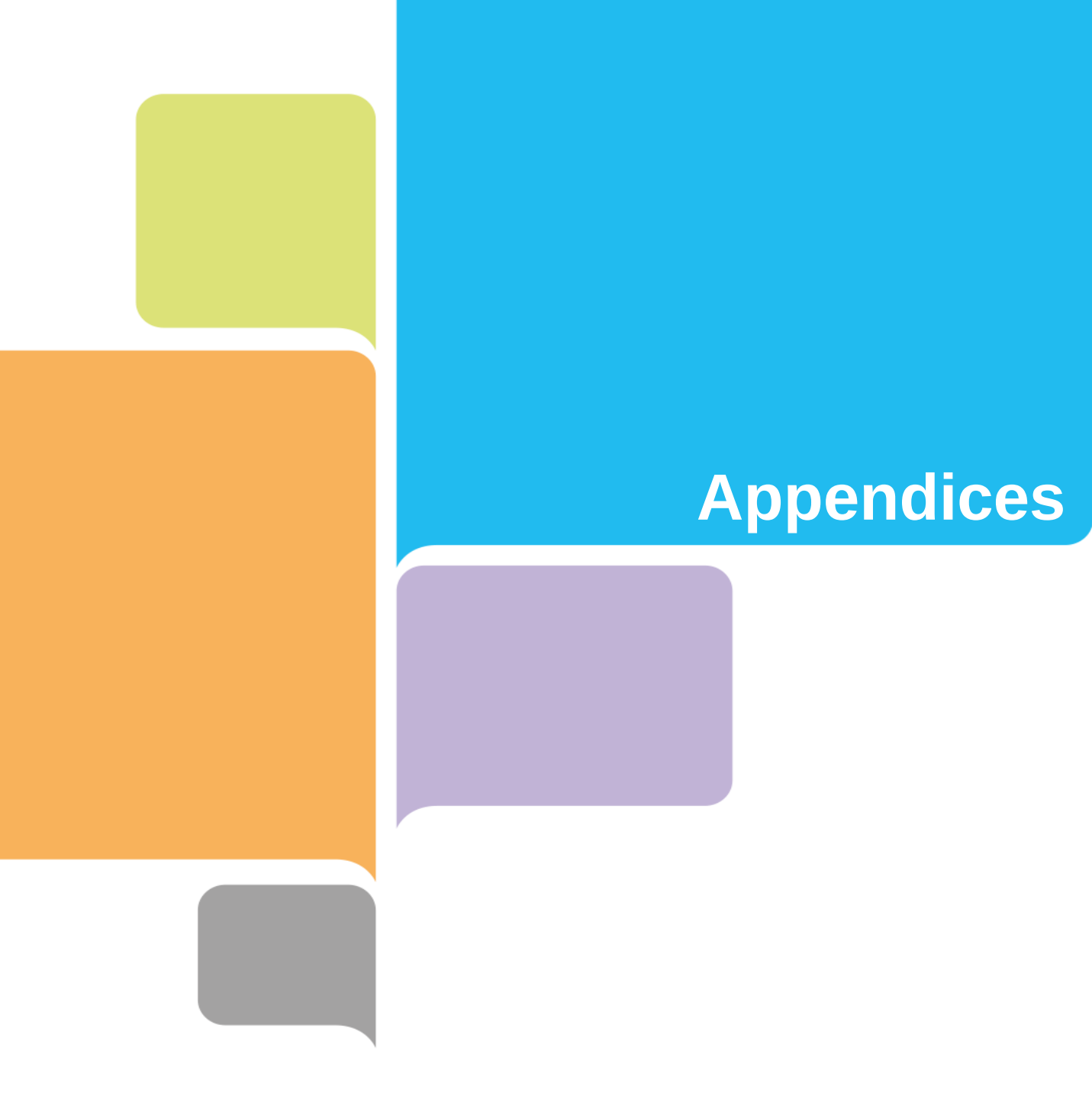
# The balance sheet is conservative with net debt at \$5.4m

| Summary balance sheet                    | Proforma<br>30 June<br>2014 | Statutory<br>31 Dec<br>2013 |
|------------------------------------------|-----------------------------|-----------------------------|
| \$ millions                              |                             |                             |
| <b>ASSETS</b>                            |                             |                             |
| Cash and cash equivalents                | 16.5                        | 16.9                        |
| Trade and other current assets           | 10.1                        | 9.0                         |
| Current Assets                           | 26.6                        | 25.9                        |
| Property, plant and equipment            | 2.6                         | 3.0                         |
| Goodwill and intangible assets           | 68.7                        | 75.0                        |
| Other noncurrent assets                  | 3.4                         | 0.4                         |
| Non-current Assets                       | 74.7                        | 78.4                        |
| <b>TOTAL ASSETS</b>                      | <b>101.3</b>                | <b>104.3</b>                |
| <b>LIABILITIES</b>                       |                             |                             |
| Trade and other payables                 | 12.6                        | 14.0                        |
| Provisions and other current liabilities | 3.8                         | 3.5                         |
| Interest-bearing loans                   | -                           | 5.0                         |
| Current Liabilities                      | 16.4                        | 22.5                        |
| Non current provisions and other         | 0.9                         | 0.9                         |
| Non current interest-bearing loans       | 21.9                        | 50.9                        |
| Non-current Liabilities                  | 22.8                        | 51.8                        |
| <b>TOTAL LIABILITIES</b>                 | <b>39.2</b>                 | <b>74.3</b>                 |
| <b>NET ASSETS</b>                        | <b>62.1</b>                 | <b>30.0</b>                 |
| Net debt                                 | 5.4                         | 39.0                        |

The above H1 2014 financials are on a proforma basis, which have been reconciled to the statutory H1 2014 financials in the appendices.

## Positive outlook for rest of the year

1. On-track to meet prospectus NPATA of \$16.5m
2. As flagged in the prospectus, one further large client is expected in December 2014 with over 4,000 packages
3. Stable legislative outlook
4. Continued focus on staff engagement, innovation and high service levels and customer loyalty



# Appendices

# Reconciliation of earnings

## Statutory H1 2014 to proforma H1 2014

| \$ millions                                      | Statutory<br>H1 2014 | Adjustments<br>IPO costs | Proforma     | Proforma<br>H1 2014 |
|--------------------------------------------------|----------------------|--------------------------|--------------|---------------------|
| <b>Total operating revenue</b>                   | <b>34.8</b>          | -                        | -            | <b>34.8</b>         |
| <b>Total operating expenses</b>                  | <b>22.0</b>          | -                        | -            | <b>22.0</b>         |
| <b>Operating EBITDA</b>                          | <b>12.8</b>          | -                        | -            | <b>12.8</b>         |
| Depreciation expense                             | 0.6                  | -                        | -            | 0.6                 |
| <b>Operating EBITA</b>                           | <b>12.2</b>          | -                        | -            | <b>12.2</b>         |
| <b>Operating EBITA Margin</b>                    | <b>35.1%</b>         |                          |              | <b>35.1%</b>        |
| Corporate costs                                  | 0.5                  | -                        | 0.2          | 0.7                 |
| Transaction costs                                | 10.6                 | (10.6)                   |              | -                   |
| <b>EBITA</b>                                     | <b>1.1</b>           | <b>10.6</b>              | <b>(0.2)</b> | <b>11.5</b>         |
| <b>EBITA Margin</b>                              | <b>3.2%</b>          |                          |              | <b>33.0%</b>        |
| Amortisation expense                             | 6.3                  | -                        | -            | 6.3                 |
| <b>EBIT</b>                                      | <b>(5.2)</b>         | <b>10.6</b>              | <b>(0.2)</b> | <b>5.2</b>          |
| Net finance costs                                | 1.6                  | -                        | (1.3)        | 0.3                 |
| <b>PBT</b>                                       | <b>(6.8)</b>         | <b>10.6</b>              | <b>1.1</b>   | <b>4.9</b>          |
| Tax expense                                      | (1.8)                | 2.9                      | 0.3          | 1.4                 |
| <b>NPAT</b>                                      | <b>(5.0)</b>         | <b>7.7</b>               | <b>0.8</b>   | <b>3.5</b>          |
| <b>NPAT Margin</b>                               | <b>-14.4%</b>        |                          |              | <b>10.1%</b>        |
| Add: amortisation of intangibles                 | 6.3                  | -                        |              | 6.3                 |
| Less: Tax effect of amortisation                 | (1.9)                | -                        |              | (1.9)               |
| Add: Cash benefit of tax-deductible amortisation | 0.6                  | -                        |              | 0.6                 |
| <b>NPATA</b>                                     | <b>0.0</b>           | <b>7.7</b>               | <b>0.8</b>   | <b>8.5</b>          |
| <b>NPATA Margin</b>                              | <b>0.0%</b>          |                          |              | <b>24.4%</b>        |

### Adjustments

IPO Costs: An adjustment to remove the one-off costs of the initial public offer incurred in H1 2014 of \$10.6m pre-tax and \$7.7m post-tax.

Proforma: Adjustments to reflect full costs for the half year for being a listed entity. These costs include director remuneration, additional compliance, listing and share registry costs. A further adjustment is made for net interest of \$1.3m pre tax and \$0.9m post-tax reflecting the lower net debt profile of the group following the amended debt arrangements effective 2 July 2014.

# Reconciliation of balance sheet

Statutory to proforma to show the balance sheet as if the IPO had occurred at 30 June 2014

|                                            | Statutory    | Adjustments |          |                   |              | Proforma     |
|--------------------------------------------|--------------|-------------|----------|-------------------|--------------|--------------|
|                                            |              |             |          | P&L               |              |              |
| \$ millions                                | 30 June 2014 | IPO costs   | Proforma | Capital structure | Equity issue | 30 June 2014 |
| ASSETS                                     |              |             |          |                   |              |              |
| Cash and cash equivalents                  | 18.0         | (7.1)       | 0.8      | (32.7)            | 37.5         | 16.5         |
| Trade and other receivables                | 8.0          | -           | -        | -                 | -            | 8.0          |
| Other current assets                       | 1.3          | -           | -        | -                 | -            | 1.3          |
| Deferred transaction costs                 | 1.7          | (1.7)       | -        | -                 | -            | -            |
| Income tax receivable                      | 0.7          | -           | -        | 0.1               | -            | 0.8          |
| Current Assets                             | 29.7         | (8.8)       | 0.8      | (32.6)            | 37.5         | 26.6         |
| Deferred tax                               | 3.5          | -           | -        | (0.1)             | -            | 3.4          |
| Property, plant and equipment              | 2.6          | -           | -        | -                 | -            | 2.6          |
| Goodwill and intangible assets             | 68.7         | -           | -        | -                 | -            | 68.7         |
| Non-current Assets                         | 74.8         | -           | -        | (0.1)             | -            | 74.7         |
| TOTAL ASSETS                               | 104.5        | (8.8)       | 0.8      | (32.7)            | 37.5         | 101.3        |
| LIABILITIES                                |              |             |          |                   |              |              |
| Trade and other payables                   | 20.5         | (7.1)       | -        | (0.8)             | -            | 12.6         |
| Provisions                                 | 2.8          | -           | -        | -                 | -            | 2.8          |
| Interest-bearing loans and borrowings      | 53.5         | -           | -        | (53.5)            | -            | -            |
| Other liabilities current                  | 1.0          | -           | -        | -                 | -            | 1.0          |
| Current Liabilities                        | 77.8         | (7.1)       | -        | (54.3)            | -            | 16.4         |
| Provisions                                 | 0.8          | -           | -        | -                 | -            | 0.8          |
| Derivative financial instruments liability | 0.1          | -           | -        | -                 | -            | 0.1          |
| Interest-bearing loans and borrowings      | -            | -           | -        | 21.9              | -            | 21.9         |
| Non-current Liabilities                    | 0.9          | -           | -        | 21.9              | -            | 22.8         |
| TOTAL LIABILITIES                          | 78.7         | (7.1)       | -        | (32.4)            | -            | 39.2         |
| NET ASSETS                                 | 25.8         | (1.7)       | 0.8      | (0.3)             | 37.5         | 62.1         |

## Adjustments

IPO Costs: An adjustment to remove the one-off costs payable in H1 2014 in relation to the initial public offering of \$7.1m.

P&L proforma: Reflecting the balance sheet impact of the P&L adjustments for company costs and net interest expense

Capital structure: An adjustment to recognise the new debt structure of the Company that was effective on 2 July 2014.

Equity issue: An adjustment to recognise the issue of new shares in the initial public offering on 2 July 2014.

# Reconciliation of cashflow from operations

Statutory to proforma to show the cashflow associated with the proforma P&L and excluding IPO and RPS payments

| \$ millions                                      | Statutory    | Adjustments |             |              | Proforma    |
|--------------------------------------------------|--------------|-------------|-------------|--------------|-------------|
|                                                  | H1 2014      | IPO costs   | RPS payment | P&L proforma | H1 2014     |
| Receipts from customers                          | 37.6         | -           | -           | -            | 37.6        |
| Payments to suppliers and employees              | (24.1)       | -           | -           | (0.2)        | (24.3)      |
| Payments for transaction costs                   | (4.9)        | 4.9         | -           | -            | -           |
| Interest paid (net of interest revenue received) | (3.1)        | -           | 2.5         | 0.5          | (0.1)       |
| Net income tax paid                              | (1.6)        | -           | -           | (0.3)        | (1.9)       |
| <b>Cashflow from operations</b>                  | <b>3.9</b>   | <b>4.9</b>  | <b>2.5</b>  | <b>(0.0)</b> | <b>11.3</b> |
| Payments for property and equipment              | (0.2)        |             |             |              |             |
| Finance revenue                                  | 0.3          |             |             |              |             |
| <b>Cashflow from investing activities</b>        | <b>0.1</b>   |             |             |              |             |
| Payments to suppliers for transaction costs      | (0.2)        |             |             |              |             |
| Repayments of borrowings - other                 | (2.6)        |             |             |              |             |
| <b>Cashflow from financing activities</b>        | <b>(2.8)</b> |             |             |              |             |
| <b>Cashflow for the period</b>                   | <b>1.2</b>   |             |             |              |             |
| <b>Opening cash and cash equivalent balance</b>  | <b>16.8</b>  |             |             |              |             |
| <b>Closing cash and cash Equivalent balance</b>  | <b>18.0</b>  |             |             |              |             |

## Adjustments

IPO Costs: An adjustment to remove the one-off costs paid in H1 2014 in relation to the initial public offering of \$4.9m.

RPS payment: An adjustment to remove interest paid on the Redeemable Preference Shares in relation to the pre-listing net debt profile of the Company. On 2 July 2014, the Redeemable Preference shares were settled and will not have an ongoing impact to the business.

P&L proforma: reflecting the cashflow impact of the P&L adjustments for company costs and net interest expense