Smartgroup Corporation

Macquarie Australia Investor Conference

Dave Adler – Chief Commercial Officer
Tim Looi – Chief Financial Officer

07 May 2015

STRICTLY CONFIDENTIAL

Important notice and disclaimer
(“Important Notice”)

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.

Snapshot of Smartgroup

Smartgroup is the second largest player in the Australian outsourced salary packaging market

Market Cap

$199m

Net Cash

$6m*

ASX code

SIQ

Share price

6/5/15 : $1.92

NPATA

$17.4m*

H2 14 dividend 6.1cps fully franked**

* Audited for the full year ended 31 December 2014

** Dividend payout ratio 70% of NPATA (net profit after tax, adjusted to exclude the non-cash tax effected amortisation of intangibles) for H2 2014

Competitor landscape

SIQ employs an 'asset light' business model

Competitor product offering – Key areas of focus

asset light

	Finance/operating lease	Fleet managed	Novated leasing	Salary packaging administration	Vehicle services
Smartgroup[(1)]					
McMillan Shakespeare Limited					
SG Fleet Group Limited[(2)]					
Eclipx Group					
	FLEET MANAGEMENT		**SALARY PACKAGING ADMINISTRATION**		**RETAIL**

*Smartgroup's client focus is within the **Government and Public Benevolent Institutes sectors** and largely in the **salary packaging sector***

Source: Management estimate

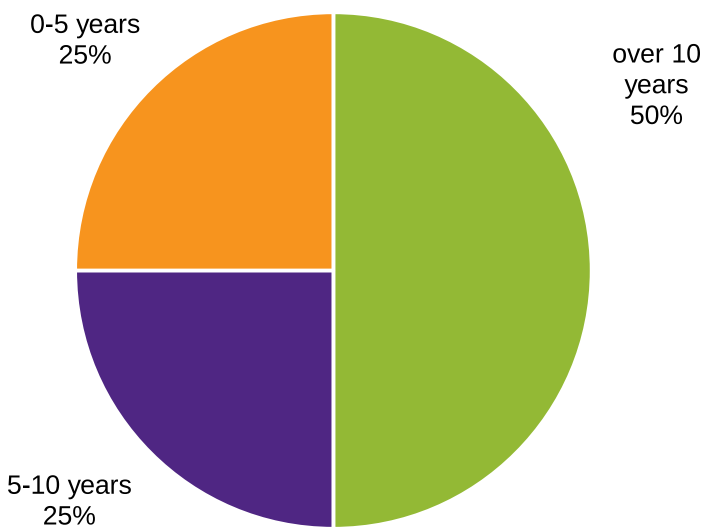
1. Smartgroup is also a provider of software and stand alone cards salary packaging solutions, as well as insurance distribution and vehicle buying retail services.
2. SG Fleet Group Limited's salary packaging offering is primarily focused on novated leases.

Customer profile

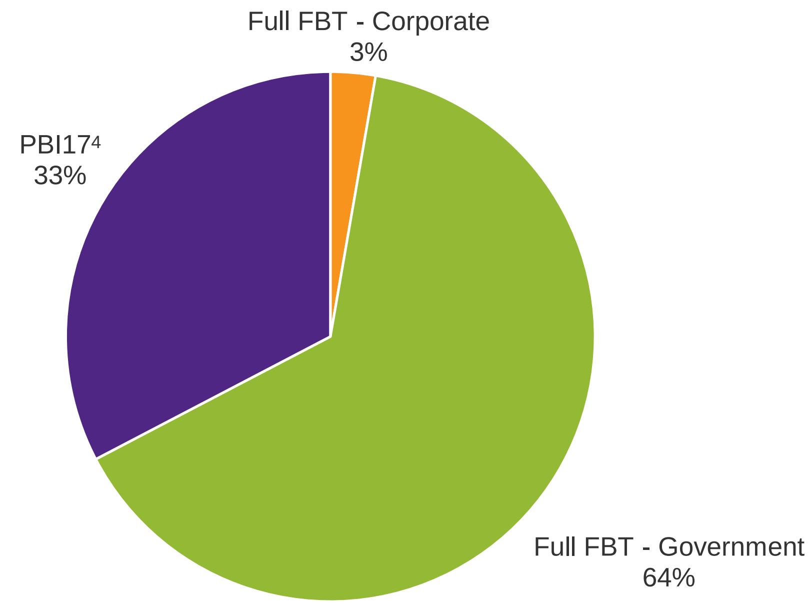
75% of our top 20 customers have a relationship with us in excess of 5 years and 97% of our revenues are derived from public hospitals and government

Profile of Smartgroup's top 20 employer clients

Length of relationship[1,2]



Revenue by FBT status[3]

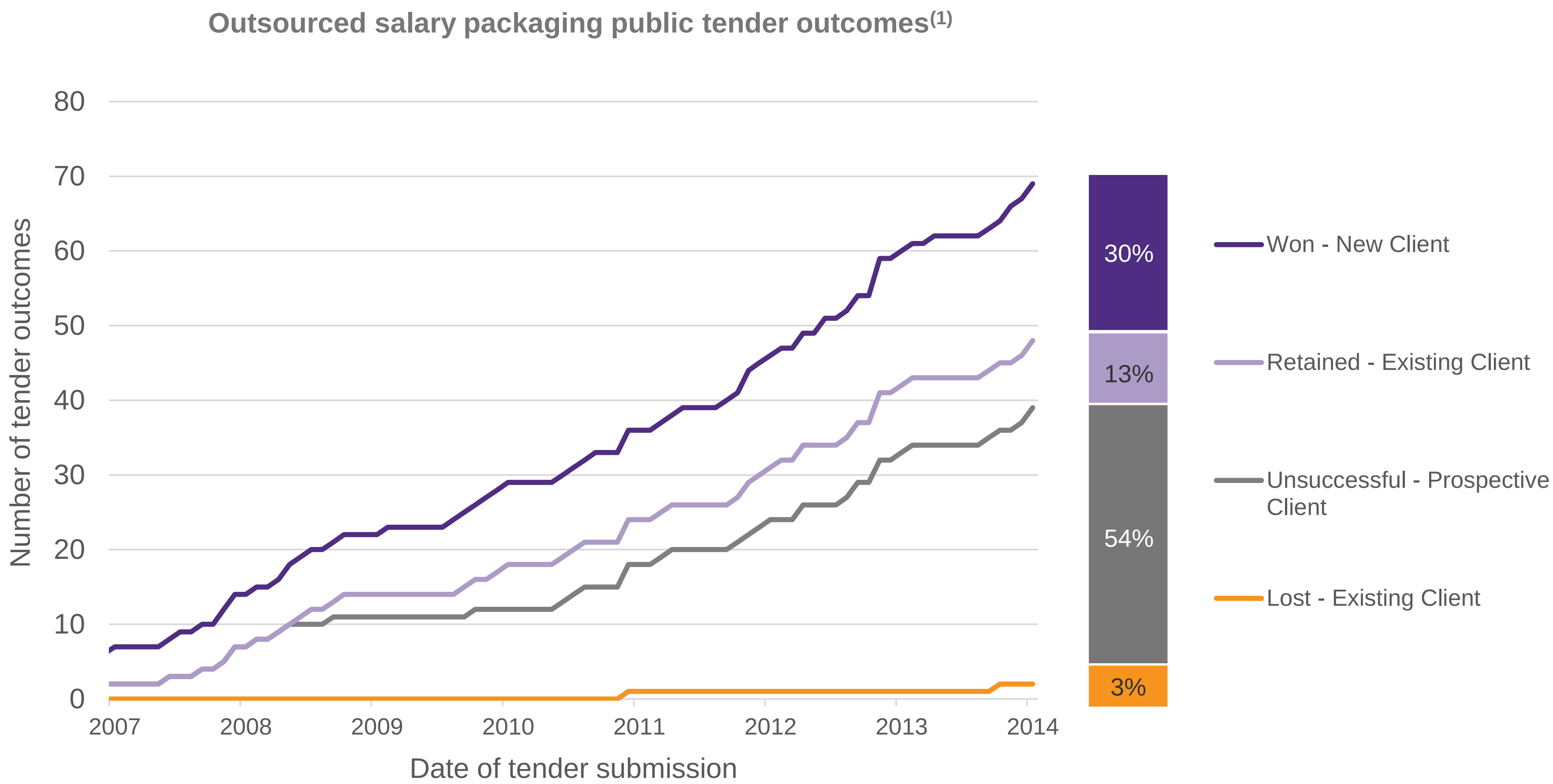


Source: Management

1. Based on data for Smartsalary's top 20 employer clients by Smartgroup revenue in CY2014. Split taken as a percentage of revenue from top 20 Employer Clients.
2. Relationship length calculated as time between the start of contractual relationship and 31 Dec 2014.
3. Based on revenues from top 20 employer clients for CY2014.
4. PBI17 refers to those organisations who can package tax exempt benefits with a total capped benefit of $17,000 in grossed up income.

Public tender record

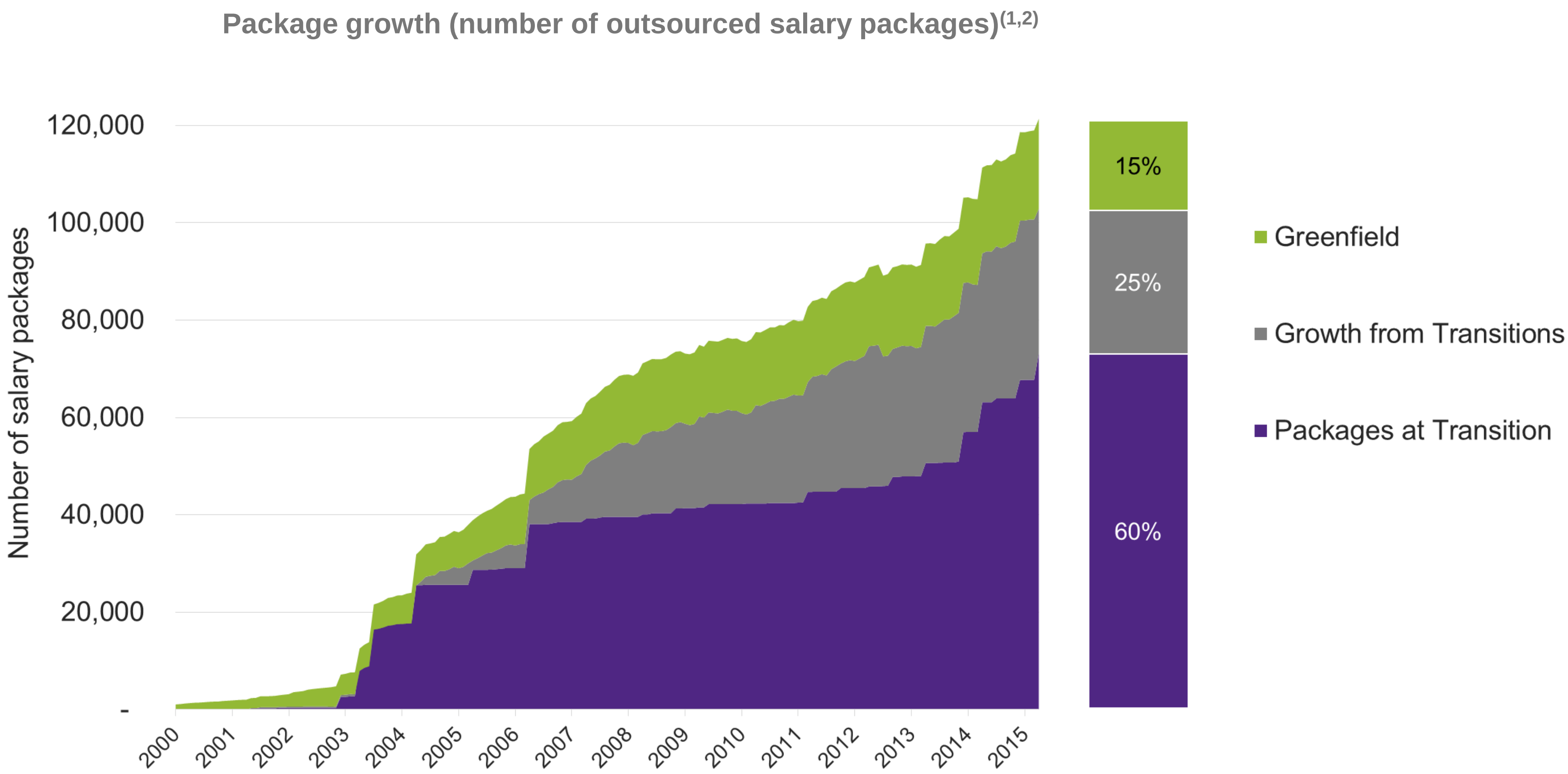
We have won 43% of all public tenders for outsourced salary packaging since 2007



Notes:
1. Data available from September 2007

Employee customer growth

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

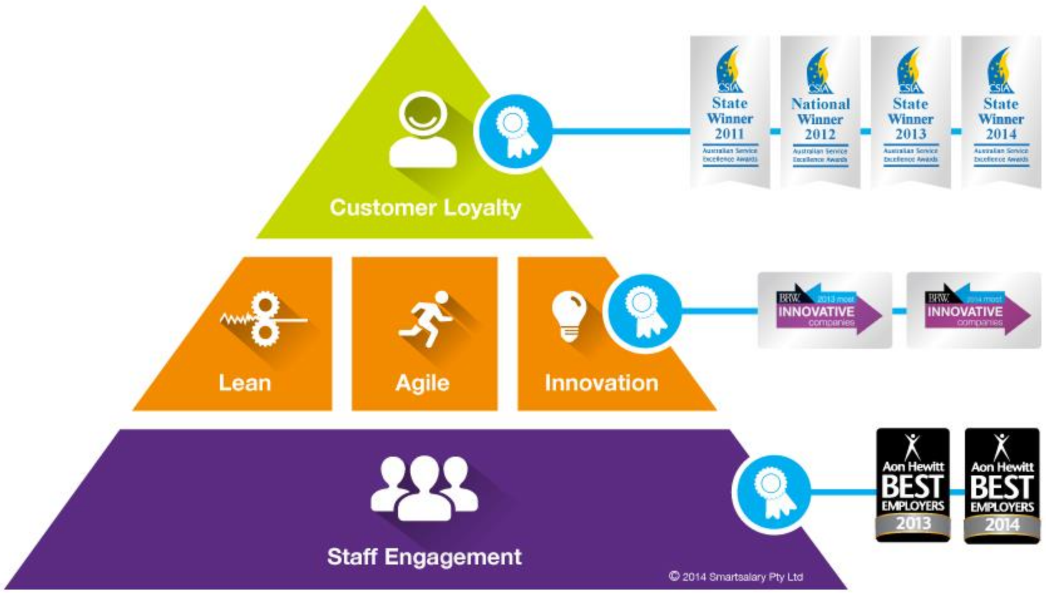


Source: Management

1. Greenfield represents clients not previously salary packaging, Transitions represent those clients previously doing salary packaging in-house or transitioning form competitors. Growth from Transitions represents organic packages added since a client started packaging with Smartsalary.
2. As at 30 April 2015.

Smartgroup's core capabilities

We attribute our success to our people focus, which is at the foundation of our strategy



Vision: To be the easiest salary packaging and vehicle services company to deal with

Smartsalary awards

Australian Service Excellence Awards
CSIA CUSTOMER SERVICE INSTITUTE OF AUSTRALIA
2012 National Winner

- 2011, 2012, 2013, 2014 NSW State Award for Service Excellence in the Medium Business category
- 2012 National Award for Service Excellence in the Medium Business category

BRW 2014 most INNOVATIVE companies

BRW Magazine's list of Australia's 50 most innovative companies

- Ranked 31st in 2013
- Ranked 44th in 2014

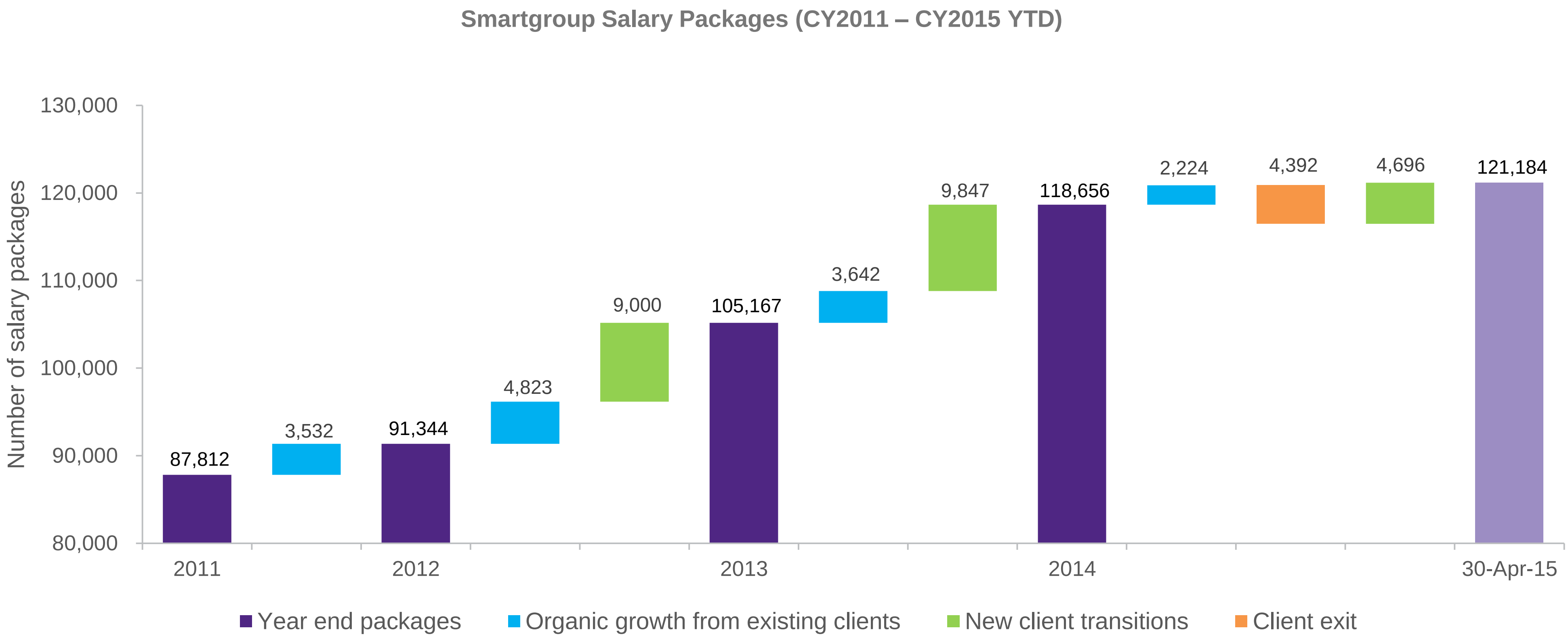
Aon Hewitt BEST EMPLOYERS 2014

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

Financials

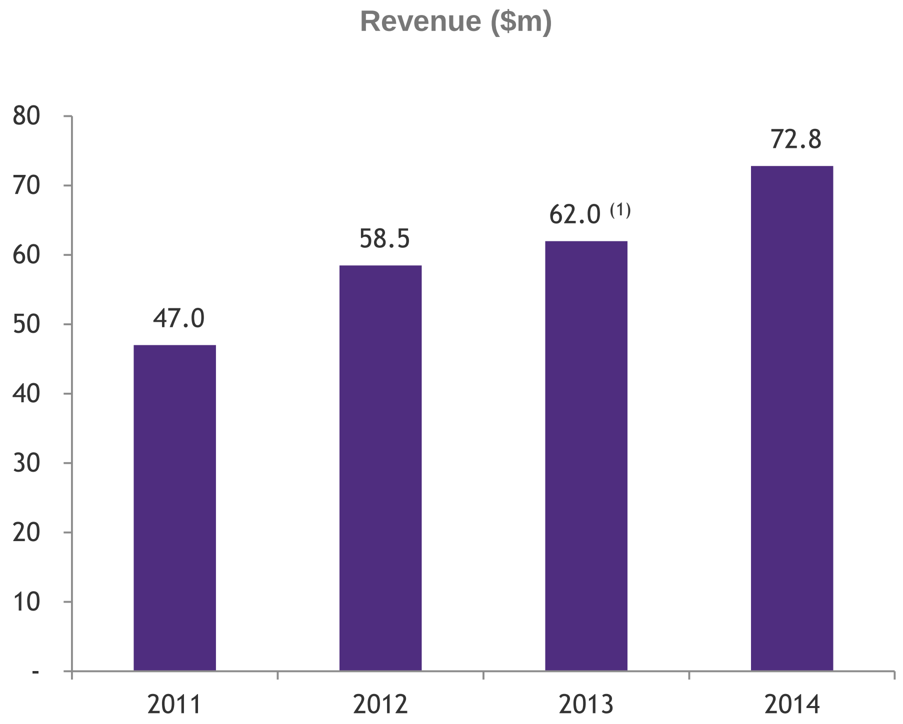
Recent salary package growth

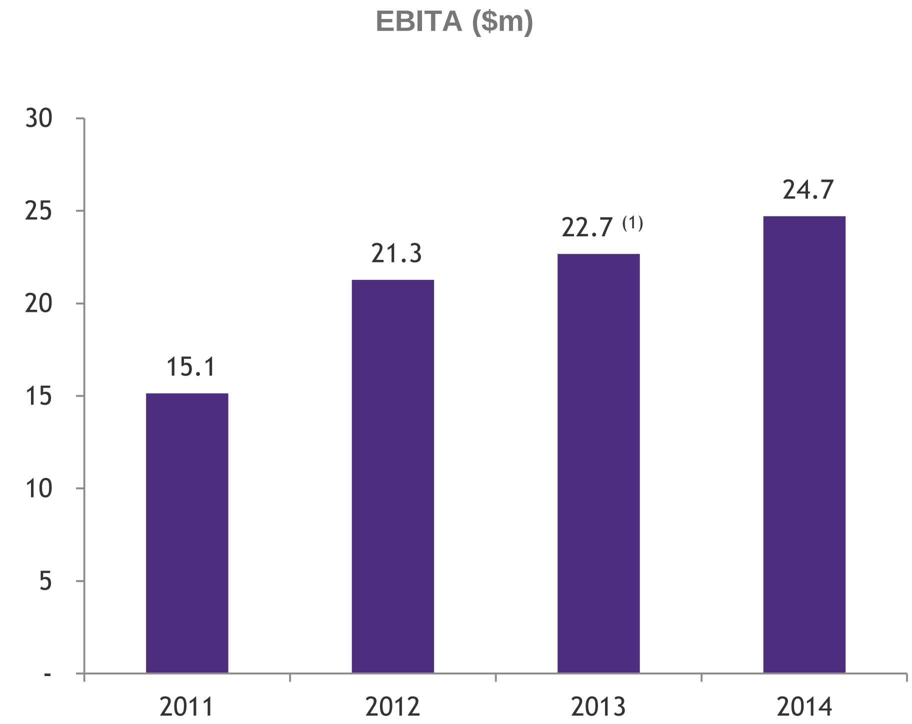
Smartgroup's employees under management has grown by c30,000 since 2012



Revenues and earnings

Revenues have increased over 50% since 2011 with EBITA margins >30%





1. Includes the impact of Rudd Government proposed legislative change to novated lease in early July 2013

Key financial metrics

We have had double digit growth from the prior year on our financial metrics

	CY2014 $m	CY2013 $m	Change %
Revenue	72.8	62.0	17%
EBITA before corporate costs	24.8	21.4	16%
NPATA	17.4	13.2	32%*
Maiden dividend (H2 2014)	6.1 cps	N/A	N/A
Franking	100%	N/A	N/A
Dividend payout ratio (H2 2014)	70%	N/A	N/A

* NPATA 2013 reflected the historical debt structure prior to the IPO. Adjusting for the impact of the higher interest expense, the NPATA growth from 2013 is 15%

1. The above 2014 financials are on a proforma basis, which have been reconciled to the statutory 2014 financial accounts in the appendices.
2. Revenue refers to revenue earned from the rendering of services and commissions, excluding finance revenue.
3. EBITA refers to earnings before interest, tax and amortisation.
4. NPATA reflects the proforma net profit after tax, adjusted to exclude the non-cash tax effected amortisation of intangibles.
5. Dividend payout ratio as a percentage of NPATA
6. Smartgroup listed on 2 July 2014. As such, no dividend was paid for H1 2014.

Balance sheet and cashflow

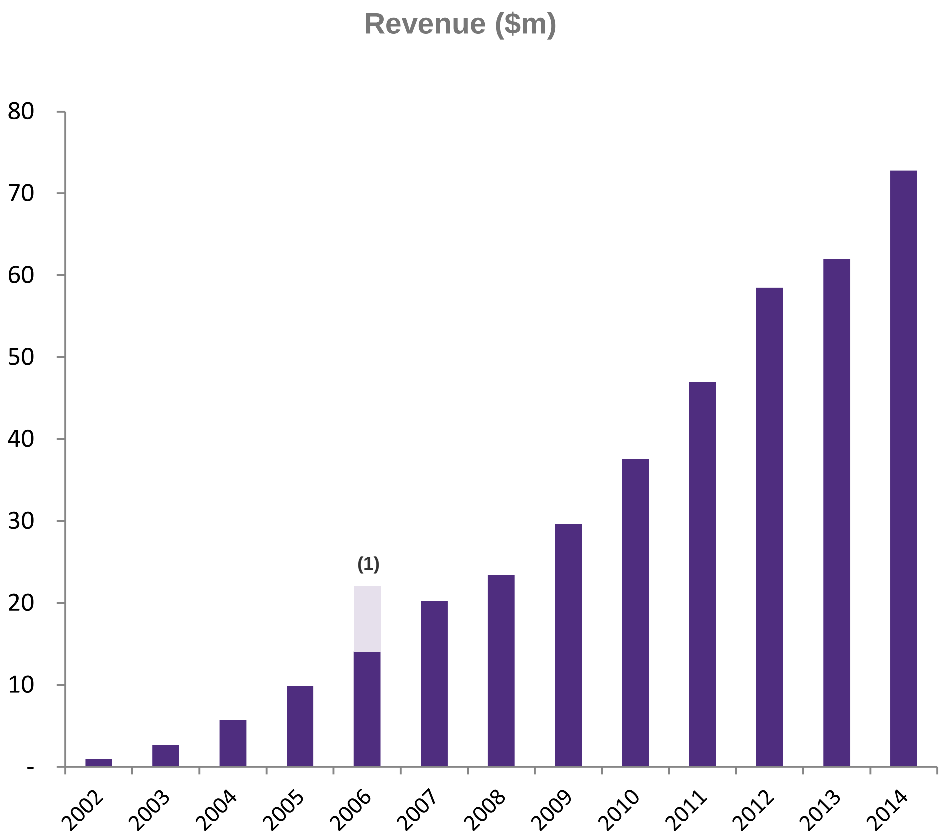
We have a conservative financial profile with strong after tax, after capex cashflows

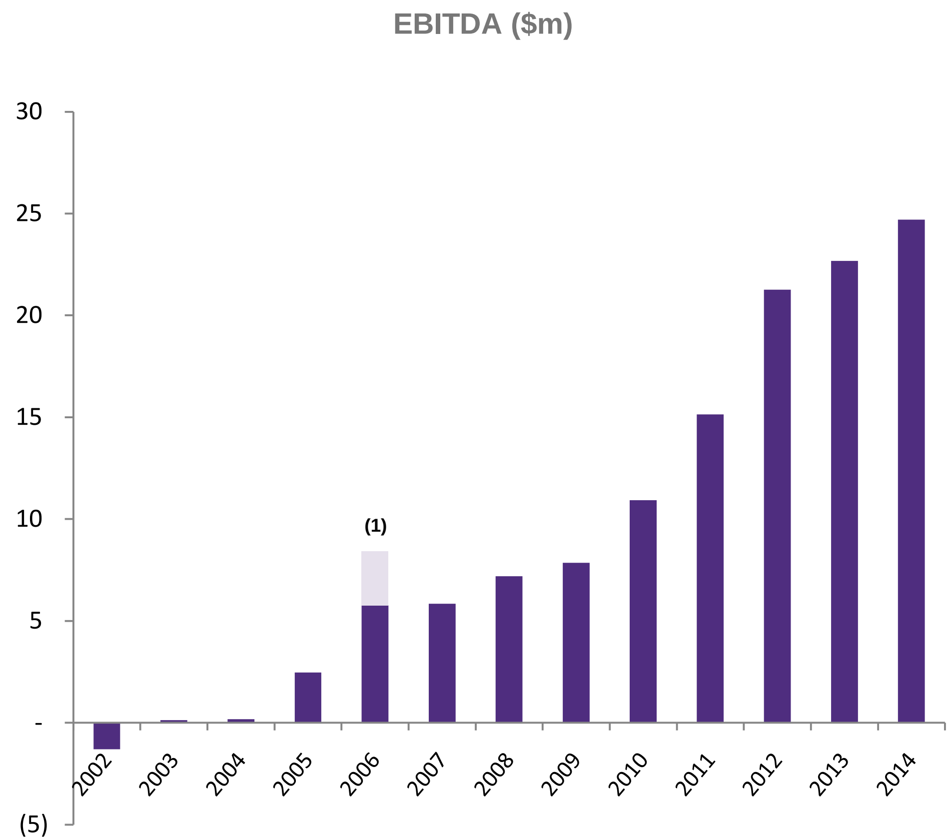
	CY2014 $m	CY2013 $m
Net Assets	65.9	29.9
Cash and cash equivalents	27.8	16.9
Borrowings	(21.9)	(55.9)
Net cash/(debt)	5.9	(39.0)
Cashflow from operations	24.1	15.2
Cashflow from operations as % of NPATA	139%	115%
Capital expenditure (statutory)	1.5	0.2
Capital expenditure in relation to once-off fit out	1.3	-
Recurring capital expenditure	0.2	0.2
Recurring capital expenditure as % of revenues	0.3%	0.3%

1. The 2014 cash flow financials are on a proforma basis, which have been reconciled to the statutory 2014 financial accounts in the appendices.

Revenue and earnings since inception

We have a strong historical track record in growing the business





1. Smartgroup changed its financial year end from 30 June to 31 December in 2006 hence the 2006 revenues and earnings above represent an 18 month period

Smartgroup highlights

1

Strong financial metrics

- Business tracking well with H1 2015 NPATA guidance at $11.5m, 35% higher than pcp
- Conservative balance sheet with net cash of $6m and strong after tax, after capex cashflows

2

Leading player with established scale and capability

- Over 150 Employer Clients and 120,000 outsourced salary packages

3

Industry leading tender win rate and with strong package growth

- 43% of public tenders for outsourced salary packaging won since 1 September 2007
- Organic growth of over c30,000 packages in the last 27 months

4

High client retention and strength of client relationships

- 75% of our top 20 clients have been customers for >5 years

5

Industry leader in customer service, employee engagement and innovation

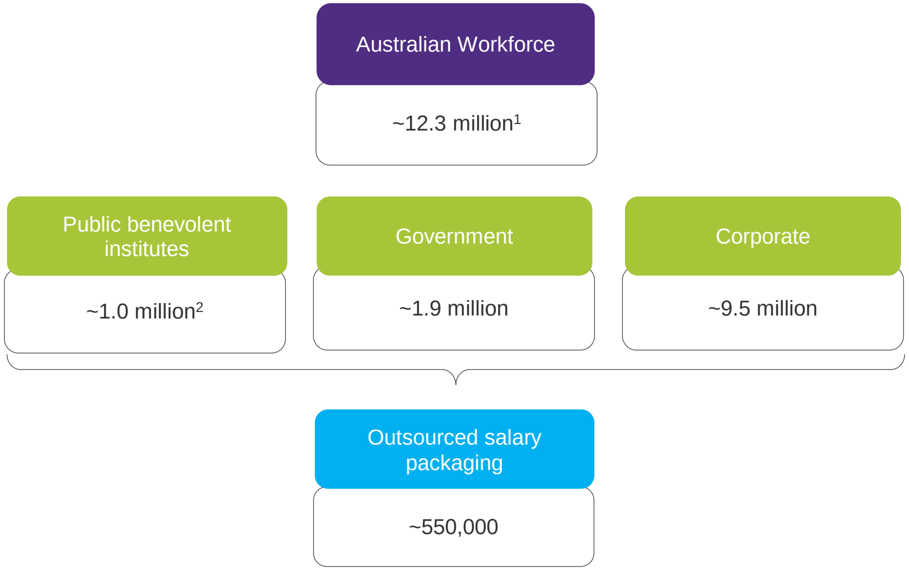
- Winner of multiple CSIA Customer Service Excellence awards, accredited AON Hewitt Best Employer, ranked by BRW as one of Australia's most innovative companies

Appendices

Outsourced salary packaging market

Management estimates that there are approximately 550,000 people that salary package via an outsourced administrator

Employees by category



Salary packaging benefits by employer

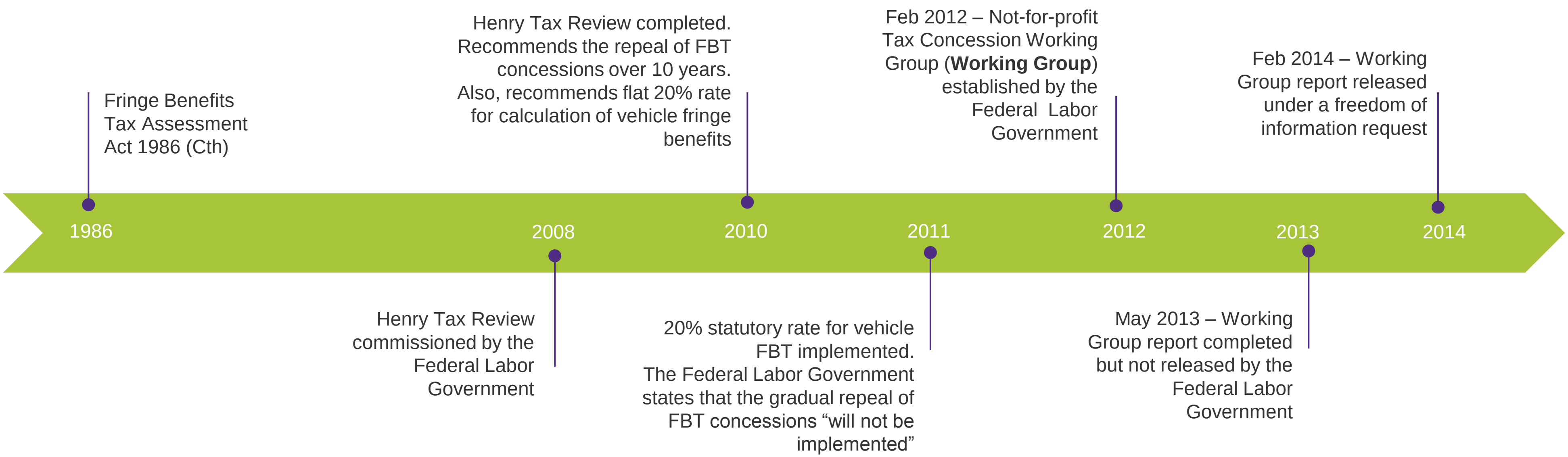
Employer category	Types of employer	Typical benefits subject to salary packaging
Full FBT	Government departments Private companies Public companies	Novated leases; Superannuation; Portable electronic devices
Public Benevolent Institutes (PBI17)[3]	Public hospitals Private not-for-profit hospitals	Novated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

Regulatory history – salary packaging administration

smart group corporation

Overview of Public Benevolent Institutes regulatory history



Regulatory history – novated leasing

Overview of novated leasing regulatory history

1986

Fringe Benefits Tax Assessment Act 1986 (Cth)

2008

Henry Tax Review commissioned by the Federal Labor Government

2010

Henry Tax Review completed. Recommends flat 20% rate for calculation of vehicle fringe benefits

2011

The Federal Labor Government implemented Henry Tax Review recommendation for flat 20% statutory rate

2013

16 Jul 2013 - The Federal Labor Government announced proposed changes to FBT regulation

19 Jul 2013 – Federal Coalition states that it will not alter the existing FBT scheme if it wins the Federal Election

7 Sep 2013 – Coalition won the Federal Election and reassured the public and industry that it would not proceed with the previous Government's proposed FBT changes

2014

19 Mar 14 - The Federal Coalition Government announced that the proposed FBT changes is among 55 announced-but-unlegislated tax measures that will no longer proceed

Reconciliation of 2014 earnings

Statutory to proforma

$ millions	Statutory 2014	Adjustments IPO Costs	Adjustments Proforma	Proforma 2014
Revenue from rendering of services and commissions	**72.8**	**-**	**-**	**72.8**
Expenses				
Employee benefits expense	(33.5)	-	-	(33.5)
Administration and corporate expenses	(6.5)	-	(0.2)	(6.7)
Advertising and marketing expense	(2.3)	-	-	(2.3)
Occupancy expenses	(1.9)	-	-	(1.9)
Other expenses	(3.9)	-	0.2	(3.7)
Operating Expenses	**(48.1)**	**-**	**-**	**(48.1)**
Operating EBITDA	**24.7**	**-**	**-**	**24.7**
Depreciation expense	(1.0)	-	-	(1.0)
Operating EBITA	**23.7**	**-**	**-**	**23.7**
Operating EBITA %	**32.6%**			**32.6%**
Transaction costs on initial public offering	(10.0)	10.0	-	-
EBITA	**13.7**	**10.0**	**-**	**23.7**
Amortisation expense	(12.5)	-	-	(12.5)
EBIT	**1.2**	**10.0**	**-**	**11.2**
Finance costs, net of finance revenue	(2.1)	-	1.6	(0.5)
PBT	**(0.9)**	**10.0**	**1.6**	**10.7**
Income tax expense	(0.1)	(2.7)	(0.5)	(3.3)
NPAT	**(1.0)**	**7.3**	**1.1**	**7.4**
Amortisation, tax effected				10.0
NPATA	n/a			**17.4**
NPATA per share			**$**	**0.171**

Adjustments

1. IPO Costs: An adjustment to remove the one-off costs of the initial public offer incurred in 2014 of $10m pre-tax and $7.3m post- tax.
2. Proforma: Adjustments to reflect full costs for the year of being a listed entity. These costs include director remuneration, additional compliance, ASX fees and share registry costs. The one-time M&A costs incurred in 2014 have also been removed to make the accounts comparable to the basis on which the Prospectus was prepared.

An adjustment is also made to net interest of $1.6m pre tax reflecting the lower net debt profile of the group following the amended debt arrangements effective 2 July 2014.

Reconciliation of 2014 cashflows

Statutory to proforma

$ millions	Statutory 2014	Adjustments			Proforma 2014
		IPO Costs	Capital structure	Proforma	
Receipts from customers (inclusive of GST)	76.6	-	-	-	76.6
Payments to suppliers and employees (inclusive of GST)	(47.9)	-	-	-	(47.9)
Payments to suppliers and employees in relation to transaction costs (inclusive of GST)	(9.3)	9.3	-	-	-
Interest received from operations	0.7	-	-	-	0.7
Interest paid	(4.7)	-	2.5	1.6	(0.6)
Income taxes paid	(4.3)	-	-	(0.5)	(4.8)
Net cash from operating activities	**11.1**	**9.3**	**2.5**	**1.1**	**24.0**
Payments for purchase of property and equipment	(1.5)	-	-	1.3	(0.2)
Interest received from investments	0.6	-	-	-	0.6
Net cash used in investing activities	**(0.9)**	**-**	**-**	**1.3**	**0.4**
Proceeds from issuance of shares	37.5	-	(37.5)	-	-
Share issue transaction costs	(2.2)	2.2	-	-	-
Proceeds from borrowings	21.9	-	(21.9)	-	-
Repayment of bank borrowings	(36.4)	-	36.4	-	-
Repayments of mandatory redeemable preference shares	(20.0)	-	20.0	-	-
Net cash from financing activities	**0.8**	**2.2**	**(3.0)**	**-**	**-**
Net increase in cash and cash equivalents	**11.0**	**11.5**	**(0.5)**	**2.4**	**24.4**
Cash and cash equivalents at the beginning of the financial year	**16.8**				
Cash and cash equivalents at the end of the financial year	**27.8**				

Adjustments

1. IPO Costs: An adjustment to remove the one-off costs of the initial public offer paid in 2014 of $9.3m.
2. Capital structure: An adjustment to remove the interest paid on the redeemable preference shares and previous bank loan in relation to the pre-listing debt profile of the company. On 2 July 2014 the redeemable preference shares were settled and will not have an ongoing impact on the business. The new debt profile which came into effect on 2 July 2014 has been assumed effective from 1 January 2014 for the purposes of the proforma figures.
3. Proforma: An adjustment to recognise the impact of P&L proforma adjustments on cash flows, and remove the one-time fit out costs for leased premises.