

ASX Announcement

Smartgroup Corporation Ltd (SIQ) – 2015 full year trading update and acquisition of Advantage Salary Packaging (“Advantage”)

Release date: 11 December 2015

2015 full year trading update

Smartgroup (ASX:SIQ) is pleased to provide a trading update for the period ending 31 December 2015. Smartgroup currently expects to report

- CY2015 Revenue of ~\$90m (+24% increase on prior year)
- CY2015 EBITDA of ~\$36m¹ (+46% increase on prior year)
- CY2015 NPATA of ~\$26m¹ (+49% increase on prior year)
- CY2015 NPATA per share of \$0.25¹ (+46% increase on prior year)

The above figures are unaudited and exclude any impact of the Advantage Salary Packaging acquisition including a one off after tax expense of \$0.8m to be booked in 2H 2015²

The estimated unaudited full year financial results are based on the continuation of current trading conditions.

Acquisition of Advantage Salary Packaging (“Advantage”)

Smartgroup is also pleased to announce that it has entered into an agreement to acquire Advantage Salary Packaging for \$60.8 million. Consideration will include \$50.8 million in cash, funded through new and existing debt facilities, and \$10 million in SIQ shares issued to Anton Gaudry.

Advantage, based in Melbourne, manages around 50,000 salary packages servicing about 350 employers and operates exclusively in the Public Benevolent Institutions (PBI) sector.

Anton Gaudry, joint owner of Advantage, with over 15 years of experience in salary packaging, will continue to run the business as CEO and director of Advantage. Anton has elected to receive 2.8 million shares in SIQ and will enter into voluntary escrow arrangements in relation to these shares. 50% of the shares will be released from escrow on the announcement of SIQ’s 2016 annual results (February 2017) with the remaining shares to be released on the announcement of SIQ’s 2017 annual results (February 2018).

¹ CY2015 EBITDA and NPATA estimated to be ~\$A34.8m and ~\$A25.2m inclusive of the acquisition expense incurred for Advantage Salary Packaging

² Relating to stamp duty, legal and accounting advice relating to the acquisition



The acquisition represents an implied EV/CY2015 EBITDA of 5.9x. The acquisition is estimated to result in Pro Forma CY2015 EPS accretion of 18%³ on a normalised, pro-forma basis.

Commenting on the acquisition, Smartgroup CEO Deven Billimoria said:

"We have always had the highest regard for Anton and the team at Advantage Salary Packaging. The team is a good cultural fit and they have a well-run and complementary business that will expand Smartgroup's outsourced salary packaging footprint to small-to-medium-sized public benevolent institutions. Together we will have in excess of 180,000 outsourced salary packages under management."

Michael Carapiet, Chairman of Smartgroup said:

"This is an important acquisition for Smartgroup. We welcome Anton and his team and look forward to supporting them as they continue to provide exceptional service to their clients and grow the business."

Anton Gaudry, Co-Founder and Executive Director of Advantage said:

"We are excited to be working with Smartgroup and leveraging their market-leading capabilities to grow our business. We think that Smartgroup's novated leasing offering is the strongest and most technologically advanced in the industry, and we look forward to availing it to our valued customers."

The transaction is scheduled to complete by 31 December 2015.

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³ Excluding the impact of the after tax \$0.8m of transaction expense