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## Smartgroup Annual General Meeting, 5 May 2016

### Address by Deven Billimoria, Managing Director and CEO

Good morning everyone and lovely to have you all here with us today. My name is Deven Billimoria, and I'm the Managing Director and CEO of Smartgroup. This morning I'll provide you with an overview of our performance in 2015, and I'll take you through some of the highlights in what has been, we think, another exciting and successful year for Smartgroup.

First, let's turn to **slide number one** and give you an overview of 2015.

Smartgroup today is a leading provider of salary packaging and fleet management services to government, health and corporate sector clients across Australia

**Second**, Smartgroup has continued to perform since our July 2014 IPO

**Third**, we maintained high customer service and staff engagement levels

**Fourth**, we achieved a number of key contract renewals, notably the Department of Defence contract, which was renewed on an exclusive basis. In addition, we had some major new client wins that I'll elaborate on further during this presentation

**Fifth**, in what was a busy finish to the second half of last year, we completed two significant acquisitions just prior to year end and a third was completed early in 2016. These businesses introduce complementary services and help diversify Smartgroup, and again I'll talk more about what these businesses bring and how they are progressing a little later on.

**Turning to slide two** now, you can see since listing in July 2014 we have consistently delivered with progressive improvements.

The slide shows we had another record year of financial results in 2015 with growth across all financial metrics – revenues grew by 25% to \$91.8 million, whilst EBITA of \$36.6 million and NPATA of \$26.2 million were both up 51% on last year.

The 2015 results shown here do not include any significant contributions from our acquired businesses because two were completed in December last year and January this year. This demonstrates the underlying growth momentum in the business. The third column - '2015 proforma' - shows the addition to our financial result if all three acquired businesses had contributed for the full 2015 year.

Underlining the strong 2015 performance, we declared a second half fully franked dividend of 8.7 cents per share.

We also have strong cash generation and a conservatively geared balance sheet with a net debt to EBITDA ratio of less than one.

The graphs on **slide 3** show the growth in the core business of salary packaging and novated leasing.

Now moving to **slide 4**, this is some of the key data that we're really proud of.

We believe that exceptional customer service and a highly engaged workforce is what lies at the heart of our success. In 2015 we were the state winner in the Customer Service Institute of Australia's best medium business award category for the fifth successive year. We also received the national *highly commended* award for that same category.

We have also been advised by the Customer Service Institute of Australia that in 2015 we achieved the highest audit score ever issued in the history of the CSIA.

I want to acknowledge and thank the executive management team and all of our team members. Their commitment, energy, hard work and dedication has helped us remain one of Australia's leading customer centric organisations. We have also maintained our standing as a highly engaged workforce for the 5th consecutive year.

We recently established an employee share plan and it's very pleasing that more than 50% of staff are shareholders.

Moving to **slide 5**, we were successful in renewing a number of key client contracts as well as winning some new clients.

New salary packaging client wins in 2015 included the Peter MacCallum Cancer Centre in Victoria, NSW Health Pathology, South East Sydney LHD, the Australian Bureau of Statistics as well as being appointed on a panel of 2 providers for CSIRO.

It's very pleasing to report that these successes have continued into 2016.

In March this year, we were appointed as one of two providers of salary packaging administration services to the whole of the Queensland Government, including Queensland Health, which was a new addition to the existing arrangements.

In the same month Smartfleet Australia, our fleet subsidiary, was appointed by the NSW Government to be one of its two providers of fleet management services.

We have also seen success in 2016 in the corporate sector, being appointed one of two providers on Westpac's novated leasing panel.

Turning to **slide six**, in addition to the organic growth we have been able to achieve, Smartgroup has successfully acquired three new businesses to help further underpin the company's growth trajectory.

In December 2015 we completed the acquisition of 50% of the shares in Health-e Workforce Solutions Pty Ltd. Health-e provides proprietary workforce management software to major hospital groups right around the country. Smartgroup and Health-e have similar clients, and provide complementary services.

Later in December 2015 we completed the acquisition of Advantage Salary Packaging, a successful business with a proven track record. Advantage expands our footprint into small and medium sized healthcare and other public benevolent institutions, adding scale to our salary packaging business.

Smartgroup then started 2016 with the completion of a third acquisition – the selected assets of Trinity Management Group, now operating as Smartequity Pty Ltd. Smartequity provides and manages tailored employee equity plans on behalf of over 50 corporate clients, extending our services into equity plan administration.

The integration of these acquisitions has proceeded smoothly to date, and all three businesses further strengthen Smartgroup and continue to perform to management expectations.

Now, **turning to slide 7** we can see the structure of the overall group and where the three recent acquisitions of Health-e Workforce Solutions, Advantage and Smartequity fit in to the existing business.

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As you can see they're all complementary and adjacent acquisitions and diversify Smartgroup's services.

Now **moving to slide eight**, with the diversification of the group we have re-aligned our reporting to how we view the segments of the business as follows:

- Outsourced administration
- Vehicle services
- Software, Distribution and Group Services

**On slide nine**, you can see the tremendous success and growth that we experienced in 2015 has enabled us to build on our track record since inception.

So in closing **on slide ten**, we recap the highlights of another year of strong financial performance in 2015, with the business continuing to track well.

Now just before I conclude my presentation and hand back to our Chairman, I would like to provide a brief update on the legislative front.

First, as many of you would know, the 2016/17 Federal Budget had no policy proposals that were adverse to novated leasing. This is in keeping with our understanding that the Turnbull Government continues to be supportive of novated leasing, knowing it is largely the domain of public sector and charity sector workers on modest salaries, driving modest cars.

Second, just this morning, Smartgroup released to the ASX an Open Letter to the industry from the leader of the Federal opposition, Bill Shorten, confirming that Labor too was supportive of the existing policy settings for salary packaging and novated leasing.

That concludes my presentation, and I thank you for taking the time to join us this morning. Thanks so much.

Now allow me to hand back to our Chairman, Michael Carapiet.