Investor presentation
H1 2017 results

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Tim Looi – Chief Financial Officer

23 August 2017

Smartgroup is well placed to deliver another year of positive results . . .

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1

H1 2017 revenue of $95.2m and NPATA(1) of $30.3m

- Revenue of $95.2m up 57% vs pcp
- NPATA of $30.3m up 63% vs pcp

2

Continued client success in all businesses

- Renewal of WA Health and WA Education contracts
- Organic growth of 6,000 packages, including 1,400 novated leases

3

Recent acquisitions continue to perform well

- Autopia, Selectus and AccessPay tracking to expectations
- Integrations on track

4

Strong cashflow generation with gearing less than 1.0x(2)

- After-tax operating cashflows at 86% of NPATA
- Fully franked interim dividend of 16.5 cps(3), up 68% vs pcp

(1) NPATA is Net Profit After Tax, adjusted to exclude the non-cash tax-effected amortisation of intangibles and significant non-operating items.
(2) Based on last twelve months' EBITDA.
(3) Record date of 15 September and payment date of 29 September 2017.

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

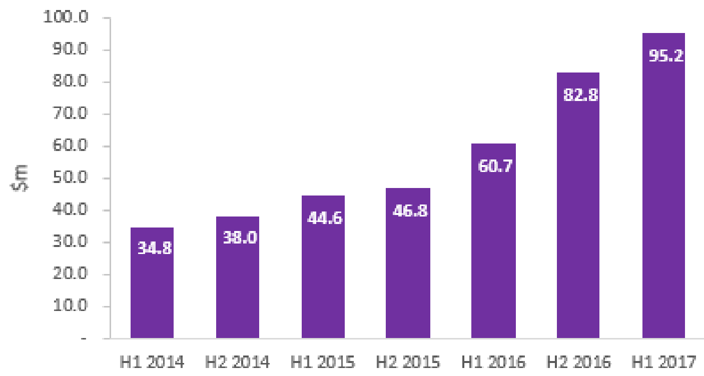
	H1 2017 adjusted[1] $ m	H1 2016 adjusted[2] $ m	Change %
Revenue	95.2	60.7	57%
EBITDA	44.6	26.1	71%
NPATA	30.3	18.6	63%
NPATA per share[3] (cps)	24.6	15.5	59%

	As at 30 June 2017[4]	As at 30 June 2016	Change %
Packages	267,000	185,000	44%
Novated leases under management	55,000	35,000	57%
FTEs	634	409	55%

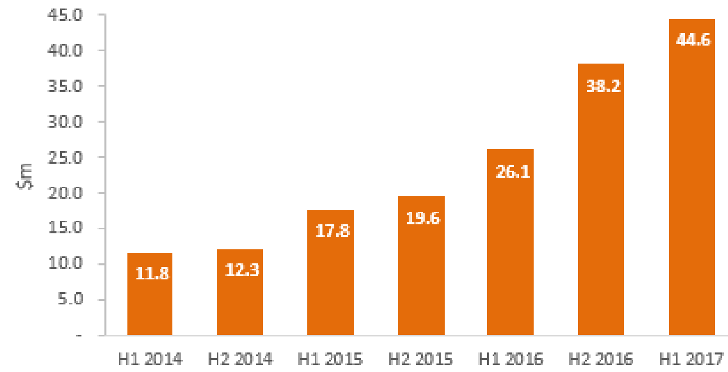
(1) Refer to Appendix 1 for a reconciliation from statutory to adjusted earnings.
(2) Re-stated from H1 2016 results presentation ($18.1m) following final acquisition accounting for Advantage.
(3) 30 June 2017 based on adjusted total shares of 123.5m, which includes 0.4m shares to be issued to Selectus vendors by September 2017. 30 June 2016 based on total shares of 119.5m.
(4) Includes 40,000 packages, 600 vehicles under management and 79 AccessPay FTE at 30 June 2017.

. . . and continuing our track record since IPO

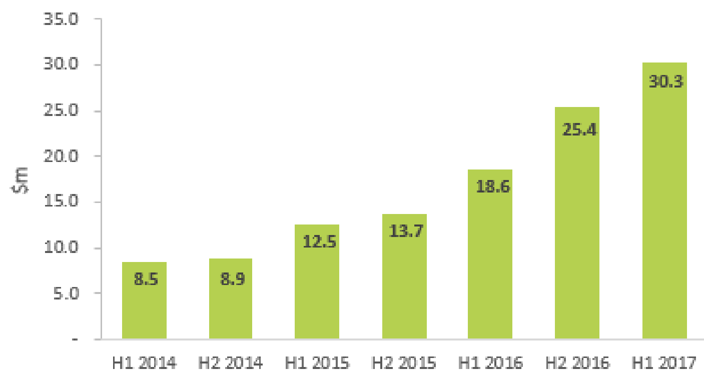
Revenue[(1)]



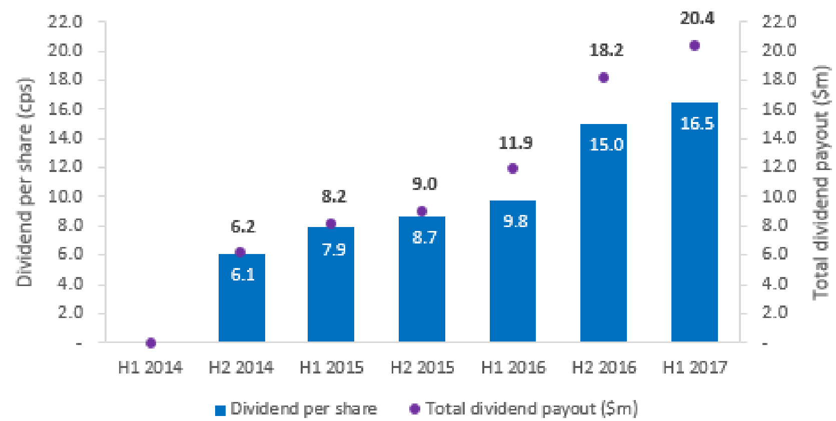
EBITDA[(1)]



NPATA[(1)]



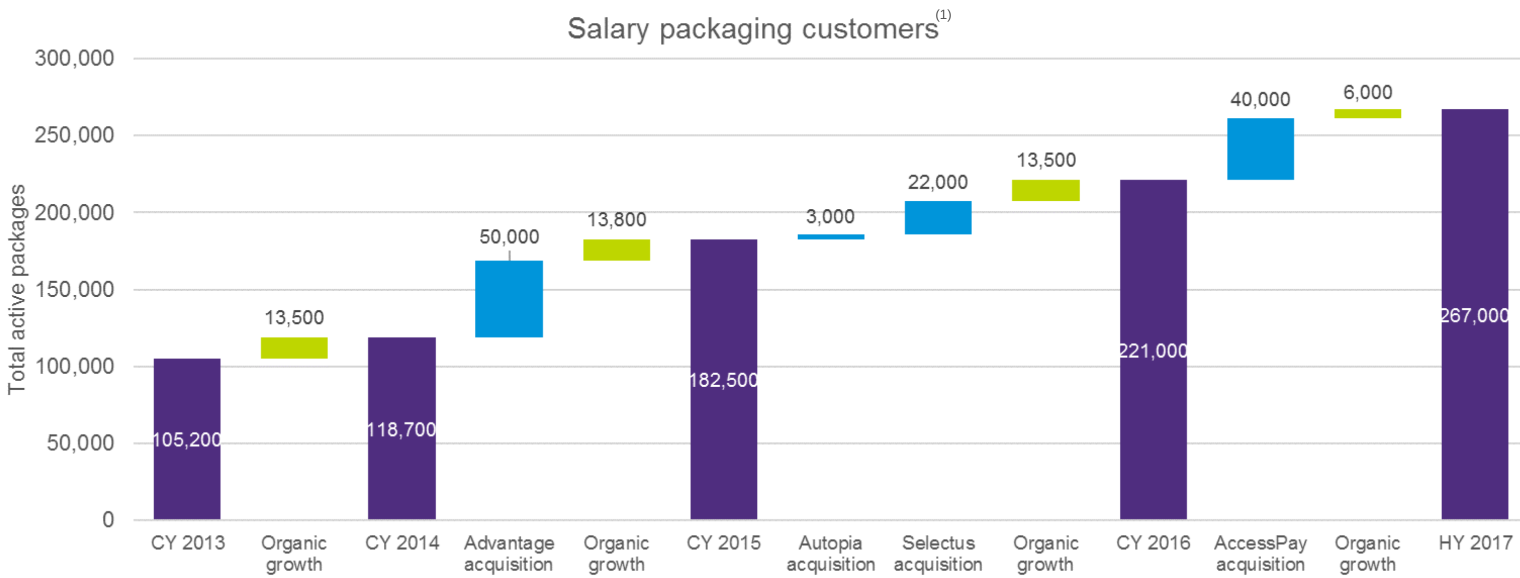
Dividend (fully franked)[(2)]

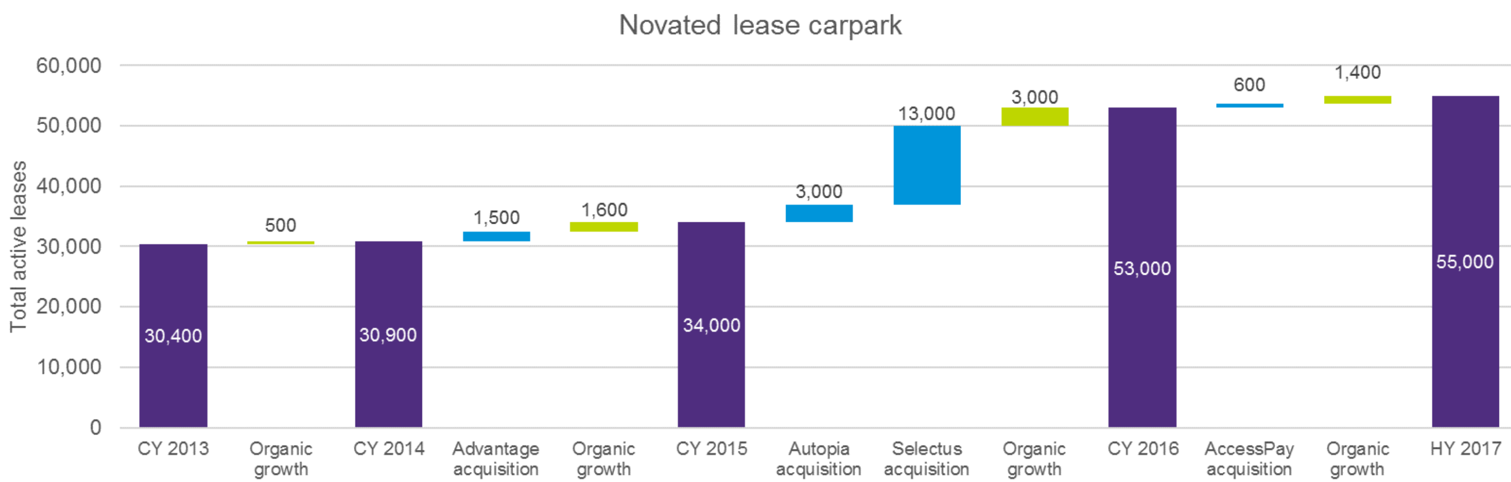


(1) H1 2016 and H2 2016 EBITDA and NPATA restated following finalisation of acquisition accounting for Advantage. Revenue and EBITDA restated to exclude corporate bank account interest for all years.

(2) H1 2016 dividend payment of $11.9m was based on shares on issue (SOI) of 121.4m, which included the post 30 June 2016 equity raising for the acquisition of Selectus.
H1 2017 $20.4m dividend is based on SOI of 123.5m, which includes 0.4m of shares to be issued post 30 June 2017 to Selectus vendors as deferred consideration.

Smartgroup has grown salary packages and novated leases both organically and through acquisition





(1) 2014, 2015 and 2016 full year organic growth includes major client wins of 9,800, 7,400 and 6,500 packages, respectively. H1 2017 organic growth does not include any major client wins.

Acquisitions performing well, with integrations on track

Acquisition	Completion date	Client retention / growth	Synergies	Integration on track
Autopia Intelligent Car Ownership	July 2016	✓	✓	✓
Selectus™	August 2016	✓	✓	✓
AccessPay	May 2017	✓	✓	✓

- Selectus EBITDA $14.7m for 12 months ended 30 June 2017, excluding synergies
- Selectus H1 2017 synergies $3.4m, compared to $6.0m acquisition-date target for CY2017

Financial results
H1 2017

Tim Looi
Chief Financial Officer

Smartgroup recorded H1 2017 NPATA[1] of $30.3m, a 63% increase from the prior year…

$m	H1 2017 statutory	Adjusted for equity share & acquisition items[1]	H1 2017 adjusted	H1 2016 adjusted[2]	Change %
Revenue	95.2	-	**95.2**	60.7	57%
EBITDA[3]	38.1	6.5	**44.6**	26.1	71%
NPAT	16.8	6.4	**23.2**	13.8	
NPATA[4]	23.8	6.5	**30.3**	18.6	63%

(1) Refer to Appendix 1 for a reconciliation from statutory to adjusted earnings.
(2) Excludes transaction costs of $0.6m before tax and $0.4m after tax incurred in H1 2016 from acquisitions.
(3) EBITDA is earnings before interest, tax, depreciation and amortisation adjusted for significant non-operating items.
(4) NPATA refers to net profit after tax, adjusted to exclude the non-cash tax-effected amortisation of intangibles amortisation and significant non-operating items.

…with cashflow from operations at 86% of NPATA and continued low recurring capital expenditure

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$m	H1 2017	H1 2016
Receipts from customers (inclusive of GST)	103.6	65.6
Payments to suppliers and employees (inclusive of GST)	(60.5)	(41.6)
Interest receipts from operations	1.4	0.6
Interest paid	(2.7)	(1.0)
Income taxes paid	(15.8)	(7.6)
Net cash from operating activities[(1)]	26.0	16.0
As a % of NPATA[(2)]	86%	86%
Capital expenditure – recurring[(3)]	(0.2)	(0.2)

(1) Operating cash flow excludes receipts and payments from customers' salary packaging accounts and significant non-operating items.
(2) NPATA of $30.3m in H1 2017 and $18.6m in H1 2016.
(3) R&D and IT development costs are expensed in the year incurred.

Net debt of c.$74m, less than 1.0x LTM EBITDA

$m	30 Jun 2017 statutory	31 Dec 2016 statutory
Cash	50.7	80.0
Restricted cash (1)	39.9	39.5
Trade and other current assets	22.0	22.9
Current assets	**112.6**	**142.4**
Property and equipment	3.6	3.2
Goodwill (2)	232.0	217.5
Identifiable intangibles	60.1	68.0
Other non-current assets	7.7	7.5
Non-current assets	**303.4**	**296.2**
Total assets	**416.0**	**438.6**
Trade and other payables	24.2	26.4
Customer salary packaging liabilities (1)	39.9	39.5
Provisions and other liabilities	32.4	28.3
Non-current interest-bearing loans (3)	123.5	150.1
Total liabilities	**220.0**	**244.3**
Net assets	**196.0**	**194.3**
Net debt (4)	**74.3**	**72.0**
Net debt/LTM EBITDA	**0.9**	**1.0**

1. Restricted cash and customer salary packaging liabilities represent funds held in common salary packaging accounts on behalf of clients that can only be used for those customers' salary packaging payments and not for working capital purposes.
2. Increase as a result of the acquisition of AccessPay.
3. Syndicated debt facility is provided by two major Australian banks. The facility term expires in mid-2019.
4. Net debt excludes capitalised borrowing costs of $1.5m and is largely unchanged since 31 December 2016 due to $18.2m final 2016 dividend paid in March 2017 and $14.7m cash payment to acquire AccessPay in May 2017.

Closing remarks…

Deven Billimoria
Managing Director and CEO

Closing remarks

- Smartgroup is well placed to deliver another year of positive results
- Growth across all key financial and operational metrics
- Acquisitions performing well with integrations on track
- Strong cashflow generation with gearing less than 1.0x
- H1 2017 dividend of 16.5 cps, fully franked up 68% from pcp

Appendix 1 – reconciliation of earnings from statutory financial statements to adjusted results

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	H1 2017 statutory financials	Gross up of equity share earnings	Add back: acquisition costs	Adjust: fair value loss(1)	H1 2017 adjusted
Revenue	**95.2**	**-**	**-**	**-**	**95.2**
Operating EBITDA	**38.1**	**0.2**	**-**	**-**	**38.3**
Equity share of investments	-	(0.1)	-	-	(0.1)
M&A transaction costs	-	-	0.1	-	0.1
Fair value on revaluation of financial liability	-	-	-	6.3	6.3
EBITDA	**38.1**	**0.1**	**0.1**	**6.3**	**44.6**
Depreciation expense	(0.7)	-	-	-	(0.7)
Amortisation expense	(8.2)	(0.1)	-	-	(8.3)
Net finance costs	(2.4)	-	-	-	(2.4)
PBT	**26.8**	**-**	**0.1**	**6.3**	**33.2**
Income tax expense	(10.0)	-	-	-	(10.0)
NPAT	**16.8**	**-**	**0.1**	**6.3**	**23.2**
Add back: Amortisation (tax effected)	5.7	0.1	-	-	5.8
Cash tax benefit	1.3	-	-	-	1.3
NPATA	**23.8**	**0.1**	**0.1**	**6.3**	**30.3**
Shares on issue at 30 June 2017 (millions)					123.1
Shares to be issued to Selectus vendors by September 2017 (millions)					0.4
Adjusted shares on issue (millions)					**123.5**
NPATA per share ($)					**0.25**

(1) A fair value loss on the Selectus deferred shares liability is due to an increase in the Smartgroup share price since 31 December 2016 and stronger than forecast FY16/17 Selectus EBITDA.

Appendix 2 – Selectus consideration

August 2016 Selectus acquisition	• $119 million in upfront consideration plus deferred consideration payable by September 2017, if Selectus achieved specified FY2017 EBITDA (excluding synergies) and satisfied certain performance metrics.
Selectus' FY 2017 EBITDA	• Selectus' FY16/17 EBITDA of $14.7m, excluding synergies
Total consideration paid for Selectus	see table below
H1 2017 contributions under SIQ ownership	• Implies acquisition multiple of c.6.2x = $134.1m total consideration / ($14.7m FY16/17 EBITDA + $6.8m annualised synergies[4])

	$m
1.7m shares to be settled in cash at $6.56[1]	11.1
0.4m shares will be issued by September 2017[2]	3.2
Cash payment in lieu of past dividends[3]	0.8
Upfront consideration	119.0
Total consideration	**134.1**

(1) Selectus Acquisition Agreement modified to enable vendors to take cash in lieu of shares (1,685,331 shares). Cash settlement at $6.56 will result in a credit to statutory profit in H2 2017. All management shareholders took shares.
(2) 446,111 shares, assuming a 30 June 2017 share price of $7.17.
(3) Nominal dividends (excluding the value of any associated franking credits) declared between completion and issue of the deferred shares, or declared between completion and 22 August 2017 for cash in lieu of shares, that would have notionally been payable on any deferred shares issued if they had been issued on the completion date.
(4) Based on H1 2017 synergies of $3.4m. Refer to page 5.

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