



## **ASX Announcement**

### **Smartgroup Corporation Ltd (ASX: SIQ)**

### **Acquisitions of RACV Salary Solutions and Aspire Benefits Management**

**Release date: 8<sup>th</sup> September 2017**

#### **Acquisition of RACV Salary Solutions**

Smartgroup is pleased to announce it has entered an agreement to acquire the assets of RACV Salary Solutions for \$27 million plus \$7 million retained in escrow, payable 12 months from the date of completion, subject to meeting certain operational metrics. This transaction is expected to complete 1 November 2017.

RACV Salary Solutions, based in Adelaide, is a national provider of salary packaging administration and novated leasing services. It has c.100 staff and manages c.38,000 packages and c.4,500 novated leases, across c.700 employer clients. RACV Salary Solutions recorded revenue<sup>1</sup> of \$16.6 million and EBITDA<sup>1</sup> of \$5.0 million in FY 2017.

#### **Acquisition of Aspire**

Smartgroup is also pleased to announce that it has acquired 100% of the shares in ABM Pty Ltd (Aspire) for a consideration, net of cash acquired, of \$5.6 million plus \$0.1 million cash retained in escrow to 31<sup>st</sup> December 2017 and \$0.5 million cash retained in escrow to 30<sup>th</sup> June 2018, payable subject to meeting certain operational metrics. This acquisition was completed on 23<sup>rd</sup> August 2017.

Aspire, with c.20 staff based in Sydney, is a specialist novated leasing provider. It manages c.1,500 novated leases for c.100 corporate employer clients. It recorded revenue<sup>1</sup> of \$3.3 million and EBITDA<sup>1</sup> of \$1.2 million in FY 2017.

Together, the acquisitions will further extend Smartgroup's salary packaging and novated leasing presence in all segments of the market. These acquisitions have been funded from cash reserves and existing debt facilities.

Transaction costs attributable to advisory fees and stamp duties of \$1.2 million will be incurred and expensed in CY 2017.

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<sup>1</sup> Normalised and unaudited



The acquisitions, jointly, are expected to have the following financial impact on Smartgroup, excluding one-off integration costs:

- Combined CY 2017 EBITDA contribution expected to be c.\$1.2 million, for the balance of the year
- Combined CY 2018 EBITDA contribution expected to be c.\$12.0 million, full synergy run rate expected in H2 2018
- Implied acquisition multiple of c.3.3x CY 2018 EBITDA
- CY 2018 EPS accretion of c.12%<sup>2</sup>
- Gearing of c.1.3x<sup>3</sup> pro-forma LTM EBITDA

Smartgroup CEO, Deven Billimoria said:

“The acquisition of both RACV Salary Solutions and Aspire extends our presence in all segments of the market. We welcome clients and staff, and look forward to continuing to provide the excellent service that our valued customers have come to expect.”

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<sup>2</sup> The incremental CY 2018 EPS accretion for the RACV Salary Solutions and Aspire acquisitions assumes:

- CY 2018 EBITDA of \$12m for RACV Salary Solutions and Aspire, excluding one-off integration costs of \$2.0 million
- Consensus CY 2018 NPATA of \$67.8m comprising 6 analyst forecasts (including, Macquarie Bank, Morgans, Morgan Stanley, Citigroup, Credit Suisse, CLSA) updated since SIQ H1 2017 results announcement on 23<sup>rd</sup> August 2017

<sup>3</sup> Net debt / pro-forma LTM June 2017 EBITDA