



ASX Announcement

Smartgroup Corporation Ltd (ASX: SIQ)

Acquisition of Fleet West and trading update

Release date: 14th December 2017

Acquisition of Fleet West

Smartgroup is pleased to announce that it has acquired 100% of the shares in Fleet West Pty Ltd (Fleet West) for a consideration, net of cash acquired, of \$8.0 million in cash and \$1.0m¹ in shares (with 50% of the shares escrowed until the end of March 2019 and the remainder until the end of March 2020). The acquisition is expected to complete in January 2018.

Fleet West, based in Perth with 15 staff, is a specialist fleet management provider. It manages c.2,800 vehicles for c.180 employer clients. It recorded revenue² of c.\$3.5 million and EBITDA² of c.\$1.5 million for FY 2017.

The acquisition will extend Smartgroup's fleet management presence further into the not-for-profit sector. The acquisition has been funded from cash reserves and an extension of existing debt facilities.

The acquisition of Fleet West is expected to have the following impact on Smartgroup, excluding one-off integration costs³:

- CY 2018 EBITDA contribution expected to be c.\$2.2 million
- Implied acquisition multiple of c.4.1x CY 2018 EBITDA
- CY 2018 EPS accretion of c.2%⁴

Smartgroup CEO, Deven Billimoria said:

"The acquisition of Fleet West extends our presence in fleet management. We welcome clients and staff, and look forward to continuing to provide the excellent service that our valued customers have come to expect."

¹ Shares issued at 4-day VWAP ending 12th December 2017, with 50% of shares escrowed until the end of March 2019 and the remainder until the end of March 2020

² Normalised and unaudited

³ Excludes the impact of anticipated one-off IT and other integration costs in CY 2018 of c.\$0.7m

⁴ The implied acquisition multiple and incremental EPS accretion assumes CY 2018 EBITDA of \$2.2m excluding the one-off IT and integration costs. The accretion calculation is based on consensus CY 2018 NPATA of \$75m, comprising the 4 most recent analyst forecasts (Macquarie Group, Morgans, Citigroup and Ord Minnett)



CY 2017 trading update

Smartgroup is pleased to provide a trading update for the period ending 31 December 2017. Smartgroup currently expects to report CY 2017 NPATA of \$64.0m⁵ (45% increase on prior year).

The expected results outlined above are estimated, unaudited results. This strong performance was driven principally by the achievement of synergies earlier than expected from the AccessPay, Aspire and RACV Salary Solutions acquisitions completed earlier this year. Full details of the CY 2017 results will be released on 21 February 2018.

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5. CY 2017 NPATA excludes the net fair value loss on deferred acquisition consideration of \$4.9m, acquisition expenses of \$1.3m (from the 4 acquisitions in CY 2017) and a non-recurring historical GST adjustment of \$0.9m. All figures are post tax.