
Smartgroup Annual General Meeting, 2 May 2018

Address by Deven Billimoria, Managing Director and CEO

Good morning everyone and thank you for joining us today – it is good to see so many of you again. My name is Deven Billimoria, and I'm the Managing Director and CEO of Smartgroup.

I will provide an overview of our financial performance in 2017, and I'll also take you through some of the highlights in what has been another successful year for Smartgroup.

Let's turn to the presentation.

As shown on Slide 1, in 2017 Smartgroup delivered another year of good financial and operational results:

First, we delivered revenues for the full year of \$205.4 million dollars and a net profit after tax and amortisation of \$64.1 million dollars. Top and bottom line numbers are up on the prior year by 40% and 46%, respectively.

Second, we continued to grow Smartgroup's packaging and leasing business while also expanding our footprint in the not-for-profit sector.

Third, we continued to focus on customer service excellence through digital innovations and have again been recognised for multiple national awards.

Fourth, we announced four complementary acquisitions, all of which are progressing well, with synergy capture tracking to plan.

And finally, we declared a final dividend of 18.5 cents per share. This took our total dividend for CY2017 to 35.0 cents per share, fully franked, up 41% from CY 2016.

Turning to Slide 2, we see continued growth in revenues and earnings versus CY 2016. Looking at the bottom table on Slide 2, we can see that both our salary packages and novated leases under management also continued to grow.

Turning to Slide 3, you can see that our growth has continued since our IPO in 2014.

On Slide 4, you can see that our salary packages and novated leases under management increased as a result of organic and acquisitive activities.

As at the end of 2017, our salary packaging customers totalled approximately 325,000 and the total number of novated leases under management was approximately 62,500.

On Slide 5 we can see how the organic growth in salary packaging and novated leases, along with the contributions and synergies from the recent acquisitions, resulted in strong growth. Our pro-forma EBITDA for CY 2017 was approximately 100 million dollars.

On Slide 6, you can see that our client base has continued to diversify. Also, as at the end of 2017, Smartgroup had c.3,900 employer clients versus c.200 in 2013.

On Slide 7 this client growth and diversification has resulted in Smartgroup expanding its footprint, and developing a strong presence across all key customer segments.

On Slide 8 you can see that Smartgroup has expanded its service offering into a range of specialist employee management services.

On Slide 9 you will see that we continued the long-term improvement in customer adoption of digital channels at Smartsalary. The Smartsalary IT platform services c.50% of SIQ packages and c.60% of SIQ leases.

Now turning to Slide 10, we were pleased to be recognised once again in 2017 as one of Australia's most innovative and customer-centric companies.

In 2017 Smartsalary was recognised for achievements in innovation, and again recognised for a National Customer Service Award.

I keep on saying this year-on-year, but once again this continues a remarkable history of accolades collected by the remarkable group of people that I am privileged to work with.

On Slide 11, underscoring the point made on the previous page about Smartsalary's customer service accolades, for the third year in a row Smartsalary achieved the highest customer service score in CSIA history.

This is a fantastic achievement and one that we are very proud of. I would like to thank our entire team for working hard to achieve this result for our wonderfully loyal customers.

Turning to Slide 12, 2018 has started reasonably well, with the business performing satisfactorily and integrations on track.

Also, as shareholders would know, earlier this year we successfully completed an institutional placement and share purchase plan to strengthen Smartgroup's balance sheet and provide financial flexibility.

Finally turning to slide 13, we show our revenue and EBITDA growth since business inception.

That concludes my address and I thank you for taking the time to join us this morning. Now allow me to hand back to our Chairman, Michael Carapiet.