

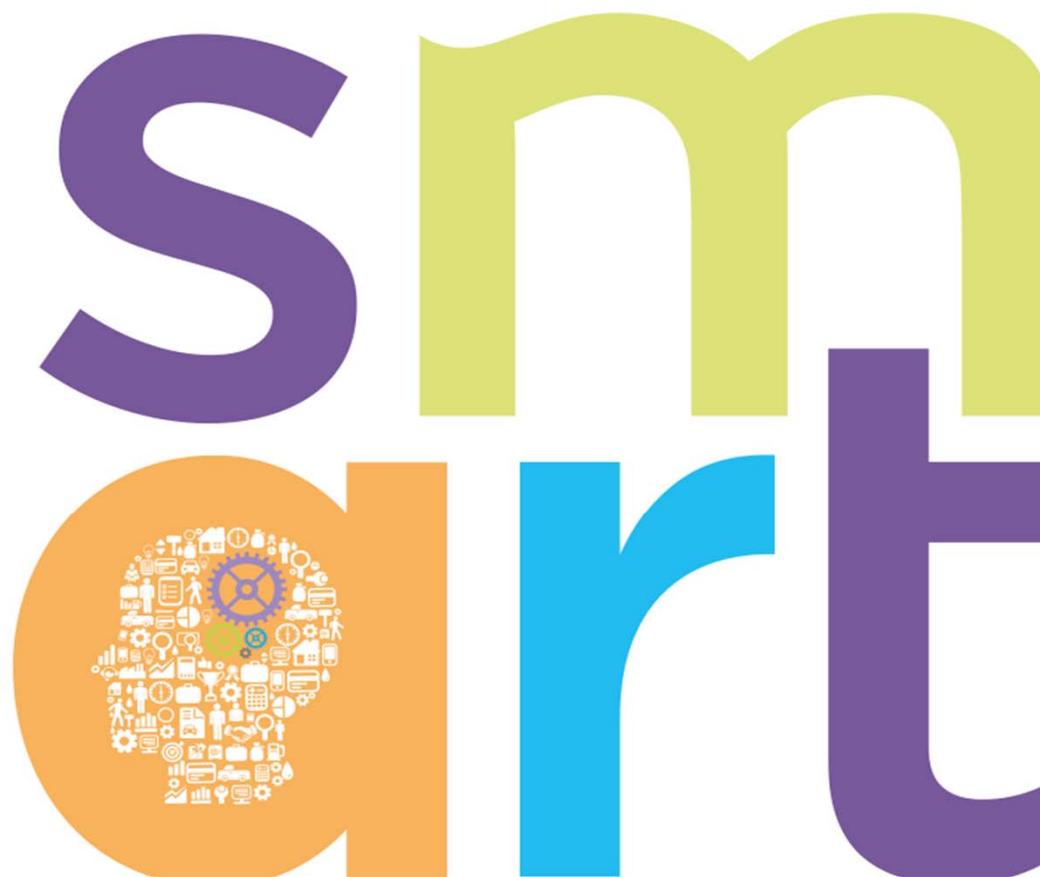


Investor Presentation H1 CY 2018 Results

Deven Billimoria – Managing Director and CEO

Tim Looi – Chief Financial Officer

23 August 2018



Smartgroup has delivered another half year of positive results...

1

Continued positive financial performance

- Revenue of \$122.6m up 26% vs pcp
- NPATA⁽¹⁾ of \$38.5m up 27% vs pcp

2

Continued client growth

- Organic growth of c.9,000 salary packages and c.1,500 novated leases
- Fleet vehicles under management growth of c.4,500, including c.2,800 from Fleet West acquisition

3

Initial success delivering multiple services to clients

- 138 clients use two service offerings
- 11 clients use three service offerings

4

Integration of acquisitions tracking well

- Salary packaging businesses continue to be consolidated
- Contract IT development of \$3.8m expensed in H1 2018, primarily for the build of a unified salary packaging platform

5

Strong cashflow generation with gearing less than 0.3x ⁽²⁾

- After-tax operating cashflows at 98% of NPATA
- Fully franked interim dividend of 20.5 cps⁽³⁾, up 24% 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. Refer to Appendix for the reconciliation
 2. Institutional placement and share purchase plan raised \$78.4m bringing gearing to less than 0.3x, based on last twelve months proforma EBITDA, and excluding vehicle borrowings
 3. Record date of 14 September 2018 and payment date of 28 September 2018

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

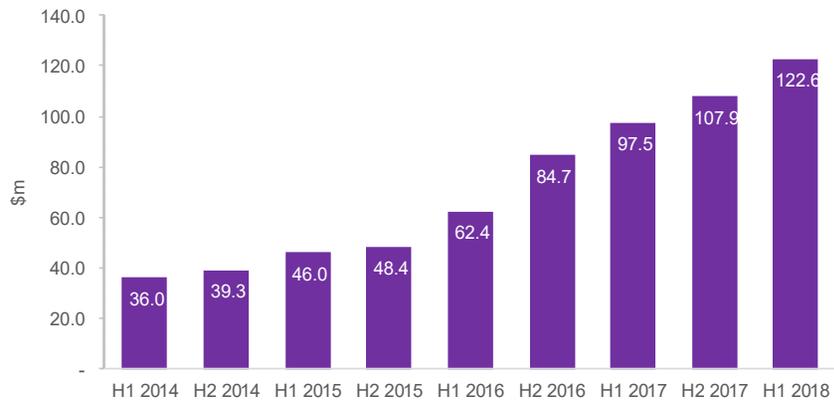
\$m	H1 2018 ⁽¹⁾ \$m	H1 2017 \$m	Change %
Revenue	122.6	97.5	26%
EBITDA	55.0	44.6	23%
NPATA	38.5	30.3	27%
Shares on issue (millions)	131.0	123.1	6%
NPATA per share (cps)	29.4	24.6	20%

	As at 30 June 2018	As at 30 June 2017	Change %
Salary packages	334,000	267,000	25%
Novated leases under management	64,000	55,000	16%
Fleet vehicles under management	22,000	17,000	29%
FTEs	712	634	12%

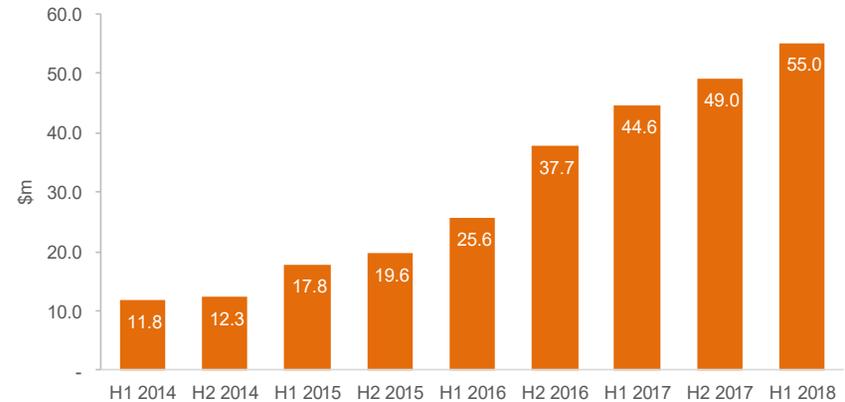
1. Refer to Appendix for a reconciliation from statutory to adjusted earnings

...and increasing shareholder returns.

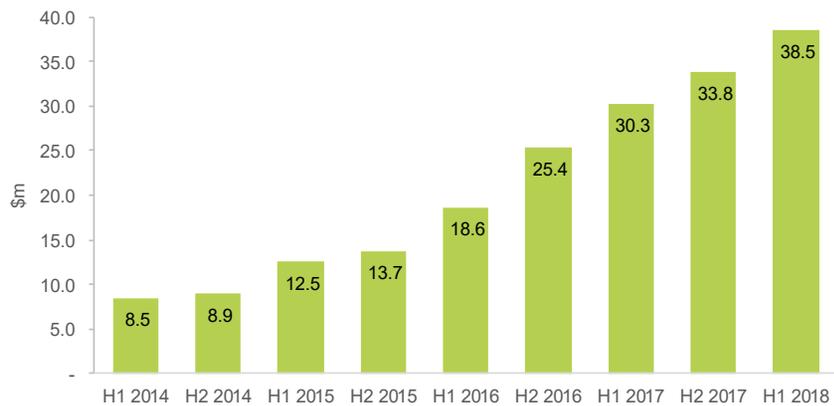
Revenue



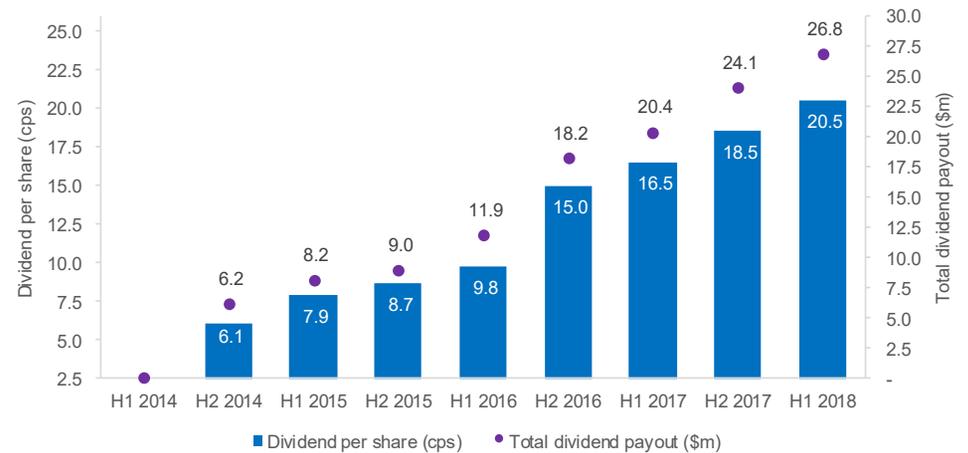
EBITDA



NPATA



Dividend (fully franked)



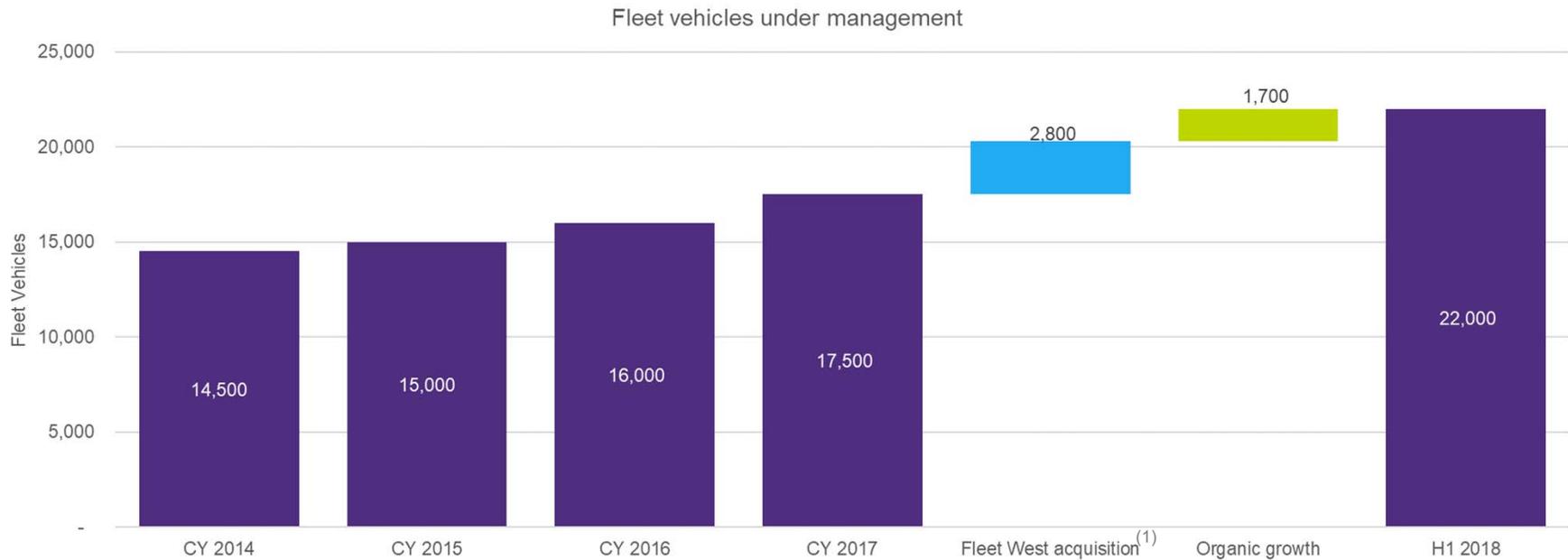
	H1 2014	H2 2014	H1 2015	H2 2015	H1 2016	H2 2016	H1 2017	H2 2017	H1 2018
Shares on issue (millions)	n/a	101.5	103.7	103.7	107.3	121.5	123.1	123.2	131.0

Smartgroup continues to see organic growth across salary packages and novated leases...



1. CY 2015 includes 50,000 packages and 1,500 leases from the acquisition of Advantage and a major client win of c.7,400 packages. CY 2016 includes a major client win of c.6,500 packages and CY 2017 includes a major client win of c.8,500 packages.

... and also continues to grow its fleet management footprint, both organically and through acquisition.

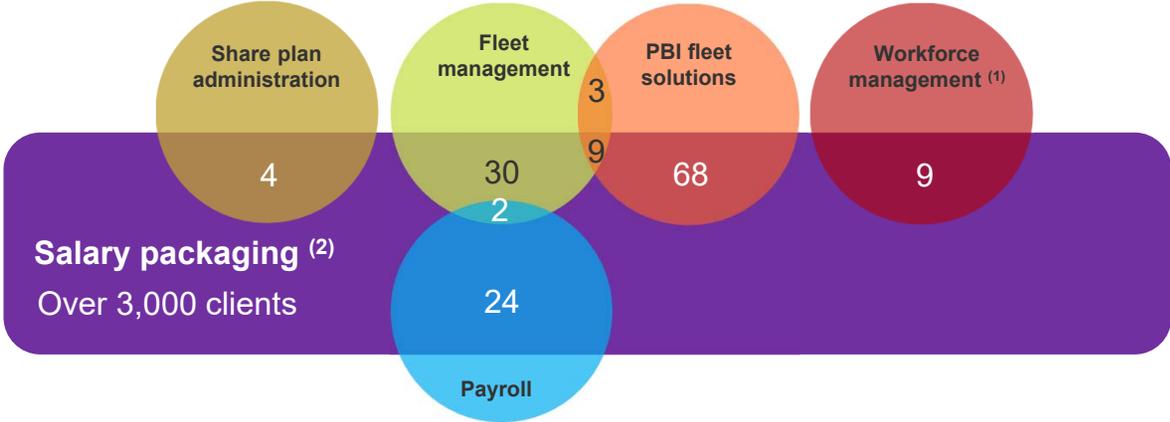


1. Fleet West acquisition was completed in January 2018

Smartgroup is having initial success delivering multiple services to its clients



Common clients across the group
 138 clients use two service offerings and 11 clients use three service offerings



Key	Client segment served
Salary packaging	All segments
Payroll	All segments
Fleet management	All segments
PBI fleet solutions	Public benevolent institutions only
Share plan administration	Corporate only
Workforce management	Hospitals only

1. Workforce management clients are individual hospitals
 2. Approximately 20 benefits can be salary packaged, one of which is a novated lease

Salary packaging service delivery continues to be consolidated, ensuring fit-for-purpose service model...



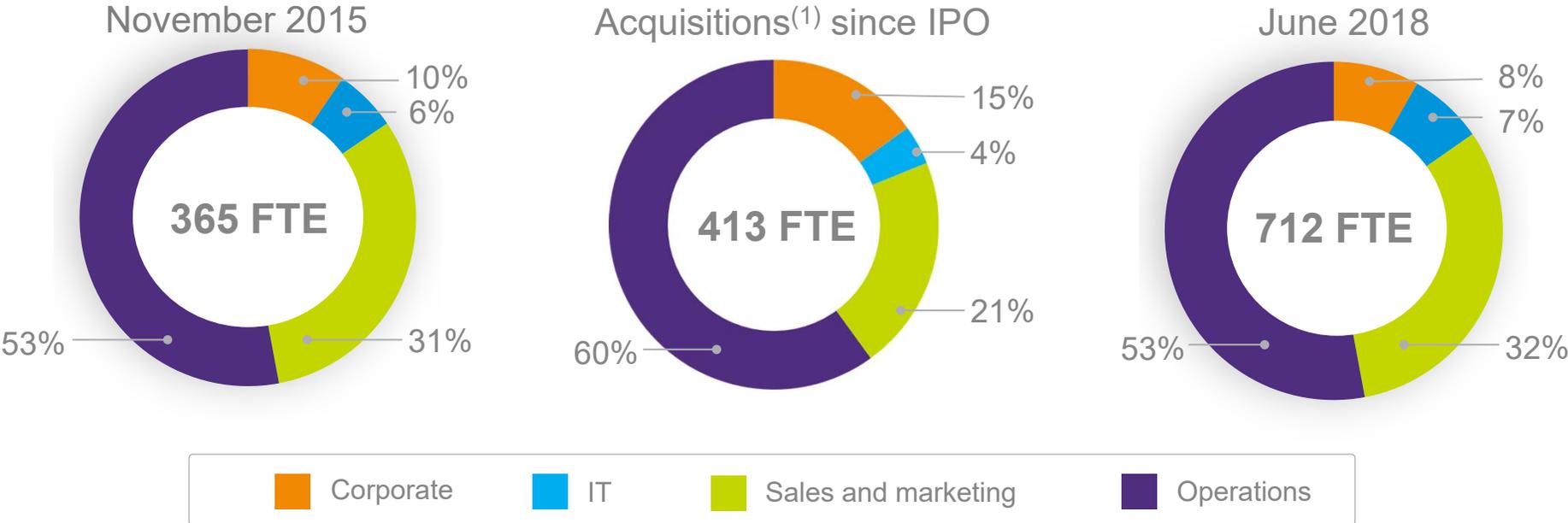
	Acquisition Completion Date	Rebatables ⁽¹⁾	PBI ⁽²⁾ Charities and Aged Care	PBI ⁽²⁾ Hospitals	Government	Corporate Large	Corporate SME
	N/A						
	May 2017	<div style="border: 2px dashed black; padding: 5px;"> Contract IT development of \$3.8m expensed in H1 2018, primarily for the build of a unified salary packaging platform </div>					
	December 2015						
	October 2017						
	August 2016						
	July 2016						
	August 2017						

■ Continuing client service model
 ■ Clients now transitioned, or currently in the processes of transitioning, to most fit-for-purpose service model

Platform consolidation to continue in 2019, building out novated leasing capabilities, and including Smartsalary, Selectus and Autopia

1. Rebatables are tax exempt employers that meet a number of special conditions under FBT legislation. Examples include non-government schools, trade unions and employer associations. Employees of Rebatables can salary package non cash benefits up to a cap and be entitled to a rebate of the gross FBT payable
2. Public Benevolent Institutions fall under one of two categories for FBT purposes, with hospital employees having a different tax status to employees of all other PBI organisations
3. Aspire Benefits Management has been retired as a brand

... and the staffing profile reflects a continued focus on operational efficiencies and enhanced sales and IT capabilities.



	November 2015	Acquisitions since IPO	June 2018
Salary packages	132,500	154,500	334,000
Novated leases under management	32,500	24,100	64,000
Fleet managed vehicles	15,000	2,800	22,000

1. Includes all 9 acquisitions completed since November 2015; excludes 50% equity stake in Health-e Workforce Solutions



Financial results H1 2018

Tim Looi
Chief Financial Officer

Smartgroup recorded H1 2018 NPATA of \$38.5m, a 27% increase from the prior year...

\$m	H1 2018 adjusted ⁽¹⁾	H1 2017 adjusted	Change %
Revenue ⁽²⁾	122.6	97.5	26%
EBITDA ⁽³⁾	55.0	44.6	23%
NPAT	29.4	23.2	
NPATA ⁽⁴⁾	38.5	30.3	27%

1. A reconciliation of the statutory accounts to adjusted earnings is attached in the Appendix
2. H1 2017 revenue increased \$2.3m as some products have since been recognised on a gross basis
3. EBITDA is earnings before interest, tax, depreciation and amortisation adjusted for significant non-operating items. EBITDA excludes \$0.4m (\$0.3m H1 2017) for a joint venture contribution
EBITDA includes contract IT development \$3.8m (H1 2017: \$1.8m). Consistent with prior years, all software and IT development has been expensed in full
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 98% of NPATA

\$m	H1 2018	H1 2017
Receipts from customers (inclusive of GST)	135.0	103.6
Payments to suppliers and employees (inclusive of GST) ⁽¹⁾	(79.0)	(60.5)
Interest receipts from operations	1.3	1.4
Interest paid	(2.2)	(2.7)
Income taxes paid	(17.5)	(15.8)
Net cash from operating activities⁽²⁾	37.6	26.0
As a % of NPATA ⁽³⁾	98%	86%
Capital expenditure – recurring	(0.1)	(0.2)

1. Excludes payments for M&A transaction costs (inclusive of GST) of \$0.8m in H1 2018 (nil H1 2017)

2. Net cash from operating activities excludes receipts and payments from customers' salary packaging accounts and significant non-operating items

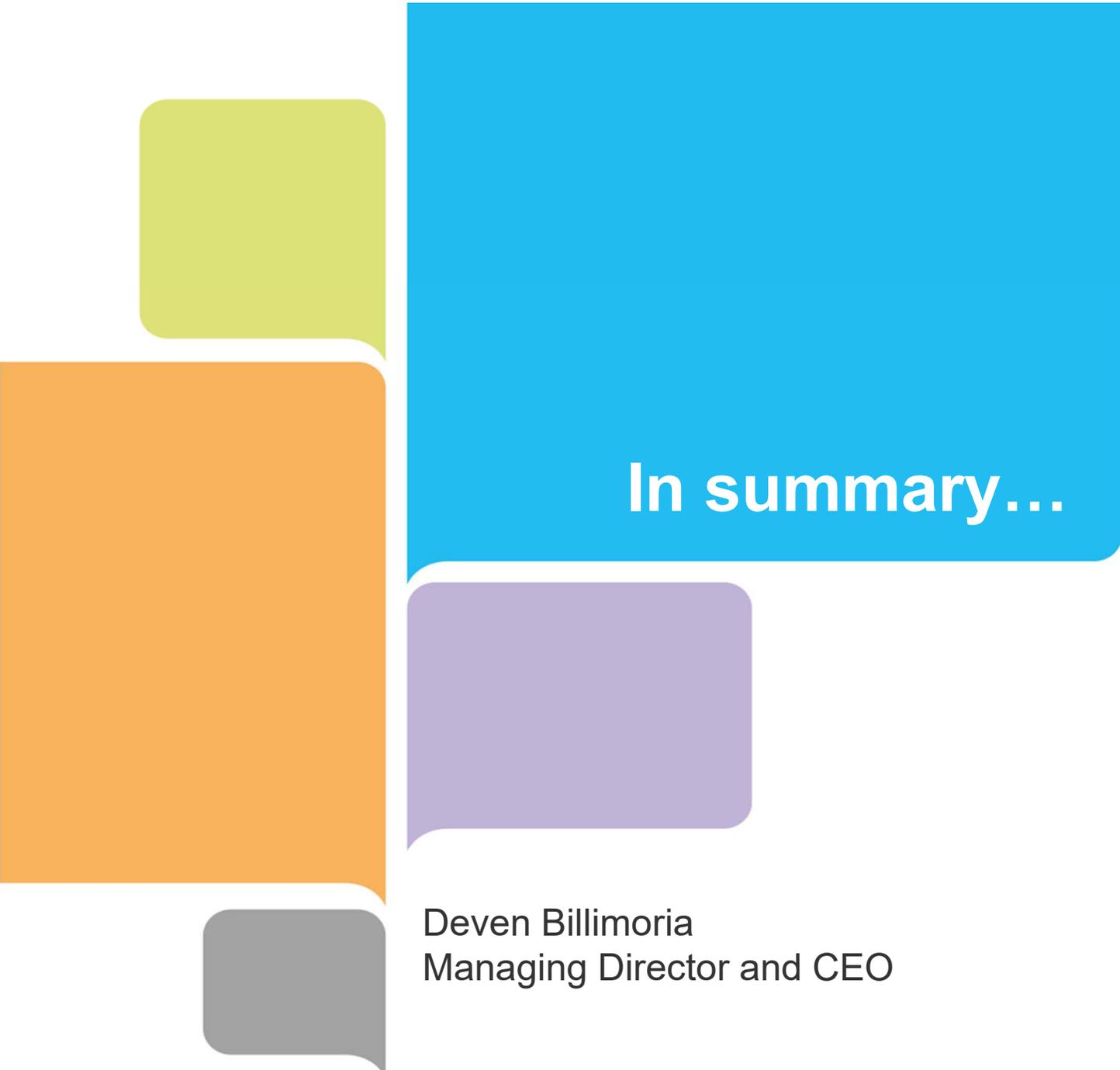
3. NPATA of \$38.5m in H1 2018 and \$30.3m in H1 2017.

Smartgroup's balance sheet is well capitalised

\$m	30 June 2018 Statutory	31 Dec 2017 statutory
Cash	44.8	30.9
Restricted cash (1)	47.5	67.6
Trade and other current assets (2)	39.1	26.7
Current assets	131.4	125.2
Property and equipment	2.4	2.9
Goodwill	265.8	260.0
Identifiable intangibles	62.0	67.7
Other non-current assets	7.8	8.9
Non-current assets	338.0	339.5
Total assets	469.4	464.7
Trade and other payables	33.9	31.1
Customer salary packaging liabilities (1)	47.5	67.6
Provisions and other liabilities (2)	27.2	20.5
Non-current interest-bearing loans (3)	71.9	140.9
Total liabilities	180.5	260.1
Net assets	288.9	204.6
Issued capital	256.1	176.9
Retained earnings & reserves	32.8	27.7
Total capital	288.9	204.6
Net debt	27.9	111.1

1. Restricted cash and customer salary packaging liabilities represent funds held in common salary packaging accounts on behalf of clients*.
2. \$8.4m of assets have been recognised on balance sheet attributable to Fleet West managed vehicles, with \$10.3m of associated borrowings also recognised. These vehicles have a holding period of less than 9 months and are subject to a guaranteed re-purchase price. Vehicle borrowings have been excluded from net debt.
3. Syndicated debt facility is provided by two major Australian banks. The facility term expires in mid 2019 and a re-finance is expected to occur in H2 2018.

*Restricted cash and all customer salary packaging cash can be used only for those customers' salary packaging payments and not for working capital purposes

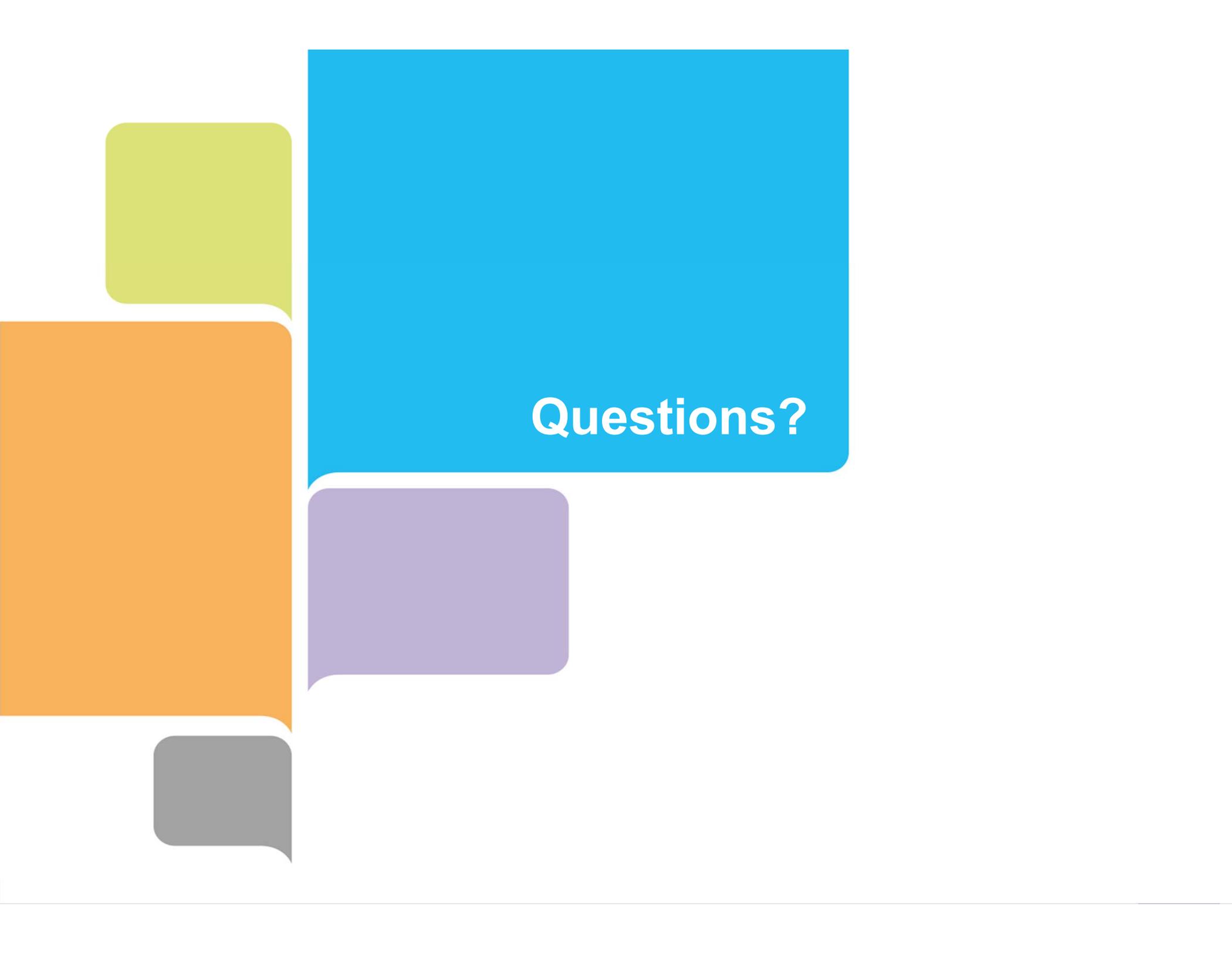


In summary...

Deven Billimoria
Managing Director and CEO

Closing remarks

- Smartgroup has delivered another half year of positive results
- Growth across all key financial and operational metrics
- Initial success delivering additional service offerings to clients
- Salary packaging service delivery continues to be consolidated
- Strong cashflow generation with gearing at 0.3x
- Full franked H1 2018 dividend of 20.5 cps, up 24% from pcg



Questions?

Appendix – reconciliation of earnings to statutory financial statements

	H1 2018 statutory financials	Reclassify: Equity share of investments	Add back: M&A costs	Reclass corporate interest revenue	H1 2018 adjusted
Revenue	122.8	-	-	(0.2)	122.6
Operating EBITDA	54.9	-	0.3	(0.2)	55.0
Joint venture contribution	0.2	0.2	-	-	0.4
Segment note EBITDA	55.1	0.2	0.3	(0.2)	55.4
Depreciation expense	(0.8)	-	-	-	(0.8)
Amortisation expense	(10.5)	(0.1)	-	-	(10.6)
Net finance costs	(2.5)	-	-	0.2	(2.3)
PBT	41.3	0.1	0.3	-	41.7
Income tax expense	(12.1)	(0.1)	(0.1)	-	(12.3)
NPAT	29.2	-	0.2	-	29.4
Add back: amortisation	7.3	0.1	-	-	7.4
Cash tax benefit	1.7	-	-	-	1.7
NPATA	38.2	0.1	0.2	-	38.5
Shares on issue (millions)					131.0
NPATA per share (cps)					29.4

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