

ASX Announcement

Release date: 19 February 2020

Smartgroup announces 4% increase in profits, declares fully franked final dividend of 21.5 cents

Smartgroup Corporation Ltd (ASX: SIQ), a specialist employee management services provider, today reported its financial results for the full year ended 31 December 2019 (CY 2019).

Key financial highlights

(\$m unless otherwise stated)	CY 2018 ⁽¹⁾	CY 2019 ⁽²⁾	Change
Revenue	241.8	249.8	3%
EBITDA ⁽³⁾	115.0	118.2	3%
NPATA ⁽⁴⁾	77.8	81.0	4%
Operating cash flow ⁽⁵⁾ / NPATA	103%	110%	
Shares on issue (millions)	130.9	131.7	
NPATA per share (cps)	59.4	61.5	
Final dividend (cps)	21.0	21.5	

1. CY 2018 EBITDA, NPATA, Operating cash flow / NPATA and NPATA per share comparatives restated for one-off impact of AASB 16 Leases.
2. A reconciliation of the reported financials to the statutory accounts is provided in the Appendix to the 2019 Investor Presentation.
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 and significant non-operating items.
5. Operating cash flow excludes receipts and payments from customers' salary packaging accounts and payments for M&A costs.

Continued growth in CY 2019 across all key financial metrics

Over CY 2019, Smartgroup grew revenue by 3% to \$249.8 million. Earnings, as measured by EBITDA, grew 3% to \$118.2 million. Profit after tax, as measured by NPATA was up 4% to \$81.0 million.

Smartgroup maintained its strong cash flow generation with operating cash flow of \$89.4 million, which represented 110% of NPATA.

Strong balance sheet and growing dividend

Smartgroup remains conservatively geared with net corporate debt of \$21.0 million at 31 December 2019 representing a net corporate debt / EBITDA of c.0.2x.

Reflecting the company's earnings profile and balance sheet, the Board of Directors declared a final fully franked dividend of 21.5 cents per share. This dividend is payable on 16 March 2020, with a record date

of 2 March 2020. This brings the total ordinary dividends for CY 2019 to 43.0 cents per share, up 4% from CY 2018, with a special dividend of 20.0 cents per share also paid in May 2019.

Strong financial performance in the context of some industry headwinds

Smartgroup Chairman Michael Carapiet said: "Smartgroup remains a customer-focussed organisation with an ongoing program of greater automation and service expansion through partnerships and acquisition. The Smartgroup team have delivered consecutive years of growing customer numbers and another year of record financial results."

"Our strategy for success includes maintaining exceptional customer service, a culture of innovation and an inclusive workplace. We believe that a productive and committed workforce is a key success factor, as well as being a responsible corporate citizen. To this end, we are very proud to have been recognised as one of only 35 Inclusive Employers by Diversity Council Australia for 2019/20."

Smartgroup's Managing Director and CEO Deven Billimoria said: "Smartgroup finished 2019 with steady growth across key financial and operational metrics, and industry and customer recognition for our high standards of service. This result is particularly pleasing in the context of some industry headwinds."

Deven Billimoria and Chief Financial Officer Tim Looi will hold a briefing tomorrow morning to discuss the results. The details are as follows:

Time: 9:00 am (Sydney time)
Date: Thursday 20 February 2020

The audio briefing will be streamed live at this time and can be accessed via the Smartgroup company page on the Open Briefing website: <http://www.openbriefing.com/OB/3637.aspx>

This can also be accessed from the Investors section of the Smartgroup website: <http://ir.smartgroup.com.au/investors/>

This announcement was authorised for release by the Board of Directors of Smartgroup.

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