

1 October 2019

Binding Agreement to sell Capital S.M.A.R.T and ACM Parts Long term partnership to maintain service excellence

KEY POINTS

- Sale of Capital S.M.A.R.T to AMA valuing 100% of the business at \$420m
- Suncorp to retain a 10% stake in Capital S.M.A.R.T and a subsidiary Board seat
- After-tax profit on sale expected to be in the range of \$275-295m
- Sale of ACM Parts to AMA for cash consideration of \$20m, broadly in line with book value
- 15-year strategic partnership (with two five-year options by Suncorp to extend) with Capital S.M.A.R.T, preserving Suncorp's competitive advantage in motor vehicle claims is maintained
- High service levels preserved through the ongoing agreement, creating a positive outcome for customers
- Sale of Capital S.M.A.R.T is unconditional with the Transaction targeted to complete by 31 October 2019
- Capital S.M.A.R.T transaction value represents a FY19 EBITDA multiple of 20x

Suncorp Group Limited (ASX: SUN ADR: SNMCY) today has signed a binding agreement with AMA Group ("AMA") (Binding Agreement) to sell Capital S.M.A.R.T Group (Capital S.M.A.R.T), Suncorp's market leading smash repair business in Australia and New Zealand, for an enterprise value of \$420 million (the Transaction).

The sale consideration will be in the form of upfront cash proceeds and the retention of a 10% interest in the business. Suncorp will have a Board seat on the Capital S.M.A.R.T Group Holding entity Board. The Transaction price of \$420 million, represents a FY19 EBITDA multiple of 20x. The after-tax profit on sale is expected to be in the range of \$275–\$295 million, in addition to the value of the retained 10% interest in the business.

Suncorp Group CEO, Steve Johnston, said the Transaction is in the best interests of customers, shareholders and the business.

"The increasing complexity of repairs is driving significant change in the smash repair and parts procurement industry, and the divestment means Suncorp can focus on its core Insurance and Banking operations. Importantly, the agreement maintains Suncorp's competitive advantage and we look forward to working closely with AMA as an ongoing partner."

Suncorp has selected AMA as its long-term strategic partner due to its deep knowledge of the smash repair industry, proven track record of innovation and ability to respond to changing industry dynamics. AMA has a shared focus on customer service that is central to the Capital S.M.A.R.T business model.

Today's announcement follows a strategic review of the Capital S.M.A.R.T business and evaluation of the long-term outlook for the increasingly competitive and complex smash repair industry. Under the terms of the Binding Agreement, Suncorp customers will continue to have access to market leading repairs, under a 15-year Motor Repair Services Agreement (MRSA) with two options by Suncorp to extend for a further five years (10 years in total). The MRSA preserves the cost advantages that Capital S.M.A.R.T has delivered to Suncorp over the past eight years and provides protection to ensure that defined service levels are maintained.

Under the terms of the Transaction, Suncorp will continue to use its existing valued network of smash repair partners.

Gary Dransfield, CEO Insurance, said: "We are pleased to have reached an agreement with AMA, which is already a long-standing Suncorp partner. S.M.A.R.T has grown to be one of Australia's largest networks of smash repairers for driveable repairs which has reached an inflection point under Suncorp ownership. AMA's long-term partnership will ultimately benefit Suncorp and its customers. We built the S.M.A.R.T network on the basis of exceptional customer service. We are confident that AMA will maintain the high levels of customer satisfaction that S.M.A.R.T is known for, based on our own experience in working with them."

Andrew Hopkins, Group CEO of AMA, said: "We are excited to combine Capital S.M.A.R.T's best-in-class capabilities in low to medium severity panel repairs with AMA's industry leading platform across the smash repair market."

"The acquisition further strengthens our long-standing close relationship with Suncorp who, in addition to committing to a long-term service agreement with Capital S.M.A.R.T, are joining us as a partner in the business."

As part of the Transaction, Suncorp is also announcing today the sale of ACM Parts Pty Ltd (ACM) to AMA for a cash consideration of \$20 million, broadly in line with book value. ACM will continue to provide genuine alternative parts to the repair market including Suncorp's repairer network.

Suncorp will provide a further update to the market upon completion of the Transaction.

ENDS

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