FY2017 Full Year Results

August 2017

AHG
AUTOMOTIVE HOLDINGS GROUP

Repositioning Automotive in a challenging market

New car volume
Down 22%
since 2012

Market conditions in FY2017

- Weak WA market conditions but growth in market share
- Stronger demand for heavy trucks
- Growth in acquisition revenue ($228m)

Reduced gross per retail unit
Down ~$200 per vehicle

Lower margins in finance

- Tighter consumer credit conditions
- Reduced online broking income (360 Finance)

Pilot site unit sales demand
Circa 200 vehicles per month

Significant expansion of used car platform

- **easyauto123** model demonstrating success
- Rollout gaining momentum (new sites in Perth, Sydney and Melbourne)

Restructure of operations

- National franchise automotive business to leverage scale
- National truck structure to optimise market position
- Shared services and productivity initiatives
- Cost-out focus

Refrigerated Logistics transformation building momentum

Second half
EBITDA
Up 68% YoY

Transformation program delivering momentum

- Headcount reduced by 192
- Sites consolidation
- Technology upgrade on plan
- Improved second half

Costs of transformation largely complete

- $11.3m expensed as unusual in FY2017
- Single management structure
- National network and key customer focus

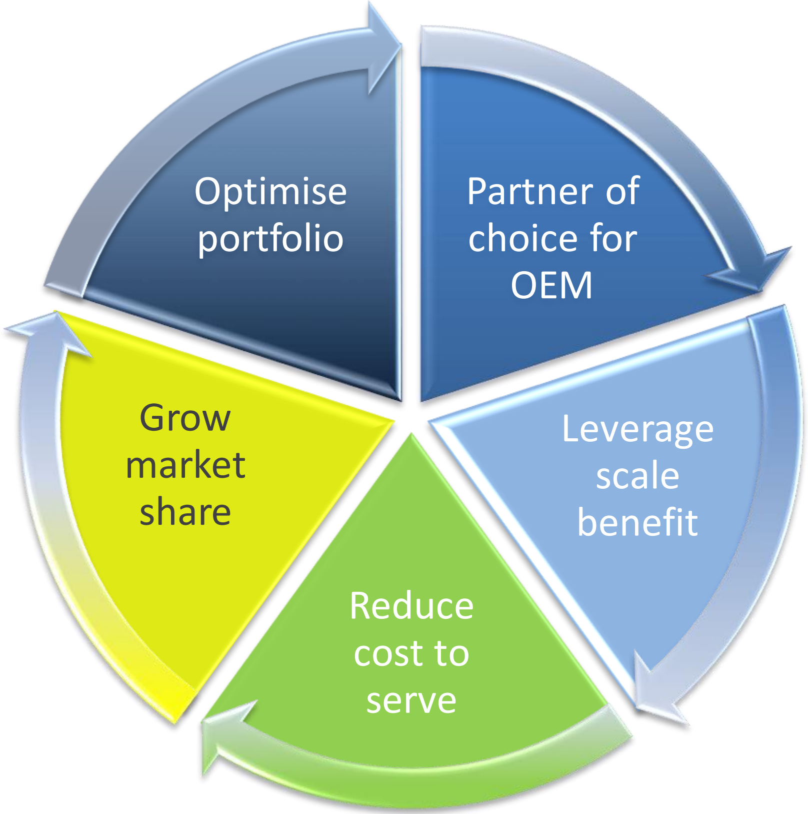
Revenue growth continuing

- Initial client losses in Q1 FY2017 now replaced
- No significant client losses
- Monthly revenue growing

Benefit realisation accruing into FY2018

- Full year cost savings
- Management focus now on optimising performance
- Continue to review strategic options to realise value

Delivering against our strategic objectives



Partner of choice

Expand relationships with enhanced customer service and innovation

Leveraging scale

Established national franchised automotive and national truck structure to optimise scale benefit

Cost reduction

Heavy focus on cost reduction, productivity, and shared services opportunities

Grow our market share

Well positioned to continue market aggregation and expand used car platforms

Optimise portfolio

Portfolio review to optimise franchise coverage, business segments and strategic position

Financial Performance in line with recent trading update

Consolidated Financial Performance	FY2016 ($m)	FY2017 ($m)	% change
Operating[1] Performance			
Revenue	5,626.0	6,081.7	8.1%
EBITDA	225.5	216.0	(4.2%)
EBITDA %	4.0%	3.6%	
EBIT	182.1	169.0	(7.2%)
EBIT %	3.2%	2.8%	
Operating Net Profit after Tax	**97.2**	**87.3**	**(10.2%)**
Earnings Per Share (cps)	31.7	26.7	(15.8%)
Interest Cover (times)	5.0	4.3	
Statutory IFRS Performance			
Unusual items	(7.2)	(31.8)	
Statutory Net Profit after Tax	**90.1**	**55.5**	**(38.4%)**
Earnings Per Share (cps)	29.4	17.0	(42.2%)

- Revenue movement against PCP
  - Automotive up 10.8%
  - Refrigerated Logistics down 1.7%
  - Other Logistics down 13.8% (Covs divestment)
- Automotive margins impacted by lower income in F&I and weak WA market
- Unusual items (pre tax) $39.8m related to:
  - ***Net costs relating to Refrigerated Logistics Transformation*** (consulting fees, site consolidation, redundancies and pallet consolidation) ($11.3m EBIT)
  - ***Restructure of operations and discontinued operations*** (redundancies, asset write offs, trading losses and closure costs) ($11.0m EBIT)
  - ***Impairment of assets, franchise rights and goodwill*** ($13.6m EBIT)
  - ***Costs relating to integration, acquisitions and MD transition*** ($3.9m EBIT)

Operating[1] – excludes unusual items as disclosed in Appendix 1 on slide 20.

Strong operating cashflow and improved balance sheet

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Balance Sheet Gearing	30 June 2016	31 Dec 2016	30 June 2017
Total Borrowings	1,094.1	1,133.0	1,142.5
Cash & Cash Equivalents	(108.6)	(84.3)	(95.0)
Net Debt	985.5	1,048.7	1,047.5
Inventory Finance (Floorplan)	(711.5)	(738.9)	(788.7)
Net Debt – Excluding Floorplan Finance	**274.0**	**309.8**	**258.8**
Interest Cover (times)	5.0	4.4	4.3
<u>**GEARING RATIO**</u>			
Net Debt + Equity – Excluding Floorplan Finance	993.5	1,125.0	1,061.1
Net Debt / [Net Debt + Equity] – Excluding Floorplan Finance	27.6%	27.5%	24.4%

- A stronger balance sheet with heavy focus on cash management and inventory management
- 2016 equity raise funded recent acquisitions

Strong Operating Cashflow
$140.9m
($139.8m PCP)

$75m
Invested
in Automotive Aggregation Strategy

Improved working capital and
Net debt reduction

High capital expenditure in technology and property
$100m Capex

- Capital expenditure expected to fall in FY2018 to circa $60m

AUTOMOTIVE


car buying made easy!
price & hassle-free
48 hour money back guarantee
easy payment options
NISSAN
NISSAN
Audi Centre Newcastle
STOCK REQUIRED
Sell your car HERE
ALPINE
FUSO

Automotive Operating[1] Performance

Operating[1] Performance	FY2016 ($m)	FY2017 ($m)	% change
Revenue	4,724.8	5,234.5	10.8%
EBITDA	177.9	171.0	(3.9%)
EBITDA %	3.8%	3.3%	
EBIT	159.1	151.1	(5.1%)
EBIT %	3.4%	2.9%	
Profit Before Tax	**135.7**	**124.2**	**(8.5%)**

- Revenue up 10.8% primarily from acquisitions
- EBITDA and EBIT margins lower due to F&I impact and weak WA market
- Significant reduction in contribution from 360 Finance (online finance broking business)
- Strong growth in Victoria with recent acquisitions
- Operating[1] Profit Before Tax down 8.5%

Operating[1] – excludes unusual items as disclosed in Appendix 1 on slide 20.

Financial impact of WA, F&I margin and acquisitions

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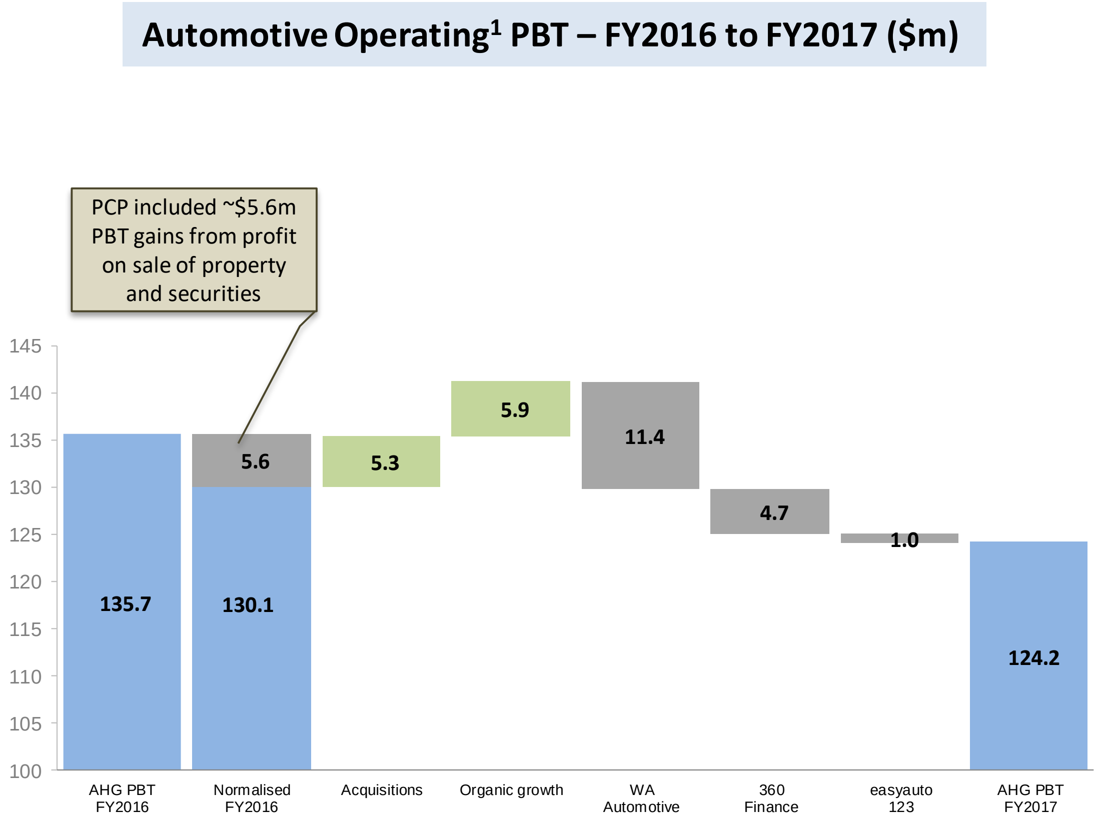

- Oversupply of new vehicles in WA - weaker market pushed margins lower
- Wider impact of F&I also contributed to WA performance
- 360 Finance competing in crowded market and impacted by tighter credit lending
- Initial start up investment in **easyauto123**

Operating[1] – excludes unusual items as disclosed in Appendix 1 on slide 20.

Adapting to challenging market conditions

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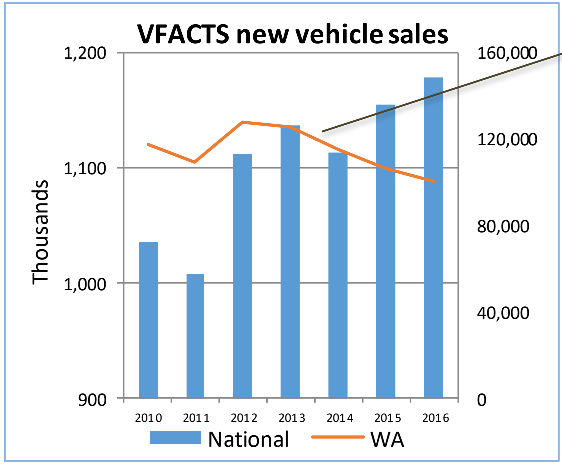
- ✓ Growing market share
- ✓ Cost down focus to mitigate loss of margin in F&I
- ✓ Acquisitions adding growth
- ✓ Simplifying and standardising operations and shared services
- ✗ Prepared for impact on insurance margin in FY2018 (~$15m reduction in EBIT)

Increased market share in WA



WA new vehicle sales **down 22%** since peak in 2012 (7.2% down YTD July 2017)

AHG Market Share by region (New vehicles)

Region	2010	2011	2012	2013	2014	2015	2016
WA	17.8%	18.1%	18.2%	19.7%	21.0%	21.5%	23.7%
NSW	5.2%	5.5%	5.5%	5.5%	6.4%	7.4%	7.4%
VIC	0.0%	0.3%	0.9%	2.2%	3.1%	2.8%	3.5%
QLD	5.2%	5.3%	4.3%	3.6%	3.7%	3.6%	3.6%
AUST	4.7%	4.9%	4.9%	5.2%	5.8%	5.9%	6.2%

WA market share **up 30%** since 2012

Significant regulatory impacts on our industry

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	FY2017	FY2018	FY2019 +
Industry / regulatory review	ASIC investigation of **RESPONSIBLE LENDING** practices	ASIC review of **ADD-ON INSURANCE** products	ASIC review of **FLEX FINANCE** commission plans (motor vehicle finance)
Primary concerns	• Poor credit approval processes • High cost of finance • Incentive structure	• High premiums • Low claim rates • Dealer commission levels	• Dealerships setting rates (unregulated) • Incentive structure
Scope / Implications	1. Reviews by all lenders around credit quality, finance rules and approval processes 2. Tightening of credit approvals 3. Some products no longer available to finance (e.g. Life insurance premiums) 4. Lower loan to value ratios	1. Products covered: - Gap insurance - Income protection - Life insurance - Tyre and Rim 2. Reduction in premium 3. Lower dealer commissions	1. Elimination of current flex finance protocol 2. Dealerships no longer set rate (unless lower) 3. Move to risk based pricing approach 4. Greater consumer protection
Financial impact on AHG (Net)	Tightening of margins over H2 and a significant reduction in broker income in online finance business	Circa $15m EBIT* (net of business manager commission plans)	Current expectation is minimal impact on total earnings

* Subject to overall unit sales volumes over FY2018

Fixed price used car sales format - easyauto123

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- Initial start up costs in FY2017 of $1m
- ✓ Pilot site in Joondalup (WA) profitable
- ✓ Lower cost model - strong focus on digital platforms and shared services
- ✓ Differentiated from industry norms
- ✓ Three new sites operational in FY2017, Hendra (Nov 2017)
- ✓ Integrated website and lead management

Joondalup (WA) Canning Vale (WA) Seven Hills (NSW) Brooklyn (Vic) Hendra (Qld)

REFRIGERATED LOGISTICS

Refrigerated Logistics – Operating[1] Performance

Operating[1] Performance	FY2016 ($m)	FY2017 ($m)	% change
Revenue	580.4	570.7	(1.7%)
EBITDA	37.2	35.1	(5.7%)
EBITDA %	6.4%	6.1%	
Profit Before Tax	8.2	2.8	(65.5%)

- Performance continues to improve as transformation benefits accrue
- Strong H2 $17.1m Operating[1] EBITDA versus $10.2m in H2 FY2016
- Revenues continue to build, albeit lower than PCP
- Margins reflect higher fixed cost base from investment in cold stores and equipment and lower revenue
- Exit momentum continues into FY2018 as full year savings accrue

Operating[1] – excludes unusual items as disclosed in Appendix 1 on slide 20.

Transformation benefits building momentum

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Transformation program largely completed with benefits from technology upgrade to impact FY2019

Now operating as a national RL business with a single network of RL assets

RESTRUCTURE OPERATIONS

- New operating model and organisation structure
- 4 distinct transport segments (Fresh, Chilled, Frozen and General)
- Standalone warehouse division with separate P&L
- Single commercial structure aligned to customer needs and relationships

PRODUCTIVITY IMPROVEMENTS

- Headcount reduction of 192 against target of 125
- Significant reduction in pallet hire costs
- Reduction in utilisation of subcontractors and improved use of company fleet
- Consolidation of facilities

FINANCIAL PERFORMANCE

- Second half run rate significantly stronger than PCP (Operating[1] EBITDA up 68% on H2 FY2016)
- Monthly revenue growing

TECHNOLOGY IMPROVEMENTS

- Financial package (Microsoft Dynamics) go live October 2017
- New transport management system (Capcargo) to implement Q3 FY2018
- Warehouse solution 95% implemented
- Additional benefits from new platform expected in FY2019

Operating[1] – excludes unusual items as disclosed in Appendix 1 on slide 20.

OTHER LOGISTICS

Other Logistics – Operating[1] Performance

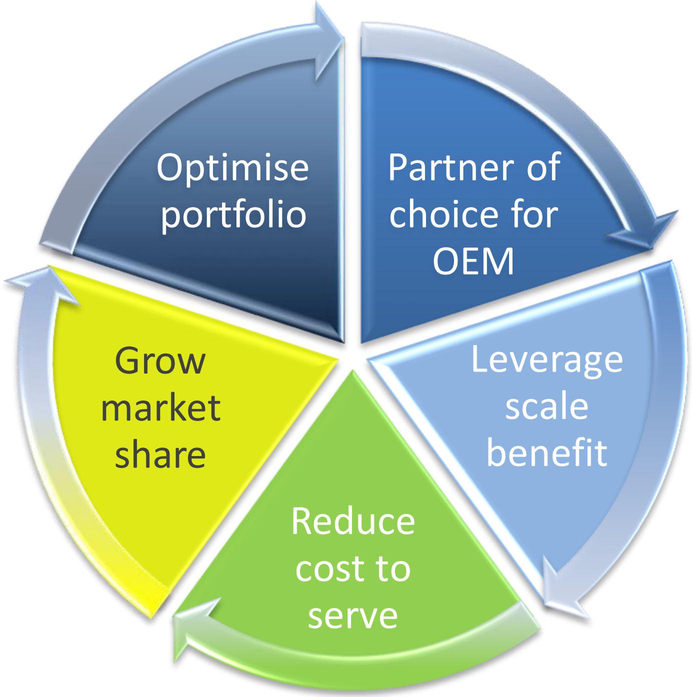
Operating[1] Performance	FY2016 ($m)	FY2017 ($m)	% change
Revenue	320.5	276.2	(13.8%)
EBITDA	10.0	14.2	42.6%
EBITDA %	3.1%	5.1%	
Profit Before Tax	**4.9**	**10.5**	**115.6%**

- Reduction in revenue reflects divestment of Covs
- Strong performance in KTM and Husqvarna off stronger AUD/EUR FX position and market demand
- Improved performance in GTB from client demand and productivity gains
- AMCAP trading consistent

Operating[1] – excludes unusual items as disclosed in Appendix 1 on slide 20.

Group Outlook

- Modest uplift in Operating[1] performance in FY2018
  - quantified impact of insurance changes
  - expectation WA is stabilising
  - focus on cost reduction
  - benefits of restructure
- National roll-out of **easyauto123** to continue
- Continued growth in Refrigerated Logistics expected to improve performance through FY2018
- Free cashflow focus with reduction in capital expenditure
- Continued strategic investment in Automotive acquisitions and adjacent opportunities



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FY2017 Results – Appendix 1

August 2017

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Reconciliation of Statutory IFRS NPAT to Operating[1] NPAT

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	FY2017 $'000	FY2016 $'000
Statutory IFRS Profit (net of tax) attributable to members	**55,539**	**90,071**
Add back unusual items		
Net costs relating to Refrigerated Logistics transformation	5,799	-
Costs relating to restructure of operations and discontinued operations	9,278	(740)
Impairment of non-current assets - plant & equipment, goodwill and franchise rights	13,647	4,562
Costs relating to integration, acquisitions and MD transition	3,028	4,091
Net (profit)/loss on other unusual items, including benefits applicable to GST refunds (Son of Holdback)	-	(737)
Operating[1] Non-IFRS Profit (net of tax) attributable to members	**87,291**	**97,247**

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