



FY2018 Full Year Results

August 2018



AUTOMOTIVE HOLDINGS GROUP

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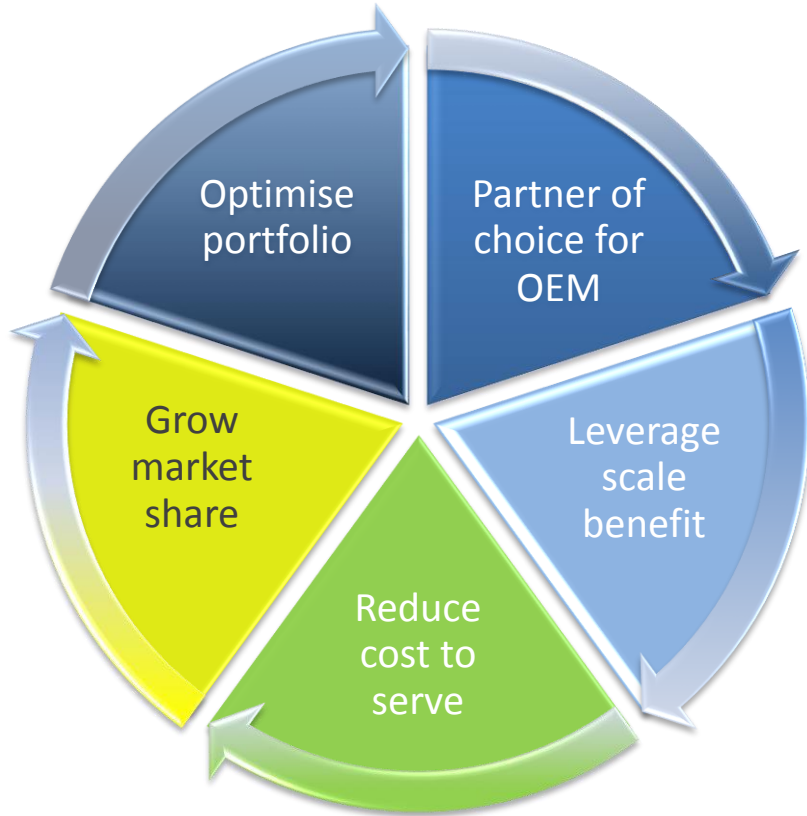
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Continuing
Operating¹ NPAT
of \$74.8m, down
14.4% on PCP in line
with recent trading
update

- Record revenue of \$6.5 billion on Automotive market share growth, Trucks performance and **easyauto123** expansion
- Resilient Automotive result in a challenging market
- AHG outperforms broader Automotive market* despite industry headwinds
- Automotive EBIT down 3.7% despite F&I impact of \$29m partially offset by \$12m one-off gain
- Volumes strong but Automotive margin compression also driven by manufacturers and softening consumer demand
- Progress made against strategic objectives in Automotive (see next slide)
- WA private buyer market remains down but offers major upside
- Refrigerated Logistics impacted by HNA sale process and IT system implementation
- Other Logistics impacted by adverse FX on KTM/Husqvarna

*Deloitte market report – August 2018



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

Consolidated Financial Performance	FY2017 (\$m)	FY2018 (\$m)	% change
Operating¹ Performance			
Revenue	6,106.1	6,474.1	6.0%
EBITDA	216.0	208.0	(3.7%)
EBITDA %	3.5%	3.2%	
EBIT	169.0	155.5	(8.0%)
EBIT %	2.8%	2.4%	
Operating Net Profit after Tax	87.3	74.8	(14.4%)
Earnings Per Share (cps)	26.7	22.5	(18.7%)
Interest Cover (times)	4.3	3.6	
Statutory IFRS Performance			
Unusual items	(31.8)	(42.2)	
Statutory Net Profit after Tax	55.5	32.6	(41.2%)
Earnings Per Share (cps)	17.0	9.8	(42.4%)

Revenue movement against pcp

- Automotive up 7.2%
- RL broadly in line with pcp
- OL down

EBIT margin reductions

- Automotive impacted by F&I
- Automotive margin compression driven by manufacturers
- Investment in **easyauto123**
- KTM impacted by FX

Unusual items (pre-tax) of \$60.1m

- Discontinued Automotive operations
- Impairment of RL IT systems assets
- M&A costs and other non-recurring charges

Strong operating cashflow and balance sheet

Balance Sheet Gearing	30 June 2017	31 Dec 2017	30 June 2018
Total Borrowings	1,142.5	1,240.9	1,346.1
Cash & Cash Equivalents	(95.0)	(84.3)	(73.0)
Net Debt	1,047.5	1,202.0	1,273.1
Inventory Finance (Floorplan)	(788.7)	(857.4)	(989.1)
Net Debt – Excluding Floorplan Finance	258.7	344.6	283.9
Interest Cover (times)	4.3	4.0	3.6
<u>GEARING RATIO</u>			
Net Debt + Equity – Excluding Floorplan Finance	1,061.1	1,163.4	1,060.5
Net Debt / [Net Debt + Equity] – Excluding Floorplan Finance	24.4%	29.6%	26.8%

Strong Operating Cashflow
\$147.3m
 (\$140.9m PCP)

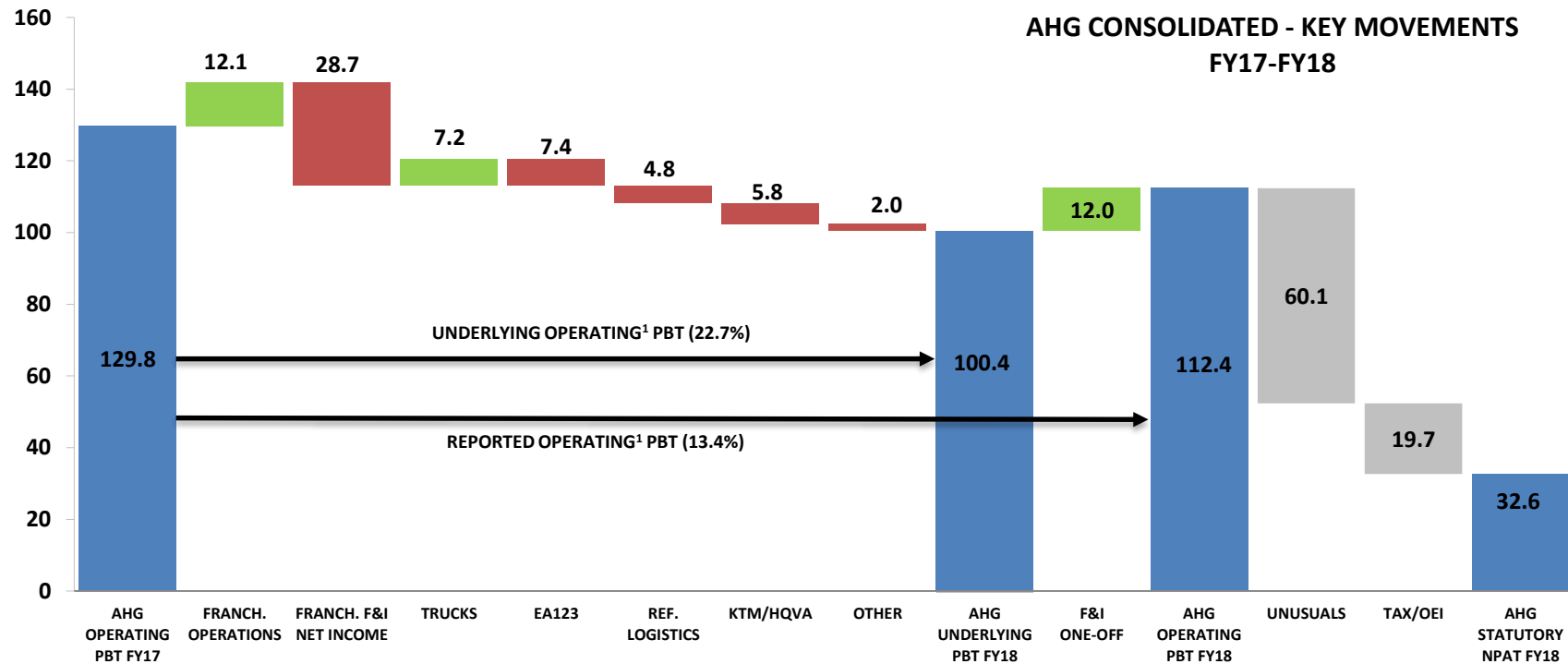
Over \$30m Invested
 in Automotive Aggregation Strategy

H2 focus on improving working capital and reducing net debt (ex-floorplan)

Investment* in technology and fleet refresh largely complete

*Capital expenditure expected to reduce in FY2019 to circa \$30m

Financial Performance – Key Movements



Reconciliation of Statutory IFRS NPAT to Operating¹ NPAT

	FY2018 \$'000	FY2017 \$'000
Statutory IFRS Profit (net of tax) attributable to members	32,639	55,539
<u>Add back unusual items</u>		
Net costs relating to Refrigerated Logistics transformation	7,013	5,799
Costs relating to restructure of operations and discontinued operations	7,805	9,278
Impairment of non-current assets – IT, plant & equipment, goodwill and franchise rights	25,013	13,647
Costs relating to integration, acquisitions and MD transition	2,290	3,028
Operating¹ Non-IFRS Profit (net of tax) attributable to members	74,760	87,291

AUTOMOTIVE



Service

AHG represents 27 manufacturers, including all of the top 13* selling passenger brands in Australia.

The majority of the Group's dealerships are located within "retail hubs", creating a destination for buyers and generating efficiencies in shared services and fixed operations.

Opportunities exist for further acquisitions.

Current cost-down initiatives offer further opportunity to leverage scale.



Franchised Truck

Standalone division created April 2017.

Strong operating performance.

Significant synergies and opportunities realised by forming a national truck structure.

Strong long-term relationships with leading manufacturers.

Opportunities exist for further acquisitions.



Used Cars and Wholesale

Five fixed price used car warehouse locations operating.

Strong revenue and sales growth.

Strong sourcing channels to access used vehicle stock.

Offers fleet operators and leasing companies a national remarketing platform.

360 Finance is one of the leading vehicle finance brokers in Australia.

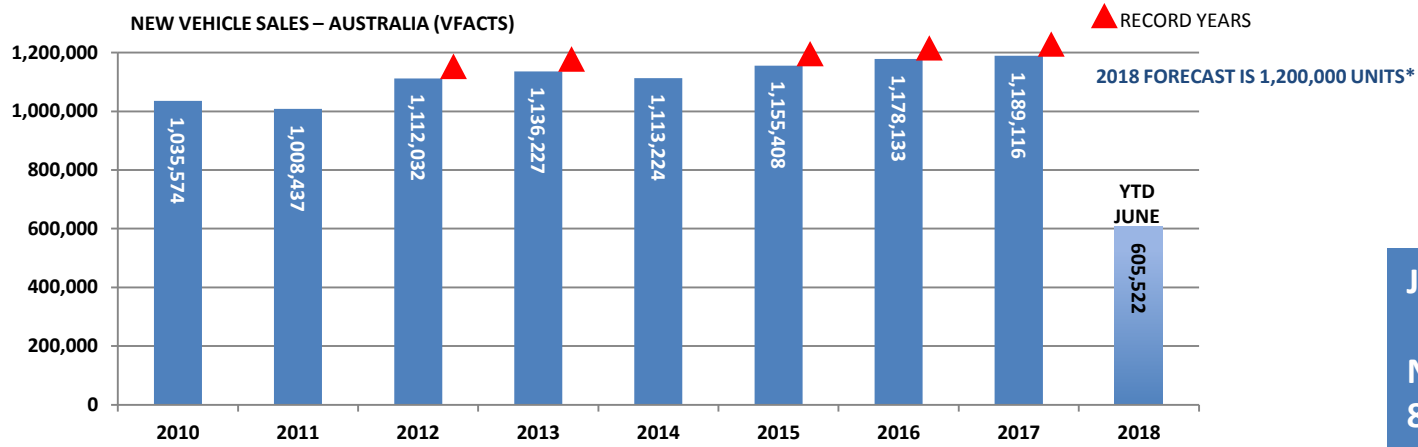
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360finance



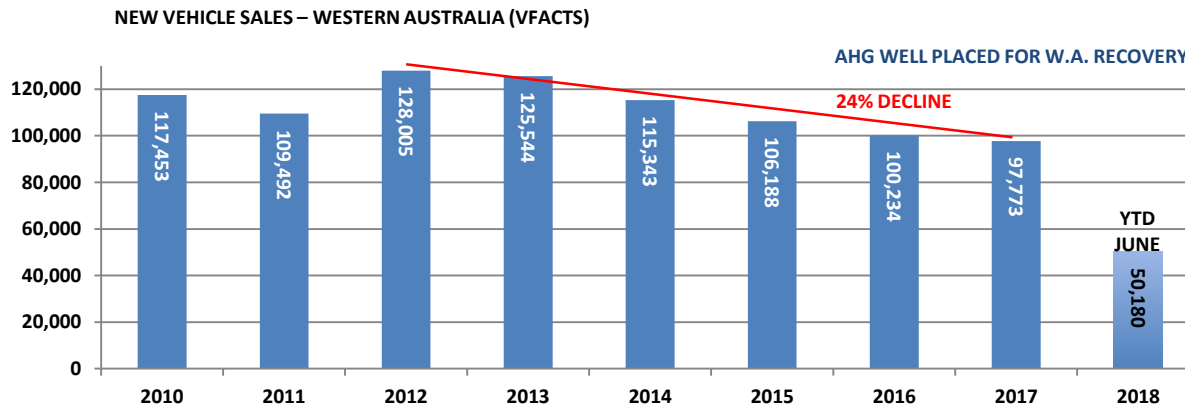
Australian New Car Market Data



July 2018:

National market
85,551 units
Down 7.8% MoM
Down 0.2% YoY

WA market
6,966 units
Down 8.1% MoM
Up 2.4% YoY



Australian New Car Market Data

VFACTS YTD JUNE 2018 - NATIONAL (EXCLUDES TRUCKS)

	Month		YTD		Variance +/- Vol. & %			
	2018	2017	2018	2017	MTH	YTD	MTH	YTD
Private	62,833	68,147	283,076	294,821	-5,314	-11,745	-7.8%	-4.0%
Business	51,244	52,042	249,530	239,433	-798	10,097	-1.5%	4.2%
Gov't	3,528	3,716	19,266	20,217	-188	-951	-5.1%	-4.7%
Rental	8,464	6,387	33,881	28,289	2,077	5,592	32.5%	19.8%

...the Western Australian private buyer market continued to decline despite more positive lead economic indicators.

AHG remains well placed to benefit from the recovery of the private buyer market in WA...

VFACTS YTD JUNE 2018 – WESTERN AUSTRALIA (EXCLUDES TRUCKS)

	Month		YTD		Variance +/- Vol. & %			
	2018	2017	2018	2017	MTH	YTD	MTH	YTD
Private	4,614	4,901	21,376	22,051	-287	-675	-5.9%	-3.1%
Business	4,356	4,028	21,808	19,625	328	2,183	8.1%	11.1%
Gov't	256	463	1,656	2,304	-207	-648	-44.7%	-28.1%
Rental	561	420	3,778	2,830	141	948	33.6%	33.5%

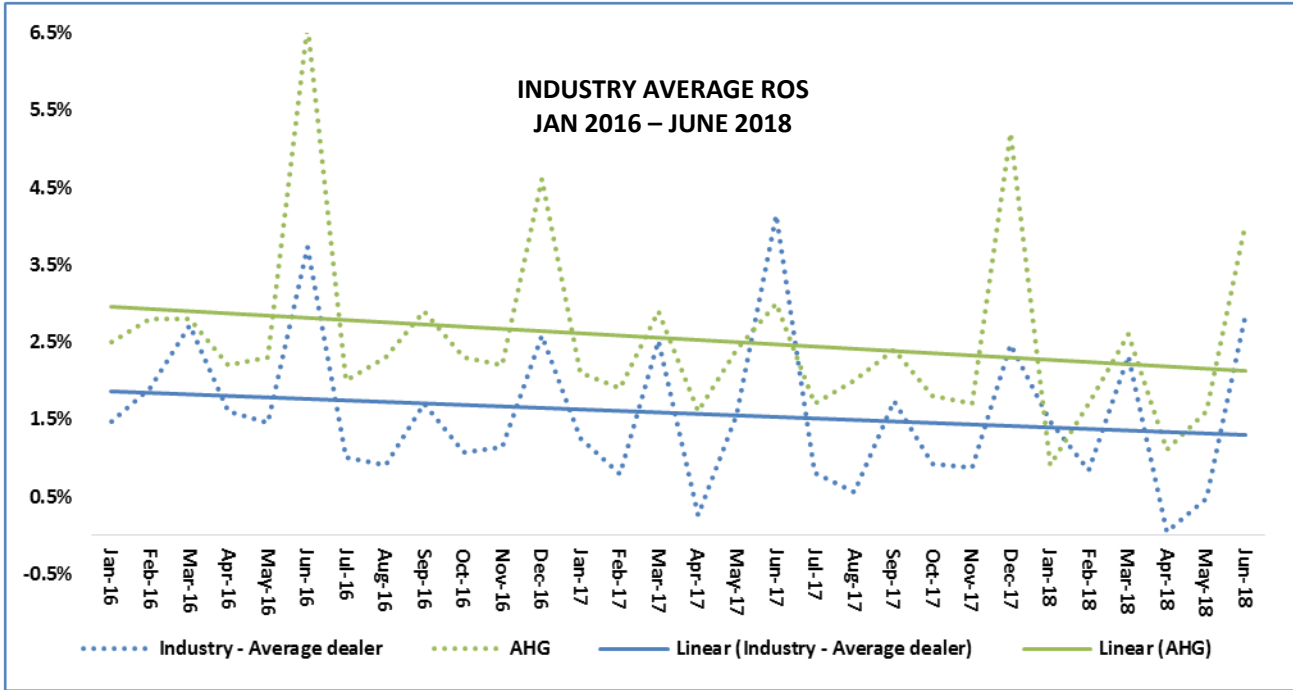
AHG Outperforms Industry Benchmarks



Despite the headline market numbers, return on sales for the average dealer has been declining since 2015.

AHG outperforms the broader market...

Source: Deloitte Market Study
August 2018



AHG outperforms the market in:

- Return On Sales
- Total Gross Margin
- New Gross Per Unit
- F&I Per Retail
- Gross Per Technician
- Service Labour Gross Profit

Automotive

Continued growth from acquisitions, portfolio rationalisation and expansion of used car business



Aug '17	Opened easyauto123 Brooklyn (Melbourne)
Oct '17	Opened Lander LDV Blacktown (Sydney)
Oct '17	Closed Beaudesert Suzuki (Brisbane)
Nov '17	Closed Allpike Citroen and Peugeot (Perth)
Nov '17	Closed Mornington Suzuki
Dec '17	Acquired Hunter Motor Group (Newcastle – five franchises)
Dec '17	Closed Doncaster Fiat and Alfa Romeo and replaced with Infiniti (Melbourne)
Feb '18	Opened easyauto123 Hendra (Brisbane)
Mar '18	Acquired Manukau Hyundai and Auckland Mitsubishi (NZ)
Apl '18	Opened Mazda Connect (Silverdale NZ)
May '18	Acquired Essendon Nissan and Essendon Kia (Melbourne)
Jun '18	Opened Essendon Jaguar Land Rover
Jun '18	Opened Daimler Trucks Laverton
Ongoing	Major redevelopment of Liverpool and Sutherland retail hubs (Sydney)
Ongoing	Major redevelopment of Osborne Park Nissan and Hyundai dealerships (Perth)

Automotive Operating¹ Performance

Operating ¹ Performance	FY2017 (\$m)	FY2018 (\$m)	% change
Revenue	5,234.5	5,612.9	7.2%
EBITDA	171.0	166.1	(2.9%)
EBITDA %	3.3%	3.0%	
EBIT	151.1	145.5	(3.7%)
EBIT %	2.9%	2.6%	
Profit Before Tax	124.2	116.7	(6.0%)

- Revenue growth driven by increased market share, Trucks performance and **easyauto123** expansion
- Automotive F&I (EBIT) impact of \$29m partially offset by \$12m one-off gain
- Automotive margin compression also driven by manufacturers and softening consumer demand
- \$7.4m **easyauto123** investment



FY2017

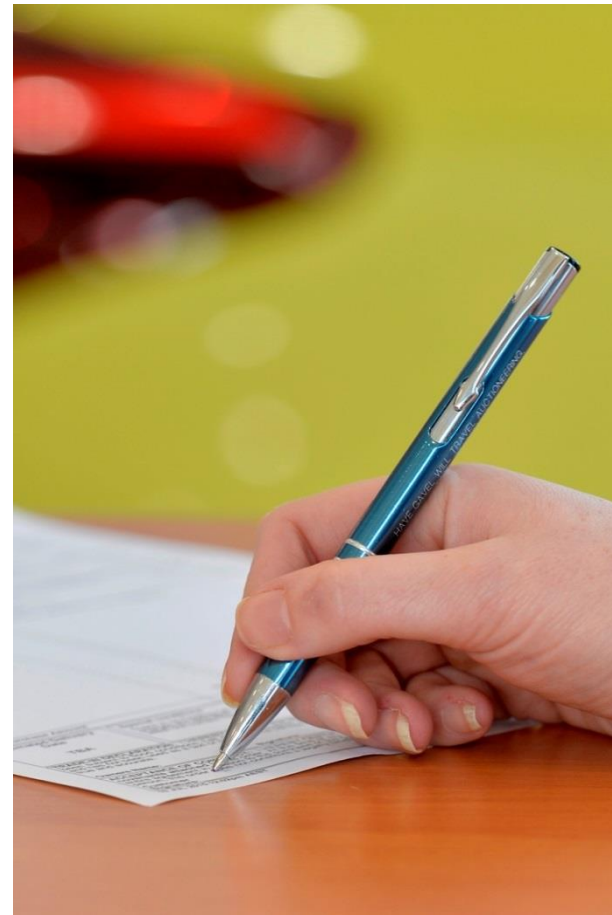
- Restricted lending impacts H2

FY2018

- \$29m impact in FA from reduced add-on insurance commissions and responsible lending restrictions
- Consumer sentiment down on Banking Royal Commission
- Finance penetration down to 34%
- >50% turnover in F&I Business Managers as remuneration models changed

FY2019 onwards

- Stabilised Business Manager churn, better adapted to new F&I
- Uncertainty around flex commission changes (Nov. 2018)
- Opportunity to improve penetration rates
- Introduction of new F&I products



Addressing Automotive Disruption

The opportunities for the Automotive dealer sector are numerous...

- *Ride sharing and car sharing*
- *Autonomous vehicles*
- *Electric and Hydrogen Fuel Cell Vehicles*
- *Mobility as a Service (MaaS)*
- *Consumer behaviour and tilt to online purchasing*

...AHG's scale and infrastructure enables us to continue to explore opportunities and to play an ongoing role in sales, service, warranty repairs and trade-in.



REFRIGERATED LOGISTICS



Australia's Largest Service Provider

Australia's largest temperature-controlled transport and cold storage business

- National distribution network
- ~ 600 prime movers
- ~ 1,260 refrigerated and curtain-side trailers
- ~ 500 rail containers
- ~ 4,000,000 kms covered weekly
- ~ 175,000 pallets storage



Refrigerated Logistics – Operating¹ Performance

Operating ¹ Performance	FY2017 (\$m)	FY2018 (\$m)	% change
Revenue	595.1	598.3	0.5%
EBITDA	35.1	37.7	7.6%
EBITDA %	5.9%	6.3%	
Profit Before Tax	2.8	(2.0)	(169.6%)

- H2 earnings disrupted by HNA sale process at both management and customer level
- Systems implementation program substantially complete
- Increased depreciation charge from investment in new facilities and equipment



Critical components of the implementation now substantially complete:

- Transport Management System
- Warehouse Management System
- ERP
- IT platform enables a single view of operations, fleet and our customers
- Largest network of refrigerated logistics assets in Australia
- Opportunity to leverage this platform to drive earnings and deliver superior customer value

Relentless operational focus to deliver return on investment and create optionality

OTHER LOGISTICS



FY2018 in review

- YOY revenue growth in Mining/Industrial business
- Stabilisation of truck parts business
- Launched national coatings business
- All significant 3PL contracts renewed
- Awarded five-year contract for first significant East Coast 3PL agreement
- ISO 9001 re-certification



FY2018 in review

- Increased market share in a softer national market (Australia)
- New Zealand market share stable
- Stable dealer network with 111 Dealer points
- Strong growth in “Adventure” segment (+4% market share)
- Positive sales impact from “Adventure Rallye” events
- Both KTM and Husqvarna capturing international motorsports attention



FY2018 in review...

- Major contracts with national fleets
- Complementary to AHG Trucks business
- Restructured to focus on clearly identified client requirements
- Business matched to its specialist workforce and modern facilities



Other Logistics – Operating¹ Performance

Operating ¹ Performance	FY2017 (\$m)	FY2018 (\$m)	% change
Revenue	276.2	262.5	(5.0%)
EBITDA	14.2	7.1	(49.9%)
EBITDA %	5.1%	2.7%	
Profit Before Tax	10.5	3.8	(64.1%)

- KTM/HQVA impacted by adverse FX
- AMCAP business stable
- GTB/VSE restructured



Near-term uncertainty in the broader automotive retail sector from F&I changes, tighter consumer credit and falling house prices.

Potential medium-term upside from increased finance penetration.

Cost-out opportunities in automotive retail.

Optimistic medium to longer term outlook based on AHG's scale and diverse business operations.

Opportunities for further aggregation in the automotive sector where we see value and as vendor expectations become more realistic.

Recovery of private buyer demand in WA.

Car affordability remains at attractive levels.

Further diversification opportunities in the automotive sector.

Generating returns from the investment in **easyauto123**.

Driving improved performance in RL and OL business units



Ensure our existing businesses deliver	Focus on our people
<ul style="list-style-type: none">• Sales and marketing initiatives in Automotive• Continued focus on cost controls and margin improvement• Remuneration aligned with Shareholder interests	<ul style="list-style-type: none">• Continued investment in training and development• Experienced senior management teams across all divisions• HR strategy aligned to performance measurement, diversity, employee enablement and HR systems
Investment in facilities and technology	Concentrate on sustainable growth
<ul style="list-style-type: none">• Continued Greenfield developments where appropriate to establish new sites and increase franchise penetration• Property upgrades as justified• Core technology infrastructure investment to mitigate risk and enhance performance	<ul style="list-style-type: none">• Manage balance sheet capacity to ensure ability to fund growth• Focus on RL to realise business efficiencies• Apply AHG's proven auto dealership model to acquisitions and Greenfield sites• Ensure strategies create opportunities to enhance value to Shareholders



AUTOMOTIVE HOLDINGS GROUP
