

Morgans Queensland Conference 2014

Wednesday, October 08, 2014

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“Optimisation for all not maximisation for one.”



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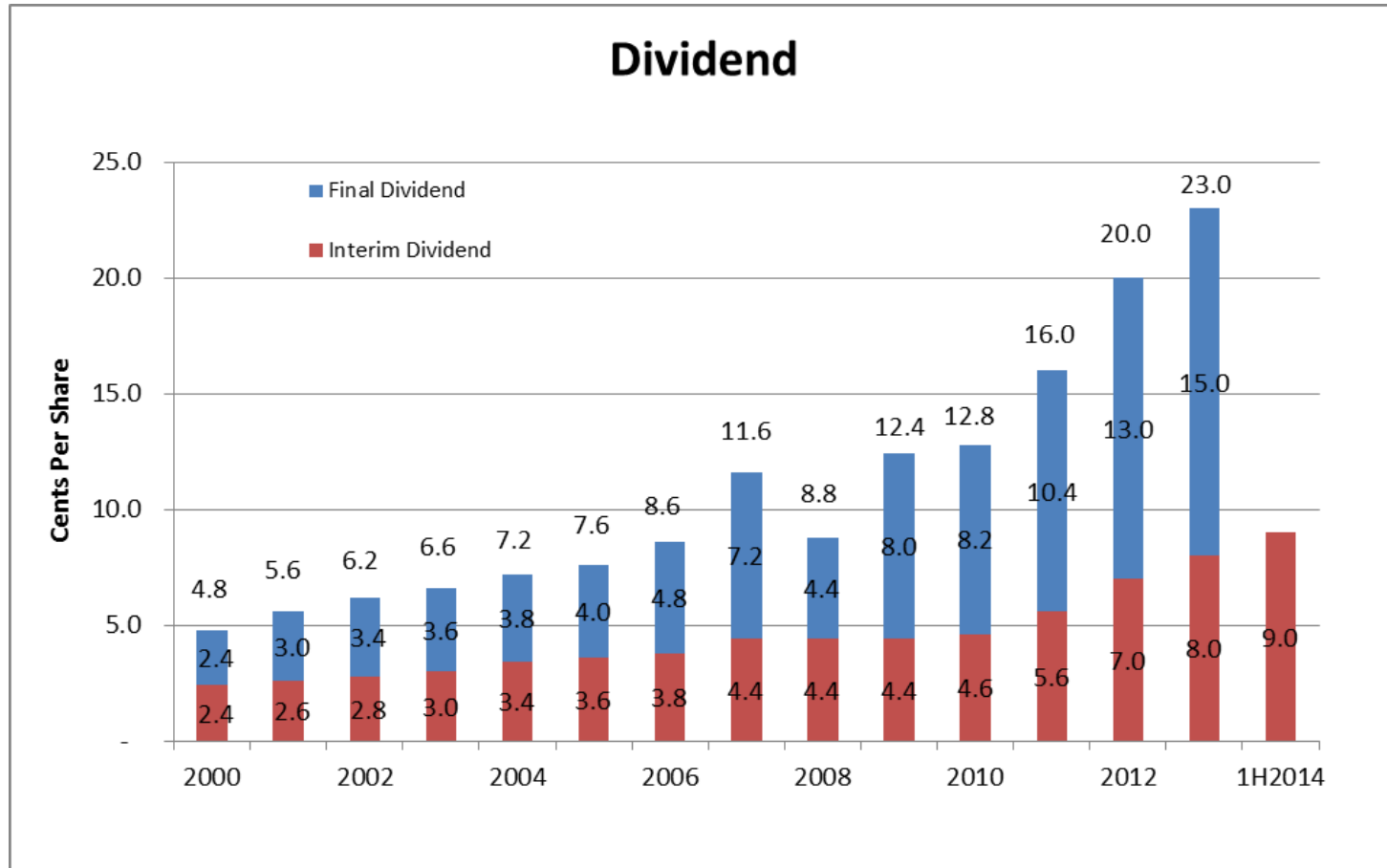
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Financial Trends

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North American : Australian Automotive Retail

| <u>Ticker</u> | <u>Company</u> | <u>Market Cap</u> | <u>P/E Ratio</u> |
|---------------|-------------------------|-------------------|------------------|
| AN | Auto Nation | US \$6.3bn | 16 |
| PAG | Penske Automotive Group | US \$3.8bn | 15 |
| KMX | Carmax | US \$10.2bn | 20 |
| ACQ | Auto Canada | C \$1.5bn | 32 |
| AHE | Automotive Holdings | A \$1.2bn | 14 |
| APE | AP Eagers | A \$1.0bn | 14 |

Warren Buffet buys Van Tayl Group (5th largest US Auto Retailer) \$ unknown.

Income Opportunity Franchised Dealership

NEW CAR SALES: + Accessories + Finance + Insurance + Car Care + Trade-In

USED CAR SALES: + Accessories + Finance + Insurance + Car Care + Trade-In

VEHICLE SERVICE: - Value add products ie Tyres, wheel alignments, batteries, wiper blades.

VEHICLE REPAIR: - Warranty (Manufacturer pays) and Non Warranty (Customer pays)

- Internal reconditioning of Used Cars

PARTS SALES: - Internal (Service, warranty repair, non-warranty repair, accessories)

- External (Retail – dealership direct to customer)

- External (Wholesale / Trade – large distribution centres deliver to customers)

- Hard parts (Panel) + Mechanical parts

Income Opportunity Franchised Dealership

The Income from the operational performance of the dealership, along with financial incentives for achieving target volume, market share and customer satisfaction indices combined, result in a manufacturer's "Economic Model" which funds their chosen customer retail network.

A manufacturer's volume and "Economic Model" will determine the number of Retail dealership locations (franchise points) nationally.

Manufacturer's adjust their financial levers up and down over good and bad times to maintain the financial health of their chosen retail network.

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How Does AP Eagers Work

- Decentralised Management (7 Executives in H/O)
- Finance and Insurance Academy
- Car Care Academy
- Car Care Brands (Perfexion/365+)
- Carzoos Brand, Carzoos Processes
- Carzoos Academy
- Road to Service Excellence (Service Academy)
- Future Leaders Program (Support 90% of leadership growth)
- SUCCESS Training Program (500+ in 18 months)
- Employee Engagement (2014 record engagement)

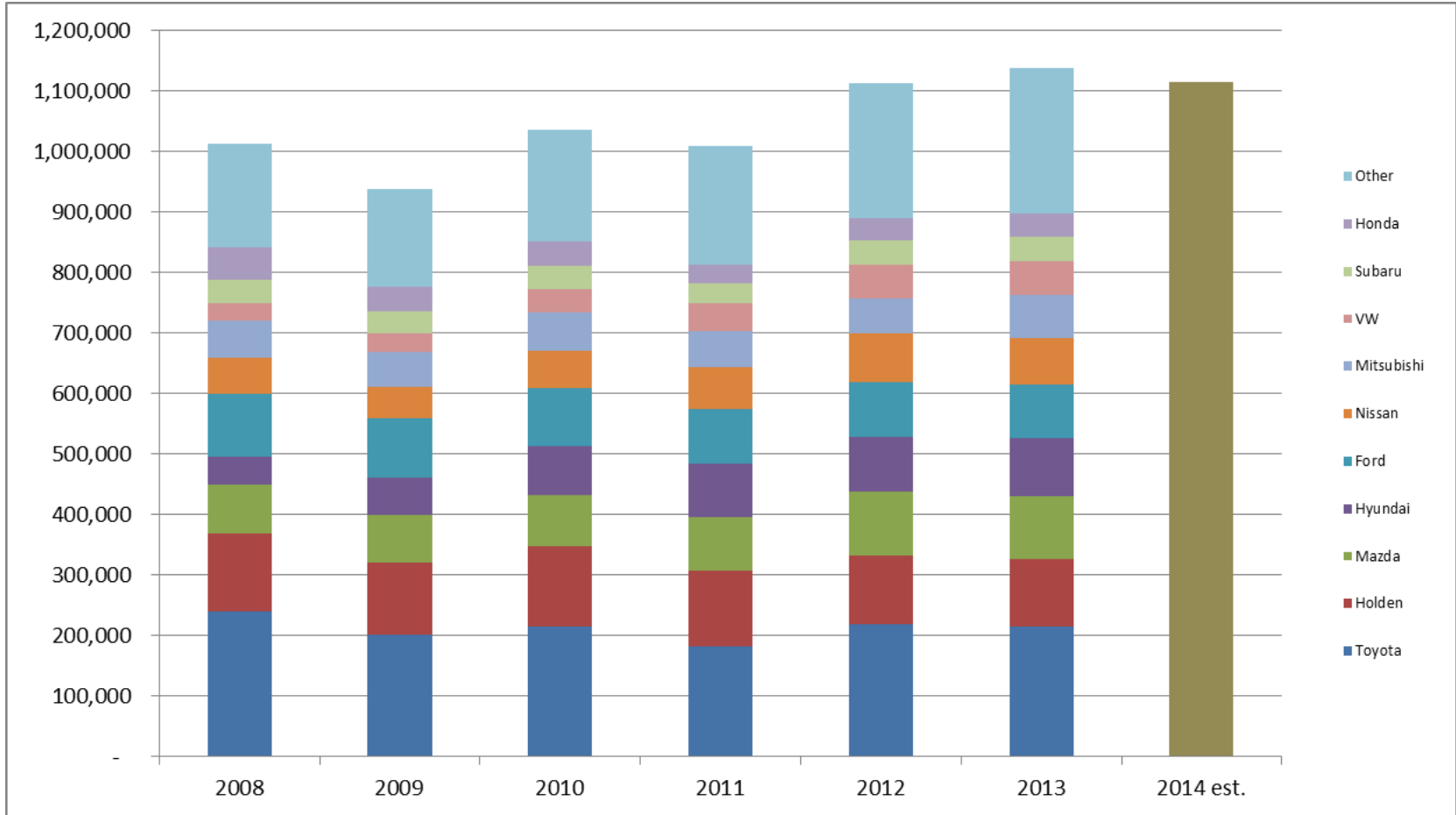
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National Vehicle Sales

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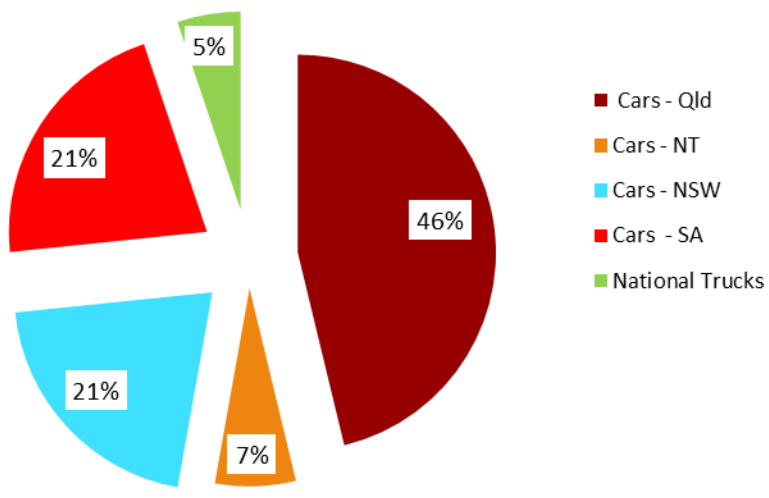
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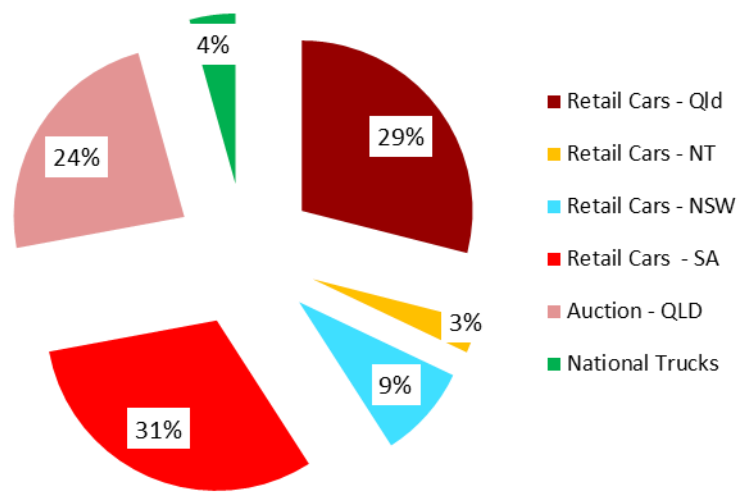
APE Vehicle Sales 2013

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A.P Eagers New Vehicle Sales
Total 42,610 (3.8% of National Market)



A.P. Eagers Used Vehicle Sales
Total 23,396



**CARZOOS
HAPPINESS**
GUARANTEE



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48hr Moneyback Guarantee



120 Point Safety Check



Carzoos Warranty



24/7 Roadside Assist



Carzoos Fixed Price Servicing



Used car buying you can't get wrong.

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2014 Half Year Highlights

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- Acquisition of **Ian Boettcher Motors** \$150m T/O (completed July 1 2014)
- Acquisition of **The Black Group** \$245m T/O (completed Oct 1 2014)
- Combined Acquisition cost of \$47m increases full year T/O by 14.6%

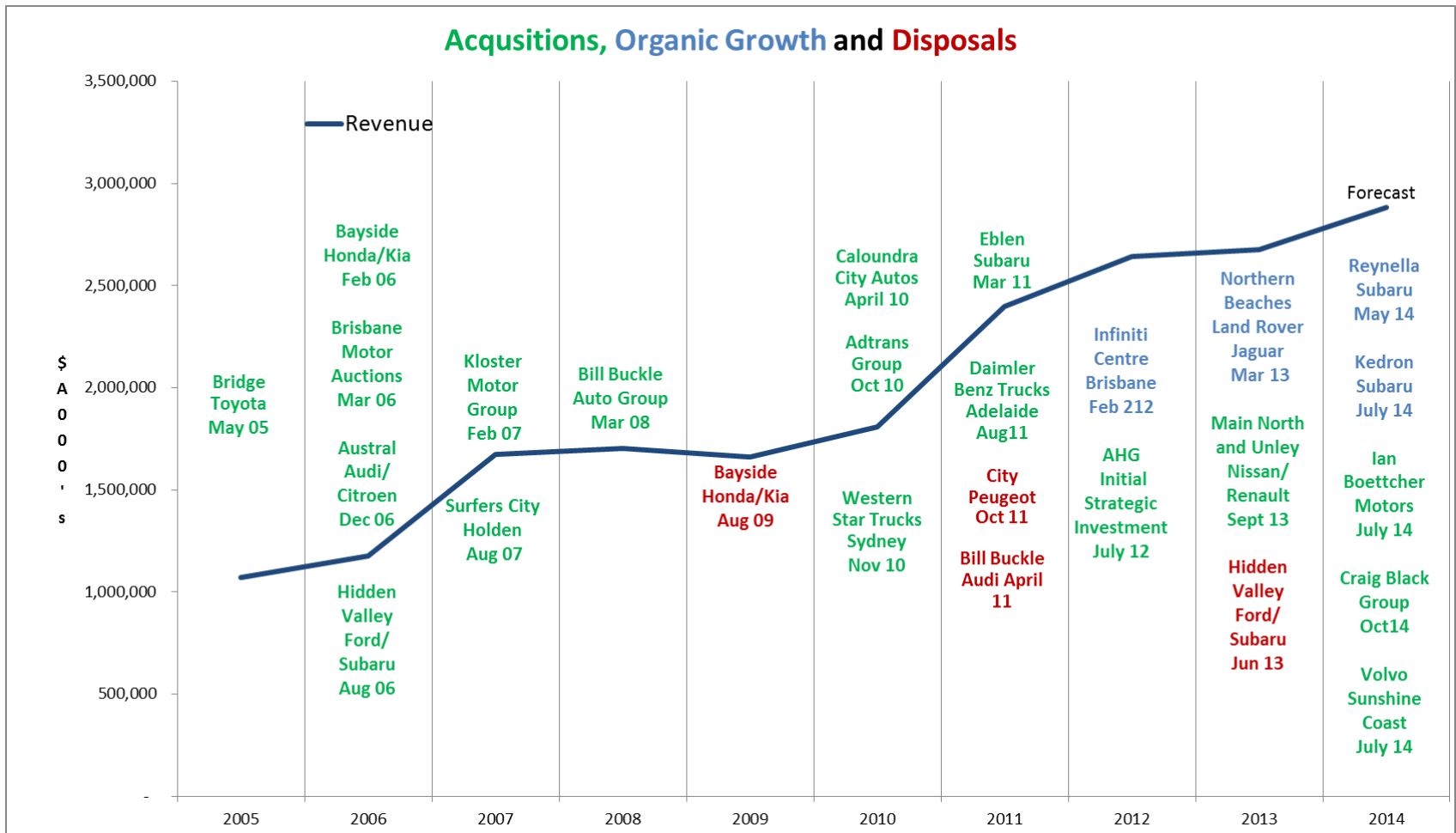
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Growth Timeline - Revenue

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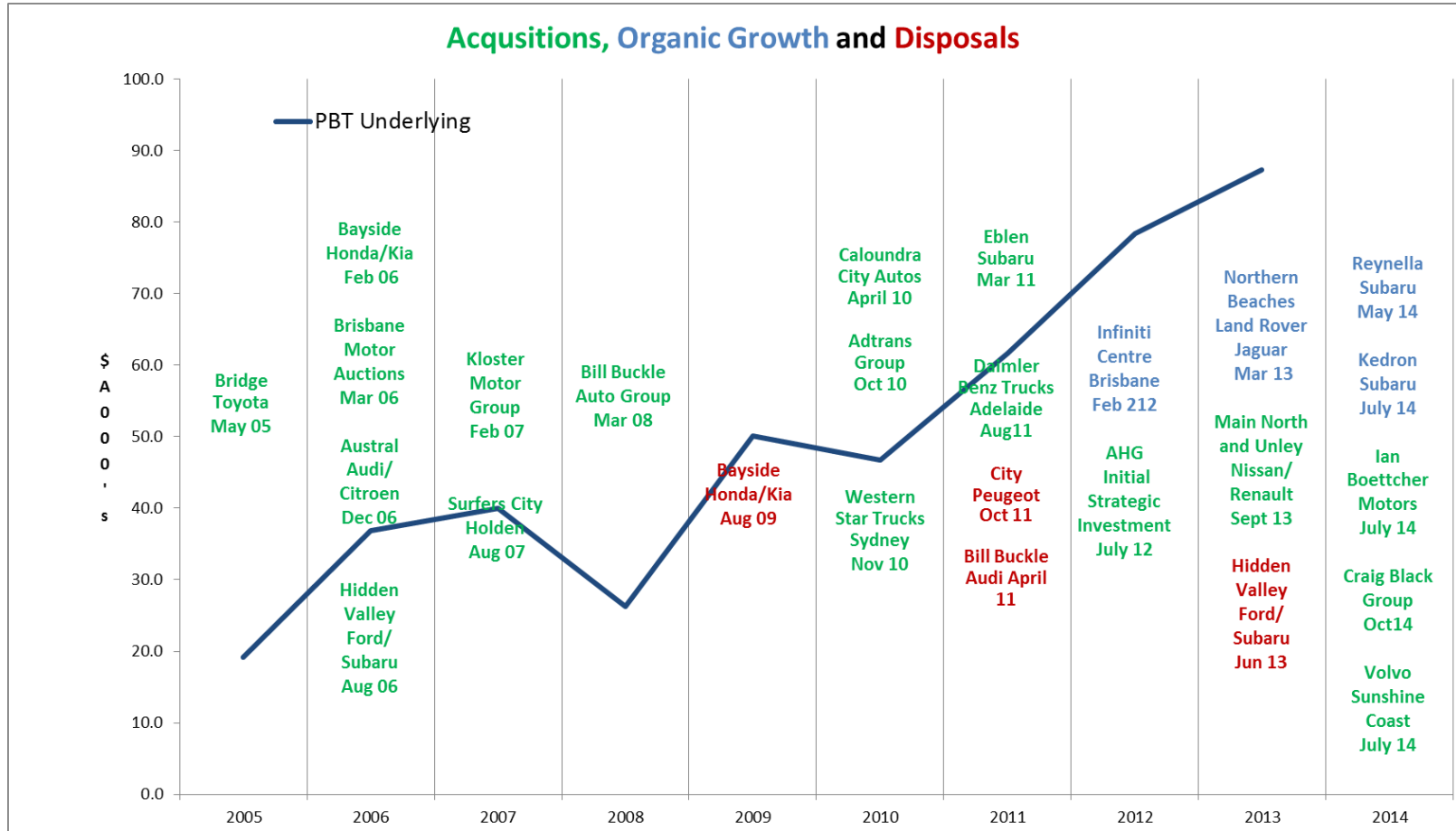
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Growth Timeline – PBT Underlying

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- Combined Acquisition cost of \$47m increases full year T/O by 14.6%
- **Property Portfolio Strategy** execution expected to result in \$91m in sales circa \$16m* above book value

*only \$3.5m expected in 2H 2014 with the remainder 2015-2020

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Brisbane CBD, QLD

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- Brisbane CBD (yellow) and planned development zones (blue)

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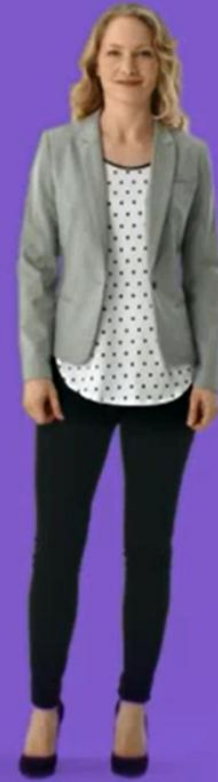
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Carsguide.com.au – The Challenger

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Other car sale sites



CarsGuide.COM.AU

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Carsguide.com.au – The Challenger

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- + Expensive pay-per lead model
- + Car location a secret
- + Dealer details hidden
- + Dead-end leads, wasted once location is exposed
- + Market dominated by one big player, now a direct competitor to dealers

= Questionable Consumer Experience

Old Carsguide and other car sale sites

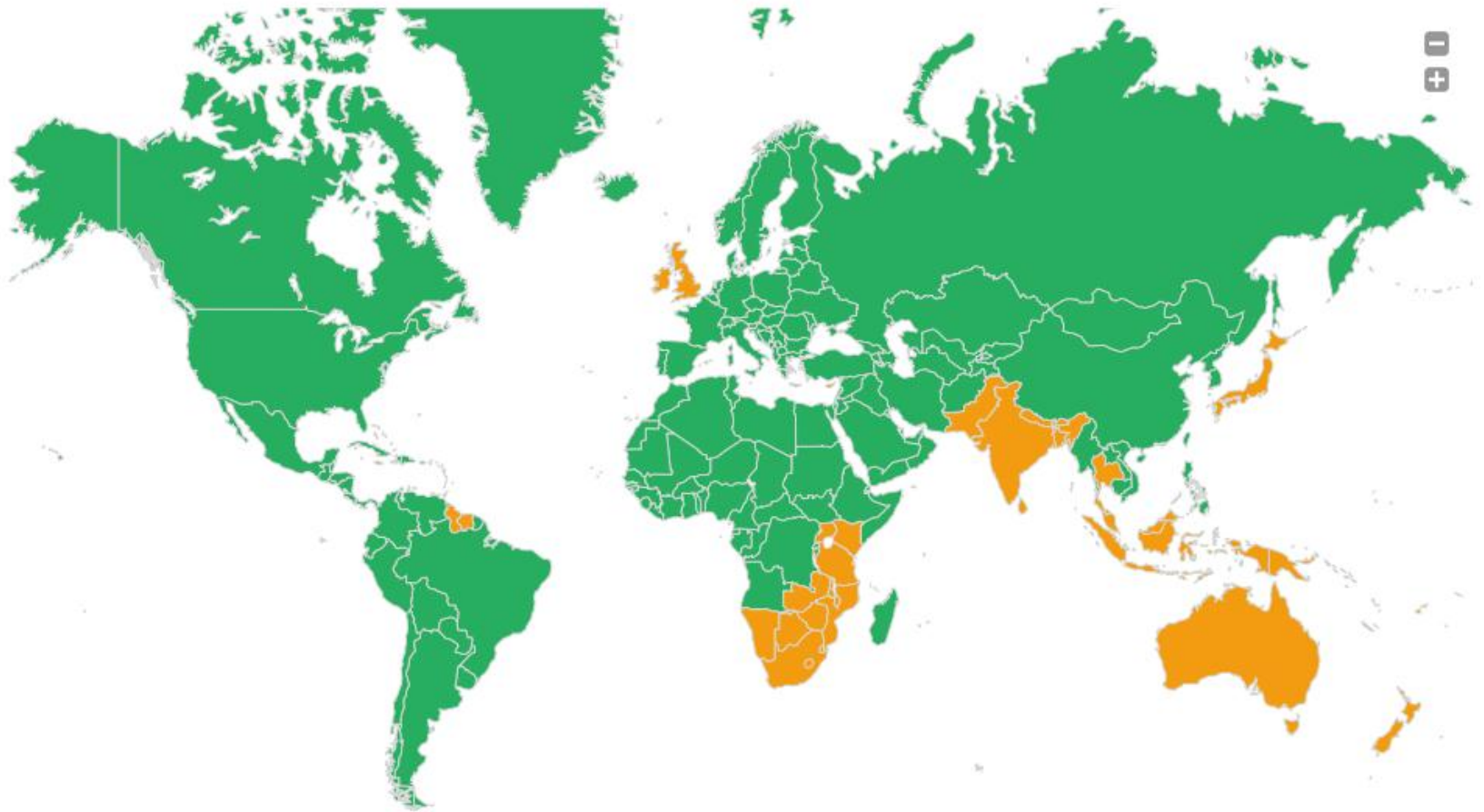
- + Affordable capped pricing
- + Cars are shown on a map
- + Dealer name and address provided
- + More qualified buyers being directed to dealerships
- + An inexpensive alternative and always a partner to dealers

= Superior Consumer Experience

CarsGuide.COM.AU

Countries with Right Hand Drive (RHD) Vehicles

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The Next 12-24 Months

- Continue integration of **Ian Boettcher Motors and The Black Group**
- Complete **Land Rover, Jaguar and Volvo** move from Fortitude Valley to Newstead
- Improve **truck retailing division**
- Continue **Carzoos expansion** within APE
- Refine plan for **Carzoos expansion** externally
- Through organic development or selective acquisitions continue to evolve our current retail model to **match the changes to consumer demands and behaviour**

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