

ARB Corporation Limited
2015 ANNUAL GENERAL MEETING

Chairman's Address
Presented by Roger Brown



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Summary of 2014/15 Results

- Sales revenue up 10.7% to \$329.8 million.
- Profit before tax up 4.8% to \$60.0 million.
- Net profit after tax up 3.6% to \$44.1 million.

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Dividends

- The Company has declared a final fully franked dividend of 16 cents per share, payable on 23rd October 2015.
- This brings total dividends for the year to \$1.29 per share fully franked.
- This includes ordinary dividends of 29 cents per share and a special dividend of \$1.00 per share paid in December 2014.

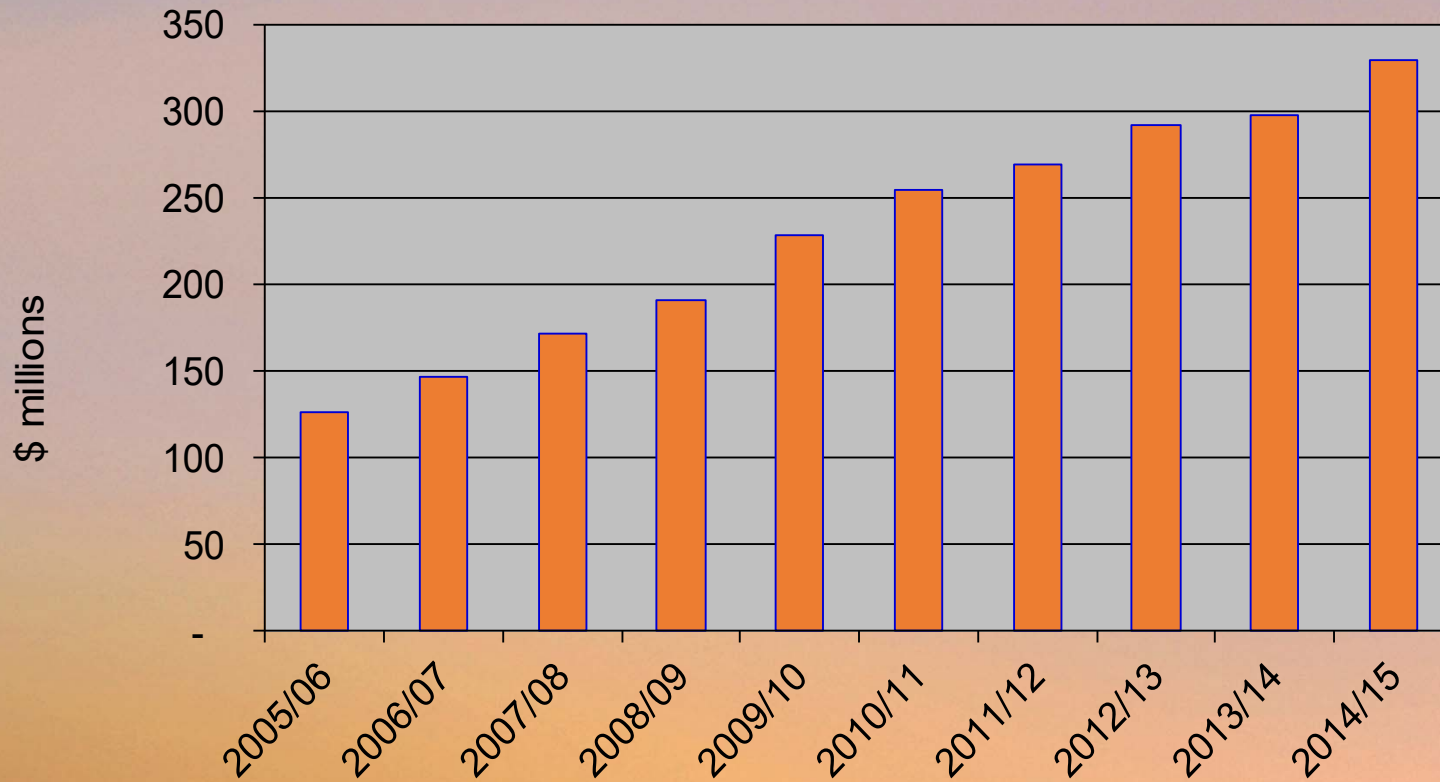


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Company Performance Over The Past 10 Years

Sales Revenue

Annual sales revenue has grown at an average annual compound rate of 11.3% over the past 10 years



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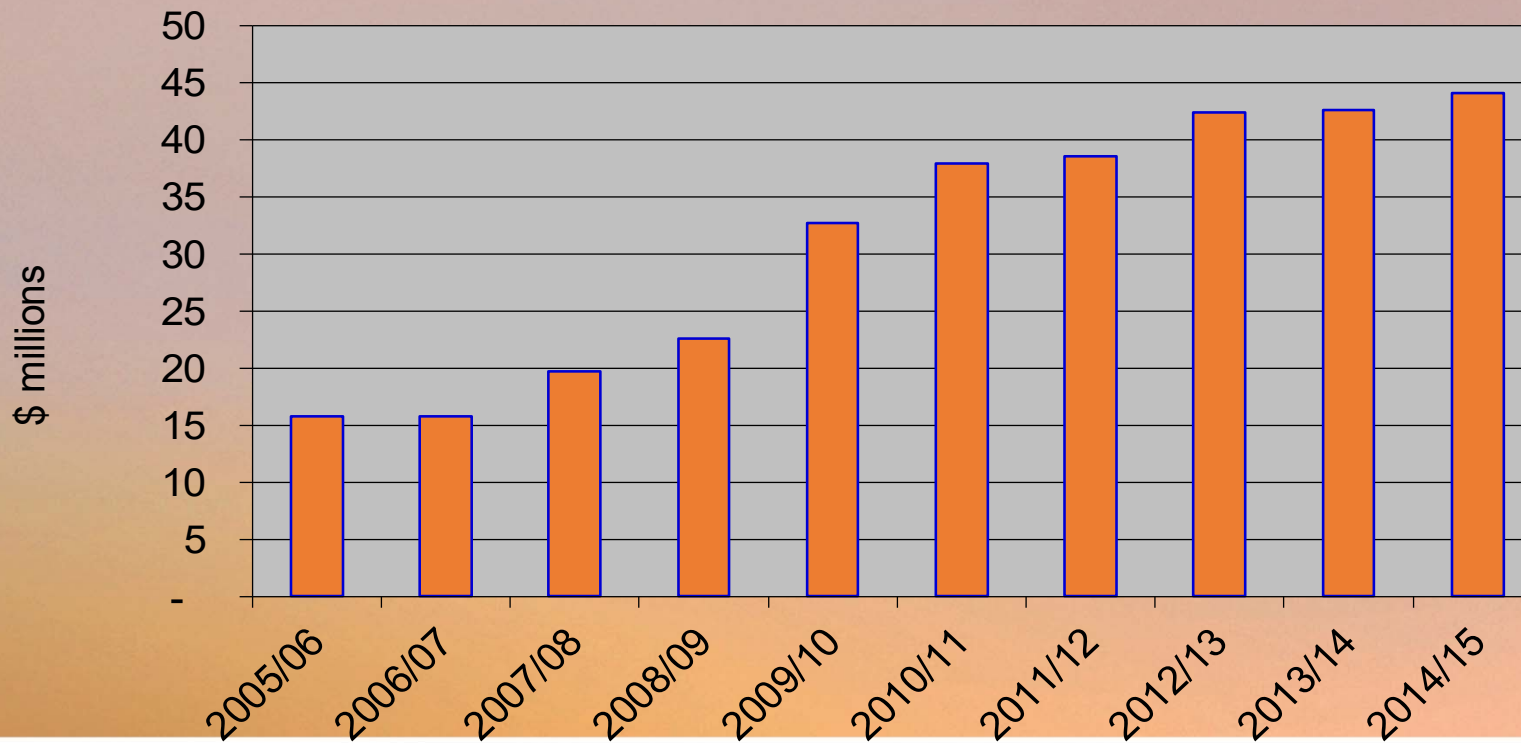


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Company Performance Over The Past 10 Years

Net Profit After Tax

Net profit after tax has grown at an average annual compound rate of 12.1% over the past 10 years



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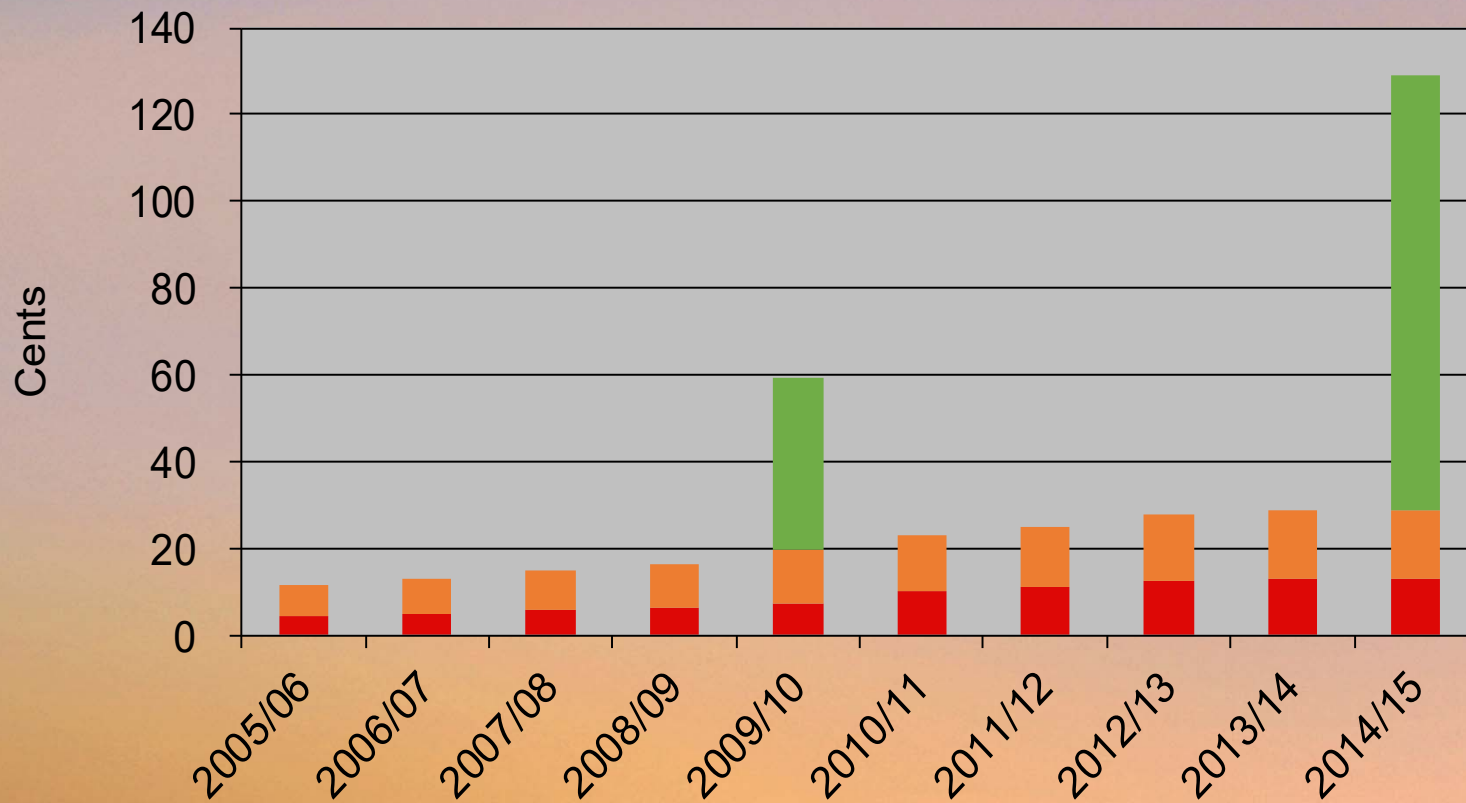


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Company Performance Over The Past 10 Years

Dividends per share

Ordinary dividends per share have grown steadily over the past 10 years
Special dividends were paid in 2009/10 and 2014/15





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Sales Growth

Sales growth for 2014/15 year by Market Segment

- **Australian Aftermarket** up 7.6%
(This includes the ARB Aftermarket, Kingsley Enterprises, Thule division and Smart Bar division)
 - **Exports** up 17.8%
 - **Australian Original Equipment (OEM)** up 18.5%
 - **Off Road Accessories Thailand** up 17.6% (mainly intercompany)
- Overall Sales Growth** up 10.7%



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Australian Market

New Vehicle Sales

- ARB's largest group of customers use 4WD utilities, largely dual cabs, powered by turbo diesel engines.
- ARB has developed an extensive range of accessories for these 4WD utilities.
- Large and medium SUV's also provide a strong market for ARB's accessories in Australia.
- It should be noted that most of the small and luxury SUV's do not provide good market opportunities for ARB as these vehicles are rarely accessorized.
- Many other markets around the world have grown in a similar way to Australia, including the USA.



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Australian New Vehicle Sales

4WD Categories Most Important to ARB

Financial Year	All SUV's	4WD Utility
2010/11	230,645	96,741
2011/12	282,476	106,469
2012/13	323,109	138,521
2013/14	338,411	132,687
2014/15	376,579	135,396
Average annual growth rate over the last 5 years	13%	9%

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Australian New Vehicle Sales (cont.)

4WD vs Total Vehicle Sales

Financial Year	Total SUV & 4WD Utility	Total Vehicles	Total SUV & 4WD Utility % of Total Market
2010/11	327,386	1,000,647	32.7%
2011/12	388,945	1,060,055	36.7%
2012/13	461,630	1,137,889	40.6%
2013/14	471,098	1,122,467	42.0%
2014/15	511,975	1,131,706	45.2%

- Sports Utility 4WD's and 4WD Utilities have become a very important part of all vehicle sales in Australia.



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Australian Aftermarket

2014/15 Sales Growth 7.6% (67.6% of total Company sales)

- ARB distributes throughout Australia from state sales offices and warehouses.
- All state and territory sales offices and warehouses are now Company owned.
- State sales offices distribute to ARB stores, independent 4WD specialists and new vehicle dealers throughout each state.
- There are now 52 ARB branded stores across Australia:
 - 24 company owned stores
 - 28 independent licensed stores.
- Independent 4WD specialists and new vehicle dealers also provide ARB with a strong customer base throughout Australia.



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Australian Aftermarket (cont.)

- For the year, aftermarket sales growth was above average in New South Wales, Victoria, Tasmania and the Northern Territory.
- Growth in the other states was subdued, reflecting the impact of the mining slowdown.
- In the Australian aftermarket, ARB has:
 - further developed the existing store network
 - established new ARB stores
 - implemented strong marketing initiatives concentrating on social media
 - held successful branch open days and shows
 - released new and improved products to the market.

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Australian Aftermarket (cont.)

- There are still a number of locations around Australia where the ARB product is under-represented
 - accordingly, the Company intends to open additional ARB licensed and company owned stores over the next few years.
- Three new licensed ARB stores are expected to open before the end of this calendar year. This will bring the total number of ARB stores in Australia to 55.
- The purchase of Smart Bar in the second quarter of the year has also contributed to growth.

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Australian Aftermarket (cont.)

- Store upgrades, both corporate and licensed, are being completed on a regular basis.
- Australian warehousing capacity has been substantially increased over the 2014/15 year as follows:
 - a new Company owned warehouse was opened in Adelaide, South Australia, in August 2014
 - a refurbished leased warehouse was opened in Liverpool NSW, in November 2014
 - a large new Company owned warehouse was opened in Brendale, Queensland in March 2015.

All Australian states now have warehousing capacity to ensure customers will be supplied in a timely manner for the foreseeable future.



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Original Equipment Sales

2014/15 Sales Growth 18.5% (7.5% of total Company sales)

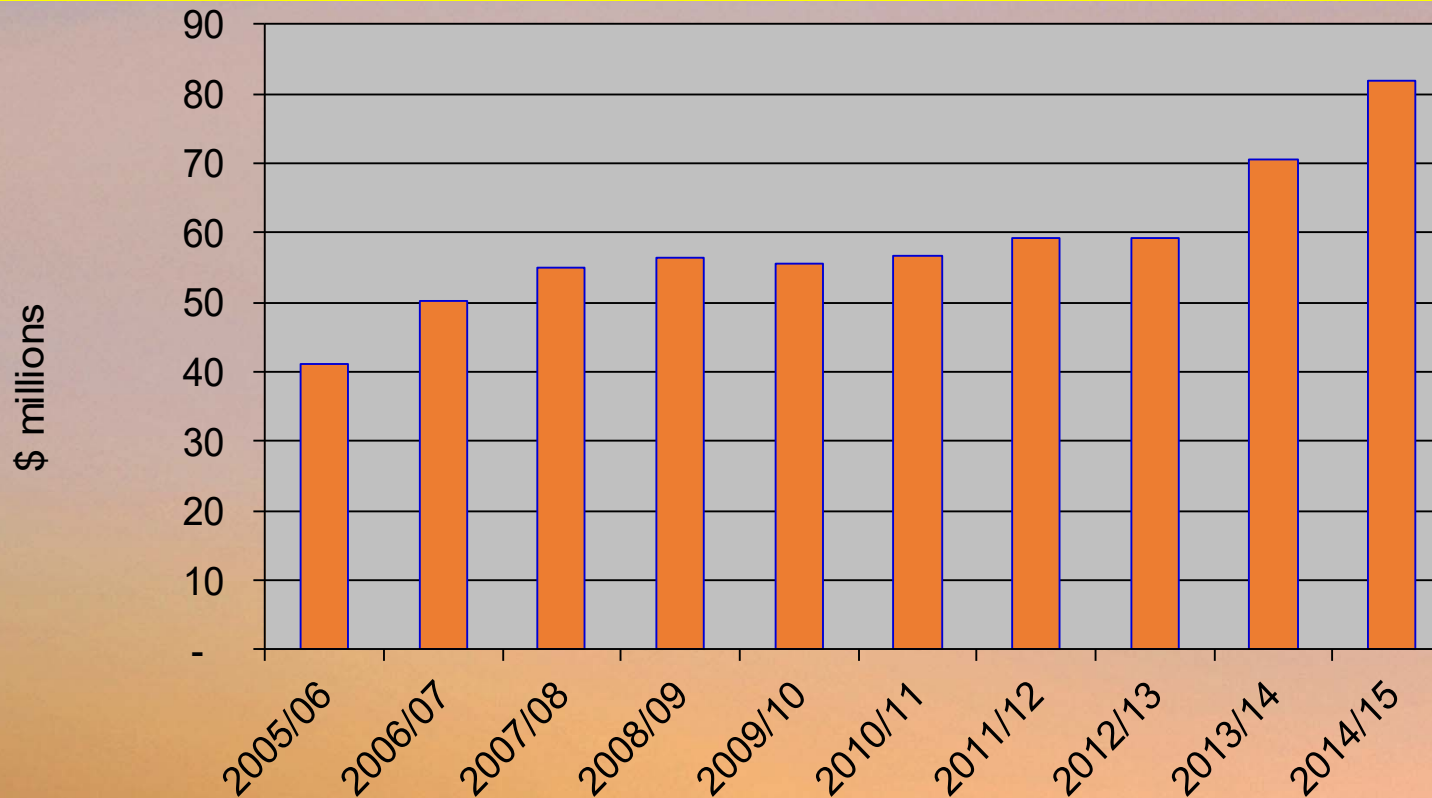
- Sales to original equipment manufacturers grew well off a low base with the run out of some important vehicle models occurring in the last half.
- We expect OEM sales will be down this year compared with last year. This is due to the fact that the Company lost work to competitors in OEM tenders a few years ago when competing against very low margin bids.
- There are still many opportunities for OEM work both in Australia and overseas which ARB will target to regenerate growth in this segment of the business.
- ARB has recently won some new business which will contribute to OEM sales growth in the 2016/17 financial year.



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Export Sales

Export sales have grown at an average annual compound rate of 8% over the last 10 years but have grown more rapidly in the 2013/14 and 2014/15 years.





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Export Sales (cont.)

2014/15 Export Sales Growth 17.8% (24.7% of total Company sales)

- Export sales include sales made by ARB's USA, European and Thai subsidiaries plus sales from ARB's head office in Australia.
- The lower value of the Australian dollar over the past year has contributed to this growth.
- In addition, margins in the USA have improved and Air Locker Inc is once again becoming an important profit contributor.
- Over the past year ARB has significantly strengthened its sales teams operating out of Seattle and Jacksonville.
- Marketing in the USA has also become much more focused and should provide better results.



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Export Sales (cont.)

- The US economy is certainly picking up and ARB is confident of achieving continued growth in this strategic and very large market.
- For the first time in its history, ARB now manufactures bull bars for the three big trucks in the USA – Chevrolet, Dodge and Ford.
- As expected, sales for these products have started slowly but the opportunities for this range in the future are substantial.
- The Company's new European sales and warehousing operation in Prague in the Czech Republic has also made a useful contribution to export growth.
- ARB Thailand is now servicing the local Thai market and adjacent countries such as Vietnam. Growth in Thailand's economy has slowed over the past year which has impacted on the Group's business in that area.



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Export Sales (cont.)

- ARB has increased its focus on achieving growth in export markets by:
 - strengthening the sales teams in Australia, Thailand and more recently in Europe
 - improving distribution by increasing the warehouse capacity in Thailand and recently establishing the European warehouse.
- The 4WD vehicle market that ARB services is strong in many parts of the world and provides good growth prospects.

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Product Development

- ARB regards product development as an essential key to maintaining the Company's long-term competitive advantage.
- Expenditure on R&D was increased over the period and new products are regularly being released to ARB's market worldwide.
- The Company now employs a team of over 35 design engineers in the R&D department at the Kilsyth head office in Victoria.
- This group is supported by a team of 20 production engineers working at the Kilsyth and Thailand manufacturing facilities.
- The Company recently employed a new Engineering Manager who supervises both the design and production engineering teams.



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Product Development (cont.)

- Important new product releases over the past 12 months include the following:
 - The Ascent canopy for utility vehicles
 - A range of modular bull bars to suit the big pickups sold in the USA
 - A new range of very high performance Old Man Emu shock absorbers known as BP51 shock absorbers
 - The new “Summit” bull bar and “Summit” side rails
 - The Summit Rear Bar for the utility range
 - The ARB aluminium bull bar
- All the products are well described at www.arb.com.au.
- Many other important new products or models of new products are being released to the market.



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Product Development (cont.)

- Most of these new products are available for a limited range of vehicles at present but releases for more vehicle fitments are occurring every month.
- Currently there is a significant number of new vehicle releases occurring and this provides opportunities for ARB.
 - Since June 2015 Nissan has released its new Navara utility, Mitsubishi its new Triton utility, Ford an updated Ranger utility and Toyota released its new Hilux utility two weeks ago.
- These, along with other new vehicle releases, provide important opportunities for ARB in the medium and long term.
- However, over the next few months ARB will not have a full suite of accessories available for all these new vehicles which will make it difficult to service some customer requirements for these vehicles in the short term.



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Production

- The main Company owned and operated manufacturing facilities are located in Australia and Thailand.
- In Australia, production is carried out at the Company's Head Office complex and at two nearby leased properties. The production component of the Head Office complex is 12,200 square metres. Minor manufacturing is also carried out at facilities in New South Wales and South Australia.
- In Thailand, ARB has two production facilities located in an industrial estate in Rayong. The production component of the facilities is around 17,000 square metres.
- Both the Australian and Thai manufacturing plants have operated efficiently for the full year. Both plants will be busy with new product implementation for the foreseeable future.



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Marketing

ARB has strong in-house marketing capability

- ARB produces hard and online copies of its high quality product catalogue. Around 200,000 hard copies are provided to customers annually.
- *4X4 Action magazine* is published quarterly in hard and soft formats.
- The marketing team handles advertising, packaging, logos, point of sale material, show stands and many other physical items as well as developing marketing strategy and promotions.
- ARB's marketing initiatives, with a strong emphasis on social media, have continued to ensure that the ARB name is well known both in Australia and around the world.



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2014/15 – A Year of Transition

- Sales growth over the year has been strong, but profit growth was limited by the number of significant investments made over the period in:
 - Distribution
 - New ERP system
 - New products.
- Also, the significant volatility in foreign exchange rates over the period has slightly reduced margins in Australia, the Company's major market.
- The substantial investment by the Company during the period in distribution and infrastructure has provided ARB with the necessary capacity for further sales growth both locally and overseas.



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2014/15 – A Year of Transition (cont.)

- ARB invested over \$46 million in additional property, plant and equipment during the year including:
 - the Kilsyth office, warehouse and factory
 - the Queensland Distribution Centre (Brendale)
 - the South Australian Distribution Centre (Regency Park)
 - New Ballarat store freehold
 - Manufacturing equipment in Australia and Thailand.

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2014/15 – A Year of Transition (cont.)

- Notwithstanding this major capital investment programme, ARB has maintained its strong balance sheet. As at 30 June 2015, the Company had a net cash balance of \$8.1 million.
- Cash flows from operating activities increased to \$40.4 million from \$36.5 million last year.
- The strong financial position and operating cash flows of the Company ensure that ARB can react quickly to appropriate opportunities, including further capital projects or suitable acquisitions.

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Growth Strategy

- ARB's main growth strategies are summarised as follows:
 - continuing to invest in the development of world leading new products
 - further expanding the Company's store network throughout Australia
 - expanding distribution both in Australia and around the world by strengthening ARB's sales teams, increasing marketing efforts and broadening distribution arrangements in a number of markets in the near future.

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Growth Strategy (cont.)

- selectively acquiring new products or businesses if suitable opportunities arise
- concentrating ARB's sales efforts in areas of the world where 4WD recreation, mining, aid and relief, agriculture and conflict are creating high demand for 4WD vehicles.
- Export sales are a primary focus to achieve strong growth.

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Outlook

- ARB advised in the 2015 Annual Report that it would provide a first quarter update at today's meeting.
- ARB is pleased to report that sales growth of about 8% was achieved in the first quarter of 2015/16.
- As expected, sales growth was strong in exports, satisfactory in the Australian aftermarket and down in OEM.
- Going forward, ARB expects to achieve sales growth in its most important market segments, the Australian Aftermarket and Exports.
- Consequently, the Board is optimistic about the future outlook for the Company but remains cautious in the short term given the current economic environment and the severe instability in some parts of the world.



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