



AUTOMOTIVE HOLDINGS GROUP

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AHG ANNOUNCES SOLID FULL YEAR RESULT, ACQUISITION OF FIRST AUDI FRANCHISE AND \$90 MILLION PLACEMENT TO SUPPORT EXECUTION OF FURTHER GROWTH INITIATIVES

19 August 2016

KEY POINTS

- Record Group revenue of \$5.63 billion (up 7.2% on pcp)
- IFRS Statutory Profit after tax \$90.1 million (up 2.2% on pcp)
- Record Operating¹ Profit after tax \$97.2 million (up 3.2% on pcp)
- Operating¹ EPS of 31.7 cents (up 3.3% on pcp)
- Final dividend of 13 cents per share; full year dividend 22.5 cents fully franked (22 cents pcp)
- Auto acquisitions completed in FY2016 – Western Pacific Mercedes-Benz (Perth), West Auckland Nissan, Knox Mitsubishi (Melbourne), Sinclair Hyundai (Penrith)
- Greenfield developments – Hillcrest Mazda (Queensland), Aspley Nissan (Queensland)
- Record performance by Automotive
- Disappointing result from Refrigerated Logistics

FY2016 RESULTS

Automotive Holdings Group Limited (ASX: AHG) is pleased to report record revenue and profit for the 2016 Financial Year and declares a final dividend of 13 cents fully franked, taking the full year dividend to 22.5 cents fully franked (22 cents pcp), up 2.3%.

The Group's IFRS Statutory NPAT was \$90.1 million, up 2.2% on the previous year. The Group recorded revenue of \$5.63 billion, an increase of 7.2% on the previous year.

AHG, Australia's largest automotive retailer and a specialist logistics group, recorded Statutory EBITDA of \$217.1 million, an increase of 6.3% (pcp) and Operating¹ NPAT of \$97.2 million, up 3.2% (pcp).

Operating¹ Earnings per Share were 31.7 cents, an increase of 3.3% on the previous year.

AHG Managing Director Bronte Howson described the result as solid.

"The Automotive result is very pleasing considering the challenges of the Western Australian market and is testament to AHG's strong operating model and growth strategy," he said. "The Refrigerated Logistics result is disappointing however we are well advanced with our planned restructuring activities and are determined to deliver shareholder value."

The final dividend will be paid on 5 October 2016.

Automotive

Revenue from the Automotive Retail division was up 10.6% to \$4.72 billion.

Operating¹ EBITDA improved 10.4% to \$177.9 million, delivering an Operating¹ profit before tax of \$135.7 million up 11.3% pcp.

¹ Operating – excludes costs and fees in relation to integration and acquisition-related activities, profit/loss on sale of assets and operations, impairment of assets and benefits applicable to GST refunds

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Strong trading performances from NSW, Victoria, Queensland and New Zealand more than offset the weaker market conditions in Western Australia.

“We have seen outstanding results from our operations in Sydney, Newcastle and Auckland and strong improvements in Melbourne and Brisbane,” Mr Howson said.

“While new vehicle volumes were down in Western Australia it was pleasing to see strong growth from our used vehicle division, increasing organic volumes by 9.2%. This was mainly attributable to the introduction of the easyauto123 fixed-price warehouse model which will be further rolled out throughout Australia in FY2017.

“During the year we have completed a number of attractive acquisitions that will continue to support our growth strategy. It was also exciting to have expanded our prestige portfolio by acquiring Mercedes-Benz in Western Australia, Jaguar Land Rover in Melbourne and the announcement today of Audi in Newcastle.”

Refrigerated Logistics

AHG’s Refrigerated Logistics division contributed revenues of \$580.4 million, a decrease of 4.7% and Operating¹ EBITDA of \$37.2 million which was down 17.9%. Operating¹ profit before tax was down 59.6% to \$8.2 million.

The major contributing factors were a fall in East-West volumes due to the slowdown in WA mining, changes to the supermarket retail model with entry of new competitors placing pressure on margins and increased volumes of imported goods direct to port of consumption.

The revenue performance and margins delivered by the Refrigerated Logistics division in the period are disappointing, and the AHG Board is focused on taking the steps necessary to realise the value in this division for shareholders. With this in mind a substantial transformation program is being implemented to improve operational performance and financial returns.

“The business is in the process of a substantial program to upgrade technology platforms, leverage operational efficiencies, drive productivity and cost outs. We have in place a clear plan to achieve these objectives which will improve our operating performance and financial returns, whilst remaining focussed on business development to grow revenue in FY2017. This plan is expected to deliver improvement in EBITDA in FY2017 and create a market leading refrigerated logistics business in Australia that is well positioned in the Asian food bowl.” Mr Howson said.

The Board is determined to ensure that the Refrigerated Logistics division delivers the best value outcome for shareholders.

Other Logistics

The Group’s Other Logistics division saw revenues decrease by 12.2% to \$320.5 million, contributing Operating¹ EBITDA of \$10.0 million, down 5.2% and Operating¹ profit before tax of \$4.9 million, down 7.5%. Excluding the contribution from Covs, revenues from continuing operations increased by 5.1% and profit before tax increased strongly.

A number of factors impacted the result in the Other Logistics division.

KTM revenues grew strongly, up 12%, however weaker Australian dollar negatively impacted inventory purchases from Europe. The Genuine Truck Bodies business improved from a loss-making position in 2015 to breaking even in 2016 with a strong order book supported by a recent contract



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for the delivery of 500 truck bodies. "It was pleasing to complete the divestment of the Cova business during the year which will allow us to focus on the continuing operations and their ongoing improvement," Mr Howson said.

OUTLOOK

"The outlook for the automotive market remains strong and AHG is well placed to continue its growth strategy including Greenfield developments, acquisitions, the national expansion of our used car model and the roll-out of easyauto123," Mr Howson said.

"In Refrigerated Logistics we have a clear focus on implementing the transformation program to improve operational performance and financial returns.

"The Group remains focussed on its core strategies, with continued investment in acquisitions in the automotive sector and actively managing our portfolio of assets to drive shareholder value."

ACQUISITION OF AUDI NEWCASTLE

AHG has agreed to acquire Audi Centre Newcastle and Newcastle Skoda in New South Wales. The transaction represents the Group's first Audi franchise across its network and strengthens the existing Newcastle operations.

"Audi is part of the prestige brand segment, along with Mercedes-Benz and BMW, undergoing strong growth in Australia," Mr Howson said.

"We are actively pursuing acquisition opportunities in this segment as we expect growth to outperform the mainstream automotive market.

"Audi is a target brand and Newcastle is a strong hub for us with a proven management team. This purchase is a very good fit for AHG Automotive."

The acquisition involves a total consideration of \$8.4 million for goodwill plus stock and assets at valuation. Completion of the acquisition remains subject to customary conditions.

The separate Audi Centre Newcastle and Newcastle Skoda are both located within 3km of AHG's existing Newcastle automotive hub on Hannell St, which comprises Mazda, Subaru, Holden and Kia dealerships, plus United Auctions Newcastle and Newcastle's Cheapest Cars.

The hub also operates centralised parts, pre-delivery and storage, offering an immediate opportunity for efficiency gains with the new business to integrate all back-end administration functions.

ACQUISITION OF 360 FINANCE

AHG has finalised the purchase of 100% of online finance broker 360 Finance, which provides personal and small business financing, especially in the car, boat, bike and caravan markets.

AHG purchased a 50.1% interest in the Brisbane-based business in January 2013 and since that time has progressively increased its stake. The final purchase of 29.9%, for \$12.1 million, has now been completed. AHG's total investment for a 100% interest was \$20 million.

Mr Howson said the purchase of 360 Finance was complementary to AHG's automotive business, in particular the growing used car and person-to-person used car market.

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PLACEMENT AND SPP

AHG will raise approximately \$90 million via a fully underwritten placement and up to \$20 million via a share purchase plan ("SPP"). The funds raised will be used:

- to reduce debt taken on for a number of acquisitions completed since 30 June 2016;
- to fund the acquisition of Audi Newcastle;
- to strengthen AHG's balance sheet to position it for further growth opportunities in the Automotive sector; and
- for general corporate purposes.

The Chairman, Mr David Griffiths said maintaining a conservative balance sheet is important to AHG.

"In addition to funding recent growth initiatives, this capital raising provides AHG with increased flexibility to take advantage of organic and acquisition growth opportunities, specifically in a number of identified opportunities in the automotive retail segment," he said.

Placement

AHG will undertake a placement of approximately 19.9 million new shares (approximately 6.5% of AHG's existing issued share capital) to eligible sophisticated, professional and other institutional investors to raise \$90 million ("Placement"). The shares will be issued at a fixed price of \$4.52 per share ("Placement Price"), representing a discount of 6.2% to the last traded price of \$4.82 on 18 August 2016.

AHG's largest shareholder, AP Eagers Limited, has committed to take up approximately 4.0 million shares under the Placement.

New shares issued under the Placement will rank equally with existing shares and will be entitled to the final dividend for FY2016 of \$0.13 per share. The Placement will be made within AHG's existing placement capacity and accordingly shareholder approval will not be required.

The Placement is underwritten by UBS AG, Australia Branch.² Settlement of the Placement is expected to occur on 24 August 2016, with the new shares to be allotted and commence trading on 25 August 2016.

Share Purchase Plan

A SPP will also be launched to allow eligible shareholders whose registered address is in Australia and New Zealand the opportunity to subscribe for new shares in AHG up to a maximum value of A\$15,000 per eligible shareholder (subject to scale back).

The record date for the SPP will be 7.00pm (Sydney time) on 18 August 2016. The amount to be raised by the SPP will be capped at \$20 million.

An SPP offer booklet with complete details will be provided to eligible shareholders in due course and released on ASX.

² The Underwriting Agreement is subject to conditions precedent and termination events that are customary for a transaction of this nature.

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ASX PRESENTATION

A presentation has been lodged with the ASX which explains in more detail the FY2016 result, the acquisition, the Placement and the SPP.

ENDS

About AHG Automotive Holdings Group Limited (ASX: AHG) is a diversified automotive retailing and logistics group with operations in every Australian mainland state and in New Zealand. The Company is Australia's largest automotive retailer, with operations in Western Australia, New South Wales, Queensland and Victoria.

AHG's logistics businesses operate throughout Australia via subsidiaries Rand Transport, Harris Refrigerated Transport, Scott's Refrigerated Freightways and JAT Refrigerated Road Services (transport and cold storage), AMCAP (motor parts and industrial supplies distribution), VSE (vehicle storage and engineering), Genuine Truck Bodies (body building services to the truck industry), Higer Bus (bus and truck importation and distribution), and KTM Sportmotorcycles and HQVA (KTM and Husqvarna motorcycle importation and distribution in Australia and New Zealand).

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You are cautioned not to place undue reliance on forward looking statements. There can be no assurance that actual outcomes will not differ materially from these forward-looking statements. Forward-looking statements, opinions and estimates provided in this document are based on various assumptions and contingencies which are subject to change without notice. Accordingly, these statements are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. These statements are subject to significant business, economic and competitive uncertainties, risks and contingencies associated with suppliers, customers and other parties and may be beyond the control of AHG which could cause actual results or trends to differ materially, including natural disasters, general operating risks, legislative and regulatory changes, dependence on key personnel, share price volatility, approvals and cost estimates. Some of the key risks which may affect AHG's operating and financial performance are summarised in the investor presentation released on ASX and dated 19 August 2016.

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