



AUTOMOTIVE HOLDINGS GROUP

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ASX ANNOUNCEMENT

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SALE OF AHG REFRIGERATED LOGISTICS AND TRADING UPDATE

- **AHG to sell its Refrigerated Logistics business to HNA International for A\$400 million on a debt and cash free basis**
- **The sale follows an unsolicited offer at a value that reflects the business' market leading position and the upside from its profit improvement initiatives**
- **Proceeds will provide AHG with additional financial capacity to grow its Automotive Retail operations, as well as flexibility to undertake capital management initiatives**

Automotive Holdings Group Limited ("AHG") today announces that it has entered into a binding agreement to sell its refrigerated logistics business¹, comprising the operations of Rand, Harris, Scott's and JAT ("Refrigerated Logistics") to CC Logistics (Australia) Pty Ltd, a wholly-owned subsidiary of HNA Group (International) Company Limited ("HNAI"), for an enterprise value of A\$400 million².

The consideration will comprise approximately A\$280 million in cash and the assumption by HNAI of approximately A\$120 million in finance lease liabilities associated with Refrigerated Logistics.

Mr David Griffiths, Chairman of AHG said, "AHG has previously announced it would explore all opportunities to maximise shareholder value from the Refrigerated Logistics business. Although the restructuring initiatives are delivering a significantly improved financial performance, the sale provides AHG with the opportunity to realise a certain value for shareholders that reflects this continuing improvement. The sale also provides AHG with both the resources for further growth in our automotive operations and scope for capital management."

Mr John McConnell, CEO and Managing Director of AHG said, "HNAI has indicated a commitment to growing and continuing to invest in the refrigerated logistics sector, both internationally and in Australia. As an experienced participant in the logistics sector, HNA will continue to deliver quality services to customers and we strongly believe that the business will have a very positive future under its new owners."

Stephen Cleary, the current Chief Executive Officer of AHG Logistics, will remain with the Refrigerated Logistics business as CEO and will be supported by the existing management team and employees of the business.

Completion of the transaction is expected to occur in the first half of 2018 and remains subject to the satisfaction of regulatory approvals and to other customary conditions precedent³.

AHG would be eligible to receive a meaningful break fee in circumstances where the agreement is terminated due to HNAI failing to obtain any necessary regulatory approvals. AHG would be liable to pay the break fee in certain limited circumstances.

Strategic rationale

Over the past five years, Refrigerated Logistics has established a leading national footprint through the development of cold storage facilities, fleet investment and a number of strategic acquisitions. In early FY2017, AHG commenced a restructuring program aimed at improving the division's operating efficiency through investment in information technology and integration of the three operating businesses to realise the benefits of scale.

¹ Transaction is structured as a sale of the shares in the companies that operate Refrigerated Logistics

² Purchase price is subject to various adjustments, including movement in working capital and capital expenditure until completion

³ Including the consent of AHG's syndicated facility lenders and the consent of certain landlords

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Whilst AHG did not initiate a sale process for Refrigerated Logistics, the sale allows AHG to realise a value that reflects the expected increase in profitability from these initiatives in an accelerated time frame.

The sale of Refrigerated Logistics will also provide AHG with significantly greater financial capacity and management resource to continue to grow its market leading Automotive Retail division.

The sale of Refrigerated Logistics is not expected to have any material impact on AHG's Automotive Retail division or non-refrigerated logistics operations.

Financial impact and use of proceeds

For the year to 30 June 2017, Refrigerated Logistics generated Operating⁴ EBITDA of approximately \$35 million, with an expected improvement in financial performance in FY2018 driven by growth in revenue and the continued positive impact of the previously announced restructuring initiatives. The Refrigerated Logistics business has had a strong start to FY2018, with improved trading versus the first four months of FY2017.

AHG will retain all profits and cash flow⁵ generated by the business prior to completion of the sale and, as such, the financial effect on AHG in FY2018 will depend on the timing of completion of the transaction

If the sale had completed on 30 June 2017, and after providing for the expected tax on sale proceeds, AHG's pro-forma net cash position (excluding floorplan finance facilities) would have been approximately A\$110 million⁶.

Proceeds from the disposal will enhance AHG's financial capacity to continue to grow its Automotive Retail operations. AHG also intends to explore capital management initiatives to maintain an efficient balance sheet and minimise its overall cost of capital. The structure and quantum of any funds to be returned to shareholders would be determined prior to completion of the sale of Refrigerated Logistics based on the AHG's capital requirements, value accretive opportunities to deploy capital and the prevailing operating environment.

Other terms of the Share Sale Agreement

In addition to the terms and conditions referred to above, AHG will provide a range of transitional services (including IT and head office support functions) to Refrigerated Logistics for a period of up to 12 months following completion on arm's length commercial terms. AHG has also agreed that it will not operate a refrigerated logistics business for a period of five years from completion.

The Share Sale Agreement contains warranties and indemnities customary for transaction of this nature.

UBS AG, Australia Branch and Ashurst are acting as financial and legal advisers, respectively, to AHG in relation to the transaction.

Trading update

As expected, trading in the first four months of FY2018 has been impacted by the regulatory changes to insurance income and continued weakness in the Western Australian market, offset by the strong start in Refrigerated Logistics.

Operating NPAT at the end of October was down 3.1%.

⁴ Excluding unusual items as disclosed in AHG's FY2017 Full Year Results presentation

⁵ Subject to agreed working capital balances and capital expenditure to be undertaken prior to completion

⁶ Prior to any completion adjustments relating to working capital and/or capital expenditure and after anticipated costs of the transaction

¹ Operating EBITDA - Unaudited	FY2017 Jul-Oct (\$m)	FY2018 Jul-Oct (\$m)	% change
CONSOLIDATED GROUP	62.7	59.7	(4.8%)
Automotive	52.9	47.3	(10.6%)
Refrigerated Logistics	7.4	10.8	46.6%
Other Logistics	3.2	2.7	(14.1%)
Property	(0.7)	(1.1)	(54.9%)

Depreciation and Amortisation	(15.6)	(17.1)	(9.9%)
Group Interest	(14.3)	(10.8)	24.5%
¹ Operating NPAT attributable to shareholders	22.0	21.3	(3.1%)

AHG has previously stated, on 25 August 2017, that the outlook for the Group in FY2018 is for a “modest uplift in operating performance compared to FY2017” based on expectations that the Western Australian economy is stabilising, realising the benefits of AHG’s cost reduction programs and the ongoing improvement in Refrigerated Logistics. The consolidated outlook for FY2018 is now dependent on the timing of completion of the sale of the Refrigerated Logistics business.

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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).

About HNA International HNA Group is a global Fortune 500 company focused on Tourism, Logistics and Financial Services. Since its founding in 1993, HNA Group has evolved from a regional airline based on Hainan Island in southern China into a global company with approximately \$145 billion of assets, over \$90 billion in annual revenues, and an international workforce of 410,000 employees, primarily across America, Europe and Asia. HNA is China’s largest non-bank leasing company, and a leading provider of financial services, with a diverse set of businesses in equipment leasing, insurance, asset management, investment banking and credit services. For more information, please visit www.hnagroup.com.

In order to expand globally and drive further growth and development, HNA International was established in Hong Kong on 12 July 2010, to act as HNA Group’s offshore investment and foreign capital management platform. HNA International plays a key role in the HNA Group’s strategy in becoming a global brand by being its platform for globalisation.

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