

Dear Shareholder

## RESULTS

The Directors of ARB Corporation Limited (“**ARB**” or the “**Company**”) are pleased to report that the Company achieved a net profit after tax of \$57.3 million for the year ended 30 June 2020, up 0.3% on the reported net profit after tax of \$57.1 million in the previous year.

Sales for the year were \$465.4 million, an increase of 4.8% over the previous corresponding year.

Profit before tax of \$78.1 million for the year ended 30 June 2020 represents a marginal increase of 0.5% compared with the year to 30 June 2019.

The current year results incorporate the impact of COVID-19 and include the receipt of government wage subsidies in Australia (JobKeeper) and New Zealand (Wage Subsidy Scheme) of \$9.5 million in total.

The full year results are summarised below:

Year ended	30 Jun 20	30 Jun 19	Change
	\$'000	\$'000	
<b>Sales</b>	<b>465,379</b>	<b>443,891</b>	<b>4.8%</b>
Other Revenue	1,609	2,681	
<b>Total Revenue</b>	<b>466,988</b>	<b>446,572</b>	<b>4.6%</b>
<b>Profit before Tax</b>	<b>78,092</b>	<b>77,692</b>	<b>0.5%</b>
Tax	(20,797)	(20,555)	
<b>Profit after Tax</b>	<b>57,295</b>	<b>57,137</b>	<b>0.3%</b>
<b>EPS - cents</b>	<b>71.8</b>	<b>71.9</b>	
<b>DPS - cents</b>			
Interim	18.5	18.5	
Final	21.0	21.0	
<b>Total</b>	<b>39.5</b>	<b>39.5</b>	<b>-</b>
Franking	100%	100%	

The Company intends to pay a final fully franked dividend of 21.0 cents per share. This brings total dividends for the year to 39.5 cents per share fully franked, consistent with last year.

The interim dividend of 18.5 cents per share was declared on 18 February 2020 and was scheduled to be paid on 17 April 2020. However, payment was subsequently deferred until 23 October 2020 as announced to Australian Securities Exchange on 30 March 2020 in response to the impact of COVID-19. The Board has determined to pay both the deferred interim dividend and the final dividend concurrently on 23 October 2020 with a Record Date of 9 October 2020. The ARB Dividend Reinvestment Plan and Bonus Share Plan will be in operation for both dividends.

Information about the ARB Dividend Reinvestment Plan and Bonus Share Plan can be found on the Company's website at <https://www.arb.com.au/about/investor-relations/>. Investors wishing to make or change an election to participate in either of the plans can do so online via the Computershare Investor Centre website at [www.computershare.com.au/easyupdate/arb](http://www.computershare.com.au/easyupdate/arb) or by phoning Computershare on 1300 850 505.

## COVID-19

COVID-19 is having a tragic impact on human lives and livelihoods and restrictive measures taken to prevent its spread continue to impact significantly on economies and businesses around the world. It is not feasible to quantify the impact of COVID-19 and associated government enforced preventative measures on the results of ARB as the effects, both positive and negative, and measures undertaken to manage the impact of COVID-19 are interrelated and cannot be measured in isolation.

ARB remains very focused on the health and safety of its staff and customers and has implemented a wide range of measures to prevent the spread of COVID-19 including social distancing, limited on-site access to non-employees, promotion of good hygiene practices, temperature checking on arrival, working-from-home where possible and compulsory testing and isolation where symptoms are present.

Government enforced shut downs were implemented in late March and throughout April 2020 in ARB's key markets including Australia, the USA, New Zealand, the United Arab Emirates, Thailand and throughout Europe. Shut downs varied from stage 3 restrictions across Australia to complete shut downs in key states of the USA and in New Zealand. The impact of such extensive shut downs resulted in a rapid decline in customer orders from around the world through the second half of March 2020 and ultimately a collapse in customer orders in April as customers stopped ordering and de-stocked due to the escalating uncertainty and impact of COVID-19.

ARB's sales grew relatively consistently at 7.6% throughout the financial year to March 2020. Due to the decline in customer orders in March and April 2020, ARB's sales were significantly down in April and May 2020 and the Company qualified for the JobKeeper subsidy from April 2020. Customer orders rebounded strongly in May 2020 resulting in consecutive record sales months in June and July 2020.

The shut downs and uncertainty around the timing of a recovery created significant risks in managing the business. Accordingly, ARB undertook a number of measures to protect the Company's financial position including:

- Manufacturing was scaled back to approximately 40% capacity in Australia and Thailand;
- Staff were placed on stand down across all areas of the business to approximately 50% capacity;
- Purchase orders previously placed on third party suppliers were deferred or cancelled;
- Discretionary operating and capital expenditure were tightly managed;
- The senior management team and Directors reduced their remuneration by 30% to 50%;
- The interim dividend was deferred for six months to preserve cash; and
- The Company secured additional borrowing facilities.

The JobKeeper subsidy provided certainty and facilitated the reinstatement of employees and the continuation of important Company projects. This included engineering research and development activities and operational improvement projects that without JobKeeper would not have progressed.

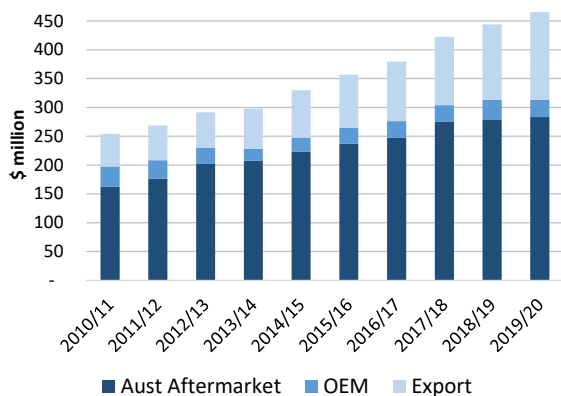
The rapid return of customer orders in May 2020 following the removal of shut downs was unexpected and reversed the declines in orders that occurred in March and April 2020. Unfortunately, ARB has been unable to fill many customer orders received due to the deliberate de-stocking that occurred as a result of scaling back manufacturing and deferring third party purchases in anticipation of a prolonged downturn. It has been challenging for ARB to reinstate its manufacturing operations in Australia and Thailand. ARB's current order book is now at record levels, however fulfilment of customer orders remains challenging.

Significant uncertainty remains around future trading conditions with continued speculation of further shut downs across ARB's global distribution network, cautious consumer sentiment and the potential disruption to ARB's manufacturing and distribution warehouse located in Melbourne, currently Australia's COVID-19 hotspot.

It is anticipated that domestic travel will increase in Australia, the USA and in other key markets as international travel restrictions remain in place indefinitely. ARB is well placed to service domestic travellers and facilitate their overlanding requirements.

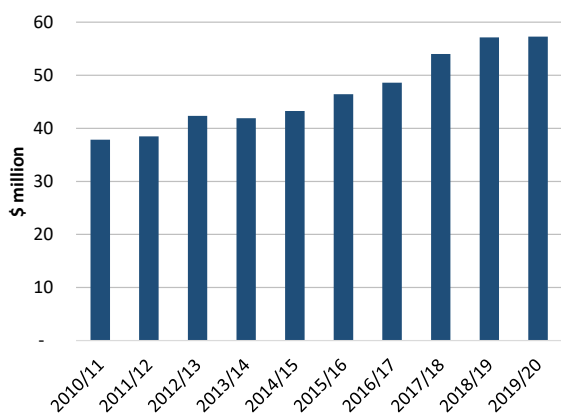
## 10 YEAR HISTORICAL PERFORMANCE

The sales, profits and dividends per share performance of the Company over the past 10 years are illustrated in the graphs below:



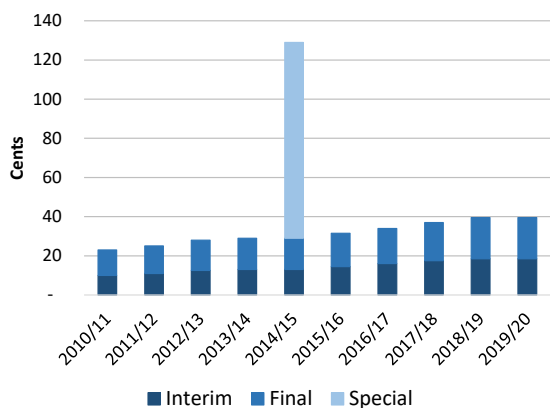
### SALES REVENUE

Annual sales revenue has grown at an average compound rate of 7.4% over the past 10 years.



### NET PROFIT AFTER TAX

Net profit after tax has grown at an average compound rate of 5.8% over the past 10 years.



### DIVIDENDS PER SHARE

Dividends per share have grown steadily over the past 10 years with a special dividend paid in 2014/15.

All dividends have been fully franked.

## HIGHLIGHTS OF THE 2019/20 YEAR

### Sales and Distribution

Sales revenue increased by 4.8% in 2019/20 over the previous year. Strong sales growth was achieved in export markets whilst the Australian Aftermarket achieved modest growth and sales to Original Equipment Manufacturers declined as can be seen in the following table.

Customer Category	Percentage of Sales		Sales Growth
	12 months to Jun 2020	12 months to Jun 2019	
Australian Aftermarket	60.9%	62.9%	1.4%
Exports	32.7%	29.4%	16.9%
Original Equipment	6.4%	7.7%	(12.9%)
	100.0%	100.0%	4.8%

Sales growth of 7.3% in the first half of the financial year over the previous corresponding half contrasted with sales growth of only 2.5% in the second half of the financial year.

ARB's sales to the Australian aftermarket grew by a modest 1.4% in challenging circumstances where new vehicle sales in Australia have now declined over the last 28 consecutive months and ARB's target vehicles, four-wheel drive utilities and SUVs, have declined over the year by approximately 7%. Sales to the Australian aftermarket now represent 60.9% of ARB's sales, down from 62.9% last year.

ARB's distribution network to the Australian aftermarket is a vital strength of the Company and includes sales through the ARB store network, to ARB stockists, to new vehicle dealers and to various fleet operators. ARB also distributes to the Australian aftermarket segment through its GoActive Outdoors, Kingsley Enterprises and SmartBar divisions.

ARB continues to invest in its branded retail stores with eight stores fitted out in the new flagship format over the past year. Branded ARB stores are an integral part of the Company's distribution network in Australia. One new store was established since this time last year in Windsor, New South Wales. This brings the total number of ARB stores to 67, of which 27 are Company owned. The Company expects an additional three ARB stores to open in the coming year.

Export sales grew by 16.9% and now represent 32.7% of ARB's sales. Export sales are a key focus for ARB and have increased as a proportion of total sales from 24.9% five years ago. Export sales were bolstered by the acquisition of two New Zealand companies and sales growth was achieved from the Company's distribution centres in Australia, the USA and in the United Arab Emirates. Sales declined very marginally in the Czech Republic and Thailand.

Accessory sales to Original Equipment Manufacturers declined by 12.9% for the year, cycling off strong growth of 17.1% in the prior year and impacted by the decline in new vehicle sales in Australia. Several new contracts with Original Equipment customers will commence in the next six months.

### New Zealand Acquisitions

ARB strategically acquired two businesses in New Zealand during the year. The Board is pleased with the successful integration of these businesses, the contributions they have made to the Company's operations and the opportunities they present.

Beaut Utes is a wholesaler and retailer of canopies, bedliners, ute lids and other products for the rear of utility tubs. The Beaut Utes business now incorporates the distribution of the entire ARB product range in New Zealand.

Proform Plastics specialises in plastic sheet manufacturing and undertakes a wide range of activities including new product development, manufacturing and sales and distribution of plastics products to wholesale and OEM customers. The acquisition of the Proform Plastics business shores up ARB's supply of canopy shells and provides opportunity to develop and sell other proprietary large plastics products, including bedliners and the newly released Sportlid for utilities, into the Australian and international markets.

## Products and Production

ARB regards product development as a key element in maintaining the Company's long-term competitive advantage. The Company spent \$12.0 million on research and development during 2019/20 and work is continuing on a number of exciting long-term development projects that will provide growth opportunities for the Company in the future.

During the year a limited number of key new vehicles were released, giving the engineering team the opportunity to advance a number of all new products. Two examples of this include the Base Rack which incorporates a uniquely flexible aluminium roof rack mounting system and the Intensity Solis LED lights with flood and spot variants connected to a dimming controller. These new products were both released in July 2020 and have been well received. Further innovative all new products will come to market this financial year. The acquisition of Proform Plastics introduced new engineering and innovation to the engineering team as well as the release of the Sportlid V to global markets.

As a part of ongoing business, the engineering team continues to develop new applications for existing products such as BP-51 shock absorbers, Air Locker, and the expanding capability of LINX. These new applications are released to production on a weekly basis. The low number of new vehicle releases in the year allowed ARB engineering to experiment with niche vehicles such as the Dodge RAM.

The Company's website at [www.arb.com.au](http://www.arb.com.au) provides further information on ARB's new product releases.

ARB opened its new 20,000 square metre free-trade zoned global warehouse in Thailand during the first half of the financial year. The new warehouse has increased the efficiency of the global distribution network by distributing from a more central location at lower cost.

## Financial

Cash flows from operations increased by 82.6% to \$91.2 million driven by COVID-19 related working capital changes, including a decline in inventories this year compared with an increase in the prior year.

ARB continues to assess opportunities to invest in new machinery to drive manufacturing quality and efficiencies.

ARB's cash balance at the end of the year was \$41.6 million, an increase of \$33.1 million, with access to unutilised borrowing facilities of \$55.6 million. The Company is well placed to take advantage of investment opportunities which may arise.

## THE FUTURE

The Company's growth in 2019/20 was hampered by difficult local and global market conditions including the impact of COVID-19, the weaker Australian dollar and further declines in new vehicle sales.

The current economic conditions remain very uncertain. The ongoing impact of COVID-19, including government measures to slow the spread of the virus, is dynamic and unpredictable and it is not possible to provide financial or operational guidance in the short term with any level of confidence. The recent stage 4 lockdowns in the Melbourne metropolitan area will slow production, warehousing activity and retail in that area. The Board remains focussed on the long term growth of the Company as it develops and pursues a number of exciting opportunities. This includes further growth in export markets, new products and improved distribution.

The recent strengthening of the Australian dollar, particularly against the Thai Baht, has more recently reduced the cost of the Company's Thai manufactured product and improved sales margins.

ARB's current customer order book is strong and the Company recently achieved its highest ever monthly sales in July 2020. The Board believes ARB is well positioned to achieve long term success with strong brands around the world, loyal customers, capable senior management and staff, a strong balance sheet and growth strategies in place.

A first quarter trading update will be provided to shareholders at the AGM on 15 October 2020.



**Roger Brown**  
Chairman  
18 August 2020