27 August 2021

Peter Warren Automotive Holdings Limited

FY21 Result

Peter Warren Automotive Holdings Limited (ASX: PWR) today announces its financial result for the year ended 30 June 2021, delivering a strong performance across all financial metrics.

Highlights

- Proforma Revenue of $1,621 million, 6% ahead of Prospectus forecast
- Proforma PBT of $75.7 million, 68% ahead of Prospectus forecast of $45 million
- Revenue and margin performance highlights strong execution and operating leverage
- Footprint growth through four acquisitions and greenfield developments
- Robust financial position, with closing cash of $43 million and no corporate debt

Mark Weaver, Chief Executive Officer of Peter Warren said: “We are pleased to outline our inaugural result as a listed company, with all key financial metrics being reported ahead of Prospectus forecast. Sales growth has been driven by strong execution amid buoyant market conditions, with particularly strong demand in May and June with profit margins supported by cost reductions and operating efficiencies.”

“This result demonstrates our deep roots as a family-owned and operated business. We continue to put people at the heart of everything we do with a focus on safety for our customers and colleagues as we navigate the pandemic. To adapt to shifting consumer trends, we have invested significantly in our IT infrastructure and enhanced our digital capabilities, while maintaining our focus on customer service excellence.”

Financial Result Summary

Financial results for the year ending 30 June 2021 are summarised as follows:

	Statutory			Proforma		
Full year ($’m)	**FY21 Actual**	**FY21 Prospectus Forecast**	**Var %**	**FY21 Actual**	**FY21 Prospectus Forecast**	**Var %**
Revenue	1,635	1,527	+7%	1,621	1,527	+6%
EBITDA	102.1	70.4	+45%	108.0	76.0	+42%
Profit before tax	54.8	22.4	+144%	75.7	45.0	+68%
NPAT	37.5	15.4	+143%	52.2	31.4	+66%

FY21 Results Review

Proforma revenue of $1,621 million was up 17.8% on FY20, exceeding our expectations. This was underpinned by heightened demand particularly in the latter part of the financial year. Total new vehicle unit growth from FY19 to FY21 has increased +0.6% (2 year CAGR) which is above the national market which declined 2.8% over the same period. [1] (2 year CAGR).

All revenue departments, including New Vehicles, Used Vehicles, Aftermarket, Parts and Accessories, Finance and Insurance (F&I) and Service delivered growth in the year. This indicates performance beyond the buoyant market conditions, showcasing our "bundling" approach to every consumer transaction.

The strong revenue growth, combined with delivery of planned cost reductions, improved supplier terms and operating efficiencies have delivered significant operating leverage, with proforma EBITDA margin of 6.7% (FY20: 3.6%).

In addition to benefiting from strong volumes, an improved gross profit per unit was evident in the market. Proforma gross profit margins were 18.0%, some 200bps above FY20 and 110bps ahead of Prospectus forecast. Strong revenue growth in higher margin revenue categories such as service, aftermarket and F&I also contributed.

Our ongoing focus on operating efficiencies and cost reductions delivered a proforma operating cost margin of 11.4% which is an improvement of 110bps on the prior year and ahead of the Prospectus forecast by 60bps. Proforma operating costs were 1% above Prospectus forecast on revenue 6% higher than Prospectus forecast.

Operating costs have benefited from a managed cost reduction strategy, with costs savings (as a percentage of revenue) being delivered across employee benefits expense, advertising and inventory holding costs. Improvements in employee expenses were delivered in the main through a reduction in trading hours, without impacting revenues.

Interest expense, which includes floor plan interest relating to our inventory holdings, was well managed. The proforma result also includes $2.2 million of incremental depreciation relating to Warwick Farm and Southport properties which were acquired as part of the IPO.

COVID-19: Resilient Operating Model

Throughout the pandemic, the safety of our customers and our team has been of utmost importance. We have managed our workforce during lockdown periods in line with the business activity and relevant government regulations. We also continue to invest in our people, with 365 new apprenticeship and traineeship opportunities created during the year.

Our experiences this year have highlighted the resilience of our operating model and that order volumes recover quickly once lockdowns ease. The FY21 statutory result includes $0.5m (net) in JobKeeper income which is excluded from the proforma result. The work undertaken to adapt our operations and deliver efficiencies during the year enabled us to repay Jobkeeper for FY21.

[1] VFacts Australia

We continue to demonstrate our ability to adapt and respond to the current environment, fast-tracking the implementation of click & collect and contactless trading to ensure we safely manage the needs of our customers. We have made significant investments in our IT infrastructure, responding to shifting consumer trends, and enhanced our digital capabilities through new website rollouts and enhanced digital functionality.

Mark Weaver, CEO, commented: "While the current operating environment presents many challenges it also creates opportunities. With continued investment in our employees, strong relationships with OEMs and our strong financial position we are well positioned to respond to dynamic market conditions."

Strategic Priorities

Our strategic roadmap, which we outlined in the Prospectus, has 3 key elements:

- **Evolution of our property portfolio** – ownership or long-term leases of key strategic properties;
- **Continued organic growth –** expansion of current operations in the sale of new and used vehicles and the provision of complementary services; and
- **Acquisition opportunities** – pursue new acquisition opportunities, with a disciplined approach to screening based on factors including strategic rationale, location and value.

The group has pursued all three growth elements since listing in April 2021, and pleasingly settled several acquisitions in the last quarter funded from operating cashflows. We are delighted to welcome the following additions to our group:

- **Tweed Mazda** – Tweed Heads, Northern New South Wales; acquired 1 June 2021
- **Collins Honda** – Rockdale, Greater Sydney; acquired on 16 June 2021
- **Northern Rivers Honda** – Lismore, Northern NSW; operating from 1 July 2021
- **Patriot Campers** – Arundel Commercial Centre, Gold Coast; becoming the first agent appointment in Australia

Strong Financial Position

With the successful completion of the IPO, which included the acquisition of the Warwick Farm and Southport properties, Peter Warren is in a strong financial position, with closing cash of $43 million and no corporate debt. Along with our cash generative business model, this provides the financial flexibility to support our growth plans.

As foreshadowed in the Prospectus, no dividend has been declared for the year ending 30 June 2021.

Trading Update

Trading in July and August has been impacted by lockdowns in NSW and, to a lesser extent, QLD.

However, the impact has been mitigated somewhat by a strong new vehicle order bank at 30 June 2021 which has supported the delivery of new vehicles in Q1FY22. We have taken proactive steps to adapt to these challenges, including adapting the sales model to click and collect and further enhancing our digital capabilities.

The supply of new vehicles also remains uncertain with varied constraints across our OEM partners.

Outlook

Given the strong performance in H2FY21 we have already delivered 106% of the CY21F Proforma Net Profit before Tax forecast contained in the Prospectus of $46.1m.

With respect to the outlook for H1FY22, there is a high degree of uncertainty in the current environment, including the extent and impact of lockdowns and other restrictions in NSW and QLD, the impact of state government decisions on border closures and the impact on global manufacturing and supply chains.

Our current expectations are based on a number of underlying assumptions including the extent and impact of lockdowns in NSW and QLD. Based on this analysis, Peter Warren is not amending the H1FY22F Proforma Net Profit before Tax forecast contained in the Prospectus of $28.0m.

Peter Warren will keep the market updated with respect to any material changes to this earnings guidance and expects to provide a further update at our AGM in October.

-ENDS-

This announcement was authorised for release by the Board of Peter Warren Automotive Holdings Limited.

Investor Conference Call

An Investor Presentation has been lodged with the ASX today together with this announcement. Peter Warren will host a webcast for analyst and investors at 9.30am AEST accessible via the following link: https://webcast.openbriefing.com/7673/

About Peter Warren

Peter Warren is an Automotive Dealership group with a rich heritage that has been operating in Australia for over 60 years. The Company operates 74 franchise operations and represents 28 OEMs across the Volume, Prestige and Luxury segments. Peter Warren operates under 6 banners consisting of Peter Warren Automotive, Frizelle Sunshine Automotive, Sydney North Shore Automotive, Mercedes-Benz North Shore, Macarthur Automotive, and Euro Collision Centre.

Further information can be found on the Company's website www.pwah.com.au/ or by contacting:

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