



20 February 2012

## AHG delivers record interim operating<sup>1</sup> profit of \$32.6 million

### Highlights

- Statutory NPAT of \$30.2 million (102.0% of pcg)
- Record Operating<sup>1</sup> NPAT of \$32.6 million (110.2% of pcg)
- Record Group revenue of \$1.91 billion (13.1% increase on pcg)
- Record Operating<sup>1</sup> EBITDA of \$77.6 million – (117.7% of pcg)
- Operating<sup>1</sup> EBITDA margin 4.1% (3.9% pcg)
- Interim dividend of 7.0 cents per share fully franked (7.0 cents pcg)
- Solid Automotive Retail result as market recovers from supply constraints
- Record profit contributions from Logistics
- Integration of Covs and Harris on track

Automotive Holdings Group Limited (ASX: AHE), Australia's largest automotive retailing and logistics group, today announced a Statutory NPAT for the six months to 31 December 2011 of \$30.2 million (102.0% of pcg), and a record Operating<sup>1</sup> net profit after tax of \$32.6 million for the six months to 31 December 2011. This was achieved on record Group revenue of \$1.91 billion. Operating<sup>1</sup> EBITDA improved 17.7% to a record \$77.6 million, while the Group Operating<sup>1</sup> EBITDA margin increased from 3.9% to 4.1%.

Net interest expense for the six months to 31 December 2011 increased to \$15.2 million (118.2% of pcg) primarily reflecting the holding costs associated with AHG's property strategy and the assumption of Harris fleet lease liabilities.

Operating<sup>1</sup> earnings per share were 12.5 cents (13.1 cents previously) and the Directors have declared a fully franked interim dividend of 7.0 cents per share (7.0 cents previously). The record date is 19 March 2012 with the dividend payable on 3 April 2012.

AHG Managing Director Bronte Howson said it was a strong result that included a solid performance from the Company's Automotive Retail division, despite some supply constraints, and a record profit contributions from Logistics.

### **Automotive Retail**

Revenue for the Automotive Retail segment in the first half of the financial year was up 4.2% to a record \$1.538 billion (\$1.476 billion pcg). Statutory EBITDA was \$49.6 million while Operating<sup>1</sup> EBITDA improved 2.1% to \$49.9 million (\$48.9 million previously).

<sup>1</sup> Operating results exclude acquisition and integration costs and other non-recurring items (Group - HY12: \$3.2m (gross of tax), \$2.4m (net of tax) acquisition-related costs; HY11: \$Nil).

“This is a solid result for our Automotive division given a 2.6% decrease in national new vehicle sales for the industry in CY11. This result was supported by an improved performance from our Queensland dealerships,” said Mr Howson.

During the half-year AHG continued to invest in the automotive business with new facilities completed for Blacktown Toyota and Blacktown Mitsubishi in Sydney and John Andrews Mazda in Auckland. Construction also commenced on a major upgrade to the City Motors Holden dealership in Perth.

Significant progress was made on the construction of two new dealerships at AHG’s Castle Hill hub to accommodate the existing Hyundai and Holden franchises that currently operate from temporary facilities. These dealerships will be completed in CY12 with planning underway for two additional franchises at the hub.

AHG also acquired Diesel Motors Trucks in WA growing its position in the heavy commercial truck market.

## **Logistics**

AHG’s Logistics division delivered revenue of \$373.0 million (174.8% increase on pcp) reflecting the acquisitions of Covs and Harris plus strong demand for core products and services. Statutory EBITDA was \$24.2 million and record Operating<sup>1</sup> EBITDA was \$27.1 million (164.5% of pcp). Operating EBITDA margin was 7.3% (pcp 7.7%). The reduction in margin is largely attributable to the Covs acquisition. This will improve as synergies are achieved in FY13.

“Our integration teams made good progress bedding down both Covs and Harris Refrigerated Transport in the December half and are on track to deliver expected synergies in FY13. These key acquisitions for AHG were completed on 1 July 2011 and are already delivering results in excess of expectations,” said Mr Howson.

The Transport and Cold Storage segment reported Operating<sup>1</sup> EBITDA of \$19.2 million (\$11.4 million pcp) on revenue of \$168.7 million (\$100.9 million pcp). This record result was supported by the opening of Rand Transport’s new cold storage, distribution and transport facilities in Melbourne in September 2010 and Brisbane in November 2010.

Key milestones for the Rand-Harris integration included consolidating Harris’ Sydney operations onto Rand’s Homebush site and optimising fleet utilisation across both road and rail.

The Other Logistics segment contributed EBITDA of \$8.0 million (\$5.1 million pcp) on revenue of \$203.9 million (\$112.2 million pcp).

“AMCAP continues to perform solidly while VSE / Genuine Truck Bodies continues to improve. All Holden and Ford genuine parts of Covs have been successfully relocated to the AMCAP premises and the rebranding of Covs’ 27 store branch network is nearing completion,” said Mr Howson.

KTM Sportmotorcycles achieved a record performance backed by its strong model range and favourable currency exchange rates.

## **Outlook**

“Automotive is positioned to deliver a solid second half result supported by a strong order bank and industry sales forecast of 1.040 million units for CY12,” said Mr Howson.

<sup>1</sup> Operating results exclude acquisition and integration costs and other non-recurring items (Group - HY12: \$2.4m (net of tax) acquisition-related costs; HY11: \$Nil).

“We recently announced a number of acquisitions and dealership developments. Our immediate focus is to ensure these dealerships are integrated into AHG’s existing management and operating structures to deliver the expected returns. We also continue to explore opportunities that meet our growth criteria.”

The integration of Harris and Covs will continue in the second half. To accommodate the relocation of the Covs Distribution Centre a new administration and warehouse facility covering 11,000sqm is being constructed adjacent to the current AMCAP site by an existing long-term landlord.

AHG is seeing strong demand for increased cold storage capacity at Rand and is investing in facilities to support this demand. New facilities in Western Australia and South Australia that will provide capacity for an additional 15,500 pallets are due for completion in FY13. This expansion will bring Rand’s total pallet capacity to 82,000 with further capacity expansion being considered for NSW and QLD.

“Over the past year we have put in place a series of capital management initiatives to strengthen the company’s balance sheet and provide a solid funding platform for these investments,” said Mr Howson.

“These initiatives included the May 2011 capital raising and our recently increased debt facilities. We are also pursuing our property recycling strategy with the recently announced arrangement with API.

“The company’s experienced management team combined with a strong balance sheet and diversified business model positions AHG to deliver ongoing solid financial results.”

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## **About AHG**

Automotive Holdings Group Limited (ASX: AHE) is a diversified automotive retailing and logistics group with operations in every Australian mainland state and in New Zealand.

AHG is Australia's largest automotive retailer with 124 dealership franchises located across Australia and in New Zealand. Its major operations are in Western Australia, New South Wales, Queensland and Victoria and include 11 out of the top 12 manufacturers in Australia. AHG also sells six leading truck and bus brands.

AHG operates logistics businesses throughout Australia through subsidiaries Rand Transport and Harris Refrigerated Transport (transport and cold storage), AMCAP and Covs WA (motor parts and industrial supplies distribution), VSE, providing vehicle storage and engineering, Genuine Truck Bodies, which provides body building services to the truck industry, and KTM Sportmotorcycles (motorcycle importation and distribution in Australia and New Zealand).

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