Automotive Holdings Group Limited
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**ASX / MEDIA STATEMENT**
24 August 2018

**AHG FULL YEAR RESULTS**

- Record Group revenue of $6.47 billion ($6.11b pcp)
- Operating[1] EBITDA of $208.0 million ($216.0m pcp)
- Operating[1] EBITDA margin 3.2% (3.5% pcp)
- Operating[1] NPAT of $74.8 million ($87.3m pcp)
- Operating[1] EPS 22.5 cents (26.7c pcp)
- Statutory NPAT of $32.6 million ($55.5m pcp)
- Statutory EPS 9.8 cents (17.0 cents pcp)
- Final dividend of 6.8 cents takes the full-year dividend to 16.3cps fully franked (19.0 pcp)

Automotive Holdings Group Limited (ASX: AHG) reports Operating[1] NPAT for the full year to 30 June 2018 of $74.8 million (down 14.4% pcp), in line with the Company's trading update issued 14 May 2018. Automotive PBT was $116.7 million ($124.2m pcp); Refrigerated Logistics showed a loss of $2.0 million ($2.8m PBT pcp), and Other Logistics returned PBT of $3.8 million ($10.5m pcp).

Statutory NPAT was $32.6 million, down 41.2% (pcp), primarily due to the lower segment Operating[1] contributions and one-off costs associated with the closure of underperforming businesses, the write-down of IT systems assets, M&A costs and other non-recurring charges.

The Board declared a final dividend of 6.8 cents per share, taking the full year payout to 16.3 cents fully franked. That is consistent with AHG's dividend policy of paying 65 to 75 percent of operating profit.

**Automotive**

Revenue from the Automotive division was up 7.2% to $5.61 billion and we continued to grow our new car and truck market share, to circa 6.7% in Australia and circa 3% in New Zealand, leaving room for further expansion in both markets as value-driven opportunities arise. Used car revenue, through our dealerships and **easyauto123**, also grew strongly.

Operating[1] EBITDA was down 2.9% to $166.1 million, delivering an Operating[1] profit before tax of $116.7 million, down 6.0% (pcp) primarily due to the impact of changes to finance and insurance commissions and margin compression driven by manufacturers.

Notably, both the Australian and New Zealand new vehicle markets remain close to record levels despite the recent softening of consumer demand in the new car market in Australia.

During the year in review the Franchised Automotive division suffered a $29 million reduction to F&I commissions. While not unexpected, this was a very significant hit to earnings, offset to an extent by cost reduction initiatives and a one-off insurance income of $12 million.

The effects of reduced insurance products and commissions coupled with relatively tight consumer lending have been felt industry-wide, particularly across passenger vehicle sales. An industry benchmark report by Deloitte (Mid-Year Market Snapshot, 10th August 2018) shows AHG continues to outperform the wider franchised dealership market in Australia across a range of key metrics, including Return on Sales, Total Gross Margin, Gross Per Unit (New) and F&I per Retail Unit.

Operating[1] – net of unusual items such as costs and fees in relation to integration, acquisition and disposal related activities, profit/loss on restructure of assets and operations, impairment of assets and non-recurring Refrigerated Logistics costs post-HNA.

Despite the challenging operating environment we have continued to invest both organically and by acquisition where we see value and future opportunity.

AHG's Franchised Automotive business integrated the acquisitions of five new dealerships in the Hunter Motor Group in NSW, two dealerships at Essendon Fields in Melbourne and two dealerships at Manukau in Auckland's southern suburbs. The business also opened the Greenfield development of the new Essendon Jaguar Land Rover dealership.

We have continued to invest in the **easyauto123** business, which opened new fixed price used car warehouses at Brooklyn in Melbourne and at Hendra in Brisbane. Revenue for this business unit grew to $262 million ($51 million pcp) incurring a $7.4 million loss as we established the (now five) operating locations. We remain excited by the opportunity in the heavily fragmented used car market to create a national brand, both physically and digitally, and drive returns.

**Refrigerated Logistics**

AHG's Refrigerated Logistics division reported revenue of $598.3 million ($595.1m pcp) and increased Operating[1] EBITDA margins but Operating[1] PBT fell from $2.8 million (pcp) to a loss of $2.0 million primarily due to higher depreciation.

Second half revenue and earnings were significantly impacted by the disruption and uncertainty caused by the offer from HNA to buy the business and by the systems implementation program.

The critical components of the program (the implementation of the Transport Management System, Warehouse Management System and ERP) are now substantially complete. We now have an IT platform that enables a single view of operations, fleet and our customers. This combined with the largest network of refrigerated logistics assets in Australia gives us an opportunity to leverage this platform to drive earnings and deliver superior customer value.

**Other Logistics**

Revenue in Other Logistics was down 5.0% to $262.5 million ($276.2m pcp) and Operating[1] EBITDA of $7.1 million was down from $14.2 million (pcp).

KTM and Husqvarna earnings were significantly impacted, primarily by adverse foreign exchange movements and lower wholesale volumes, although the business grew its Australian market share for the combined brands.

The Company has restructured the operations of VSE Solutions and GTB to focus on clearly identified client requirements matched to its specialist workforce and modern facilities.

The AMCAP business was stable and invested in a new partnership venture to create a national specialist coatings division.

**Outlook**

The year in review has been very challenging for the Company and the franchised automotive sector generally but there are significant opportunities for growth.

As Australia's largest and most diversified retail automotive and logistics group we are well placed to adapt to the changes and leverage the opportunities.

Operating[1] – net of unusual items such as costs and fees in relation to integration, acquisition and disposal related activities, profit/loss on restructure of assets and operations, impairment of assets and non-recurring Refrigerated Logistics costs post-HNA.

The key factors include:

- Opportunities for further aggregation in the automotive sector where we see value;
- Potential medium-term upside from increased finance penetration in Automotive retail;
- Opportunity to continue to take cost out of the retail model by developing more multi-brand hubs and developing shared services;
- Recovery of private buyer demand in WA;
- Generating positive returns from our investment in **easyauto123**;
- Driving improved performance in RL; and
- Other diversification opportunities in the automotive sector.

We remain cautious about the short term outlook given the impact of falling house prices on consumer demand, further potential impact from flex commission changes, and the time taken for the market to recover margins eroded by the current discounting required by the industry to achieve some manufacturer targets.

We expect the effect of these short term pressures on our underlying Operating[1] NPAT will be largely mitigated by some of the abovementioned opportunities, the closure of underperforming businesses, further cost reduction initiatives and improvements in Refrigerated Logistics, Other Logistics and **easyauto123**.

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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