

FY2019 HALF-YEAR RESULTS

Friday 22 February 2019

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The half-year result in review



Operating¹ NPAT of \$24.2m, down 42.5% on PCP in line with recent trading update

- Group revenue of \$3.22 billion [\$3.17b pcp*]
- Statutory NPAT of (\$225.6 million) [\$40.7m pcp*]
- Statutory EPS (68.0 cents) [12.3 cents pcp*]
- Operating¹ EBITDA of \$93.4 million [\$111.4m pcp*]
- Operating¹ EBITDA margin 2.9% [3.5% pcp*]
- Operating¹ NPAT of \$24.2 million [\$42.1m pcp*]
- Interim dividend suspended to preserve balance sheet capacity for strategic opportunities
- Strategic review of Refrigerated Logistics announced
- Non-cash impairment of \$226 million
- AHG remains the largest automotive retailer in Australasia
- AHG RL largest scale player in Australia
- AHG continues investment in **easyauto123**

Financial performance



Consolidated Financial Performance	H1 FY2018 (\$m)*	H1 FY2019 (\$m)	% change
Operating¹ Performance			
Revenue	3,165.2	3,217.9	1.7%
EBITDA	111.4	93.4	(16.1%)
EBITDA %	3.5%	2.9%	
EBIT	85.3	60.4	(29.2%)
EBIT %	2.7%	1.9%	
Operating ¹ Net Profit after Tax	42.1	24.2	(42.5%)
Earnings Per Share (cps)	12.7	7.3	
Statutory IFRS Performance			
Unusual items	(1.4)	(249.8)	
Statutory Net Profit after Tax	40.7	(225.6)	
Earnings Per Share (cps)	12.3	(68.0)	

- Revenue up YoY
- Margins impacted by challenging market conditions in Automotive and Logistics
- Unusual items and non-cash impairment totalling \$249.8m
- Includes ongoing investment in **easyauto123**
- Refrigerated Logistics division increased PBT

Balance sheet / Operating cashflow



Balance Sheet Gearing	31 Dec 2017	30 June 2018	31 Dec 2018
Total Borrowings	1,240.9	1,346.1	1,329.2
Cash & Cash Equivalents	(38.9)	(73.0)	(64.6)
Net Debt	1,202.0	1,273.1	1,264.6
Inventory Finance (Floorplan)	(857.4)	(989.2)	(979.9)
Net Debt – Excluding Floorplan Finance	344.6	283.9	284.7
Interest Cover (times)	4.0	3.6	2.3
GEARING RATIO			
Net Debt + Equity – Excluding Floorplan Finance	1,163.4	1,060.5	809.9
Net Debt / [Net Debt + Equity] – Excluding Floorplan Finance	29.6%	26.8%	35.1%

Strong Operating Cashflow
\$27.0m
 (Outflow \$9.9m PCP)

Capex inline with \$30m full-year guidance

Structural net debt improving once adjusted for seasonal working capital flows

Material balance sheet initiatives in place or under review

Dividend policy linked to gearing



Temporary suspension of existing dividend policy of 65% to 75% of operating profit after tax while we move towards our targeted gearing range of 1.5 times to 1.75 times.

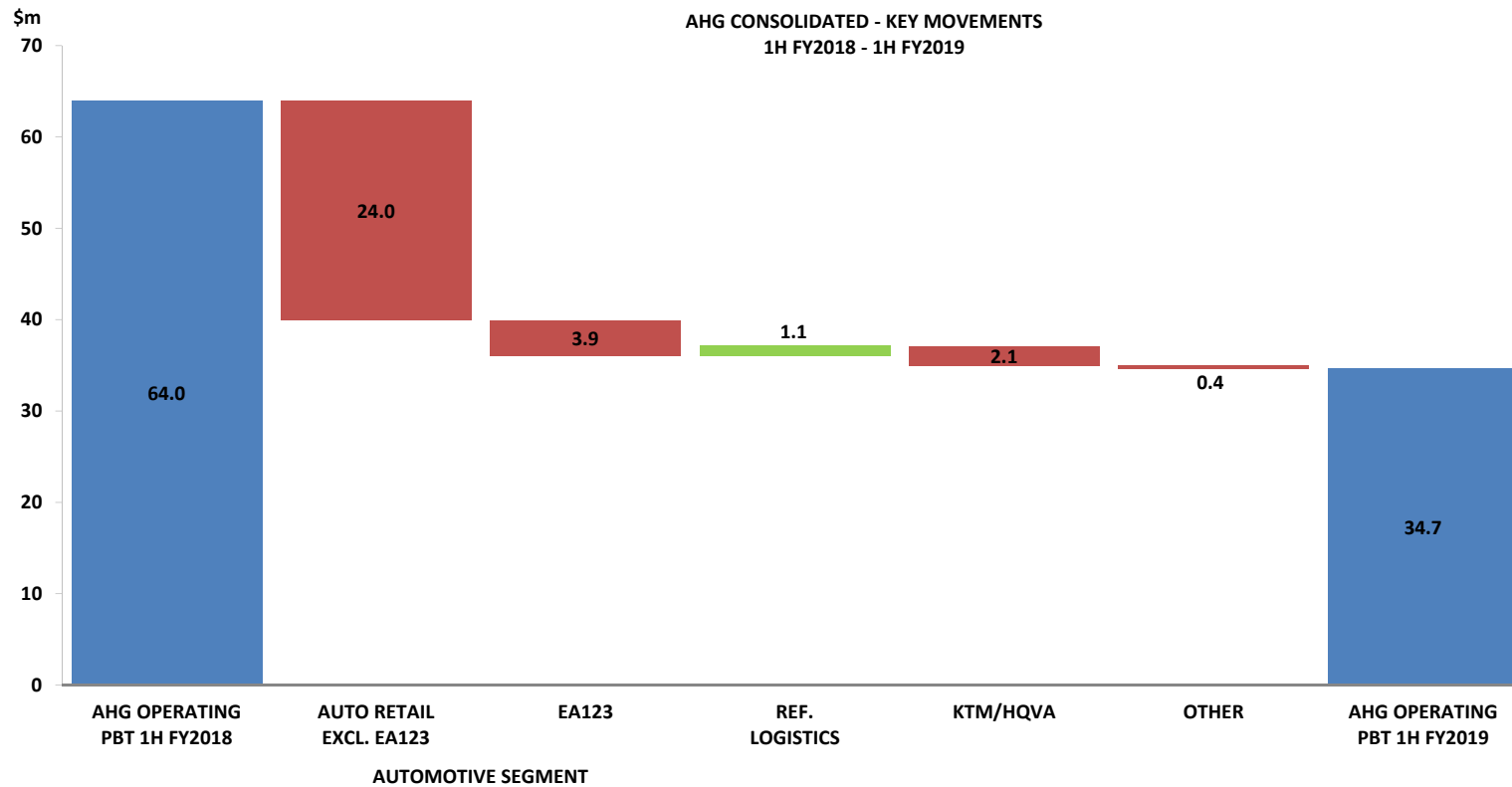
Board remains focused and vigilant around cash management and reducing the Company's gearing position to allow flexibility in the current conditions.

Reconciliation of Statutory IFRS NPAT to Operating¹ non-IFRS NPAT



	HY2018 \$'000	HY2019 \$'000
Statutory IFRS Profit (net of tax) attributable to members	40,674	(225,634)
<u>Add back unusual items</u>		
Impairment of non-current assets - plant and equipment, goodwill and franchise rights - Automotive Retail	-	144,609
Impairment of non-current assets - plant and equipment, goodwill and franchise rights - Refrigerated Logistics	-	78,762
Costs relating to restructure of operations and discontinued operations, including trading losses, impairment of current and non-current assets and onerous lease provisions	659	18,909
Impairment of other current and non-current assets - Receivables and IT	-	10,209
Net costs relating to integration, acquisition and divestment activities, including sale of properties	735	(2,645)
Operating¹ Non-IFRS Profit (net of tax) attributable to members	42,068	24,210

Operating¹ PBT – Key Movements



Operating¹ – excludes unusual items as disclosed on slide 7 in this presentation.

Automotive - No 1 in Franchised Automotive Retail

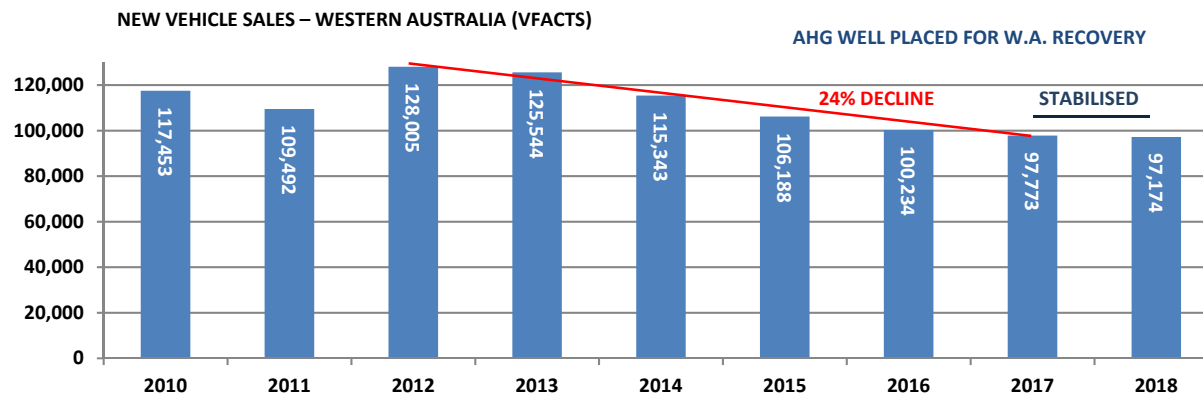
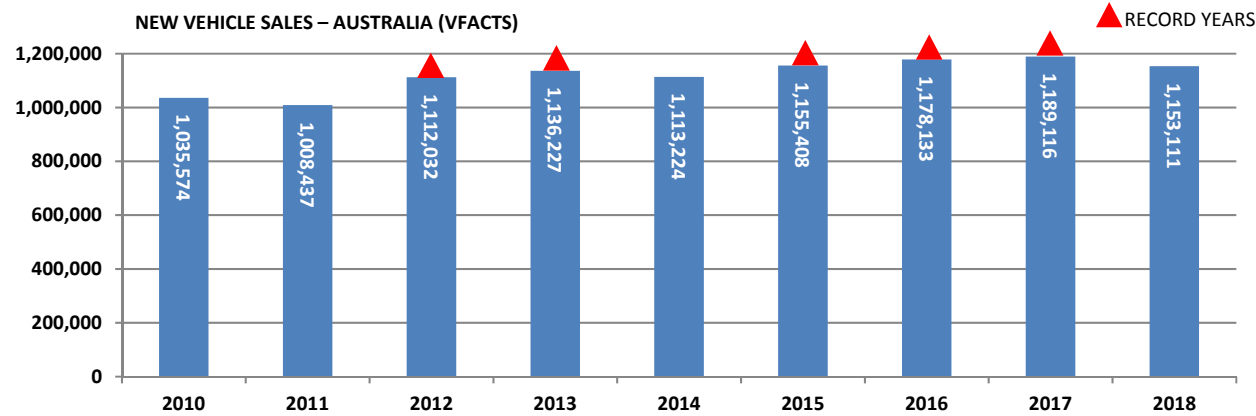


- Key strategic asset currently at cyclical low
- Largest scale player in the Australasian market
- 179 franchises at 114 dealership locations
- 6.7% market share in Australia and ~3% in New Zealand*
- Broadest manufacturer portfolio
- Tony Cramb appointed COO (ex Toyota Australia Exec. Director of Sales and Marketing)
- Opportunity for further industry consolidation
- Opportunity to leverage scale to lower costs
- Adjacent opportunities in fleet, rentals, subscription



*VFACTS / NZ MIA December 2018

Australian New Car Market Data



CY 2018:

National market
Down 3.0% YoY
(36,005 units)

Private buyer market
Down 7.5% YoY

WA market
Down 24% from peak
Now stabilising

Finance and Insurance Impacts



FY2017

- Restricted lending impacts H2

FY2018

- \$29m impact in FA from reduced add-on insurance commissions and responsible lending restrictions
- Consumer sentiment down on Banking Royal Commission
- Finance penetration down to 34%
- Turnover in F&I Business Managers as remuneration models changed

FY2019

- Stabilised Business Manager churn, better adapted to new F&I
- Opportunity to improve penetration rates
- Introduction of new F&I products (GFV only available through dealerships)
- No impact expected in FY2019 from FSRC recommendations



Automotive - Industry returns (CY2018)



AVERAGE DEALER PROFITABILITY			AHG PROFITABILITY			
CY 2017	CY 2018	CHANGE		CY 2017	CY2018	CHANGE
1.5%	0.9%	(0.6%)		2.5%	2.0%	(0.5%)

(Source: Deloitte report February 2019 – net profit to sales)

- Market challenged:
 - Housing prices impacting consumer sentiment
 - Restrictive lending impacting credit availability
 - OEM targets generate discounts on new vehicle oversupply
- Broad-based decline in brand returns
- AHG outperforms the industry average for franchised dealers



Automotive segment result



Operating ¹ Performance	H1 FY2018 (\$m)	H1 FY2019 (\$m)	% change
Revenue	2,736.6	2,785.2	1.8%
EBITDA	86.2	67.9	(21.2%)
EBITDA %	3.1%	2.4%	
EBIT	75.7	51.3	(32.3%)
EBIT %	2.8%	1.8%	
Profit Before Tax	62.5	33.8	(45.9%)

Operating¹ – excludes unusual items

Segment comprises:

- Franchised Automotive Cars
- Franchised Automotive Trucks
- **easyauto123**
- Carlins Automotive Auctions
- 360 Finance



Automotive performance – Excluding easyauto123



Operating ¹ Performance	H1 FY2018 (\$m)	H1 FY2019 (\$m)	% change
Revenue	2,674.7	2,717.8	1.6%
EBITDA	87.7	73.0	(16.8%)
EBITDA %	3.3%	2.7%	
EBIT	77.5	56.8	(26.8%)
EBIT %	2.9%	2.1%	
Profit Before Tax	64.8	40.0	(38.3%)

Operating¹ – excludes unusual items

- Restricted lending impacts new and used volumes
- Slowing market resulted in discounts on new car margins
- Underperformance of key brands in AHG portfolio
- Victorian portfolio challenged
- F&I income stabilised and set to improve on increased penetration and GFV products
- Strong performance from Trucks and Carlins



Automotive Opportunities



- WA market recovery (down 24% from peak)
- Normalisation of manufacturer targets
- Cost-out initiatives
- Shared services
- Increased F&I penetration
- Increased availability of GFV and other products
- Acquisition opportunities at realistic multiples
- Adjacent expansion opportunities in rental, fleet, subscription etc.

Well positioned to benefit from cyclical recovery



easyauto123 – Opportunity to be No 1 National Used Car Brand



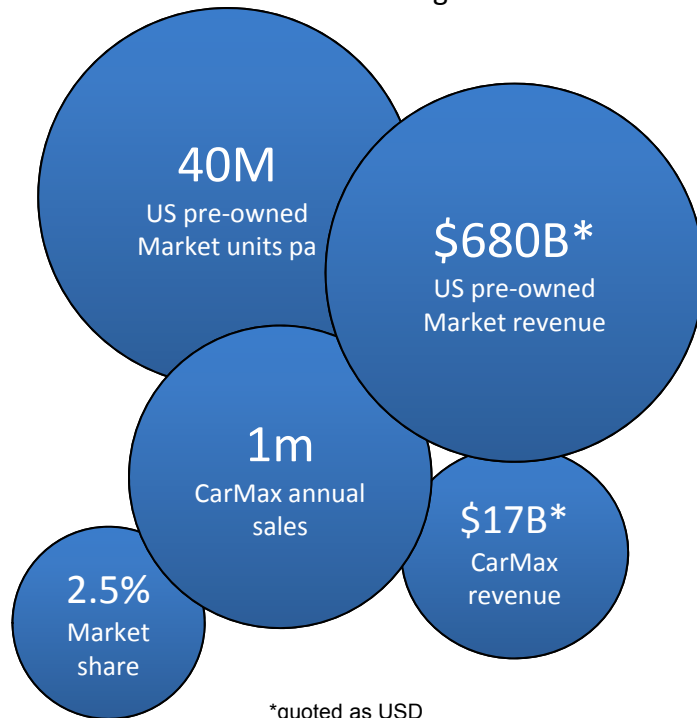
- Investing to create a branded used car leadership position
- Craig Bigley (ex Officeworks GM) appointed EGM
- Strong customer proposition
- Developing omni-channel capability
- Leverage AHG scale with Carlins and fleet relationships
- Five stores operating in Perth (2), Melbourne, Sydney and Brisbane
- Targeting break even by end of Q4 FY2019
- Significant upside potential post proof of concept



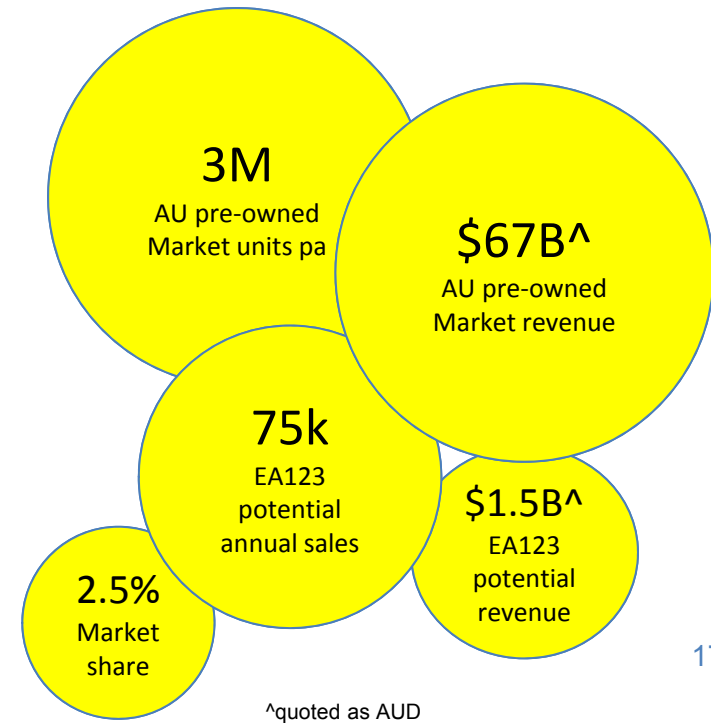
The aspiration



CarMax is the NYSE listed pre-owned US market leader with true national market coverage



easyauto123 aspiration if achievement of same 2.5% share of total market as CarMax



Automotive performance – easyauto123



Operating ¹ Performance	H1 FY2018 (\$m)	H1 FY2019 (\$m)	% change
Revenue	61.9	67.4	8.9%
EBITDA	(1.5)	(5.1)	(234.4%)
EBITDA %	(2.5%)	(7.6%)	
EBIT	(1.8)	(5.5)	(204.5%)
EBIT %	(2.9%)	(8.2%)	
Profit / (Loss) Before Tax	(2.3)	(6.2)	(165.1%)

Operating¹ – excludes unusual items

- Developing scale, people and processes
- Increasing conversion levels
- Increasing IPRU



Refrigerated Logistics - Number 1 Position in Market



- Largest player in temperature-controlled transport and storage
- Well positioned for growth
- Strong pipeline of new business opportunities (both organic and inorganic)
- Strong focus on WHSE and Chain of Responsibility
- Industry-leading systems and processes
- Strong customer delivery performance
- Opportunity for operational benefits from single Warehouse Management and Transport Management Systems



Refrigerated Logistics



Operating ¹ Performance	H1 FY2018 (\$m)	H1 FY2019 (\$m)	% change
Revenue	291.3	297.7	2.2%
EBITDA	22.6	23.2	2.5%
EBITDA %	7.8%	7.8%	
EBIT	8.3	8.0	(3.2%)
EBIT %	2.8%	2.7%	
Profit Before Tax	2.0	3.1	56.3%

Operating¹ – excludes unusual items

- Revenue stabilised post HNA disruption and TMS implementation
- Produce season adversely affected by weather
- Price increases implemented in November
- Strong new business pipeline established



Strategic Review Process



Strategic review announced

- Mandate to consider all options to maximise value for shareholders
- Assess how future growth opportunities can best be unlocked
- Improved performance from recent transformation program
- UBS and Luminis Partners appointed as joint advisers



Refrigerated Logistics – Opportunities



Short term opportunities:

- Revenue, yield management
- Improved transport utilisation (TMS benefits)
- Realise ERP and WMS benefits
- Cost reductions
- Fleet investment to improve fuel efficiency

Longer term opportunities:

- Capacity expansion
- Acquisitions
- Move into more end-to-end complex solutions
- Asia-Pacific supply chain

Target EBITDA margin 10%

Other Logistics performance



Operating ¹ Performance	1H FY2018 (\$m)	1H FY2019 (\$m)	% change
Revenue	137.1	134.8	(1.7%)
EBITDA	3.8	3.1	(18.2%)
EBITDA %	2.8%	2.3%	
EBIT	2.4	1.7	(27.5%)
EBIT %	1.8%	1.3%	
Profit / (Loss) Before Tax	2.3	(0.6)	(125.3%)

Operating¹ – excludes unusual items

- AMCAP performance stable
- KTM and Husqvarna impacted by FX and motorcycle market decline
- VSE/GTB integrated with AHG Trucks



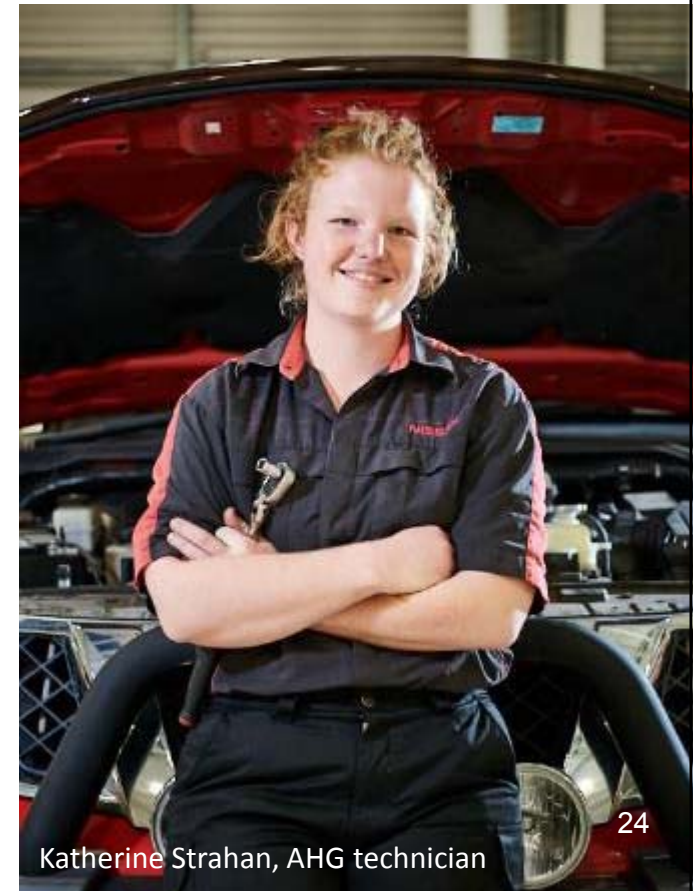
Group outlook



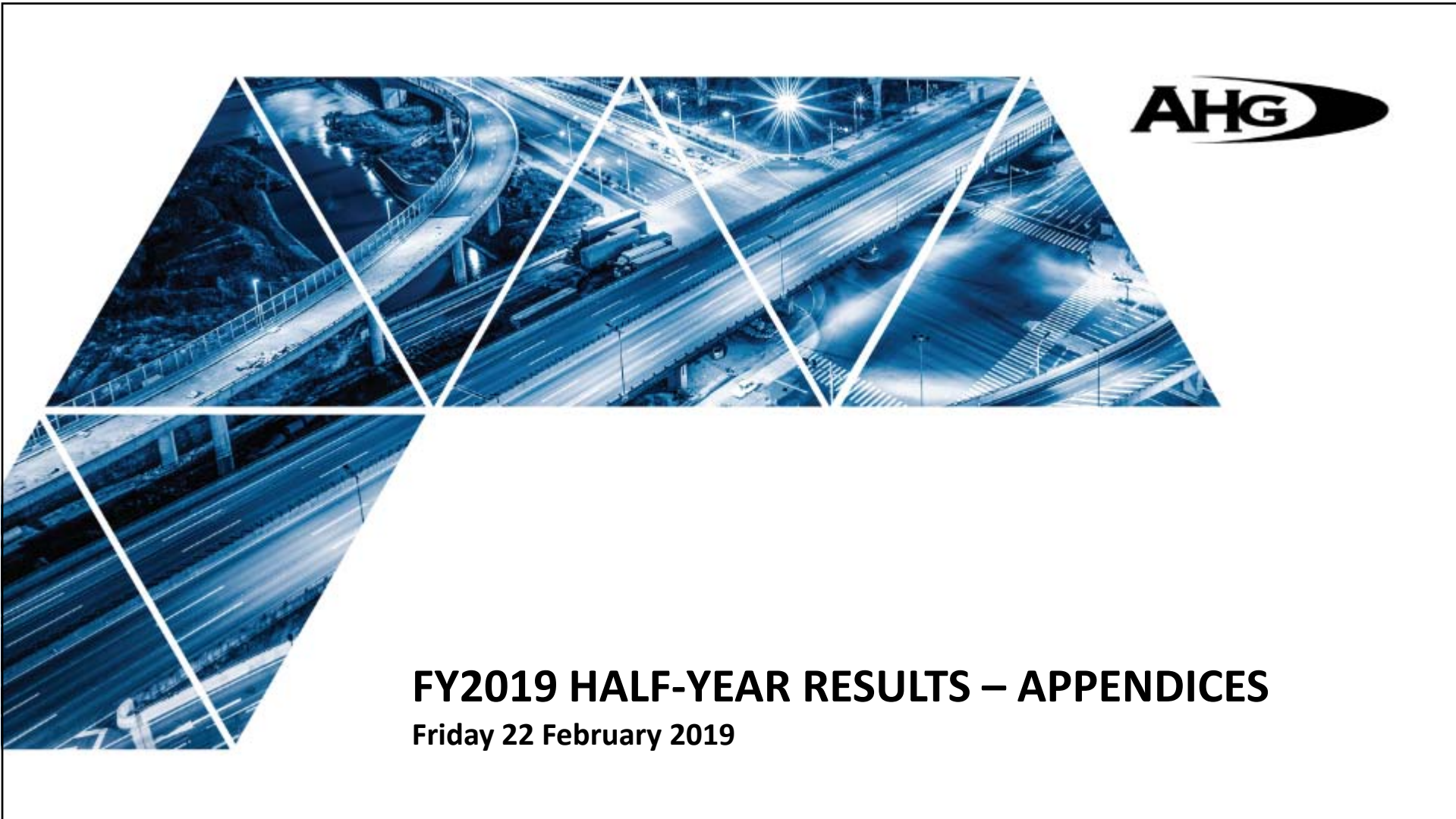
FY guidance \$52 million to \$56 million (Operating¹ NPAT)

Stronger H2 driven by:

- Refrigerated Logistics revenue growth
- Franchised Automotive improvement from cost down and the re-basing of OEM targets
- Franchised Automotive H2 benefit from Sydney hail sale
- **easyauto123** targeting break even by end of Q4 FY2019



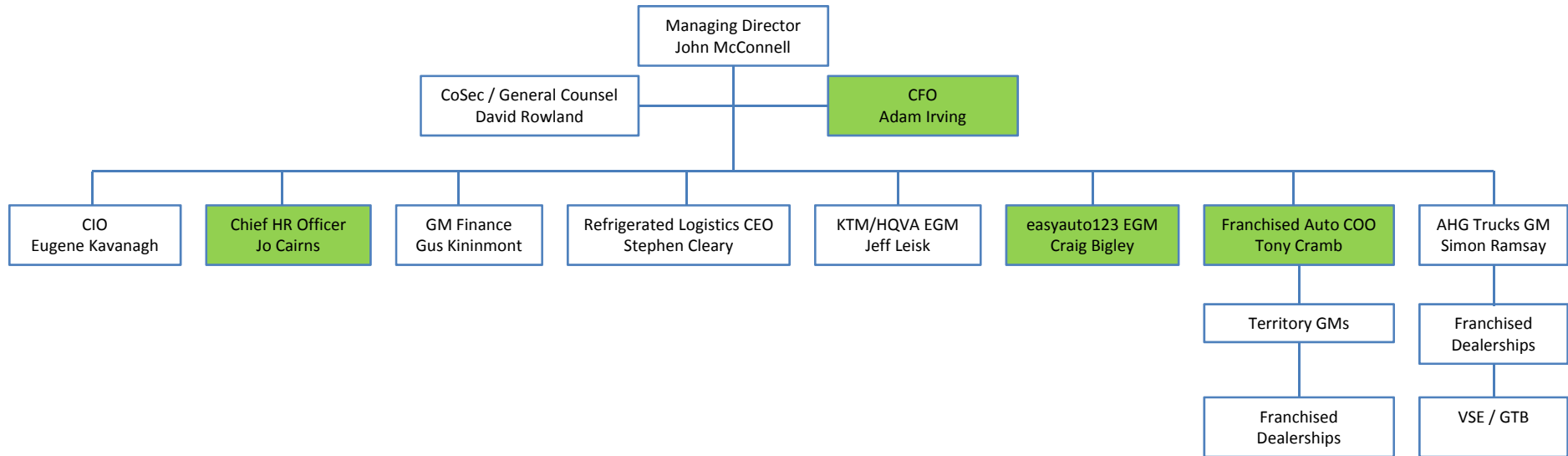
Katherine Strahan, AHG technician



FY2019 HALF-YEAR RESULTS – APPENDICES

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Executive Management Strength

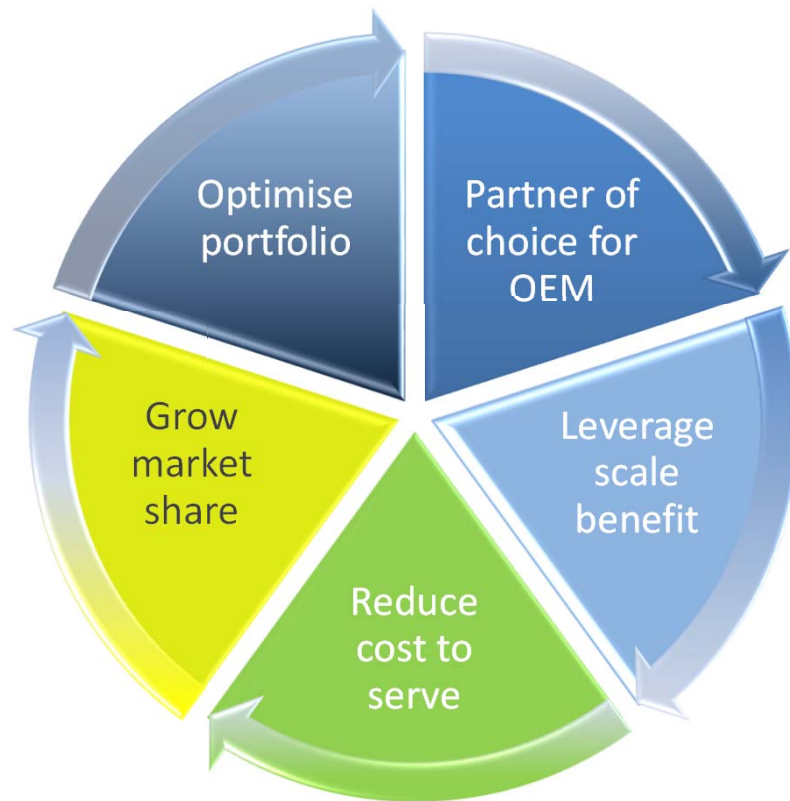


Appointed
CY2018



Automotive

Automotive focus framing strategic objectives



Franchised Auto partner of choice

Expand relationships with enhanced customer service and innovation

Leveraging scale

Established national franchised automotive and national truck structure to optimise scale benefit

Cost reduction

Heavy focus on cost reduction, productivity, and shared services opportunities

Grow our market share

Well positioned to continue market aggregation and expand used car platforms

Optimise portfolio

Portfolio review to optimise franchise coverage, business segments and strategic position

Franchised Automotive



Australasia's largest automotive retail group.

AHG represents 27 manufacturers, including all of the top 14* selling passenger brands in Australia.

Stable long-term relationships with manufacturers and financiers.

Opportunities exist for further acquisitions.

Cost-down initiatives offer further opportunity to leverage scale.



*VFACTS issued January 2019.

Franchised Truck



Standalone division created April 2017.

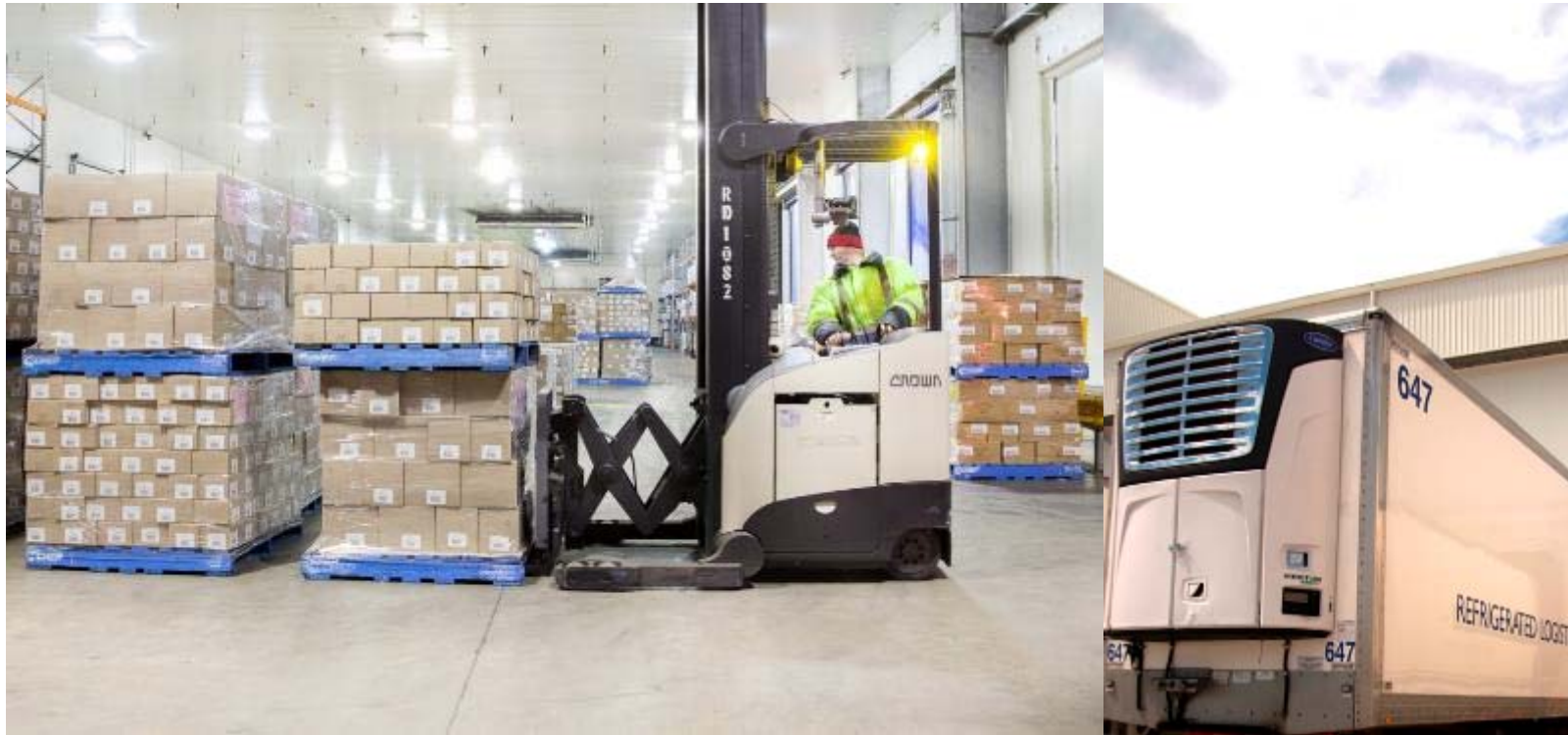
Strong operating performance.

Significant synergies and opportunities realised by forming a national truck structure.

Strong long-term relationships with leading manufacturers.

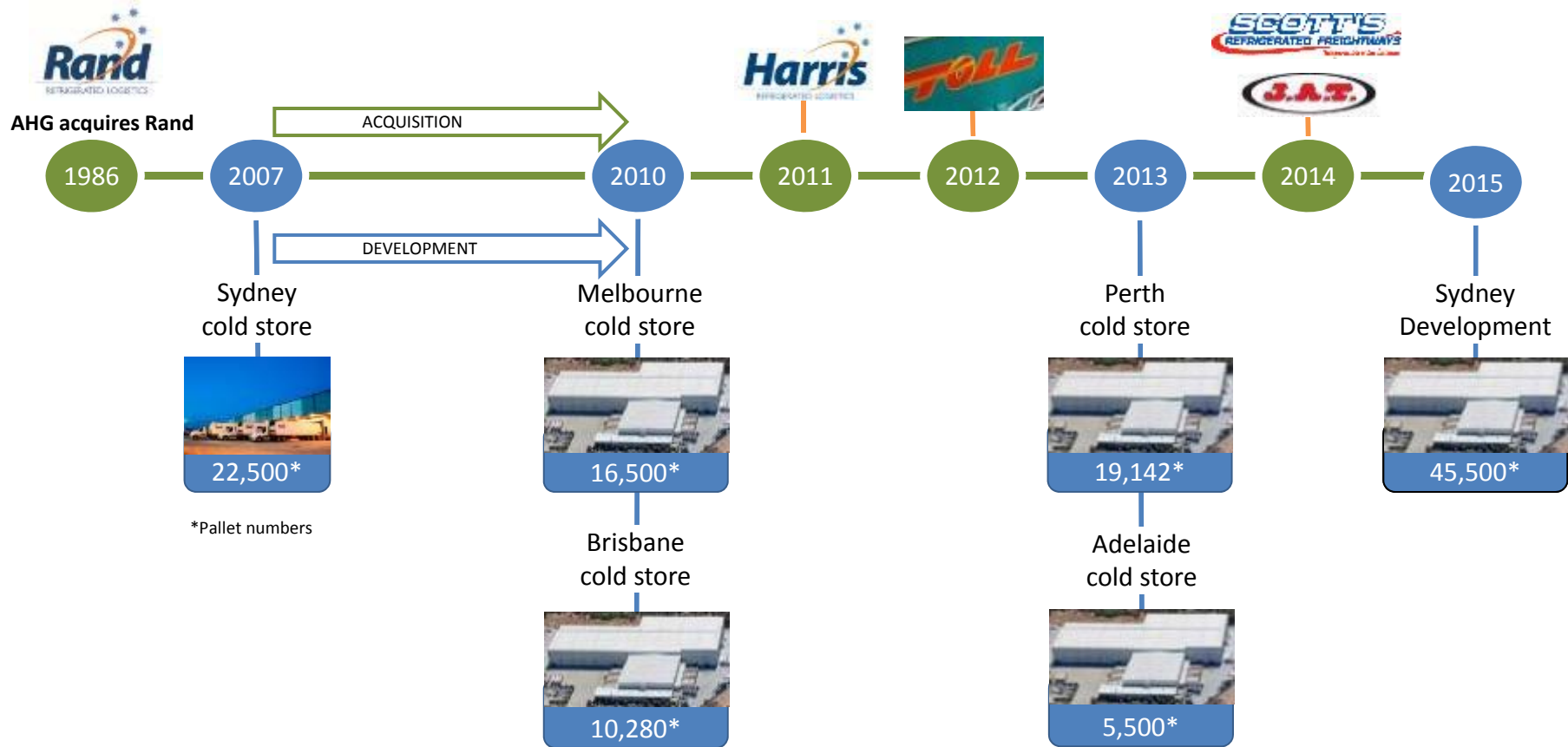
Opportunities exist for further acquisitions.





Refrigerated Logistics

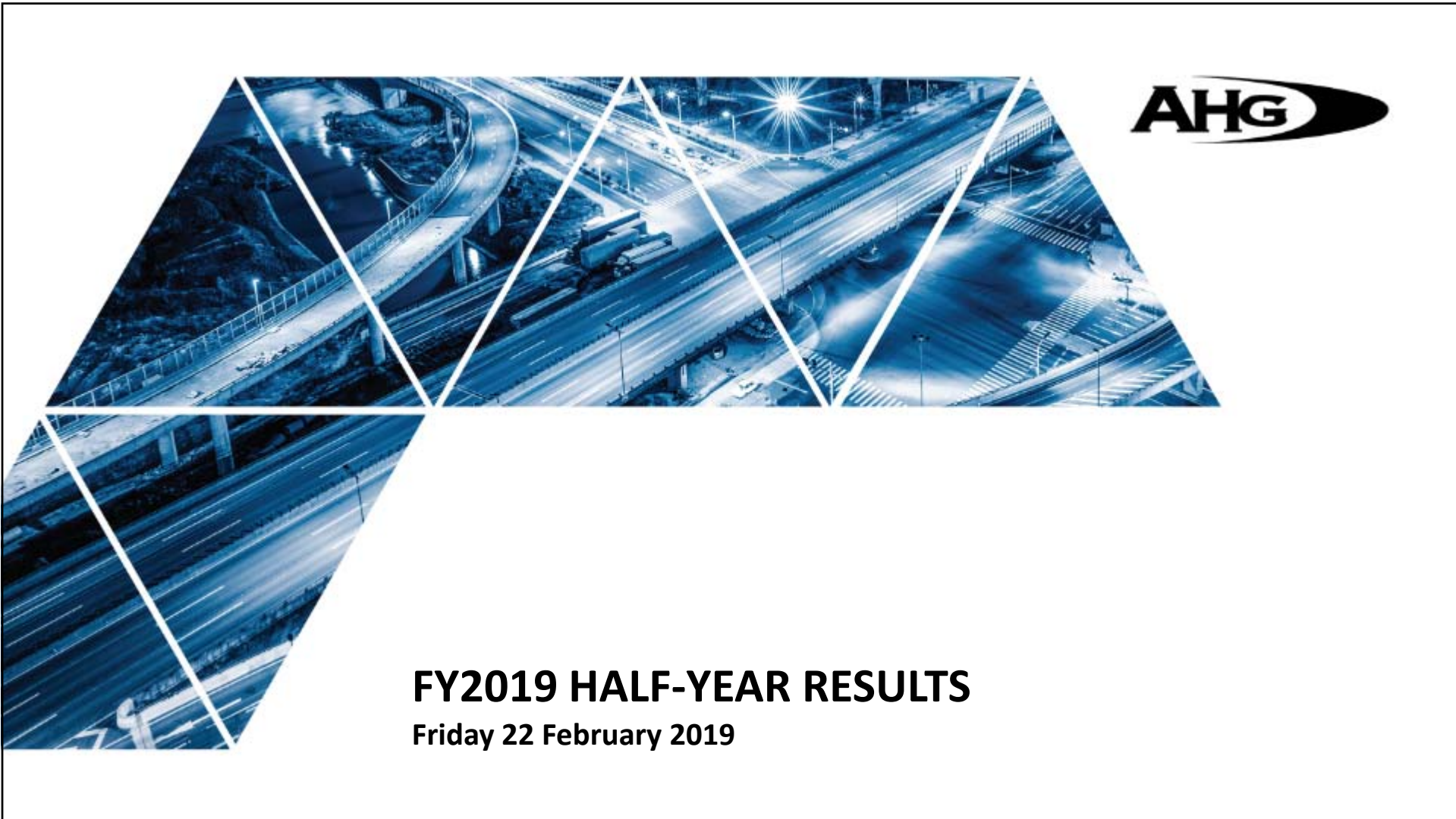
The Evolution



AHG RL

- 20+ sites across Australia
- ~600 prime movers and rigid trucks
- ~1,260 refrigerated trailers
- ~500 refrigerated rail cars
- ~ 4,000,000 km covered weekly
- ~ 175,000 pallets storage





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