

CEO's Address
Annual General Meeting
Wednesday 24 May 2017

Thank you, Tim.

2016

Ladies & gentlemen, in summary 2016 was a great result with a record profit and record dividend but as the chairman has articulated it was a year of uncertainty and incredible distractions for my management team and me, particularly those of us who regularly engaged with the regulators and our industry body.

Regulatory Review

I think it is important to recognise one individual, Andrew Bunce, our group Finance and Insurance Manager, who effectively was not just the AP Eagers expert but also our industry body's expert through both the finance and insurance regulatory review process, education and negotiations.

Whilst the industry outcomes aren't perfect we strongly believe we can work within the new rules and believe (after a short period of transition) our significant training processes and procedures will allow us to outperform the industry.

Whilst uncertainty prevailed throughout 2016 our customer interest rates and our finance margins have stabilised in the first four months of 2017 equalling those achieved in the second half of 2016.

The interest rates now offered to our customers are at their most competitive levels ever. The regulatory changes have improved industry credibility and transparency leaving us well placed to leverage our scale, industry expertise and internal capabilities. Combining this with our industry leading relationships with multiple lenders will deliver a superior customer experience and grow our share of automotive retail loans through greater penetration in the years to come.

Cost Reduction Process

Moving on from regulatory outcomes. The franchised automotive network structure has a cost base and income opportunity. Whilst the profitability of each automotive brand represented in Australia can rise or fall based on volume and the success of individual car models within its range, brands ultimately have control on the cost base of their networks.

It is reasonable therefore when a structural change (in this case regulatory changes) affects the income opportunity of a dealership, or a brand, or a whole industry, that a complete review of the cost base is undertaken. I can report that I have had more cost reduction conversations with

presidents and management teams of car manufacturers in the last six months than I have had in the last decade.

Our group has identified many areas of cost reduction that we are either implementing directly or working through with our car brand partners.

In some circumstances, even the harder items such as land and building costs can be relocated or reduced and whilst these take time they also have a greater longer term cost reduction. AP Eagers has demonstrated a lot of these types of cost savings in the past and the current industry environment could accelerate some others.

Update and Outlook – Market Guidance

Queensland state wide vehicle sales are off 5.9% January – April 2017, which is the 2nd worse performing state behind Western Australia, and national vehicle sales are off 2.8%. The industry expectations for the first four months of the year were for an equal or better market than last year's so the whole industry has been caught by this unexpected decline in private, business and government purchases off 3.6%, 2.0% and 8.1% respectively.

With AP Eagers' Queensland operations representing 45% of our trading result we have not been immune to a decline in profit. And whilst as stated earlier we are pleased on the financial services certainty moving forward, we are matching our performance in the second half of last year not the higher performance in the first half of last year.

These two combined factors and forecasting based on current circumstances will unfortunately result in a likely decline in our first half profit before tax result of between 7-9% compared to our all-time record first half result last year.

Despite the profit decline operating cashflows remain strong and slightly ahead of last year. Our balance sheet also remains strong. On this basis we would expect to at least maintain the half yearly dividend consistent with last year.

The Future - Carzoos

Since last year's AGM we have opened a Carzoos test store at Westfield Garden City in south Brisbane and a full store at Westfield North Lakes in north Brisbane and we have learnt a lot. Key learnings are the customers we have engaged with absolutely love Carzoos and they see compelling value in our offering. Our google trust pilot rating which only commenced last month is sitting at 5 out of 5. This is a critical success factor for future web based scalability.

In all start-ups, particularly when you are trying to create "An entirely new way to buy and sell used cars", there are phases to go through. We are currently in the test phase of the scalability of the business model as we slowly add inventory and test all aspects of the back of house logistics required to service customers and maintain our 5 star google rating.

Carzoos at this stage is an investment into the future of automotive retailing and the insights we are gaining are also assisting us to adapt our core retailing operations.

We will deliver further shareholder updates as the model progresses later in the year.

Further acquisitions

More so than ever before we are focused on maintaining our disciplined approach to reviewing potential acquisitions. We are fortunate to be constantly reviewing opportunities and we will continue to engage with sellers whose businesses meet our operational and strategic criteria. We hope to complete one of these over the next three months.

Team Result

I know my management team and our dedicated employees worked really hard last year as we navigated the changes mentioned and that hard work has continued into 2017. I would like to thank them all on behalf of our board.

Thank you.

Martin Ward
Chief Executive Officer

I will now deliver a slide presentation showing the changes to your company since the last AGM.

AP Eagers Annual General Meeting

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AP Eagers Update

2016 / 2017

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Motors, Hobart



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Motors, Devonport



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Motors, Launceston



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Motors, Burnie



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Toyota, Waverley



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Mercedes-Benz, Doncaster



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Mercedes Benz, Ringwood



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Holden, Toowoomba



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West Star Mercedes Benz, Toowoomba



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West Star Citroen & Peugeot, Toowoomba



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Zooper, Toowoomba



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Port City Autos, Hervey Bay



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Port City Autos, Hervey Bay



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Holden, Townsville



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Isuzu Trucks, Townsville



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Jaguar Land Rover, Townsville



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Zooper, Townsville



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Brisbane City Jaguar Land Rover, Newstead



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Carzoos, Garden City



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Carzoos, North Lakes

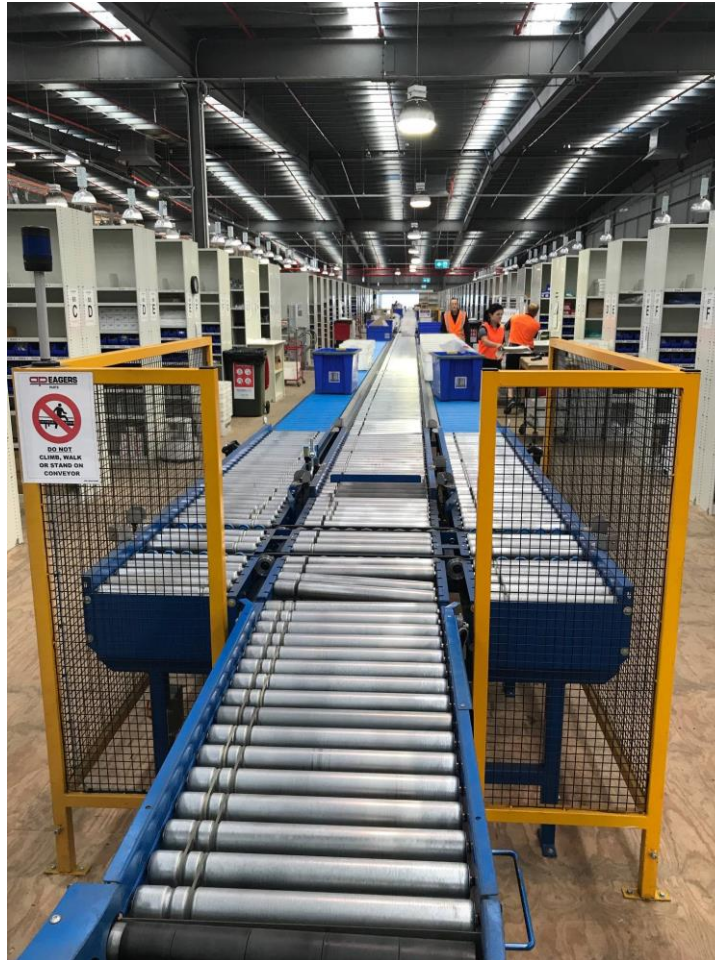


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AP Eagers Parts Distribution



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AP Eagers Parts Distribution



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AP Eagers Corporate



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Newstead Site Plan



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Bunnings, Newstead



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Bunnings, Newstead



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Mercedes Benz, Newstead



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Newstead Site Plan



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