

2018 Full Year Results Presentation

February 2019



AD EAGERS Established 1913

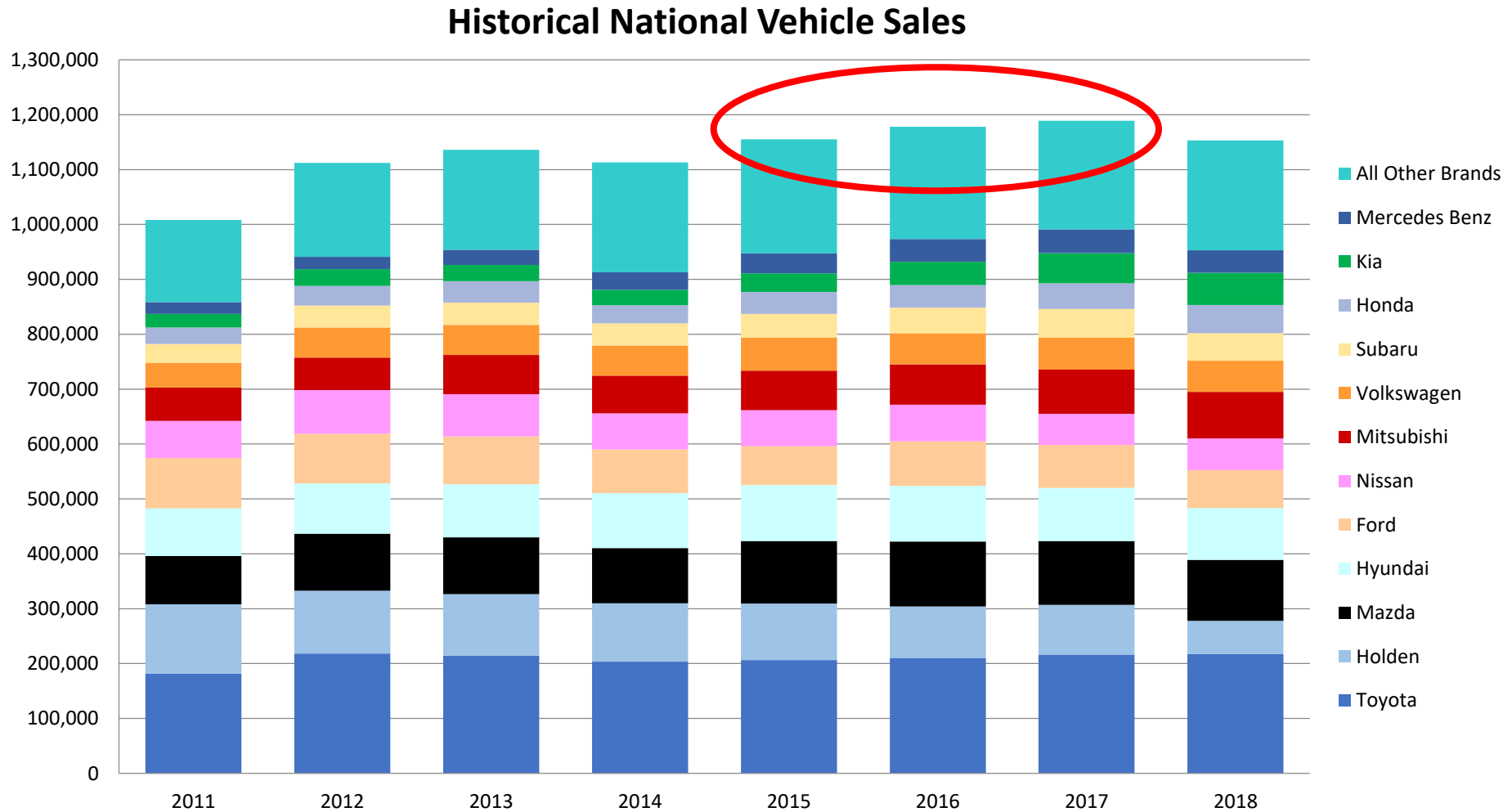
2018 Full Year Highlights

A strong performance in challenging market conditions

- Statutory profit before tax \$133.7m, down 1%
- Statutory profit after tax \$101.2m, up 3%
- Statutory (basic) EPS of 52.0 cents, a increase of 3%
- Record full year dividend of 36.5 cents, up 1%
- Record results from VIC Car Retailing and Truck Retailing
- QLD recorded improved profitability
- Further gains on property sales yet property portfolio lifts in value to \$331.7m
- Strong balance sheet

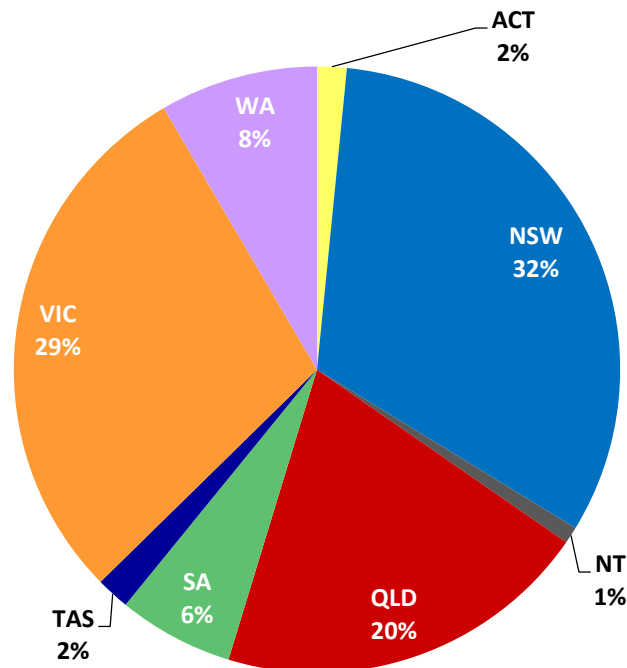
National Vehicle Sales

After three record years, 2018 saw a 3% decline in new vehicle sales



Australian New Vehicle Sales – 2018

Total Australian Market Share by State
(VFACTS)

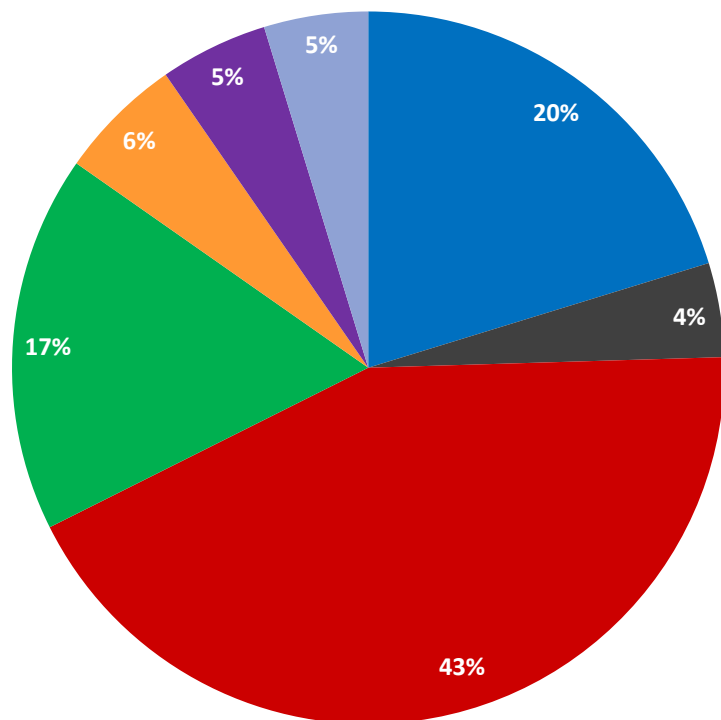


Total market: 1,153,111 (2017: 1,189,116) - Down 3.0%

- Total new vehicle market down 3.0%
- TAS up 3.3%
- NSW down 6.6%, NT down 4.7%, ACT down 1.9%, SA down 1.9%, VIC down 1.8%
- QLD and WA remain static
- Light commercial vehicle market share up 0.8% to 20.6%, offsetting decline in luxury vehicle market share of 0.3% to 10.4%

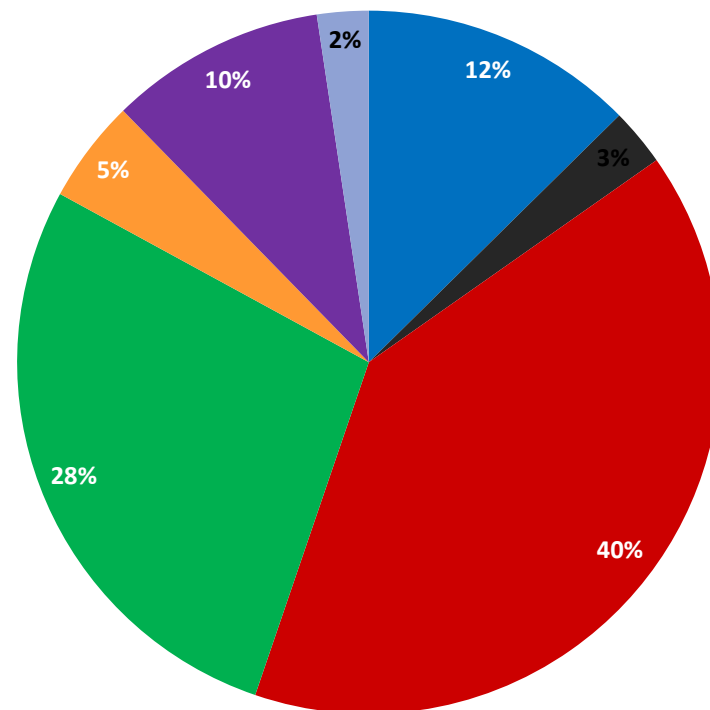
APE Vehicle Sales - 2018

APE New Vehicle Sales by State
Total 59,663 -1.0% (5.2% of National Market)



■ Cars - NSW ■ Cars - NT ■ Cars - QLD
■ Cars - SA ■ Cars - VIC ■ Cars - TAS
■ National Trucks

APE Used Vehicle Sales by State
Total 24,118 +0.4% (est. 2.0% of National Market)



■ Retail Cars - NSW ■ Retail Cars - NT ■ Retail Cars - Qld
■ Retail Cars - SA ■ Retail Cars - VIC ■ Retail Cars - TAS
■ National Trucks

2018 Full Year Highlights - Financial

- Underlying⁽¹⁾ operating profit before tax of \$125.7m, up 2%
- Statutory (basic) EPS of 52.0 cents, an increase of 3%
- Fully franked final dividend of 22.5 cents
- Cash flow from operations of \$89.0m, reduction on pcg due to higher tax payments and timing of net working capital movements
- Continued financial strength and flexibility
 - EBITDA/Interest cover 6.5 times (2018)
 - EBITDA/Interest cover 7.2 times (2017)

(1) Underlying adjustments include business acquisition costs \$0.7m (includes taxes, legal and other costs associated with business acquisitions), benefits from tax refunds associated with previous years GST payments \$0.3m, freehold property fair value adjustments \$2.4m, and gains on sale of non-core property, businesses and investments \$6.0m.

Financial Summary

\$ Million	2018	2017	Change	
Revenue	4,112.8	4,058.8	Up	1.3%
EBITDA	173.5	176.7	Down	-1.8%
EBIT	160.3	160.2	Up	0.0%
PBT	133.7	135.6	Down	-1.4%
PAT	101.2	98.2	Up	3.1%
Cash from operating activities	89.0	145.0	Down	-38.6%
NTA/share	1.79	2.49	Down	-28.1%
Net gearing excluding bailment debt	31.0%	23.3%		

Balance Sheet - Summary

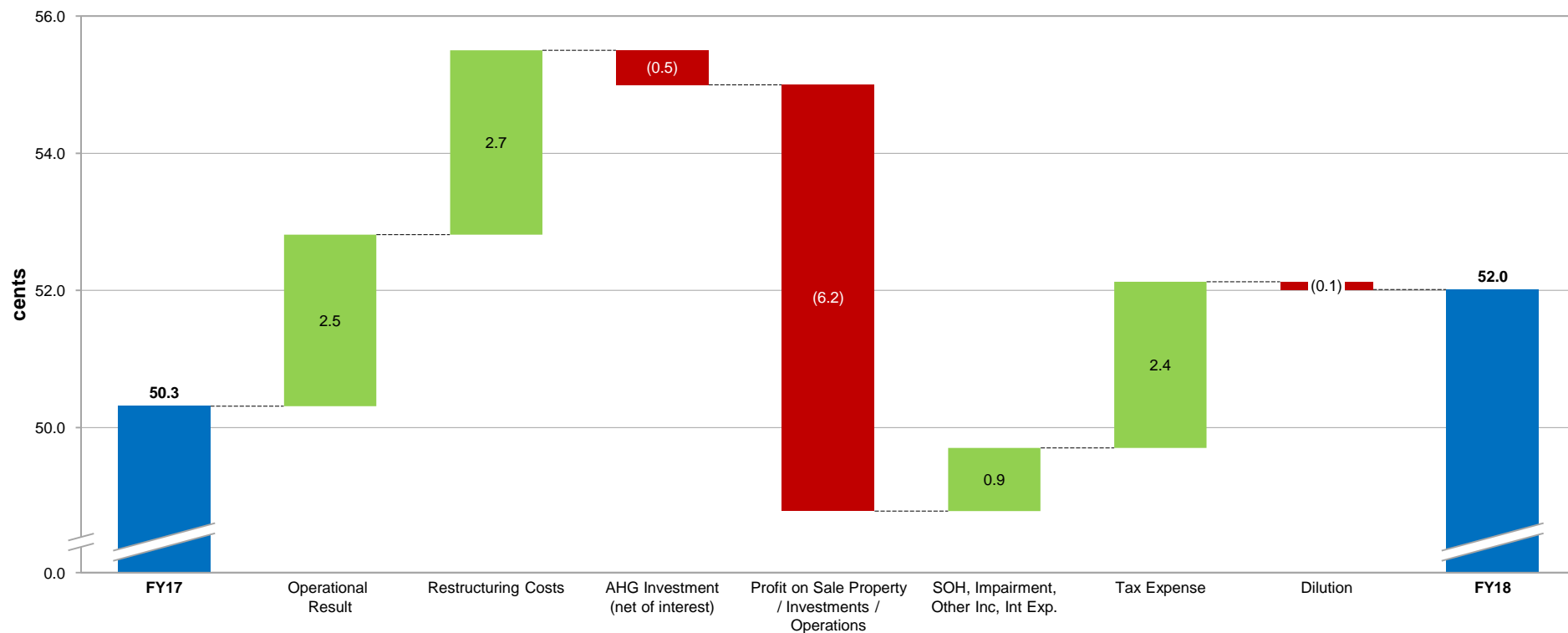
- New vehicle inventory funded by bailment debt
- Parts and majority of used vehicle inventory is balance sheet funded
- Increased investment in AHG to 28.8% (2017: 23.8%), net assets and gearing ratios impacted by lower value of investment, valued at \$149.2m (2017: \$287.4m)
- Substantial property portfolio underwrites the company's financial position
- NTA decreased by 28.1% to \$1.79 per share (2017: \$2.49) due to lower value of AHG investment

	2018 (\$M)
CA - CL (excl. held for sale)	103.8
Freehold Property (incl. held for sale)	331.7
Other Non Current Tangible Assets	84.5
Investments	160.2
Intangible Assets	313.3
Non Current Debt	(312.6)
Other N/C Liabilities (Deferred tax, and provisions)	(24.5)
Net Assets	656.5

Earnings Per Share

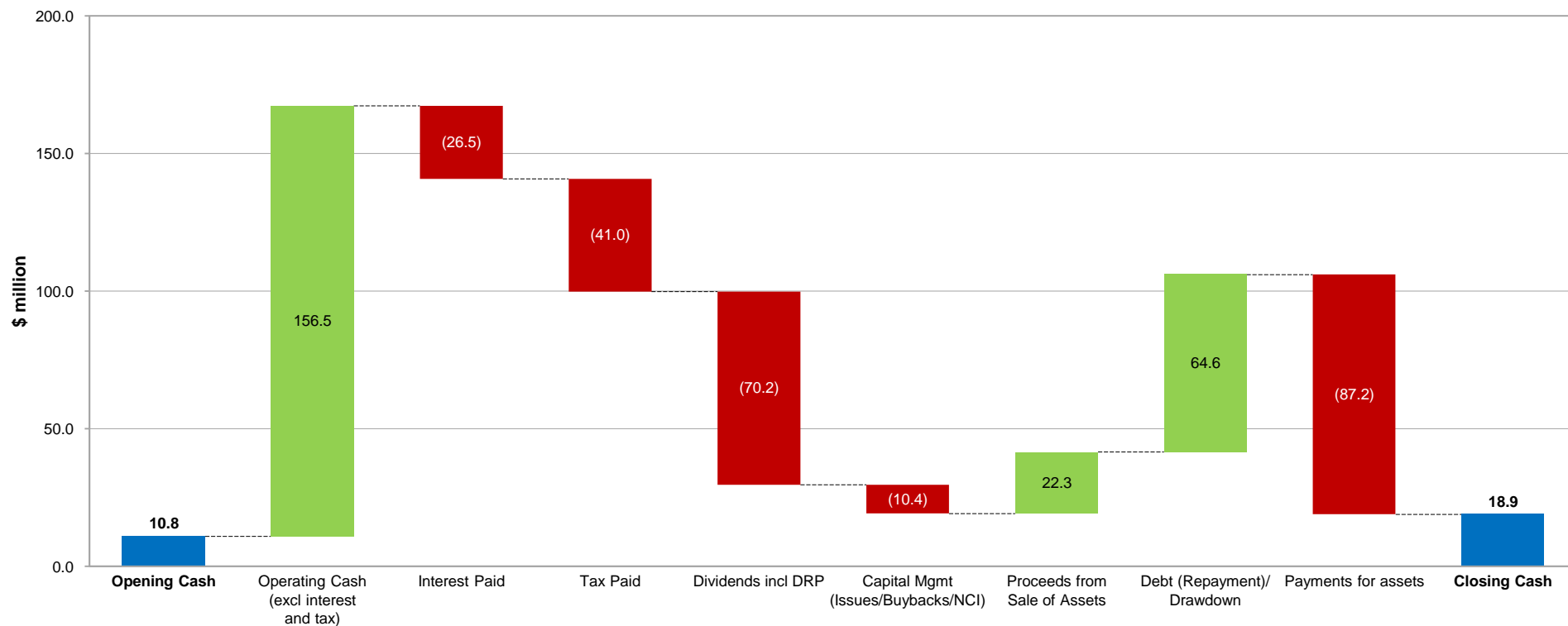
Statutory EPS increased by 3.4% year-on-year

Earnings Per Share

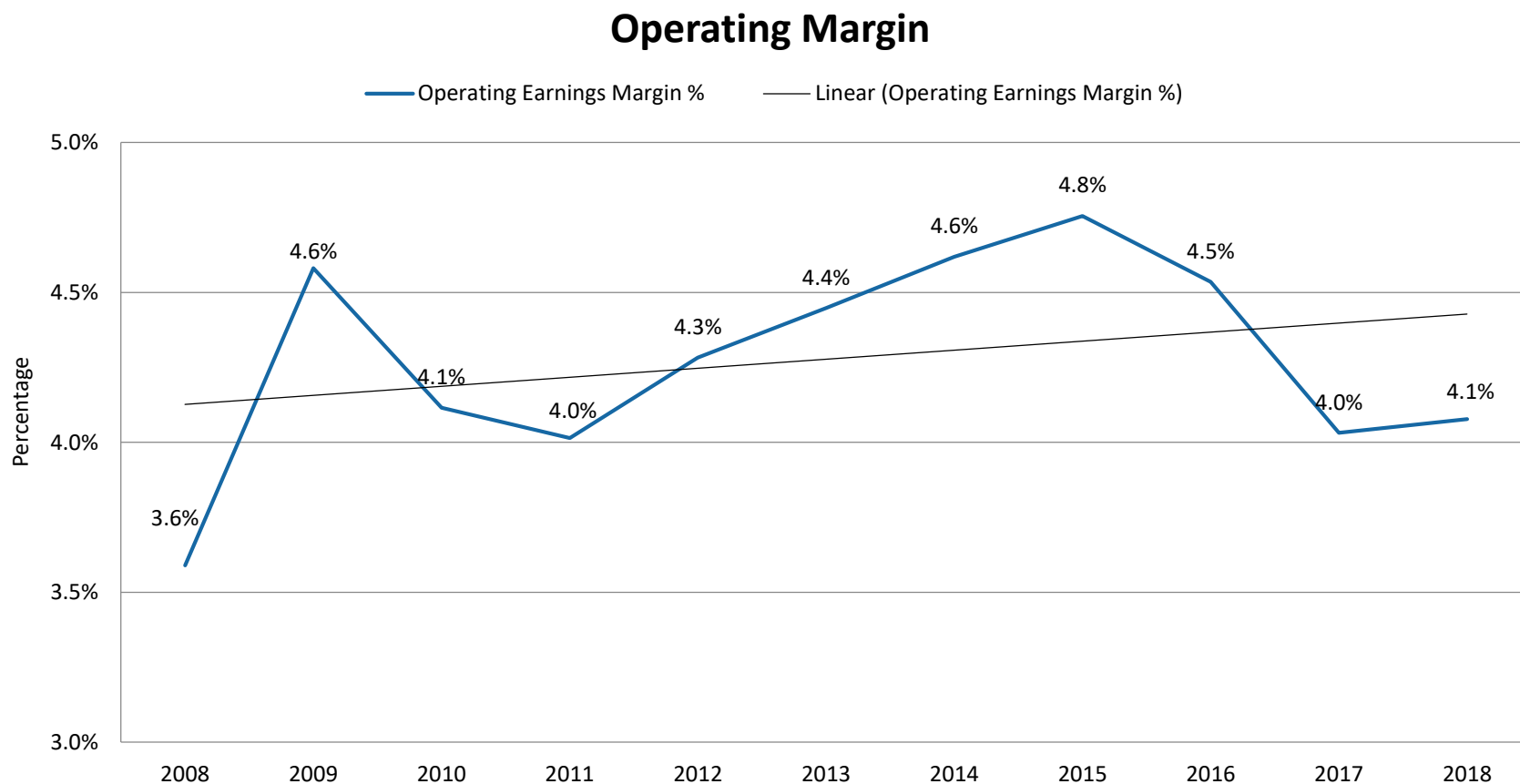


Financial Summary – Cashflow Comparison

Cash Flow Bridge



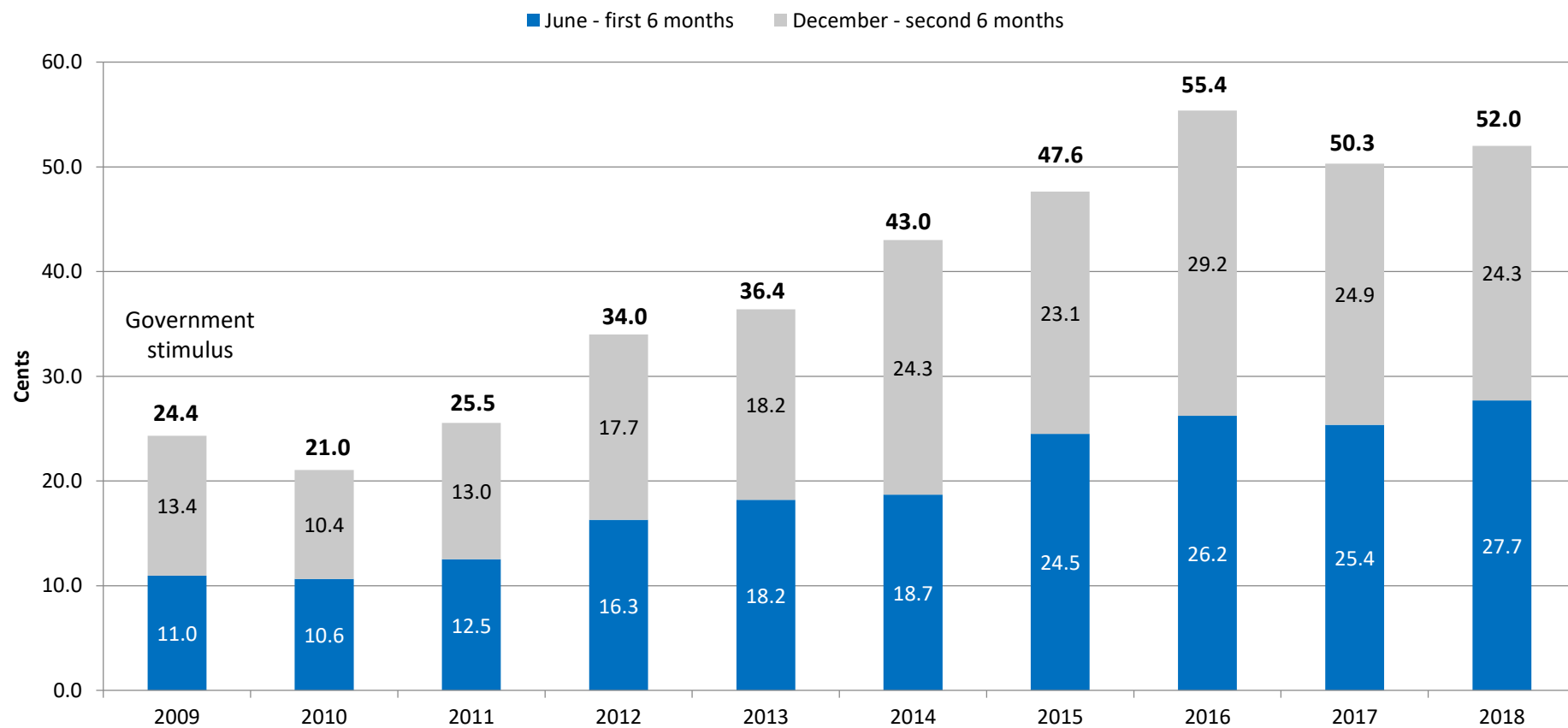
Financial Trends – Operating Margin



* Operating Earnings is EBITDA Underlying excluding profit/loss on sale of assets and from associates. It includes AHG dividend (from 2012).

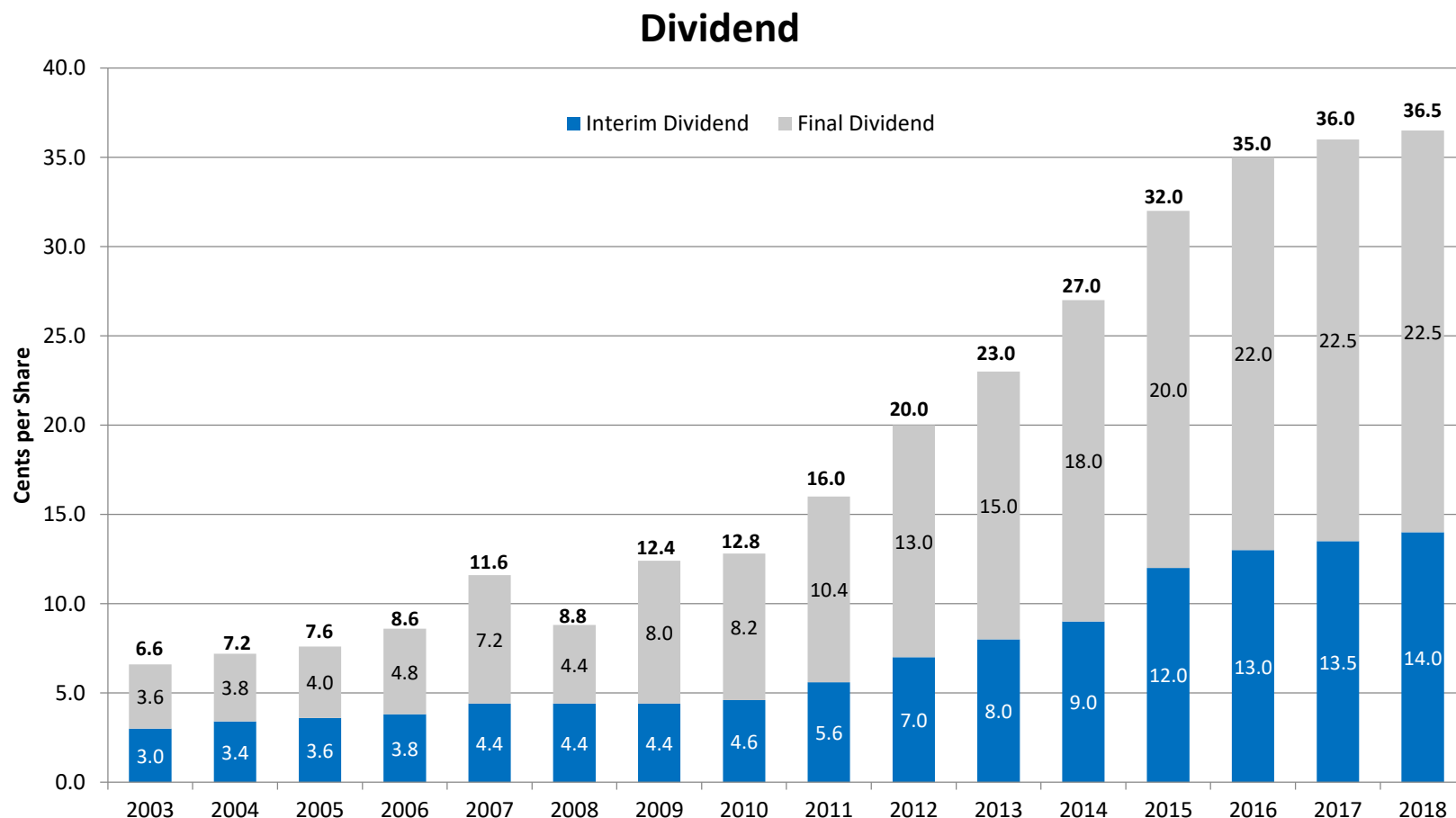
Financial Trends - EPS

EPS Statutory (Basic)



Financial Trends – Dividend

10 consecutive years of dividend growth



Segment Results

Increase in return on net assets reflecting operational improvements

Car retailing

Record results in VIC operations, QLD performed well, SA and TAS stable, challenging market conditions impacted NSW. Strong trading in parts and service

Truck retailing

Record results reflecting management strength, efficient business and favourable market conditions. Strong return on assets

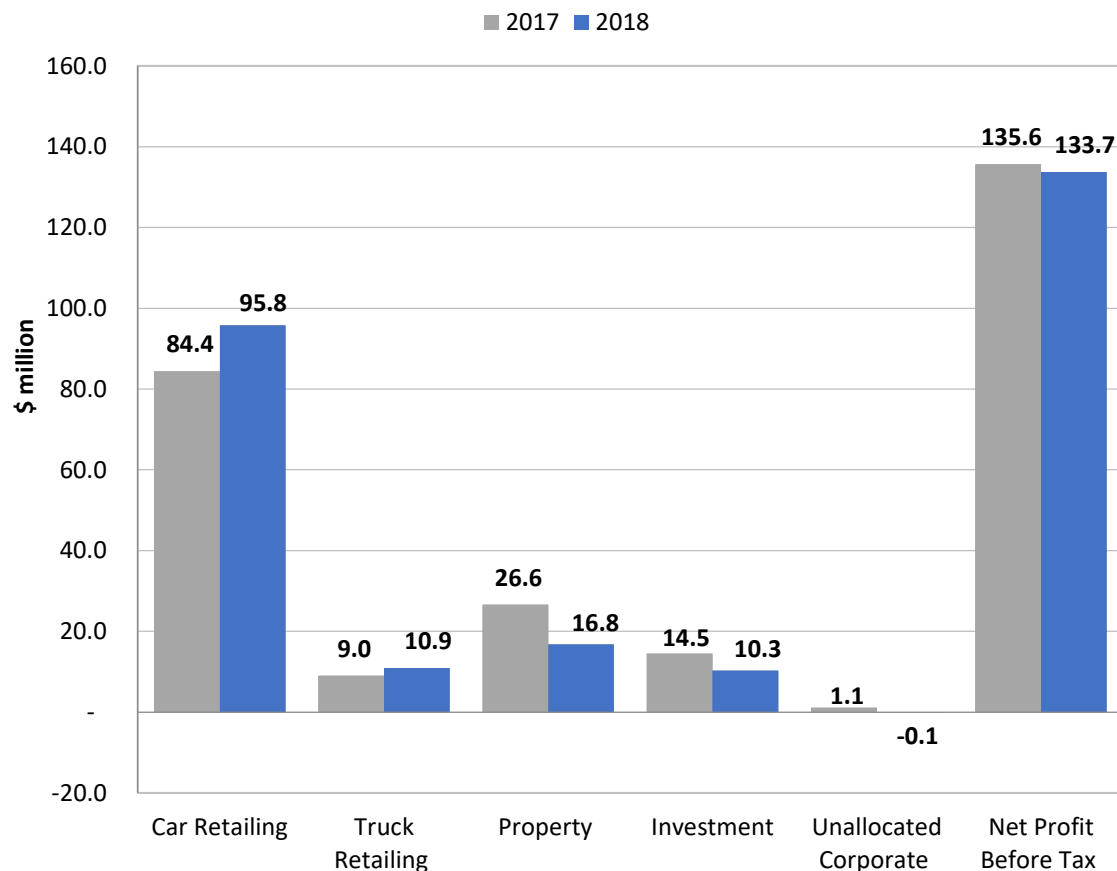
Property

Recorded gain on sales of non-core properties. 2 properties added to the portfolio in 2018

Investment

Dividend income, profit before tax excludes unrealised loss on revaluation of AHG investment

Segment Contributions



Segment Results – Car Retailing

- Segment Underlying profit before tax of \$95.8m (excludes \$0.3m of GST refunds), up from \$89.6m in 2016 (excludes \$5.2m of one-off re-structuring costs)
- Record results for VIC dealership operations, QLD performed well, SA & TAS stable, challenging market conditions impacted NSW
- Increased asset base and increased return on assets reflects improved operating performance

	2018 (\$M)	2017 (\$M)
Revenue	3,670.6	3,661.6
Segment Profit before Tax	95.8	84.4
Total Assets	1,154.0	1,101.9
Total Liabilities	718.9	682.7
Net Assets	435.1	419.2
PBT/Revenue	2.6%	2.3%
RONA (after tax)	15.4%	14.0%

Segment Results – Truck Retailing

- Record results in 2018 reflecting management strength, efficient business and favourable market conditions
- Segment represents 10.4% of revenue and 2.1% of net assets
- Strong performance in all departments including significantly improved results from the new truck division and service division
- Significantly improved return on assets

	2018 (\$M)	2017 (\$M)
Revenue	428.0	381.7
Segment Profit before Tax	10.9	9.0
Total Assets	122.5	102.3
Total Liabilities	108.9	87.3
Net Assets	13.5	15.0
PBT/Revenue	2.6%	2.4%
RONA (after tax)	56.6%	41.9%

Segment Results – Property

- Divestment of 2 properties in 2018 versus 5 properties in 2017, primary driver for lower profit before tax on pcg
- Revaluation gain of \$13.7m, including \$2.4m through the statement of profit or loss
- Acquired 2 new properties in 2018. Commenced redevelopment of Toyota new car showroom at Woolloongabba (QLD) and multi-franchise service centre at Brookvale (NSW).

	2018 (\$M)	2017 (\$M)
Revenue	24.4	27.5
Segment Profit before Tax	16.8	26.6
Revaluation surplus/deficit before tax (through OCI)	11.3	5.4
Total Assets	310.1	322.7
Total Liabilities	159.8	190.0
Net Assets	150.3	132.7
RONA Trading (after tax)	5.0%	5.8%
RONA incl revaluations (after tax)	15.3%	14.8%

Segment Results – Investments

- Substantial asset balance
- Profit before tax excludes unrealised revaluation loss on investments
- Decline in returns due to reduced dividend from AHG investment

	2018 (\$M)	2017 (\$M)
Revenue	13.9	14.5
Segment Profit before Tax	10.3	14.5
Revaluation surplus/deficit before tax	(181.4)	(22.9)
Total Assets	181.1	297.8
Total Liabilities	123.6	78.9
Net Assets	57.5	218.9
RONA Trading (after tax)	15.8%	4.6%

AHG Investment

28.8% strategic investment in Automotive Holdings Group

- **28.8% strategic investment in ASX listed Automotive Holdings Group**
 - 95,632,358 shares owned (28.8%) valued at \$149.2m at \$1.56 (31/12/18)
- **Unrealised revaluation loss of \$181.4m in investment segment**
 - \$1.56 (Dec18) v. \$3.64 (Dec17)
- **Lower valuation impacted NTA and gearing ratios**
- **Increased stake from 23.8% (Dec-17) to 28.8%**
 - 16.66m new shares acquired in 2018 costing \$43.1m
- **Contributed \$13.9m in Fully Franked after tax dividends:**
 - Apr-18: \$7.9m (2017: \$7.2m)
 - Oct-18: \$6.0m (2017: \$7.2m)
 - Total FY18: \$13.9m (2017: \$14.4m)

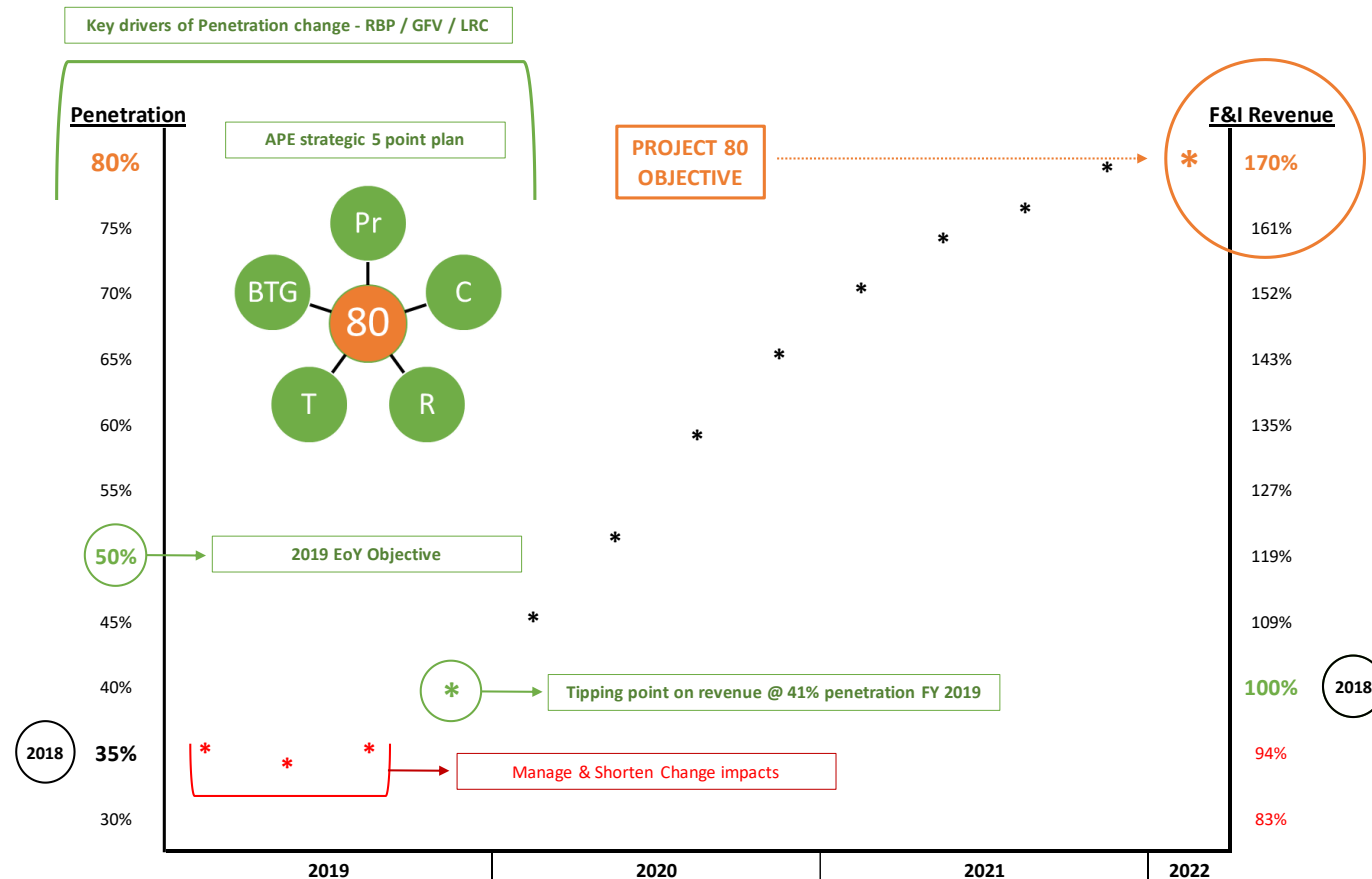
2018 Full Year Highlights – Operational & Strategic

- **New Risk Based Pricing (RBP) financing model implemented and performing well in response regulatory change**
 - Provides highly transparent and ultra-competitive pricing with interest rates tailored to individual customer profiles
 - Early evidence of more competitive rates, increasing volume and penetration, improving margin retention and reducing the need for low rate marketing campaigns
 - Expected to significantly lift finance penetration within Australia with a shift towards the higher penetration rates in the USA and UK of 84% and 89%, over the coming years
 - Flex to RBP impact on income per contract less than originally forecast, reducing the penetration tipping point on breakeven to positive revenue
- **Active and disciplined approach to management of franchise and real estate portfolio**
 - Acquired three new dealerships at attractive multiples and exited three dealerships
 - Realised gains on property sales while increasing property portfolio value to \$331.7m
- **Commenced design phase on automotive retailing and mobility hub at Brisbane Airport**
 - Investment in world-class automotive retailing experience for our customers of the future.
 - Executed agreement for 64,124 sqm of land at Brisbane Airport (BNE) Auto Mall

Industry Risk Based Pricing – Focus on Penetration

Achieving 80% penetration will significantly increase finance income on 2018 LFL vehicle sales

- Penetration rates driven by a combination of RBP arrangements; Guaranteed Future Value (GFV) product development; and continued low rate finance campaigns (LRC)
- Targeting 50% penetration rate by end of 2019
- Implementing strategic plan to achieve long term objective of 80% that will significantly increase finance income on 2018 comparable vehicle sales



Property Portfolio

- **Flexible land buildings portfolio**

– 40 Properties (QLD / NSW / VIC / SA) owned	\$332m (37%)
– 175 Leased Properties nationwide approx. value	\$568m (63%)
– Average lease expiry	2 years 8 months
– (Adjusted to reflect \$ value) Average lease expiry	3 years 3 months

- **AP Eagers well placed for changing environment**

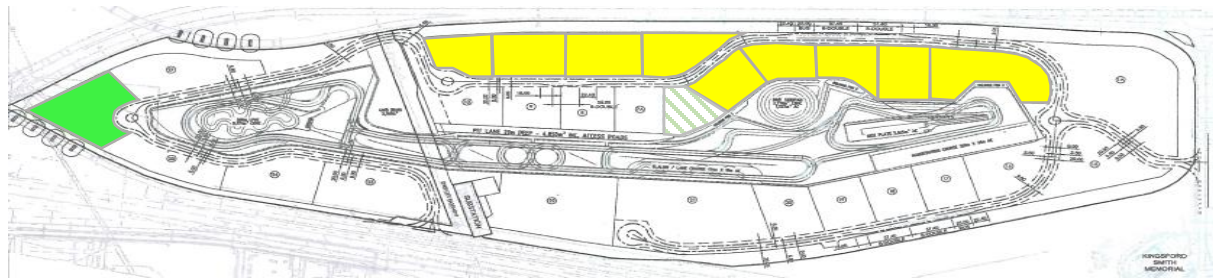
- Automotive retailing will adapt over the coming decades to accommodate a greater proportion of electric vehicles and then eventually more autonomous vehicles
- Along with the industry product changes, the private and business consumer (guest) needs and expectations will continue to evolve
- A flexible property portfolio comprising both owned and leased land and buildings, coupled with experience in shopping centres, ensures AP Eagers is well placed to adjust if automotive retailing requires a different physical presence in 2025 and beyond

- **Continuous growth in value of company owned property**

- Property portfolio valued at \$346m at Jan-19, growing from \$332m at Dec-18 and \$307m at Dec-17
- Acquired a property in Albion (QLD) in Jan-19, a prime location for planned inner city multi-franchise express service centre, capable of holding 50 service bays

BNE Auto Mall, Brisbane Airport

- **Commenced design phase on automotive retailing and mobility hub at Brisbane Airport**
 - Investment in world-class automotive retailing experience for our customers of the future
 - Executed agreement for 64,124 sqm of land at Brisbane Airport (BNE) Auto Mall
 - Key motorway and tunnel access allows easy accessibility to greater Brisbane population



BNE Auto Mall, Brisbane Airport



Newstead Property Portfolio



- Proposed sale & leaseback of Newstead Property portfolio as part of the Company's BNE Auto Mall strategy
- Comprises 2.86 hectares of prime real estate, capitalising on attractive development opportunity

Outlook and Strategy

- Continue to outperform industry: solid foundations, disciplined approach, multi-profit drivers
- Grow EPS from (2016 & 2017) acquisitions inline with historic trends
- Implement new Risk Based Pricing (RBP) finance models from our multiple financiers
- Through superior process, procedures and training excel in RBP penetration
- Complete portfolio adjustments related to underperforming operations
- Continue to redevelop and reorganise our inner City Brisbane facilities to provide improved long term solutions for all stakeholders
- Continue to drive value from existing businesses through process improvements, operating synergies, portfolio management and organic growth
- Take advantage of industry opportunities as **consolidation, restructuring, rationalisation** escalates

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Appendix

A.P. Eagers

COMPANY PROFILE

AP Eagers Today (December 2018)

- **106** year old automotive retail group founded in **1913** (January 2019)
- **62** years as a listed public company – dividend paid every year
- A.P. Eagers owns \$332m of prime real estate
- Represents all **19** of the top **20** selling vehicle brands in Australia and **27** car brands in total along with **10** truck / bus brands
- **4,342** employees **145+** dealership locations in QLD, NT, NSW, VIC, TAS and SA
- 28.8% ownership of Automotive Holdings Group (\$149.2m*)
- 7.8% ownership of Cox Automotive Australia (\$10.5m)

* As at 31 December 2018

AP Eagers Volume Car Brands

Represents the top 10 selling volume car brands in Australia



HOLDEN



HONDA



AP Eagers Luxury* Car Brands

Represents 9 of the top 10 selling luxury car brands in Australia



Mercedes-Benz



Audi



PORSCHE



JAGUAR



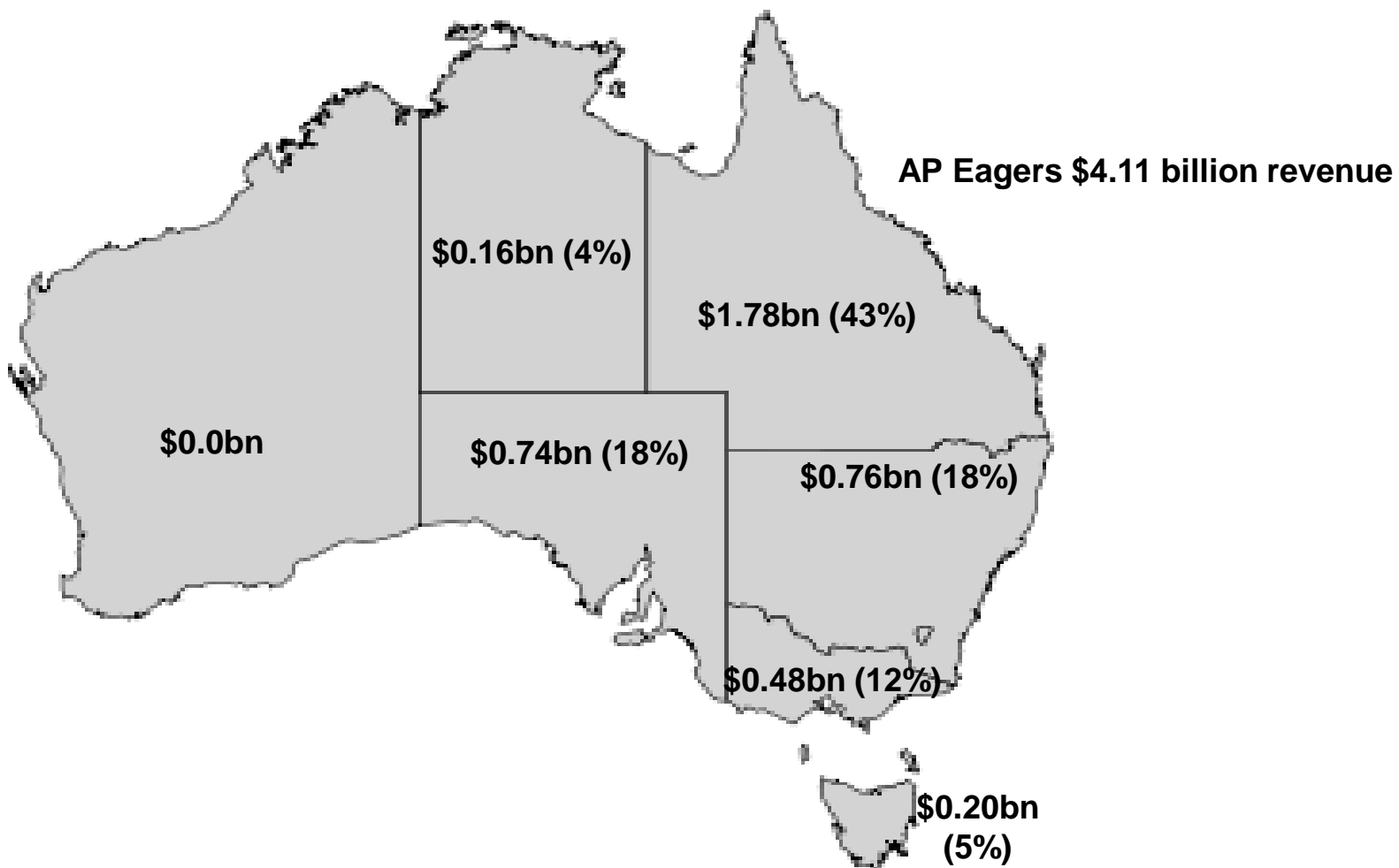
* Luxury is defined as luxury vehicle selling more than 500 units annually (V Facts)

AP Eagers Truck and Bus Brands

Representing 10 truck and bus brands



Revenue by State / % of group Revenue



Income Opportunity Franchised Dealership

NEW CAR SALES: + Accessories + Finance + Insurance + Car Care + Trade-In

USED CAR SALES: + Accessories + Finance + Insurance + Car Care + Trade-In

VEHICLE SERVICE: - Value add products i.e. Tyres, wheel alignments, batteries, wiper blades.

VEHICLE REPAIR: - Warranty (Manufacturer pays) and Non Warranty (Customer pays)

- Internal reconditioning of Used Cars

- PARTS SALES:**
- Internal (Service, warranty repair, non-warranty repair, accessories)
 - External (Retail – dealership direct to customer)
 - External (Wholesale / Trade – large distribution centres deliver to customers)
 - Hard parts (Panel) + Mechanical parts

TARGET BASED INCENTIVES: - Volume, Market Share, Franchise Standards, Customer Satisfaction