



Established 1913
AP EAGERS

AP Eagers H1 2019 Results

29 August 2019

Martin Ward, Chief Executive Officer
Sophie Moore, Chief Financial Officer

Financial highlights

Resilient performance despite challenging market conditions

Underlying Operating Profit
before tax¹

\$56.8m

+1.8% on 1H18

Statutory Profit before tax

\$58.7m

-12.5% on 1H18

Statutory profit after tax
\$42.4m (-17.1% on 1H18)

Strong performance
from Trucks, and Cars in
QLD & TAS

NSW / VIC / SA faced
tough trading conditions

Statutory (basic) EPS of
21.9 cents

-17.0% on 1H18

Fully franked interim
dividend

14 cents per share

Strong Balance Sheet
and Cash Flow Generation

(1) Underlying operating profit before tax means statutory profit before tax adjusted for business acquisition costs, property fair value adjustments, gains on sale of assets, income from both AHG dividends and equity accounted share of AHG profit from May 2019, and the impact of the new lease accounting standard (AASB 16). See AP Eagers Appendix 4D Half Year Report and Commentary for the half year ended 30 June 2019, published on the ASX website on 29 August 2019, for a reconciliation of underlying operating profit before tax to statutory profit before tax.

Strategic highlights

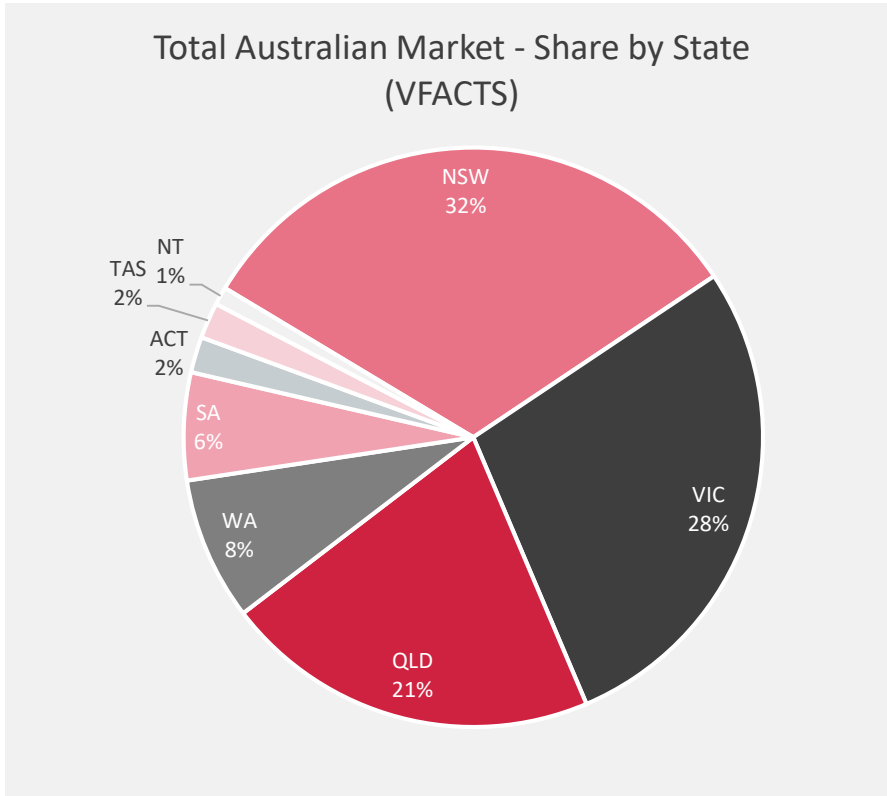
Significant strategic progress – advancing NEXT100 strategy

Strategic progress

- Resilient half year operating performance in spite of challenging market conditions
- Offer for AHG declared unconditional following ACCC merger authorisation
- Parts and service businesses continue to excel, with service delivering record performance
- Acquired Adelaide BMW & MINI, divested two operations, continued active portfolio restructuring
- Executed sale & leaseback of Newstead properties and acquired strategic site in Albion (QLD)
- Advanced design phase of world class 64,124m² automotive retailing and mobility hub at Brisbane Airport Auto Mall
- Transition to new financing model well underway with improvement in penetration evident

National new vehicle market

National new vehicle sales market decline of 8.4%



Total market: 554,466 (1H18: 605,522) – down 8.4%

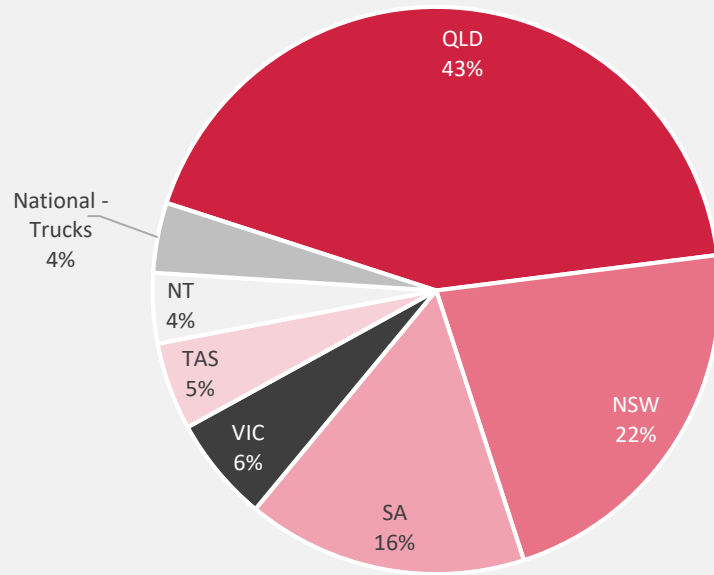
- New vehicle market down 8.4%
- TAS up 2%
- NSW & ACT down 10%; VIC down 9%; QLD down 8%; WA down 7%; NT down 15%
- New vehicle market down 2.8% in July 19 with TAS and WA the only states with growth

Source: VFACTS (as at 30 June 2019)

AP Eagers first half vehicle sales

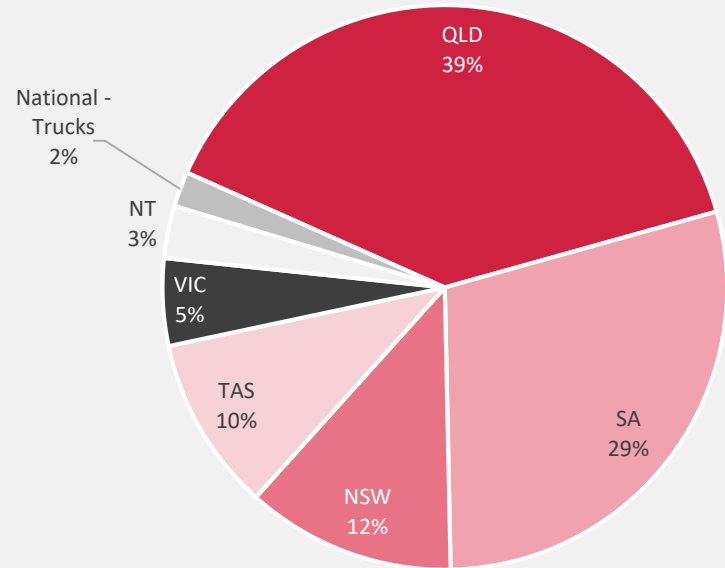
New vehicle sales down 7.3%, APE outperforming national market (-8.4%)

APE New Vehicle Sales – by State



Total 29,104 - 7.3% (5.2% of National Market)

APE Used Retail Vehicle Sales – by State



Total 12,579 +6.5% (est. 1.0% of National Market)

Segment results

Disciplined approach and portfolio management enabled APE to outperform automotive retail sector

Car retailing

QLD and TAS performed well. Challenging market conditions impacted NSW, VIC and SA results. Parts and service businesses continue to excel

Truck retailing

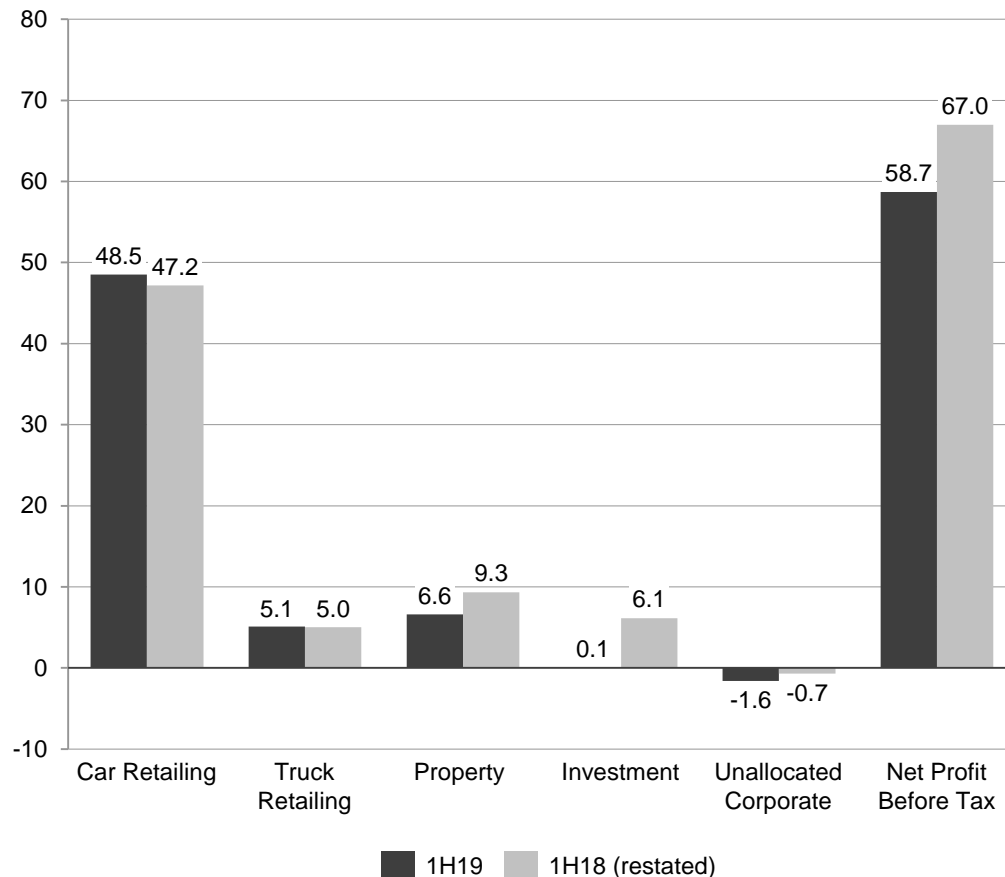
Another record result reflecting management strength and efficient business. Strong return on assets

Property

Recorded gain on sale of non-core property of \$1.2m in 1H19 vs \$3.6m in 1H18

Investment

Equity accounted share of AHG profit of \$4.8m in 1H19, vs dividend income of \$7.8m in 1H18. AHG merger acquisition costs of \$2.9m





GP
EAGERS

Established 1913

H1 2019 Financial Review

Financial summary

Strong underlying operational result achieved despite lower revenues

\$ Million	1H19	1H18 Restated	Change	
Revenue	2,059.0	2,097.5	Down	-1.8%
EBITDA	103.7	109.6	Down	-5.4%
EBIT	81.0	87.1	Down	-7.1%
PBT	58.7	67.0	Down	-12.5%
PAT	42.4	51.1	Down	-17.1%
Underlying operating PBT ⁽¹⁾	56.8	55.8	Up	+1.8%
Cash from operating activities	113.5	98.6	Up	+15.1%
NTA/share	1.99	2.16	Down	-7.9%
Net gearing excluding bailment debt and lease liabilities	22.6%	22.3%	Up	+0.3%

(1) Underlying operating profit before tax means statutory profit before tax adjusted for business acquisition costs, property fair value adjustments, gains on sale of assets, income from both AHG dividends and equity accounted share of AHG profit from May 2019, and the impact of the new lease accounting standard (AASB 16). See AP Eagers Appendix 4D Half Year Report and Commentary for the half year ended 30 June 2019, published on the ASX website on 29 August 2019, for a reconciliation of underlying operating profit before tax to statutory profit before tax.

Balance sheet

Strong balance sheet provides flexibility to pursue growth

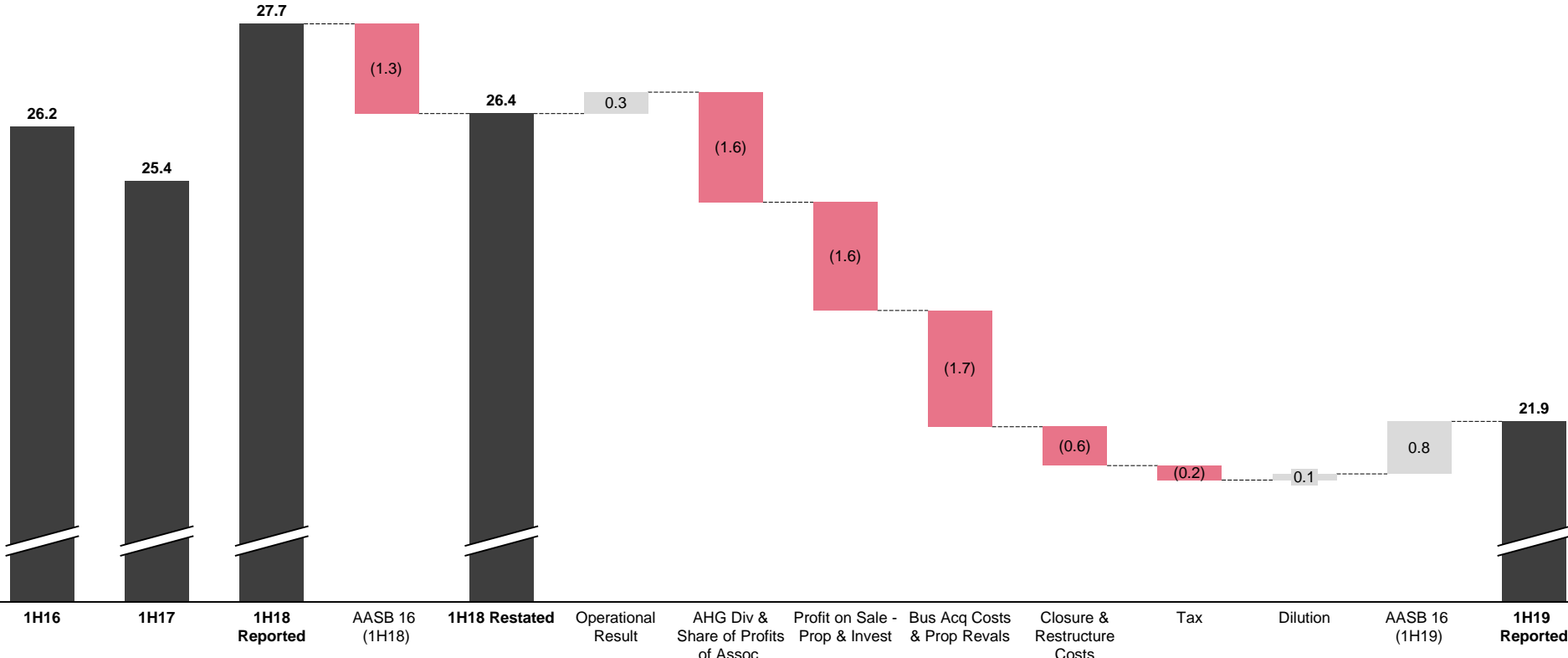
- New vehicle inventory funded by bailment debt. Parts and most used vehicle inventory is balance sheet funded
- Birrell Motors Group contingent consideration of \$19.6m now classified as current liability
- Current tax liability of \$26.5m from sale of Newstead properties
- 28.8% investment in AHG valued at \$234.4m, equity accounted at 30 June 2019. Recognised profit share of \$4.8m for the period 1 May to 30 June 2019
- Substantial property portfolio underwrites the company's financial position
- NTA increased by 18.5% to \$1.99 per share (YE18 restated: \$1.68) due to higher value of AHG investment, offset by impact of IFRS 16

	1H19 (\$M)
CA – CL (excludes assets held for sale & current lease liabilities)	17.8
Freehold Property (includes assets held for sale)	315.8
Other Non Current Tangible Assets	104.1
Investments	245.4
Intangible Assets	319.6
Non Current Debt	(244.0)
Other N/C Liabilities (employee provisions)	(4.8)
Net Assets (pre AASB 16)	753.9
AASB 16 – Right Of Use Assets	215.9
AASB 16 – Lease Liabilities	(270.4)
Net Assets (Reported)	699.4



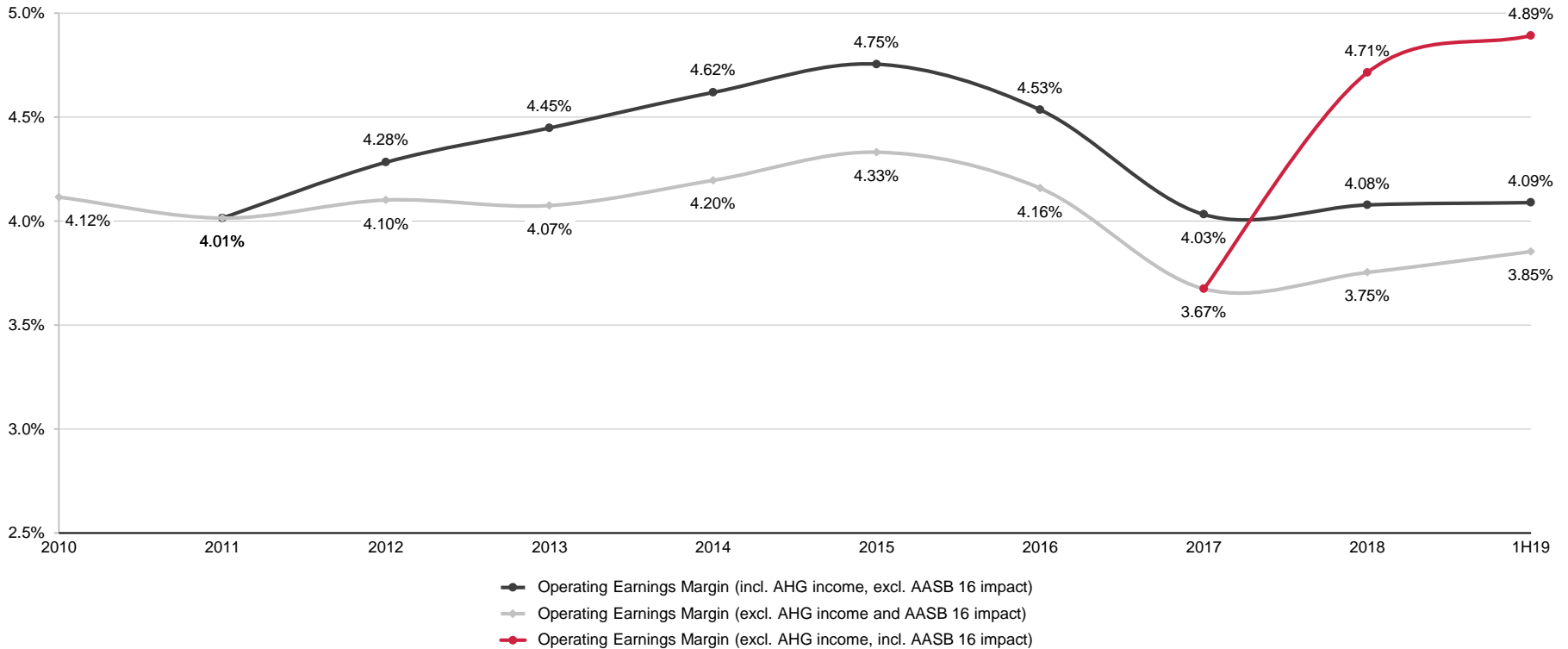
Earnings per share

Positive operating contribution despite challenging market conditions



Operating margin

Operating margin⁽¹⁾ growth, through relentless focus on business optimisation & cost reduction



- Operating Earnings Margin (incl. AHG income, excl. AASB 16 impact)
- Operating Earnings Margin (excl. AHG income and AASB 16 impact)
- Operating Earnings Margin (excl. AHG income, incl. AASB 16 impact)

*Operating margin is calculated as the Group's underlying operating EBITDA divided by total revenue. Underlying EBITDA means underlying operating profit before tax, interest, and depreciation. Operating margin's displayed in table above show the impact on the Group's operating margin of AHG income, and AASB 16.



New lease standard impact

No impact on underlying shareholder value, cash flows or Group's covenants

Lease liability \$270.4m
Right of use asset \$215.9m
Deferred tax asset \$16.3m

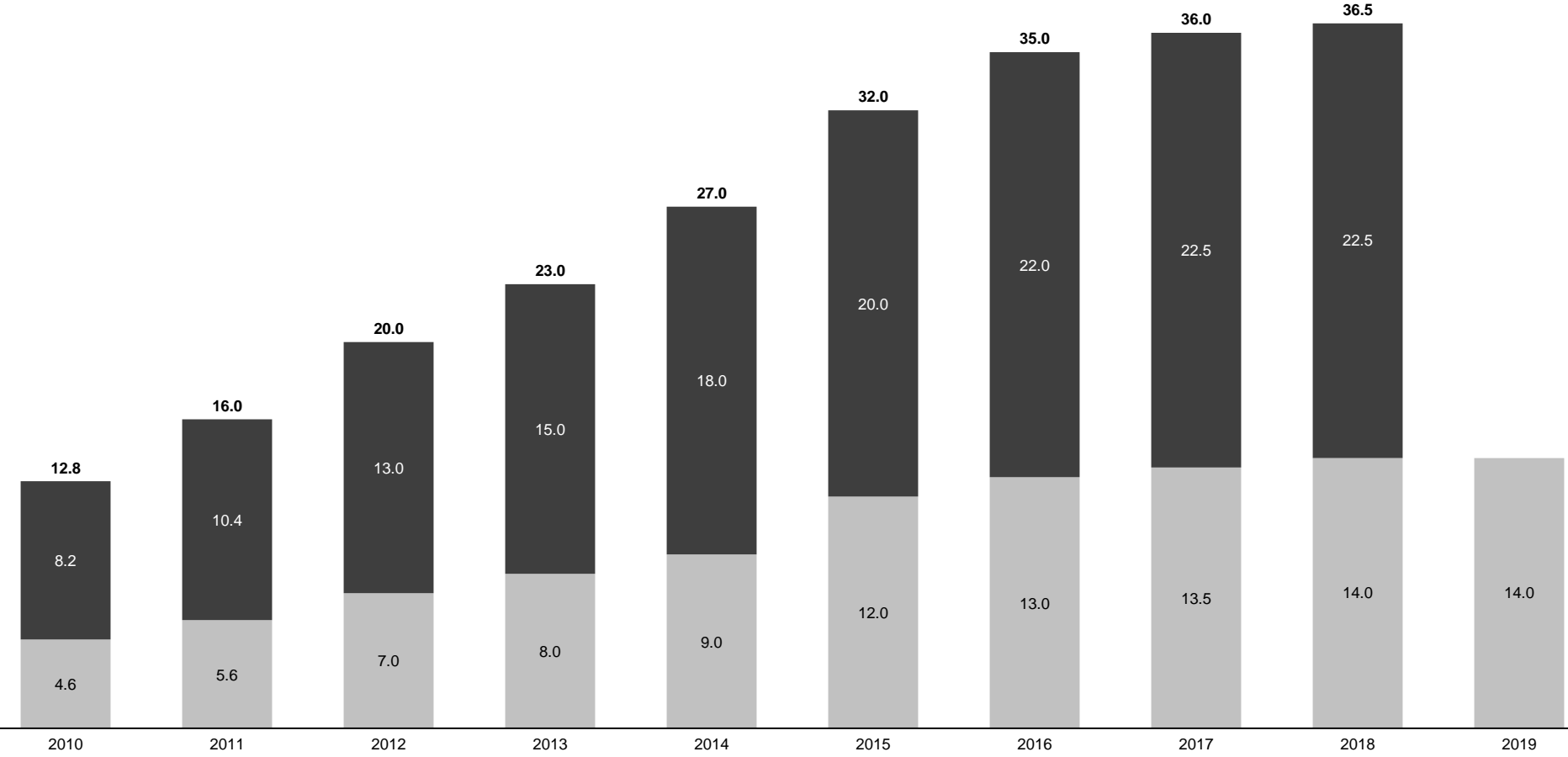
EBITDA up \$21.4m
EBIT up \$5.8m
PBT down \$1.1m

Operating cash inflows up \$20.8m
Financing cash outflows up \$20.8m

- AP Eagers adopted the full retrospective method 1 Jan 2019
 - Prior year financial information restated
- Operating leases recognised on balance sheet as lease liabilities with corresponding right of use asset
- Total gearing increases by 7% to 62.7% 1H 2019 with no impact on financial covenants
- APE is actively managing its lease liabilities and WALE (4.0 years) given market dynamics
- Material increase in EBITDA & EBIT:
 - Remove rental charges: \$20.8m 1H 2019, replace with:
 - Straight-line depreciation of right of use asset: \$15.5m 1H 2019
 - Interest charge on reducing lease liability: \$6.9m 1H 2019
- PBT \$1.1m lower in 1H 2019, reducing EPS by 0.6cps.
- No impact on underlying cash flows
 - Splits rental payments (currently operating cash flows) into operating cash outflows & financing cash outflows

Dividend

Record fully franked interim dividend maintained



■ Final Dividend
■ Interim Dividend





GP
EAGERS

Established 1913

Transaction Update

Merger update

All-scrip offer to acquire all shares in AHG now unconditional

Transaction Overview

- AHG shareholders to receive 1 AP Eagers share for every 3.6 AHG shares owned
- Unanimously recommended by AHG Board of Directors (in the absence of a superior offer)
- ACCC merger authorisation granted subject to Klosters sale undertaking
- Offer to close on 16 September (unless extended)

Merger Benefits

- AHG shareholders who accept before offer closes entitled to receive the AP Eagers' interim dividend of 14.0 cents per share announced today
- Scale and synergy benefits realisable at 100% ownership
- Shared future upside – better placed to meet the needs of our customers and manufacturing partners now and into the future.

Acceptances Momentum

- AP Eagers has a relevant interest in AHG of 71.88%⁽¹⁾
- All AHG Directors have now accepted the offer
- Likelihood of a competing offer is very low

(1) Relevant interest in AHG of 71.88% as of close of 27 August 2019

Merger benefits

Merger to create long term shareholder value

portfolio

Exposure to motor vehicle retailing in all Australian States and Territories (other than the ACT).

brands

229 new car dealership locations in Australia and New Zealand.
68 new truck and bus dealership locations in Australia.
33 Car brands¹ & 12 Truck brands¹.

synergies

Pre-tax synergies of \$13.5m² as identified within the Bidder's Statement.

scale

Larger, more flexible balance sheet.
Scale benefits in relation to key input costs.

expertise

Extensive auto retail experience of the APE board and management.
APE track record of profit, EPS and dividend growth

strategy

APE & AHG shareholders to share in the expected benefits of applying APE's growth strategy to the combined group.

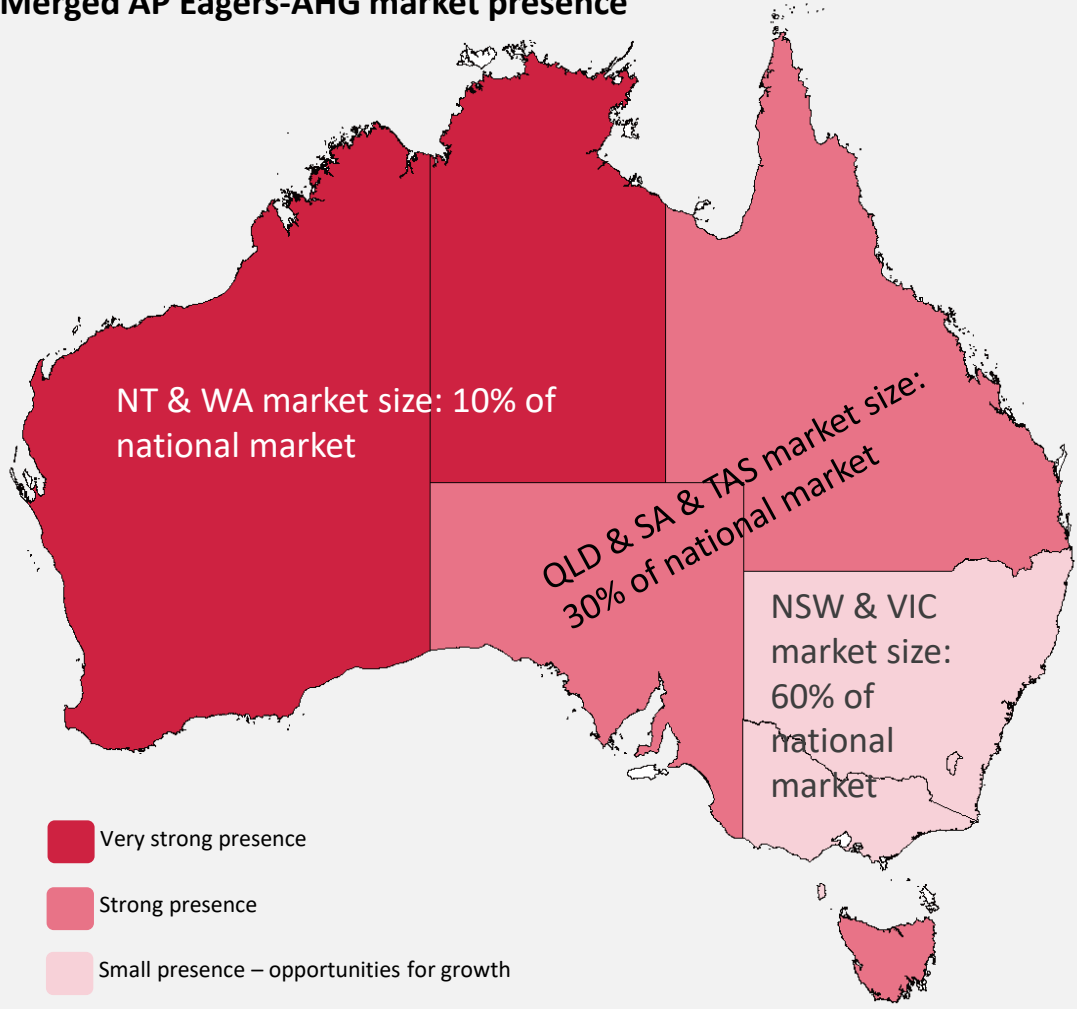
¹ Brands as defined by FCAI, VFACTS National Report – New Vehicle Sales, December 2018

² If 100% ownership is achieved

Scale and Synergies

National footprint, leading market position with significant room to grow

Merged AP Eagers-AHG market presence



Source: VFACTS (as at 30 June 2019)

³ If 100% ownership is achieved

Market Opportunity

- Strong market positions across national footprint with significant growth potential in largest markets
- Small but strategic presence in New Zealand

Synergies³

- \$13.5m identified to be realised within first 6 months
- Additional \$16.5m targeted within 12 months
- Potential for further operational efficiencies following review with all stakeholders

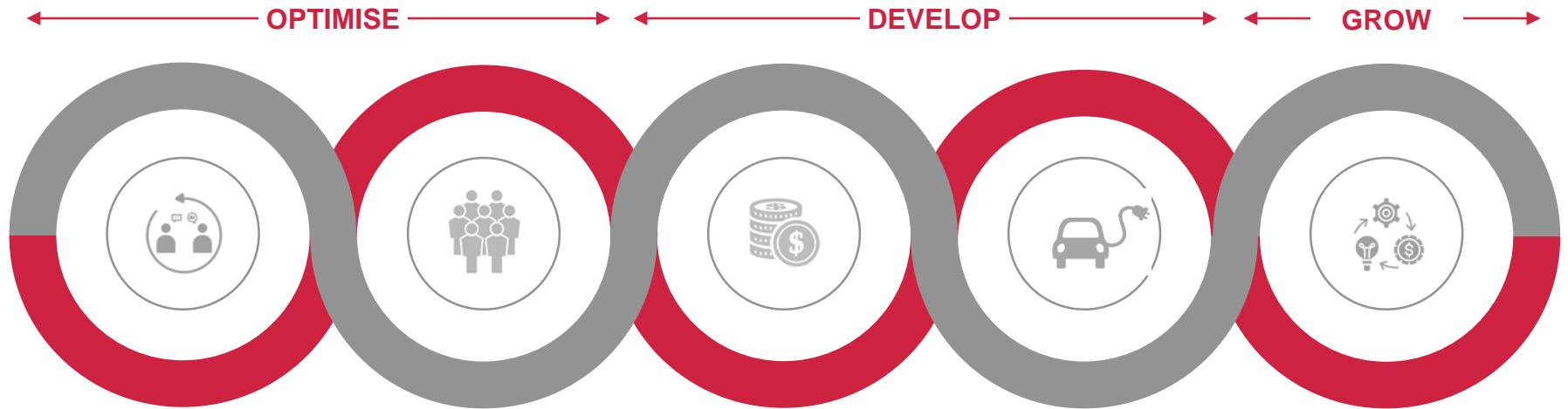


GP
EAGERS Established 1913

Strategy and Outlook

Next100 strategy

providing integrated mobility solutions for the next 100 years



Engage our customers, everywhere

Online. At the airport. In shopping malls. In multi-brand service hubs. At home. At work.

Our flexible owned and leased property portfolio allows us to continue to evolve to fit our customers' lifestyles, circumstances, wants and needs.

Redefine our workforce

Our workforce: re-defined and re-imagined, based on our customers' journey.

This transformation is aimed at delivering an all new and vastly superior customer experience on a more sustainable and productive cost base

Deliver optimised vehicle finance solutions

Capitalise on the unique position our industry occupies in the distribution of motor vehicles, with the aim of becoming the preferred provider of automotive and mobility finance solutions.

Deliver ultra-competitive, highly tailored finance solutions sourced from our extensive funding relationships.

Support innovation

Support our partners to introduce ACE (autonomous, connected and electric) and other emerging product innovations.

Our partners cover circa 95% of the total market for new vehicles in Australia and are at the forefront of design, performance and innovation.

Reinvest with discipline

Disciplined use of shareholder funds combined with rigorous review of existing and new operations to support an unrelenting focus on long term wealth creation.

Utilise balance sheet strength to capitalise on evolving and emerging market trends.

EXCEED STAKEHOLDER EXPECTATIONS

Customers. Employees. Partners. Shareholders. Community.

Engage our customers, everywhere

Leveraging our large and flexible portfolio of owned and leased properties

Newstead property portfolio sale delivered substantial returns

- 4 properties sold as part of Auto Mall strategy
- To deliver \$50.1m net deferred gains, recognised over 7-year term of the leaseback (\$7.1m per year) as lower depreciation charges on right of use asset

Progressed design phase of the major new automotive retailing and mobility hub at Brisbane Airport

- Strategically located within new BNE Auto Mall project across 64,124m² site
- Design competition in final stages

Dedicated inner-city service and shopping centre auto mall concepts in final design stages

- Expected to be operational in mid 2020

Acquired strategic site in Albion, Queensland

- Site to host planned multi-franchise service centre



Redefine our workforce

A superior customer experience on a lower cost base

Company-wide transformation program Business Transformation Group (BTG) well advanced

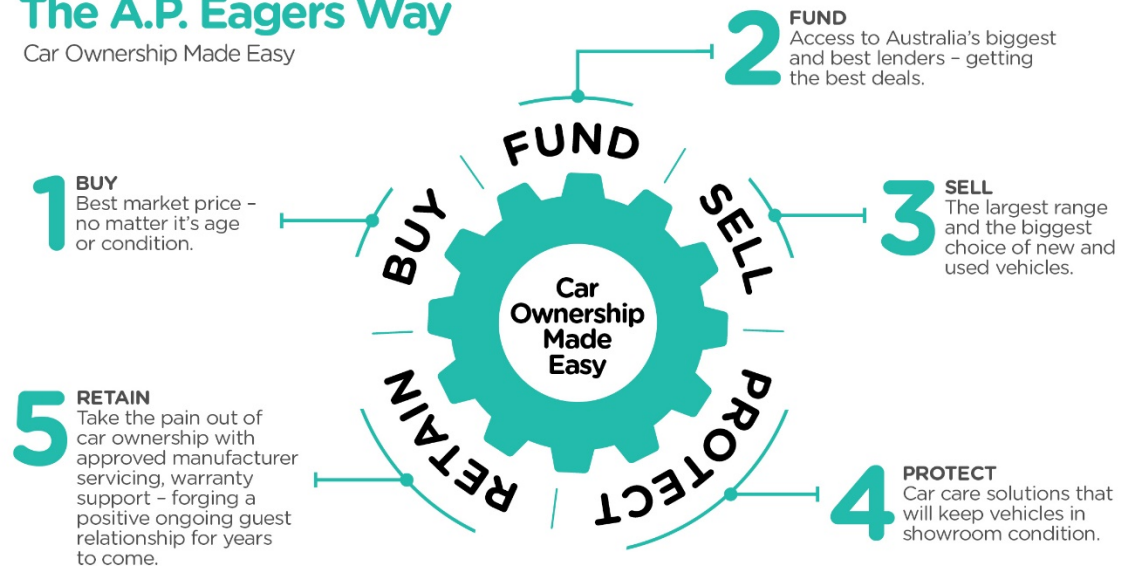
- Creating better customer and employee outcomes, driving key income objectives on a lower cost base
- Re-design of traditional structure, roles & cost base of dealership to be more responsive to evolving customer needs

Headcount reduction to right size the business for current market conditions

- Executed without compromising income producing activities or customer satisfaction
- Rebalance will maintain AP Eagers competitive advantage in the current marketplace and will also offset input price pressures

The A.P. Eagers Way

Car Ownership Made Easy



Buy, Fund, Sell, Protect and Retain

- Redefining our sales process and remuneration model based on the customer preferred journey – aimed at producing better income generating opportunities
- Implementing enhanced finance quoting tools and digital automation of risk-based pricing resulting in better engagement with and outcomes for customers
- Piloting an innovative POD structure that redesigns the showroom structure aimed to ultimately deliver enhanced customer experience at a lower and more sustainable cost base



Established 1913
AP EAGERS

Deliver the best deals in vehicle finance

Ultra-competitive, tailored finance deals from funding relationships

New financing model producing good outcomes and expected to incrementally lift penetration rates toward long term 80% target

- Current lending environment challenging
- Early results validating strategy

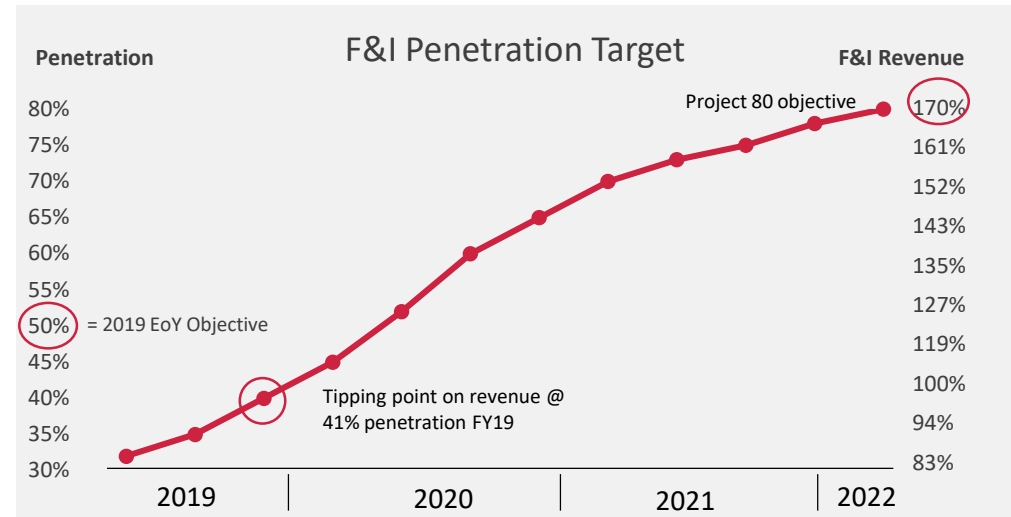
AP Eagers developing and implementing a range of product offerings to suit all customer/borrower types

- Risk Based Pricing
- Guaranteed Future Value
- Modus, AP Eagers financier panel

Exploring alternative finance models and emerging opportunities to support income growth

- Subscription or fractional ownership models
- Potential JV arrangements

Market conditions and execution delays have pushed 50% objective into 2020



Support innovation

An autonomous, connected and electric vehicle future

Carzoos used car model trading on a solid basis, in line with expectations

- Transitioning more traditional AP Eagers used car operations into the model
- Third store to open in in south-east Queensland in 2020
- Effective incubator for R&D, underpinning innovations for wider group roll-out

Continuing to support OEM partners as they invest in electric vehicles and new technology

- Lead the way for EV retailing across Australia
- Advocating for demand incentives to drive EV adoption rather than regulating supply

Labor puts car emissions plan in reverse gear

Simon Evans

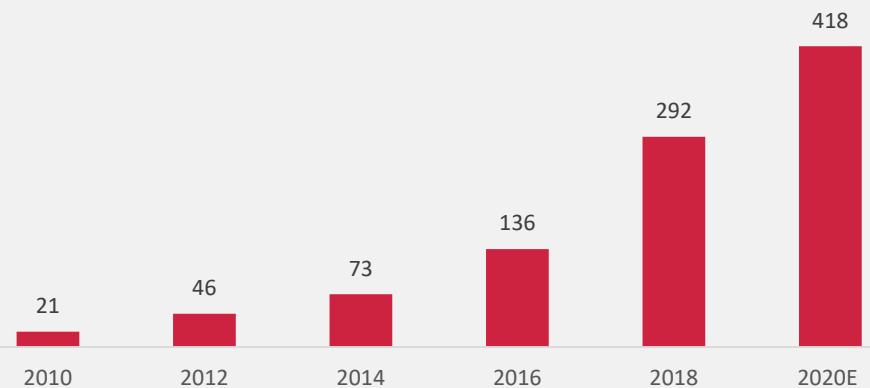
The Labor Party has backflipped on part of its "cleaner transport" policy after 48 hours of anger from car dealers that would have been forced to meet an emissions quota effectively restricting the sale of too many higher-polluting vehicles.

Labor's spokesman for climate

ALP electric dreams a nightmare for dealers



Number of Electrical Vehicles Models Available Globally¹



¹ BNEV EV Data Hub, incl. BEVs and PHEVs, model tally at year end

Reinvest with discipline

Capitalising on rationalisation and consolidation opportunities

Executed acquisition of Adelaide BMW MINI

- Sole BMW, MINI and Alpina dealer in South Australia
- Acquired at an attractive price reflecting current industry environment

\$122 million of executed assets sales during the last six months, \$61 million cash realised by June 2019 and a further \$61 million in August

- Capital to be redeployed to deliver accretive business acquisitions and to reduce leverage
- Additional cash to be realised from sale of Klosters Motor Group

Continue to be disciplined with shareholder funds, investing for long term value creation.

- Aligned with consumer mobility wants and needs and creating incremental shareholder value
- Refurbishment of Southside Toyota new car showroom and Buckles Group VW & Toyota service centre



Outlook

Emerging stronger from the current market conditions

- AP Eagers has a **HIGH QUALITY ASSET BASE** that ensures the company is well positioned to withstand the current trading conditions
- With the **BUSINESS TRANSFORMATION AND ONGOING IMPROVEMENT INITIATIVES WELL ADVANCED**, we are confident of emerging from the current cycle with even stronger foundations to pursue growth

- Focused on **DRIVING VALUE FROM OUR EXISTING BUSINESS** through process improvement, operating synergies, portfolio management and organic growth opportunities
- While our **STRATEGY** is **NOT RELIANT ON ANY IMPROVEMENT IN EXTERNAL MARKET ENVIRONMENT**, any improvement in conditions would accelerate our growth trajectory

- The **MERGER** of **AHG** and **AP EAGERS** will create Australia's leading automotive group with **GREATER SCALE, GEOGRAPHICAL DIVERSIFICATION** and an **ENHANCED BRAND PORTFOLIO**
- Focused on realising **\$30M IN SYNERGIES** over the next 12 months if **100% ownership** is secured



GP
EAGERS

Established 1913

Q&A

Disclaimer

The information in this document (information) does not contain all information necessary for investment decisions, is not intended to be an offer, invitation or recommendation with respect to shares, is not financial product advice, and is intended to be general background information on A.P. Eagers Limited (APE).

Investors should consult with their own professional advisers.

No representation or warranty is made as to the accuracy, adequacy, reliability or completeness of the information.

This document does not, and should not be relied upon as, a promise, representation, warranty or guarantee as to the future performance of APE.

This document may contain forward-looking statements, forecasts and estimates (forward-looking statements), including anticipated future performance of APE and the market in which it operates.

Forward-looking statements are based on certain key expectations and assumptions of known and unknown risks, uncertainties and other factors, which are deemed reasonable when made but may or may not prove correct. Actual events are difficult to predict and may depend upon factors beyond APE's control. Therefore, actual results may turn out to be materially different from any future results, performance or achievements express or implied by the forward-looking statements.

Forward-looking statements only speak as of the date of this document and no representations are made as to the accuracy or fairness of such forward-looking statements. APE disclaims any obligation to update any forward-looking statements, to reflect any change in APE's expectations with regard thereto, or any change in events, conditions or circumstances on which the statements are based.

Non-IFRS information

APE's results are reported under International Financial Reporting Standards (IFRS). However, APE also uses certain measures to manage and report on its business that are not recognised under Australian Accounting Standards or IFRS. These measures are collectively referred to in this presentation as 'non-IFRS financial measures' under Regulatory Guide 230 'Disclosing non-IFRS financial information' published by ASIC. Management uses these non-IFRS financial measures to evaluate the performance and profitability of the overall business and APE believes that they are useful for investors to understand APE's financial condition and results of operations. The principal non-IFRS financial measure that is referred to in this presentation are Underlying Operating Profit Before Tax and Operating Earnings. Management uses these and other measures to evaluate the underlying performance of APE. Unless otherwise specified, non-IFRS financial measures have not been subject to audit or review in accordance with Australian Accounting Standards. A reconciliation of Underlying Operating Profit Before Tax to IFRS financial information is included in page 2 of the Appendix 4D Half Year Report and Commentary for the half year ended 30 June 2019, published on the ASX website on 29 August 2019.