29 July 2020

Company Announcements Office
ASX Limited

Annual General Meeting – Chairman's and CEO's addresses

Please find **attached** the Chairman's and CEO's addresses for today's Annual General Meeting.

ENDS

For more information: Denis Stark
Company Secretary
(07) 3608 7100
www.apeagers.com.au

This announcement is authorised for release by the Chairman.

A.P. EAGERS LIMITED
ABN 87 009 680 013

Registered Office
5 Edmund Street, Newstead QLD 4006
P.O. Box 199, Fortitude Valley QLD 4006
T (07) 3608 7100 **F** (07) 3608 7111
E corporate@apeagers.com.au

Chairman's Address

Annual General Meeting

Wednesday 29 July 2020

Shareholders

First of all, may I thank you for your patience with what has been an unusual AGM process.

Our merger with Automotive Holdings Group was completed in October 2019 and our AGM would normally have been held in May 2020 at which time we would review the 2019 Financial Year that ended 31 December 2019.

The world is at a challenging juncture – there's no part of our lives or businesses that hasn't been touched by this COVID-19 pandemic – and the delayed timing and online format of this AGM is certainly no exception.

I will make some brief comments regarding the 2019 year and after my comments, our CEO and Managing Director, Martin Ward will provide an overview on the operating performance for 2019. We recognise a significant period of time has passed since our statutory results were announced in February 2020 and Martin will further comment on the way forward.

For the year ended 31 December 2019, the group recorded a Statutory Loss After Tax of $80.5 million. As a consequence of our transformational merger with Automotive Holdings Group, our statutory loss included a non-cash impairment to goodwill and assets of approximately $245 million after tax – the result of acquisition accounting, as well as one-off transaction costs and the impact of restructuring activities.

Underlying Operating Profit Before Tax was $100.4 million. A credible performance in challenging market conditions.

That the integration of AP Eagers and AHG has taken place so seamlessly – especially in an environment as strained as the current one – is a credit to both our management team and wider workforce.

Subject to shareholder approval today, we will change our name to Eagers Automotive Limited: a new badge for a company with a proud history looking boldly towards the future.

While the Board and management are always thinking of the long term, we have been intensely focused in recent months on the "now" in response to the immense challenges presented by COVID-19.

Consistent with our cautious approach, in March, we took the prudent step of halving the final dividend and an across-the-board reduction in remuneration for both directors and senior executives.

Your Non-Executive Directors agreed to forego their full board fees and Martin Ward halved his own remuneration package to assist the company preserve liquidity.

In this period of uncertainty, the Board and senior management of AP Eagers believe the most prudent course of action is to preserve cash until there is greater clarity around the broader economic outlook. As at 30 June 2020, our balance sheet is in good shape and we have been able to reduce our corporate borrowings by approximately $100 million. Further, Martin will comment on our liquidity position in his address.

I'd like to take this opportunity to acknowledge the support throughout this challenging time of all our stakeholders – but most especially our people who allow AP Eagers to function at the high-level it does.

Often hardship can bring out the best in people and I am proud to say the challenges we have faced this year as a company have not only revealed our people to be of the finest calibre, but they have also galvanised as a unit to tackle whatever the remainder of the year has in store and equip us to pursue our 'Next 100' strategy.

At the end of the day, a company is only as good as its people and I want to take this opportunity to acknowledge the leadership of CEO, Martin Ward, his executive team and indeed our entire workforce – all 8,200 of whom come to work each day and strive to make the business better and the customer experience superior.

I would also like to thank my fellow Directors for their continued dedication and contributions. Their experience, guidance and invaluable industry knowledge have served all shareholders well especially during this difficult period.

Finally, a vote of thanks to you, our shareholders for your continued support and investment in our company.

I would now like to hand over to Martin.

Thank you

Tim Crommelin
Chairman

CEO's Address

Annual General Meeting

Wednesday 29 July 2020

Thank you, Chairman.

Good morning shareholders and thank you for your interest in AP Eagers' Annual General Meeting – our first AGM since the completion of our merger with Automotive Holdings Group and our first virtual AGM in the company's long history.

It's certainly a new experience for all of us. And much like the last six months, it reflects the unusual times we find ourselves in.

I will briefly address the FY19 performance which ended in December 2019 as that is the formal reason for the AGM. I would then like to update you on the company's ongoing response to the COVID-19 pandemic.

I will conclude with some commentary on our future focus and outlook, noting our numbers for the first half of FY2020 are currently undergoing audit review and will be presented to the market on 26 August.

FY19 Performance

Beginning with the FY2019 financial performance – and while I appreciate that it feels like a distant memory, particularly in the context of COVID-19, it was a truly transformational year for AP Eagers.

The major strategic initiatives we embarked upon last financial year have provided us with much stronger foundations to withstand not only the immediate challenges of the unforeseen pandemic but also the significant structural and cyclical challenges that we did see coming.

The landmark event of 2019 was the successful completion of our merger with AHG to create a leading, national automotive group, with a foothold in New Zealand.

Our rationale for bringing these two businesses together was clear: the industry is undergoing significant structural change and a national business of scale will be better placed to compete and invest as the market continues to rationalise.

While the statutory financial outcomes for the full year 2019 painted a complex picture – reflecting one-off transaction costs, restructuring activities and the accounting treatment of our all-scrip takeover of AHG – the overall financial health of the business remains strong.

On an annualised basis, consolidated revenue from continuing operations was $9.2 billion demonstrating our enhanced scale post acquisition.

Despite challenging market conditions, with the overall national new vehicle market declining by 7.8%, the Group was able to deliver a resilient performance to record Underlying Operating Profit Before Tax of $100.4 million[i], a decrease of 3% on the prior period.

Importantly, the integration of the AHG business and associated synergy targets has run smoothly with the merged Group united behind the strategy and vision.

Given almost seven months have passed since FY19's year end, I don't intend to cover the FY19 performance in any further detail, however I will be more than happy to take questions at the conclusion.

Instead, I suspect shareholders are more interested in understanding how the business has responded to the unprecedented health and economic crisis we have all endured in 2020 - which is what I would like to focus on now.

Response to COVID-19

Like many sectors, the impact of the COVID-19 pandemic has been significant on the automotive retail industry. However, your Board and management team have responded quickly, and in many circumstances, pre-emptively, to right size our operations, preserve cash and optimise liquidity in order to ensure we can navigate its duration.

The Board and leadership team recognise that the success of our organisation greatly depends on our people who have met the challenges of this crisis head-on ensuring our dealerships remained operational so that we could continue to support our customers, while keeping everybody safe.

In response to the sudden impact of the crisis and escalation of Government restrictions in March, we made the necessary but very difficult decision to reduce our headcount which in turn reduced our fixed monthly cost base by approximately $6 million.

Through access to the Federal Government's JobKeeper program and a temporary rostering arrangement, which was adapted regularly to reflect activity levels across our dealerships, the company has been able to retain as much of its workforce as possible through the crisis.

Whilst there have been challenges, we commend the Federal Government on the JobKeeper initiative which has provided much needed support to our workforce, saved many jobs, and has kept us connected with our employees helping to support a faster recovery. Additionally, through the JobKeeper program, the company has been able to rehire 165 employees who left the Company during the initial phase.

We thank the State and Territory Governments for the support they have provided to businesses, including AP Eagers, over the past few months.

We have also asked a lot of our of external stakeholder partners during the crisis and their willingness to support has been extremely gratifying.

The implementation of a number of operational initiatives and other cash management strategies have helped to fortify liquidity and further strengthen the Group's balance sheet position, ensuring the Company can navigate through the current crisis and is well placed to manage the impacts of localised or regional outbreaks or the re-escalation in government restrictions.

Despite the highly volatile economic environment, we were able to complete the sale of AHG's Refrigerated Logistics business to Anchorage Capital Partners on 30 June. This is consistent with our objective of divesting RL as soon as commercially possible at a reasonable price and enables the group to focus on its core automotive retail business.

Strategy and Outlook

Notwithstanding the external environment, the Group remains firmly focused on our Next100 Strategy which is aimed at delivering a superior customer experience from a more sustainable and productive cost base.

In fact, the optimisation of our existing business has accelerated out of necessity due to the impacts of COVID-19 with the team working hard to deliver a significant permanent cost reduction of approximately $78 million per annum, all achieved within the last three months.

Our First Half results for the period ended 30 June 2020 will be formally released after audit review on the 26th of August. Considering the challenging economic conditions, it is difficult to give a simple statement at today's AGM on our half year results.

The Board, however, is confident that our Underlying Profit from Continuing Operations, whilst still subject to audit review, is unlikely to change.

We expect an underlying operating profit from continuing operations[ii] of $40.3 million, which represents a 23.6% decline from the prior corresponding period.

The Board believes this to be a resilient operating performance particularly as the first quarter was tracking above last year and all of the decline was experienced during April and May – the peak impact of COVID-19 restrictions up to this point. Importantly those challenging months were followed by a rebound in June, supported by an opening of the economy and confidence in the Government stimulus measures.

AP Eagers is now in a very strong financial position with a substantial property portfolio and asset base underpinning the company's financial position, together with $633.9[iii] million of available liquidity at 30 June 2020. This liquidity position includes available cash and undrawn commitments under our Corporate Debt Facilities and Captive Financier Working capital support.

Corporate debt[iv] net of cash decreased to $7.6 million as at 30 June 2020, down from $315.8 million at 31 December 2019.

This strong financial position provides us with a significant liquidity buffer to withstand any long-term impacts of COVID-19 and also provides us with the flexibility to pursue new opportunities that we expect to arise in a challenging market.

In this vein, we remain focused on leveraging the current market conditions which are a catalyst to accelerate our Next100 strategy.

Central to the strategy is the proactive restructure of our operations to focus on our core business, driving our performance specifically in both used cars and finance while re-designing our cost base to be more productive, highly customer focused and ensuring our relevance for the long term.

A prime physical example of the Next100 strategy in execution is our omni-channel strategy in Brisbane that includes our cornerstone position in the globally unique Auto Mall at Brisbane Airport, the multi branded service centre at the ex-Bunnings site in Albion and the first dedicated permanent Auto Mall, including service in a major shopping centre.

All projects continued during COVID-19 and are well advanced. We look forward to sharing more detail with shareholders as the projects develop further.

In closing, I would like to extend my sincere thanks to the Board, for their valuable guidance, counsel and support, our entire management team for their leadership and commitment and to all of our employees for their hard work and dedication during the year.

Finally, a big thank you to our shareholders for your ongoing support, understanding and patience, as we navigate these difficult times but move closer to emerging on the other side in a strong position.

Thank you.

Martin Ward
Chief Executive Officer

[i] Refer to the 2019 Full Year Results Presentation for a reconciliation between underlying operating profit before tax from continuing operations to statutory results.

[ii] Underlying operating results refer to continuing operations excluding the following significant items:

- Government stimulus including the Australian JobKeeper scheme and the New Zealand wage subsidy scheme
- Rental waivers received from the Landlords
- Gains or losses arising from the sale of assets
- Impact of AASB16 (lease standard)
- Business acquisition, divestment, closure, restructure and integration costs
- Removal of Kloster Motor Group (KMG) contribution from 2019 comparative financial information
- Removal of discontinued operations including the Refrigerated Logistics busines unit
- Fair value adjustments to real property and intangible assets

AP Eagers have not yet finalised the assessment of the potential impact of COVID-19 on the fair value of real property and intangible assets.

[iii] Excludes $105 million in deferred payments from partners and State and Federal Governments, with the majority of the deferral arrangements ceasing from 1 July 2020.

[iv] Corporate debt represents Term Debt, Capital Loans and Working Capital Facilities but excludes Finance Leases.

AP Eagers Annual General Meeting

CEO’s Address | Martin Ward

Wednesday 29 July 2020

FY19 Performance

Transformational year for AP Eagers

AHG acquisition

Completed transformative merger to create a national dealership network capable of leading through structural industry change.

Market Share

Achieved an 11.2% share of the national vehicle market – a clear leadership position.

Resilient performance

The Group recorded Underlying Operating Profit Before Tax of $100.4 million, a decrease of 3% on the prior period.

Property transactions

Executed sale and leaseback of Newstead properties and acquired strategic site in Albion (QLD). Continuing transition to world class automotive retail hub at Brisbane Airport.

Responding to COVID-19

Proactive and pre-emptive response

Protecting our people and customers

- Dealerships remained operational
- Operating in accordance with Government and health authority advice
- Access to Federal Government's JobKeeper secured, with benefits passed on to support workforce

Fortifying liquidity

- Focused on preserving cash
- Right-sizing operations to reflect dealership activity
- Further strengthening of balance sheet

Strong stakeholder support

- Deferral or waiver of rental obligations agreed with majority of landlords
- OEM finance partners providing additional working capital facilities
- Federal & State Government stimulus and support initiatives welcomed

Strategy & Outlook

Current conditions accelerating Next100 strategy

Optimisation accelerating

Focused on core automotive retail with approximately $78 million in annualised permanent cost reductions achieved in the last 3 months.

HY 2020 Results

Released on 26 August 2020. Expect an underlying operating profit from continuing operations of $40.3 million, a 23.6% decline from pcp.

Strong financial position

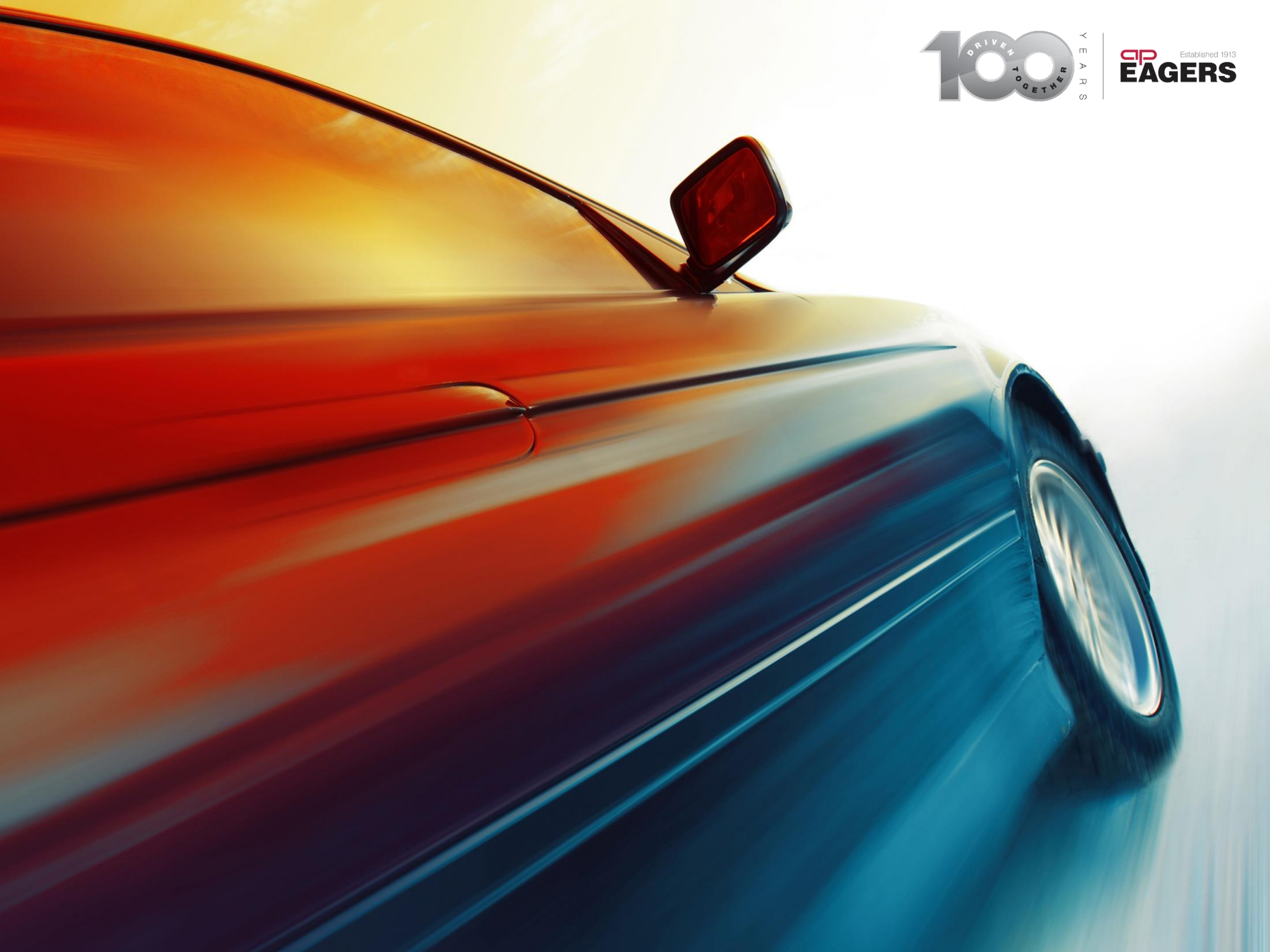
Underpinned by substantial property portfolio and asset base and $633.9 million of available liquidity at 30 June 2020.

Omni-channel progress

Brisbane Airport AutoMall, Multi-branded service centre and shopping centre projects advancing.

Established 1913

EAGERS


100 YEARS
DRIVEN TOGETHER
Established 1913
EAGERS