19 May 2021

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

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This announcement is authorised for release by the Chairman.

Chairman's Address

Annual General Meeting

Wednesday 19 May 2021

Shareholders,

Welcome to the Annual General Meeting for Eagers Automotive.

This AGM marks the first full year of trading for Eagers Automotive following the transformative merger of AP Eagers with Automotive Holdings Group.

Following my address our new Chief Executive Officer Keith Thornton will provide an overview of the operating and financial performance for the year 2020 and Keith will also comment on how we are trading in the current year.

What a year 2020 was!

Reflecting on the past year, the pandemic posed significant challenges for the automotive retail industry, including ongoing changes to consumer behaviour and economic uncertainty to both the demand and supply chain aspects of our business.

When the COVID-19 pandemic hit in February/March 2020, car dealerships across the industry were already experiencing the most sustained drop in demand for new vehicles in our company's 108 year history. The initial stages of the pandemic then saw an immediate and unprecedented reduction in new vehicle sales. The severe declines experienced in April and May were some of the worst market conditions on record.

The company's response to the pandemic was swift but measured, and all stakeholders shared that burden.

We acted to right size operations, preserve cash and optimise liquidity; and more importantly, to protect our people, our customers and our local communities by keeping operations running safely and smoothly around government mandated restrictions.

In March 2020 we took the prudent step of across-the-board reductions in remuneration for Directors and senior executives and halving the final dividend for 2019.

Your non-executive Directors agreed to forego their full Board fees and our outgoing Chief Executive Officer, Martin Ward, and the entire executive team, voluntarily halved their own remuneration to help the company.

Our access to the Government's JobKeeper stimulus package was directly responsible for saving the jobs of over a quarter of our workforce. JobKeeper eliminated the need for further savage company-wide restructuring and this government initiative assisted in positive outcomes for all Eagers stakeholders as spending in the economy recovered.

We are proud of what we have been able to achieve in a very challenging market. The

2020 financial performance is testament to the leadership of Martin Ward and the entire team.

Our key financial metrics for 2020 reflected the enlarged business following the merger with AHG. Eagers recorded Net Profit After Tax of $156.2 million, while underlying Profit Before Tax from continuing operations of $209.4 million on group revenue of $8.7 billion.

While we have paid a dividend to shareholders every year since listing on the ASX in 1957, the Board elected not to declare an interim dividend in 2020 in response to COVID-19.

The final full year dividend based on 2020 earnings was 25 cents per share, fully franked, and was paid on the 20th of April this year. This dividend reflected a payout ratio that was lower than historic ratios, as the Board believed the most prudent course of action was to preserve cash until there is greater clarity around the broader economic outlook.

In February 2020 we welcomed Michelle Prater as a Director, and the Board has already benefitted from her extensive expertise in automotive retail and property development, over the course of the last year. Michelle is a resident of Western Australia where Eagers Automotive has significant presence.

In August 2020 Greg Duncan OAM was appointed Chair of our Remuneration & Nomination Committee and a member of the Audit & Risk Committee and we are grateful for his extensive industry knowledge and experience.

Mr Duncan has led a comprehensive review of the executive remuneration framework in response to the ‘first strike’ received at last year’s Annual General Meeting.

Although Eagers produced a year of solid operational, financial and share price performance in 2020, no Long Term Incentive performance awards were granted to any Key Management Personnel in 2020 and no Short Term Incentive awards were paid to any Key Management Personnel other than for contractual arrangements.

The Board has engaged with shareholders, proxy advisors and other stakeholders to better understand their concerns which gave rise to the first strike, and has also obtained independent external advice on our remuneration framework.

As a result, significant changes have been made to the remuneration framework for 2021 to better align it with ASX200 market practice, while maintaining a strong pay-for-performance culture aligned to shareholder interests.

For the many shareholders who have lodged proxy votes it is pleasing to see a very positive support for the structural changes undertaken.

As we look to 2021, while some uncertainty remains in the external environment, we believe we have now navigated the worst of the global pandemic in Australia and we are focused on delivering improved performance and Earnings Per Share growth.

I would like to take this opportunity to acknowledge the ongoing support of all our stakeholders – and especially our people – without whom Eagers Automotive would be incapable of functioning to the high level it does.

As I have said before, a company is only as good as the people who work for it. And I can say without hesitation that Eagers Automotive has the best automotive retail management team in the business. The strength of our people speaks to the proud 100 year history of the company and galvanises us to pursue our ‘Next100’ strategy.

I take this opportunity to acknowledge the leadership of our new Chief Executive Officer, Keith Thornton, who has been with the company since 2002. In Keith we have a proven leader with an unrivalled understanding of the business, its strategy and a clear vision for the future.

I also thank our executive team and indeed our entire workforce – who come to work each day and strive to deliver a superior customer experience and a better business. We are very confident we have the right team to build the foundation for the next 100 years of Eagers Automotive.

I sincerely thank Martin Ward who handed over the reins to Keith in February. Under his exemplary leadership, the company grew into a true powerhouse of automotive retail. During his tenure as Chief Executive Officer profit before tax grew from $19 million in 2005 to $209 million in 2020, with the company's market capitalisation growing from $166 million at the end of 2005 to $3.4 billion at the time he passed over the reins to Keith. We thank Martin for his outstanding contribution and the formidable position the company is now in. Martin continues in his new role as advisor to the Board and Chief Executive Officer and with responsibility for Eagers' extensive property portfolio.

I also thank my fellow Directors for their continued dedication and contributions. Their experience, guidance and invaluable industry knowledge have been a welcome constant in what has been a period of unprecedented uncertainty – and I thank them for their efforts.

And finally, a vote of thanks to you, our shareholders. We have listened to your feedback and hope our actions and performance over the past year warrant your continued support and investment in our company.

It is disappointing we have to hold our AGM as a virtual meeting and let's hope we can meet in person at next year's meeting.

I now hand over to Keith Thornton and following Keith's address we will deal with the formal business of the meeting.

Tim Crommelin
Chairman

CEO's Address

Annual General Meeting

Wednesday 19 May 2021

Thank you, Chairman.

Good morning shareholders and thank you for your interest in Eagers Automotive's Annual General Meeting.

Today's AGM is an important milestone in our journey, our first under our new identity of Eagers Automotive Limited.

Today also marks my first AGM after having been appointed to the role of Chief Executive Officer in February this year.

I am pleased to report that Martin Ward, our previous Chief Executive Officer since 2005, is with us here today and he continues to add valuable counsel and support to the Board and myself.

Today I will address the company's performance during the last financial year which ended 31 December 2020, as that is the formal reason for this AGM.

I would then like to update you on the company's progress on our key strategic priorities, including the impact of the COVID-19 pandemic and how it has impacted our 'Next100' strategy and implementation timeframes.

Finally, I will comment on our outlook.

2020 Performance

Like for so many, 2020 was a year where we faced enormous challenges.

I will not be going over all of the issues already highlighted today by our Chairman but note that at the start of 2020 your company was faced with:

1. a new car market experiencing its longest continuous period on record of year-on-year monthly declines,

2. the integration of the larger, more complex and underperforming AHG business,

3. the challenge of managing to completion the divestment of the Refrigerated Logistics business, and

4. the decision by General Motors to retire the Holden brand affecting 19 of our Holden dealerships across Australia and New Zealand.

All these challenges were faced by the company in the first quarter of 2020 and preceded the all-encompassing disruption triggered by the global pandemic of COVID-19.

Our overarching response to the impacts of the COVID-19 pandemic reflected the ethos this company has so fiercely embraced over its history of optimising outcomes for all our key stakeholders – whether they are employees, customers, business partners, the community or of course our shareholders.

I am proud to report that by adopting a balanced approach to **'sharing the burden'** across all stakeholders we were able to weather the onset of the pandemic, the government-imposed lockdowns and associated shutdowns to business, and emerge to successfully participate in the recovery during the 2nd half of 2020.

All stakeholders played significant roles in our response.

As our Chairman mentioned, the response we took was measured but decisive.

In the spirit of setting an example for all stakeholders, the leadership of your company, the Directors and executive management, began with immediate suspension of Board fees and cuts to executive remuneration.

We set about re-sizing our workforce and distributing available work fairly across the remaining full-time employees.

Our valued business partners including our OEM suppliers, banks and finance companies, and landlords large and small were overwhelmingly supportive.

We made the difficult but prudent decision to halve the final dividend of 2019, paid in April 2020, and then fully suspend dividend payments for the remainder of the year.

We remained focussed on our customers and the communities we operate in, knowing that others were being equally challenged at the same time albeit in different ways.

It is also important to acknowledge the highly effective role the government played in the response to the pandemic – a combination of tax deferrals, stimulus measures and the provision of JobKeeper. These measures ensured no further structural redundancies were required, saved approximately 2,000 jobs, allowed us to continue to pay staff in the multiple subsequent snap lockdowns and effectively helped to stabilise the business to allow it to successfully participate in the recovery.

It was a combination of these external support measures, decisive and urgent action by the company and the loyal support of our valued stakeholders that underpinned our 2020 result.

Consolidated revenue from continuing operations in 2020 was $8.7 billion demonstrating our enhanced scale post acquisition of AHG.

We recorded Underlying Operating Profit Before Tax of $209.4 million. This reflects the trading profit for the period, excluding one-off items such as the government wage subsidy and asset impairments.

We reported a statutory profit after tax for 2020 of $156.2 million. Our statutory line was impacted by a net $90.7 million non-cash impairment to assets from continuing operations. This was mostly associated with the impact of the Holden exit, restructuring activities and the revaluation of property assets.

In light of the impacts of COVID-19 and challenges faced by the business we believe this was a highly credible result in our first full year as Eagers Automotive and are exceptionally proud of the efforts of the many great members of our team.

I do not intend to cover the 2020 performance in any further detail, however I am more than happy to take questions later in this meeting.

Strategic Progress

I will now turn to providing an update to shareholders on how the business has executed against our key strategic priorities in light of the impacts of COVID-19.

In 2020 we all had to learn to live in the shadow of a global pandemic.

The impact of COVID-19 drove unprecedented fluctuations in the demand and supply of new vehicles. Consumer demand for new vehicles initially saw severe declines in April and May sales, with some of the worst market conditions ever recorded.

Global supply was immediately and materially reduced with offshore production impacted by a combination of significant, intended production cuts, factory closures and stoppages and disruption to the global supply chain, all combining to cause a sustained reduction in supply and inventory levels that has continued into 2021.

It was following the introduction of government stimulus measures and the lifting of nation-wide lockdown restrictions that we saw consumer demand return, with a rebound in the last quarter of 2020 finally breaking the trend of what ended up as 31 consecutive months of year-on-year decline in new vehicle sales.

The impact of the pandemic also changed our market environment. The behaviour of our customers evolved as society adjusted to new work/life patterns, closed international borders and the ongoing threat of snap lockdowns. These changes have both forced and enabled us to accelerate our strategic initiatives already communicated through our Next100 Strategy.

Next100 Strategy

I turn your attention to the screen where you will see our previously communicated Next100 strategy.

Our Next100 strategy remains consistent from pre-merger and it continues to provide a roadmap for our response to both the evolving automotive retail landscape and the impacts resulting from COVID-19.

This strategy was developed to ensure our relevance, growth and sustainable success over the next century and focuses on **five key pillars** which combine to ensure we:

1. provide an enhanced customer experience from a lower cost base, and

2. evolve to be a critical player in the global distribution of mobility solutions, regardless of product changes, consumption trends and distribution models.

This strategy has been further endorsed by the changes our industry and business experienced during 2020 and I am pleased to report that our progress in all key areas has accelerated ahead of initial timeframes.

The first pillar of our strategy is to **Engage our Customers Everywhere**, which refers to our property and omnichannel strategy.

In 2020 we continued to rebalance our property portfolio, acquiring several of our strategic externally leased sites, a key step in affording us greater flexibility to more actively manage our automotive retail footprint.

We acquired $116 million of property to finish 2020 with a property portfolio valued at $356 million. We have since added another $109 million in 2021 so far while divesting a small number of non-strategic properties. In parallel, we exited 34 external leases in 2020 as we restructured our business operations with more efficient and sustainable property clusters.

Effective property restructuring is a key enabler for our second pillar, **Redefining our Workforce.** This is our people resource strategy.

The changes to the supply and demand environment, a necessary re-structure of our cost base and changing consumer buying habits combined to drive material changes to our workforce size, design and productivity. This has been further enabled by technology investment into a combination of customer facing and business process tools that improve customer experience while driving productivity.

Optimisation across people and property have delivered significant permanent cost reduction of approximately $100 million in annualised savings while also providing an enhanced customer experience.

I now move to our third pillar, our **Finance Strategy**. We continued executing our plans to leverage our unique scale and deliver optimised finance solutions at the point of sale for our customers. While COVID-19 created significant headwinds for the industry in terms of finance penetration, we continued to outperform the overall market. Business process improvement, technology investment and the anticipated relaxation of lending laws, along with a moderation of the unusual business environment seen in mid-2020, are expected to provide growth in this area during 2021 and beyond.

Innovation, the fourth pillar of our Next100 strategy, remains a major focus and we have accelerated our investment in our dedicated **Independent Used Car operations** through our EasyAuto123 platform supported by our National Carlins auction business. Our fixed-price pre-owned vehicle business, EasyAuto123, is on a strong trajectory, benefitting from the scale of the AHG merger, full integration into the wider business, investment in online offerings and a disciplined approach to cost management.

2020 saw EasyAuto123 move to being consistently profitable with growth continuing into 2021. As Australia's only national scale, fixed-price used car model and with an integrated auction business (with presence in New Zealand as well) we clearly have a unique, first-mover advantage and we are very focussed on aggressively driving further profitable growth.

Finally, our **Re-invest with Discipline** strategic pillar refers to active portfolio management focussed both on complementary acquisitions and selected divestments**.**

Following the completion of the sale of the AHG Refrigerated Logistics business in the first half of 2020, we also agreed to the divestment of our Daimler Truck operations and associated Milperra property with Velocity Vehicle Group for $108 million.

The divestment of the Daimler operations completed last month and the Milperra property sale is on track to complete in the current half year. Overall, the transaction will deliver an estimated net gain before tax of between $32 and $36 million subject to adjustments on completion, and will allow us to focus on our core automotive retailing business.

Post these divestments the company remains extremely well capitalised and active in reviewing multiple acquisitions that support our strategic priorities. The opportunity exists to add further scale to our business, particularly in the two largest markets of Sydney and Melbourne in which we remain under weight, and this would provide more balance to our geographic footprint.

Despite the challenges of 2020, I hope you, our shareholders, can see that your company remained incredibly active in 2020 to take advantage of the changes brought on by COVID-19 and leverage our unique scale and position.

Outlook

I will now comment on our outlook for the first half of 2021.

Eagers Automotive is in a very strong financial position.

Our balance sheet remains robust, with $507 million of available liquidity as at 31 March 2020 together with a substantial asset base and property portfolio valued at $436 million in March 2021 underpinning the company's financial position.

Improved market conditions have continued into 2021 and, as announced in April, we expect underlying operating profit from continuing operations of approximately $98 million for the quarter ended 31 March. On a statutory basis, the Net Profit Before Tax from continuing operations for the quarter is expected to be $105 million.

By way of further update, we expect year to date underlying operating profit from continuing operations through to 30 April 2021 of approximately $127 million. On a statutory basis, the Net Profit Before Tax from continuing operations for this period is expected to be approximately $170 million reflecting the expected profit from the sale of Daimler Trucks but excluding the profit from the Milperra property which remains on track to settle before June 30.

These results are subject to external audit review which will be conducted following the completion of the half year ending 30 June 2021.

Unusually strong market dynamics, characterised by demand continuing to materially outstrip supply, combined with the ongoing benefits of our $100 million cost out program completed over the last 12 months, have underpinned our performance.

The extension of the instant asset write off, now referred to as temporary full expensing, through until June 30, 2023 will further underpin strong market demand.

The Board is confident our strong balance sheet and fortified liquidity position, our scale, our geographic diversity, our unrivalled OEM partner portfolio and our people will provide an optimal platform to pursue further growth. We remain focussed on providing optimised stakeholder outcomes through Earnings Per Share growth underpinned by disciplined leadership of operations and successful execution of our strategic initiatives.

The further simplification of our business to focus on our core automotive retail operations also puts us in a strong position to capitalise on favourable market dynamics without distraction.

Closing remarks

On behalf of the company, I would like to recognise and thank all stakeholders for their support in 2020. The company does not take it for granted and together we look forward to supporting and rewarding partner stakeholders as we benefit from current market conditions and look to successfully grow in the future.

Personally, I would like to extend my sincere thanks to the Board, for their valuable guidance, counsel and support as I commenced my new role.

I would especially like to thank Martin Ward for his leadership, and on a personal note, for his guidance, support and mentoring, over the past 16 years and I look forward to working with him in his new capacity and especially continuing to unlock value for shareholders within the Eagers property portfolio and other strategic opportunities.

Thank you to our entire management team for their leadership and commitment - I am excited to have the opportunity to work alongside what I firmly believe is the best team in the industry.

To all our people across Australia and New Zealand, our successful navigation of the challenges of 2020 would not have been possible without the efforts of each and every one of the great team at Eagers Automotive. Our business does not succeed without your efforts. Thank you to the entire team.

Finally, a big thank you to our shareholders for your ongoing support.

We look forward to continuing to engage with our people, partners, stakeholders and you our shareholders on this exciting journey.

Thank you.

Keith Thornton
Chief Executive Officer