



2017 ANNUAL GENERAL MEETING

4X4 ACCESSORIES



ARB CORPORATION LIMITED
Chairman's Address: Roger Brown

AGM OCTOBER 2017

arb.com.au

Presenter:

Roger Brown	<i>Non-executive Chairman of the Board</i>
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Directors of the Board:

Roger Brown	<i>Non-executive Chairman of the Board</i>
Andrew Brown	<i>Managing Director</i>
Adrian Fitzpatrick	<i>Non-executive Director</i>
John Forsyth	<i>Non-executive Director & Company Secretary</i>
Robert Fraser	<i>Non-executive Director</i>
Andrew Stott	<i>Non-executive Director</i>

Welcome to our shareholders, business partners and guests

Contents

1. FY2017 Financial Highlights	p. 4
2. Historical Performance	p. 6
3. Sales by Category	p. 9
4. New Vehicle Sales	p. 10
5. Australian Aftermarket	p. 12
6. Exports	p. 19
7. Original Equipment	p. 22
8. Product Development	p. 23
9. Production	p. 29
10. Financial	p. 30
11. The Future	p. 31

1. FY2017 Financial Highlights

Sales Revenue

\$382.6m

Up 7.2%

- Sales growth of 7.2%.
- Australian Aftermarket grew at 4.6% with strong results in VIC, NSW & QLD.
- Exports grew at 14.3% with solid growth across all export operations.
- Original Equipment grew at 5.3% with a particularly strong final quarter.

Profit before Tax

\$67.5m

*Up 8.2% on prior year normalised **

- The prior year Profit before Tax included a one off \$2.0m profit on a US property sale.
- Normalised profit growth of 8.2% exceeded revenue growth of 7.2%.

Profit after Tax

\$49.2m

*Up 6.3% on prior year normalised **

- Profit after Tax was impacted by a higher proportion of group profit generated in higher taxing jurisdictions.
- EPS of 62.1 cents, up 6.3% normalised.

** Normalised result excludes profit made last year on the sale of property in the US (PBT: \$2.0; PAT \$1.2m)*

1. FY2017 Financial Highlights

Operating Cash Flows

\$62.2m

Up 38.4%

- High conversion to cash of Profit after Tax (\$49.2m) and non cash expenses.
- Inventory levels were well managed increasing \$1.1m or 1.2%.

Debt

\$nil

Maintained

- No debt, consistent with the June 2016 financial year end.
- Cash balance of \$27.6m at 30th June 2017.
- Profits retained allow for expansion and further investment opportunities.

Total Dividends

34 cps

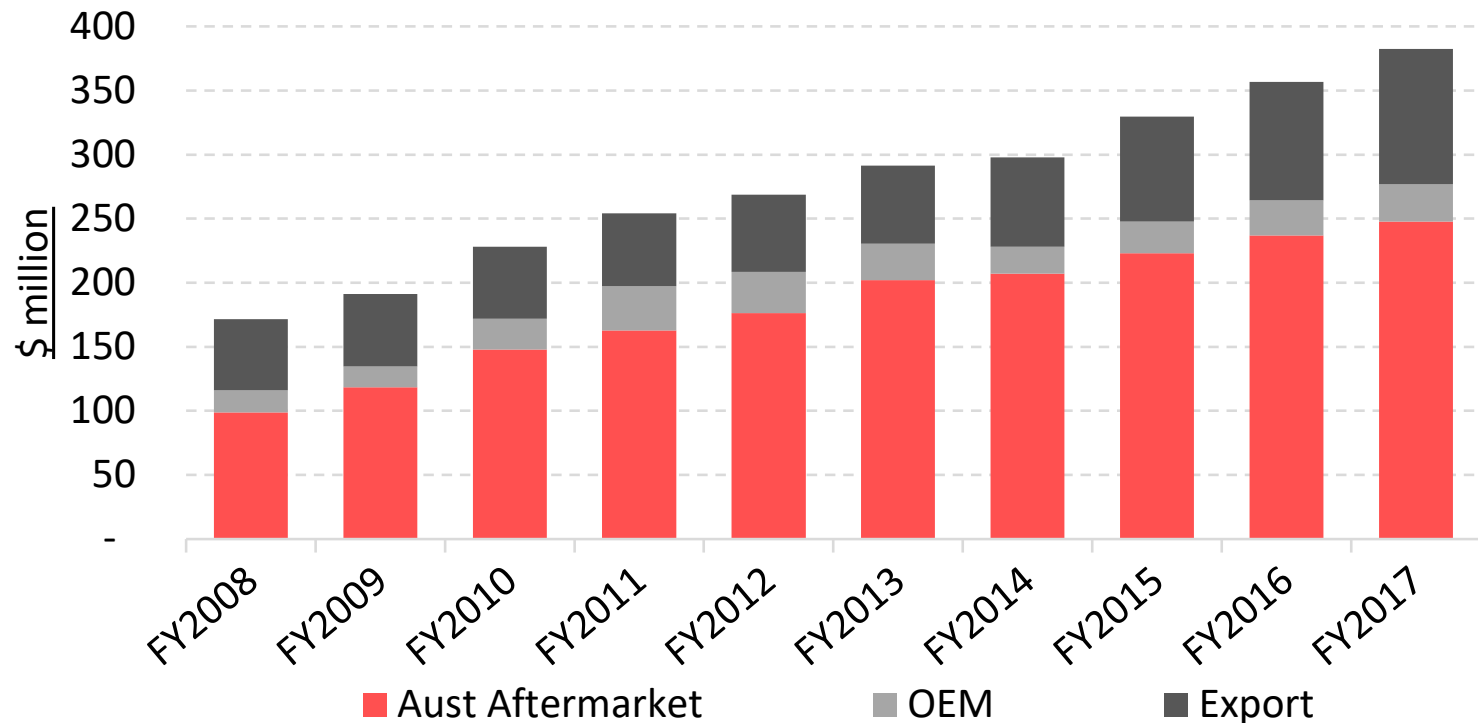
Up 7.9%

- Dividend payout ratio increased to 55%.
- Dividends fully franked.

2. Historical Performance

Sales Revenue: 10 Year CAGR: 10.1%

Sales revenue grew at an average compound rate of 10.1% over the past 10 years.

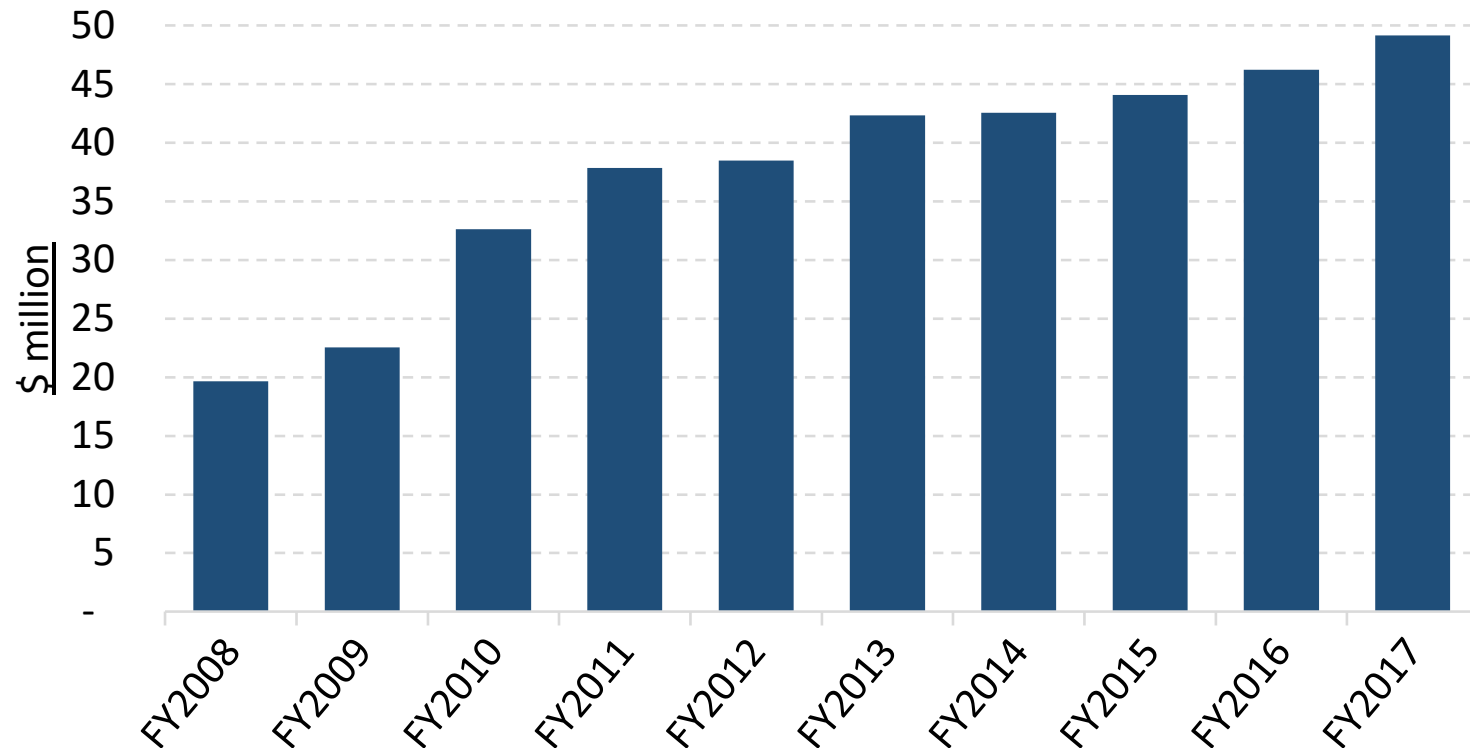


2. Historical Performance

Profit after Tax : 10 Year CAGR: 12.0%

(excluding property sale in FY2016)

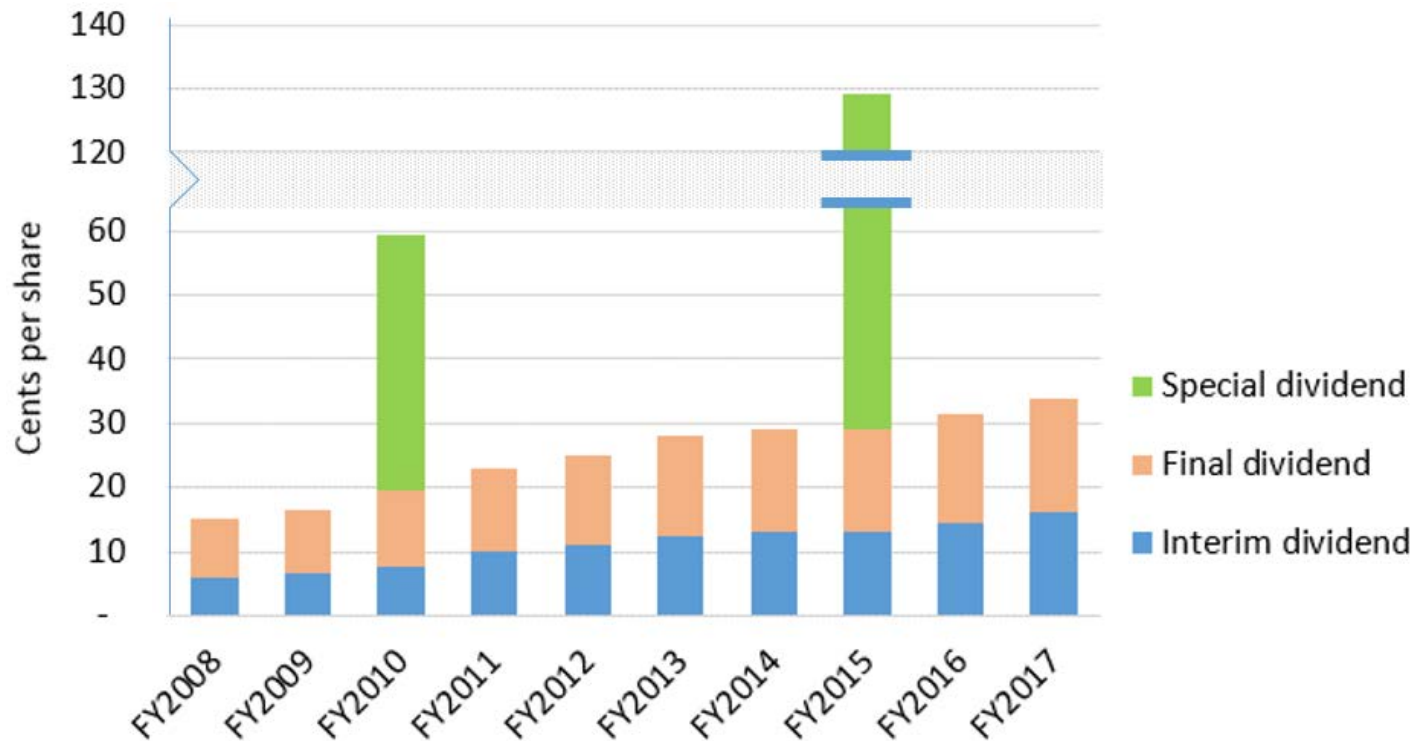
Profit after Tax grew at an average compound rate of 12.0% over the past 10 years.



2. Historical Performance

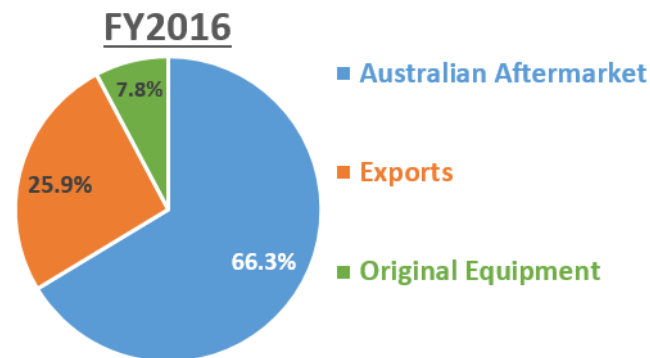
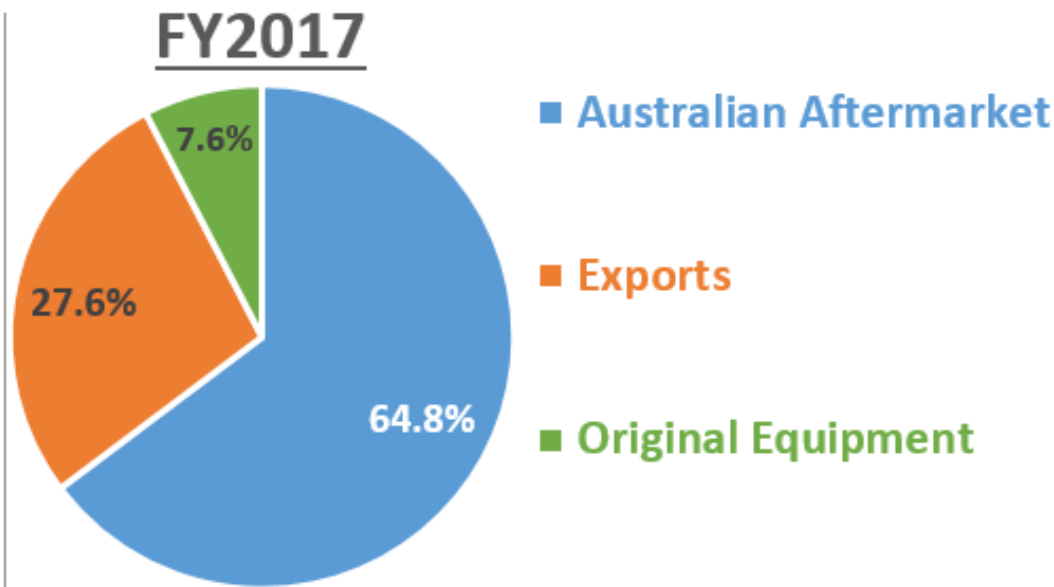
Dividends per Share : All dividends have been fully franked

- Dividends paid have grown steadily over the last 10 years.
- Specials dividends were paid in FY2010 & FY2015.
- ARB actively manages its capital program.



3. Sales by Category

- Australian Aftermarket** **+4.6%**
(includes: ARB Aftermarket, SmartBar, Kingsley Enterprises and GoActive Outdoors)
 Variable growth across the country
 - Exports** **+14.3%**
 Strong growth from all export operations
 Now 27.6% of group sales
 - Original Equipment** **+5.3%**
 Pleasing growth for OE in Q4 since the market update provided in May 2017
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- » **TOTAL SALES GROWTH** **+7.2%**

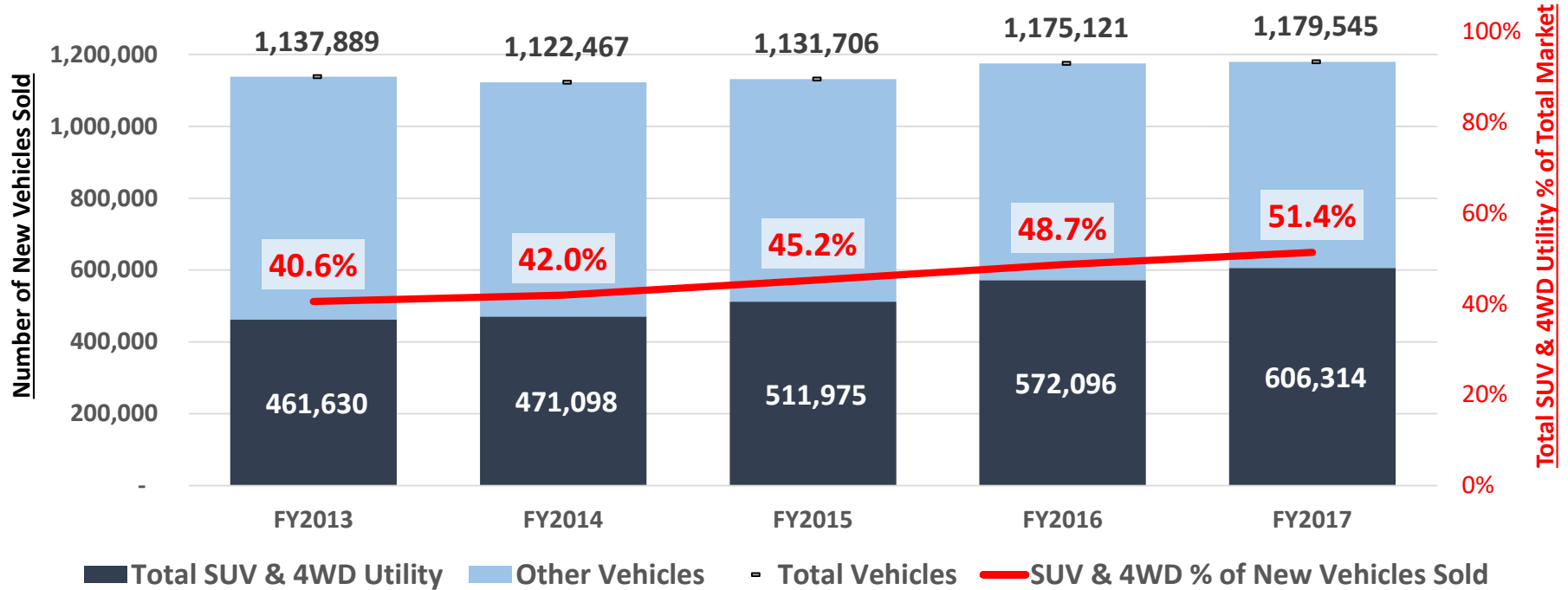


4. New Vehicle Sales

- New vehicle sales are important to ARB and continue to grow steadily here in Australia.
- ARB's largest group of customers own Medium and Large Sport Utility Vehicles (SUVs) and 4WD utilities, predominantly dual cabs.
- ARB continues to supply an extensive range of accessories for used 4WDs which remain an important part of ARB's customer base.
- ARB sees similar opportunities in other international markets around the world where SUVs and 4WDs sales are significant and growing.

4. New Vehicle Sales

4WD Utilities and 4WD SUVs have increased from 40.6% of new vehicles sold in Australia in FY2013 to **51.4% of new vehicles sold in FY2017**



5. Australian Aftermarket

Sales growth of 4.6% (64.8% of total Company sales) for the year

- Aftermarket sales growth of 4.6% reflects growth in all states and territories except Western Australia and the Northern Territory.
- Queensland achieved good growth in the second half of the year and this continues. Western Australia, the other state impacted by the mining downturn, is finally starting to exhibit signs of growth.
- Fewer new vehicle models were released this year after the unusually high number released in quick succession in FY2016. The large number of new models released last year continued to impact positively this year's result.
- ARB has enhanced its relationships and capacity to service Fleet customers which have become another important sales channel for ARB.
- The Company's fitting capacity is strained in some locations due to continued growth and challenges in attracting suitable staff. This situation is certainly improving.

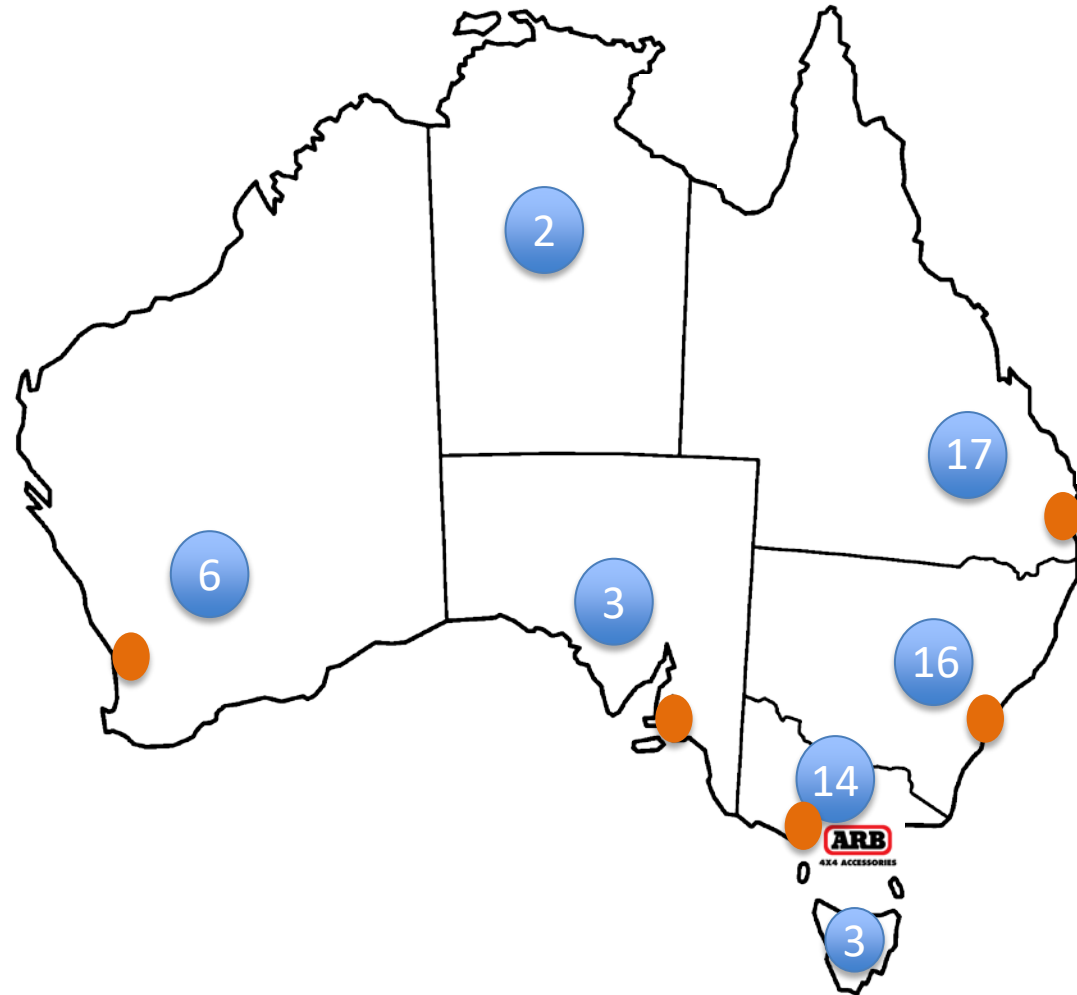
5. Australian Aftermarket

- ARB has strengthened its Australian sales and distribution network with the recent opening of a new national distribution warehouse in Keysborough, Victoria, of 16,000 m2. This warehouse is in addition to sales offices and warehouses in every state of Australia.
- ARB distributes its products around Australia through state offices to company owned and licensed ARB stores, independent 4WD specialists, new vehicle dealers and fleet operators.
- Five new ARB stores have been added since this time last year: North Lakes & Springwood in QLD, Geelong & Shepparton in VIC and Thornleigh in NSW. It should be noted that three of these stores opened in June and July of this year and therefore made no material contribution to the FY2017 result.
- This brings the total number of ARB stores across Australia to 61. 25 of these ARB stores are company owned and 36 are licensed.

5. Australian Aftermarket

Australia Wide

- 5 ARB State Distribution Centres
- 25 ARB company owned stores
- 36 ARB independently owned stores
- Over 100 stockists across Australia
- New vehicle dealers across Australia
- Fleet networks
- Kingsley (Sydney)
- GoActive (Sydney)
(distributor of Thule products)
- SmartBar (Adelaide)



5. Australian Aftermarket

- The Company expects to open another 3 ARB stores this financial year.
- ARB has introduced a new standardised store presentation format which has been very well received. The new format is designed to enhance the customer in-store experience.
- The new format will be progressively rolled out across the Retail network over the next 4-5 years.



5. Australian Aftermarket



5. Australian Aftermarket

- ARB continues to implement strong marketing initiatives and maintains an active social media presence.
- ARB's recent 'Just Gotta Ask' campaign successfully directed customers to *'ask the dealer to deck out the vehicle with ARB accessories before taking delivery'*.

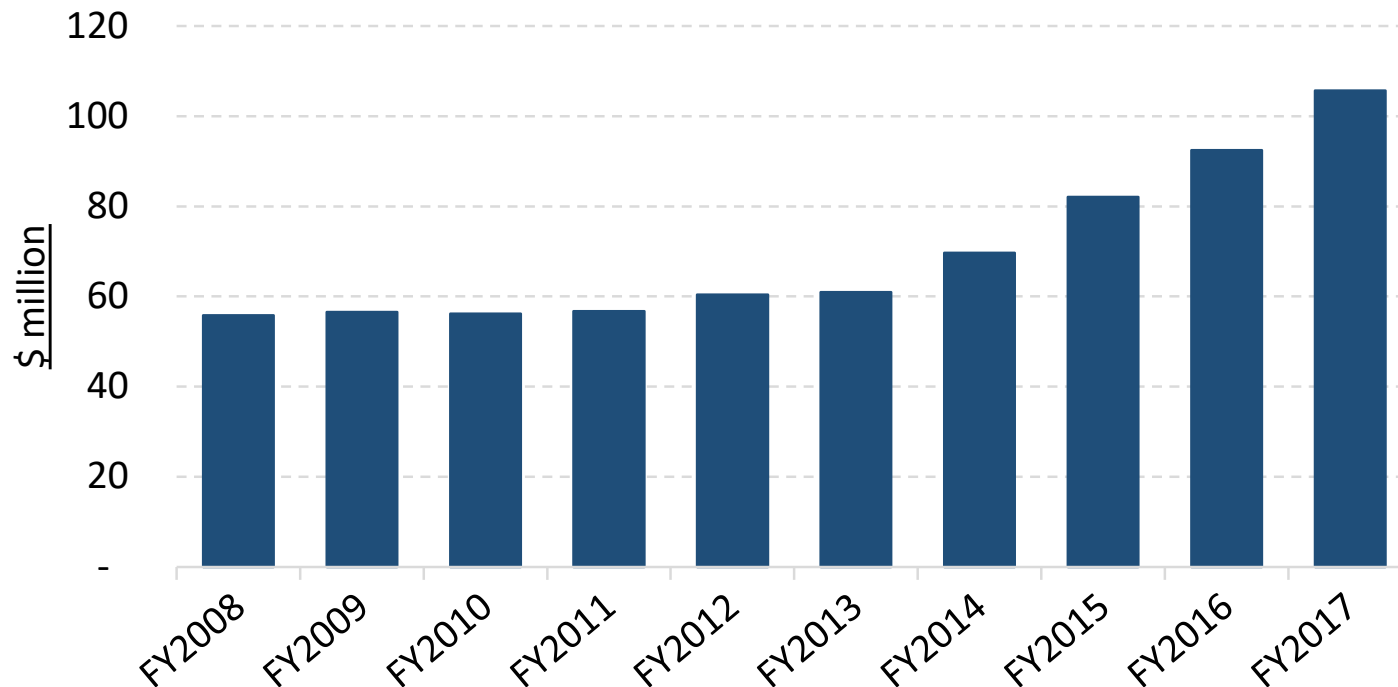


5. Australian Aftermarket



6. Exports

- Export sales have grown at an average compound rate of 7.7% over the last 10 years.
- Exports continued the trend of more rapid growth achieved over the last four years.



6. Exports

Sales growth of 14.3% (27.6% of total Company sales) for the year

- Export sales originate from international subsidiaries in the USA, Europe, Thailand, the Middle East and from ARB's Australian head office. Growth was achieved by all these Export operations.
- Export sales growth was strong in the final quarter after reporting an increase of 10.8% for the nine months ended March 2017.
- Export sales growth was slightly higher in international currencies given the AUD conversion was down ~4% compared with last year.
- The international 4WD vehicle market is growing and provides good opportunities for ARB products.

6. Exports

- The US business is performing well with a strong management team focused on expanding the business in one of the Company's key markets. Management note the improving economic conditions but remain alert to the potential for volatility in both North America and Latin America.
- ARB Europe continued to grow its position during its fourth year of operations with consistent sales growth. ARB continues to build its European team in terms of numbers and expertise.
- ARB Thailand is continuing to drive sales in the South East Asian region and was bolstered with the employment of a new general manager and additional sales and marketing resources.
- The ARB Middle East sales office and warehouse successfully completed its first year operating out of a Dubai free zone. It is currently in the process of moving into a facility with increased storage capacity and has been well received by customers in the region.

7. Original Equipment

Sales growth of 5.3% (7.6% of total Company sales) for the year

- Strong sales growth was achieved during the fourth quarter of FY2017 noting, as reported in May, OEM sales had declined 5.7% during the first three quarters of the year.
- ARB has developed strong working relationships with the Original Equipment Manufacturers (OEMs).
- ARB has won new business with OEMs and is developing new products that will contribute to sales growth in FY2018 and beyond.
- The current order bank for OEM sales is healthy at present.
- ARB is also targeting OEM business opportunities overseas.
- Whilst attracting lower gross margins, OEM business assists factory efficiencies in both Australia and Thailand.

8. Product Development

- Product development remains a key focus and is essential to maintain the Company's competitive advantage and long term sales growth.
- ARB employs a large team of 60+ engineers. The majority of engineers are focused on R&D activities at the Kilsyth head office, in Thailand and also in the USA. They are supported by a team of production engineers working at the Australian and Thailand manufacturing facilities.
- The Company increased its spend on R&D to \$7.3m during FY2017, an increase of 7.7% from FY2016. R&D expenditure was maintained at 1.9% of total sales revenue.
- Fewer new vehicle models were released this year. However, releases did include the Isuzu D-MAX & MU-X, the Holden Colorado & Trailblazer, Toyota LC79 & Fortuner and the VW V6 diesel Amarok.
- With fewer new vehicle releases, the Company has been able to focus on filling gaps in the product range.
- ARB is also focused on a number of long term product development projects.

8. Product Development

- The new flagship '**Elements**' fridge freezer is constructed of stainless steel and offers a fully weatherproof exterior. It is designed specifically to be used in the back of utility vehicles.



8. Product Development



8. Product Development

- The **BP51** is a high performance shock absorber. Significant investment has been made in state of the art machining and hard anodising equipment to ensure the highest possible quality. The range available has been expanded dramatically over the year.



- **Frontier** long range plastic polymer fuel tanks have been very well received by the market due to their durability and light weight. Once again, the range has been expanded to suit many vehicles.

8. Product Development

- **Summit Bull Bars, Summit Side Rails and Summit Rear Bars**



The range of ARB Summit products has been expanded to suit vehicles available in the USA and other international markets.

8. Product Development



- The **Ascent** canopy range has now been released for all models of dual cabs available in Australia. Its stylish design offers the highest level of usability and has a host of features as standard.

9. Production

- ARB operates a manufacturing facility in the eastern suburbs of Melbourne, Australia and another two manufacturing facilities in an industrial estate in Rayong, Thailand.
- Negotiations in Thailand around the annual staff bonus hampered the Company's production during November and December 2016. This impacted on sales during FY2017 and placed pressure on both the Australian and Thai manufacturing sites to restore inventory to optimal levels.
- Both the Australian and Thai production plants continue to operate at near full capacity.
- Two leased offsite manufacturing facilities are being relocated to Kilsyth, Victoria and SmartBar in Adelaide, South Australia.

10. Financial

- Investments in infrastructure and additional resources over recent years have generated economies of scale and facilitated the Company's continued growth.
- The Company invested \$9.7m in plant and equipment during the year as it continues its focus on producing the highest quality product possible and improving manufacturing efficiencies.
- The Company also invested \$10.6m in land and buildings including the acquisition of land in Thailand for further expansion, standardising the retail store format, the expansion of the WA distribution centre along with the relocation of the Canning Vale retail store.
- The Company is currently re-building its inventory levels after inventories increased only 1.2% in FY2017 compared with the sales growth of 7.2%.

11. The Future

- ARB expects to establish another 3 new ARB stores in Australia during the remainder of FY2018, contributing to expected ongoing growth in the important Australian Aftermarket.
- The current sales order book is healthy both domestically & internationally.
- ARB anticipates good OEM sales growth as new model vehicles come to market.
- Export sales growth continues to be a primary focus of the Company.
- ARB is finalising plans to build a manufacturing and warehousing facility on the already acquired land in the Rayong, Thailand free-trade zone.
- Over the next few years the Company will extensively renovate the Kilsyth head office to provide a modern, more efficient working environment for the staff employed at this location.

11. The Future

- ARB's sales in the first quarter of FY2018 have started well and the Board believes that sales will continue to grow.
- The Board remains cautious of the current economic environment and the severe instability in some parts of the world.

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