



**ARB Corporation Ltd**

4X4 ACCESSORIES

**Head Office:** ARB Corporation Ltd  
Postal Address: PO Box 105, Kilsyth 3137 Australia  
Street Address: 42 - 44 Garden Street  
Kilsyth, Victoria 3137 Australia

**Tel: +61 3 9761 6622 • Fax: +61 3 9761 6807**

www.arb.com.au  
ABN 31 006 708 756

**Dear Shareholder,**

The Directors of ARB Corporation Limited (“**ARB**” or the “**Company**”) are pleased to report that the Company achieved a net profit after tax of \$23.4 million for the half year ended 31 December 2017. Excluding an under-provision for taxes in prior years expensed in the current half of \$3.0 million, net profit after tax was \$26.5 million compared with \$23.4 million in the previous corresponding period. This represents an increase of 13.4%.

Net profit before tax of \$35.7 million represents an increase of 10.9% compared with \$32.2 million in the prior corresponding half year period. The Board believes the pre-tax result, which excludes the material impact of taxation in the current half, more accurately reflects the operating performance of the Company during the period.

Sales for the half year were \$208 million, an increase of 12.4% over the prior corresponding period.

The half year results are summarised below:

<b>Six months ended</b>	<b>31 Dec 17</b> \$'000	<b>31 Dec 16</b> \$'000	<b>Change</b>
<b>Sales</b>	<b>208,085</b>	<b>185,150</b>	<b>12.4%</b>
Other Revenue	1,962	1,083	
<b>Total Revenue</b>	<b>210,047</b>	<b>186,233</b>	
<b>Profit before Tax</b>	<b>35,705</b>	<b>32,189</b>	<b>10.9%</b>
Tax	(12,258)	(8,831)	
<b>Profit after Tax</b>	<b>23,447</b>	<b>23,358</b>	<b>0.4%</b>
<b>Add back:</b>			
<b>Under-provision of taxes in prior years<sup>1</sup></b>	<b>3,041</b>	-	
<b>Net profit excluding under-provision of taxes in prior years<sup>1</sup></b>	<b>26,488</b>	<b>23,358</b>	<b>13.4%</b>
EPS (cents)	29.61	29.50	
<b>Interim Dividend (cps)</b>	<b>17.5</b>	<b>16.0</b>	<b>9.4%</b>
Franking	100%	100%	

<sup>1</sup> In accordance with ARB's previous market update to ASX on 15 December 2017, the reported results in the current half year include a provision for additional taxes of \$3.0 million in relation to the period from 1 July 2013 to 30 June 2017. The Board believes the results adjusted for the impact of this expense more accurately reflect the operating performance of the Company in the current period.

The Company intends to pay an interim fully franked dividend of 17.5 cents per share. The interim dividend will be paid on 20 April 2018 and the Record Date will be 6 April 2018. A Dividend Reinvestment Plan and a Bonus Share Plan will be in operation for the interim dividend. Information regarding the Plans will be sent to shareholders in the next few days.

## **HIGHLIGHTS OF THE HALF YEAR TO 31 DECEMBER 2017**

### **Sales**

Sales for the period grew by a pleasing 12.4% over the previous corresponding period.

A summary of sales category performance for the period is as follows:

Customer Category	Percentage of Total Sales		Sales Growth
	6 months to Dec 2017	6 months to Dec 2016	
Australian Aftermarket	66.0%	67.5%	10.0%
Exports	27.0%	25.2%	20.2%
Original Equipment	7.0%	7.3%	7.6%
	100.0%	100.0%	12.4%

Sales to the Australian aftermarket grew by a strong 10.0% compared with the previous corresponding period. Sales growth was achieved in all states of Australia, with above average growth in New South Wales and Queensland.

Excellent growth of 20.2% was achieved in total exports made from Australia, the USA, Europe, Thailand and the Middle East. The high Australian dollar against the US dollar limited the positive impact of even higher sales growth in the USA during the half.

Sales to Original Equipment Manufacturers (OEM's) recovered from slower rates of growth last year to increase by 7.6% compared with the previous corresponding half. The Company is working on a number of new contracts with OEM's that should improve sales in this category in the 2017/18 year and beyond.

It should be noted that improved stock availability was a critical factor in achieving the improved sales growth.

Over the past two calendar years, ARB's inventory has grown by 16% from \$91 million to \$106 million as at 31 December 2017. During the same period, sales revenue has grown by almost 20%.

## Distribution

In the Australian aftermarket, the Company distributes through its market leading ARB store network, to ARB stockists, to new vehicle dealers and to various fleet operators. Currently, there are 61 ARB stores in Australia, of which 25 are Company owned. This compares with 58 stores at this time last year. The Company expects a further three ARB stores will become operational in the second half of the current financial year.

During the period a new Company owned ARB store was established at Canning Vale in Perth, Western Australia. This building was completely renovated in the new ARB livery. The original Canning Vale store which operated out of the state warehouse has been closed and the space used for much needed warehouse expansion. Also, the Company owned store at Regency Park in Adelaide, South Australia was completely renovated to include up-to-date showroom facilities and larger fitting facilities. The Board is pleased that these store upgrades have been received positively by ARB's customers.

The new Victorian warehouse at Keysborough in Melbourne was completed in September 2017 and the major logistical exercise of transitioning warehouse functions and stock into the new premises was undertaken smoothly. This is the Company's main national warehouse and is now fully operational. The activities in ARB's leased facilities

near the Kilsyth Head Office in Melbourne, Victoria are being relocated within the Company and the premises will all be vacated by the end of February 2018. The total expensed cost of these moves is estimated to have been in excess of \$800,000 during the half year.

Finally, ARB expects to begin building new warehousing facilities on its land in Thailand by the end of this financial year. Apart from providing additional warehousing, this will also make further manufacturing space available in Thailand.

## **Products and Production**

ARB regards product development as a key element in maintaining the Company's long term competitive advantage. Research and development expenditure is continuing to increase in line with Company growth. During the year, more new vehicle releases have occurred both in Australia and overseas and new products for these vehicles are being released into the Company's factories on a weekly basis.

Work is also continuing on a number of long term development projects that will provide growth opportunities for the Company in the future. For shareholders to get a better idea of ARB's new product releases, the Company's website at [www.arb.com.au](http://www.arb.com.au) is a good source of information.

One of these long-term development projects has just been completed with the very successful release of LINX into the market in late January 2018.

LINX is a unique modern controller that de-clutters the dashboard and centralises the command of vehicle accessories by replacing classic switches, gauges and monitors with one sleek and smart driver interface. Built on an expandable platform, LINX will continue to evolve to give ARB's customers ongoing improvements to their on and off road driving experience.

## **Financial**

Growth in pre-tax profit of 10.9% was restricted by the relocation costs expensed during the period as previously noted. Pleasingly, however, sales margins were maintained during the half and costs were well controlled despite volatility in the key Thai baht and US dollar currencies. Infrastructure and resource investments have continued to be made to provide for future growth.

During the period, substantial investments in property, plant and equipment of \$26.6 million, including over \$20 million in the new Keysborough warehouse, and a \$17 million increase in inventory certainly had a material impact on free cash flow. However, the Company ended the period with no net debt.

## **THE FUTURE**

Sales in the first six weeks of the second half of the financial year have continued to grow, which is encouraging. In the medium term, economic conditions in some of ARB's main markets remain unpredictable. Together with fluctuating foreign exchange rates, these factors create some difficulties for business. Nonetheless, demand for the Company's products still remains healthy in many countries around the world and the Company believes that satisfactory growth remains achievable in this environment.

In the longer term, ARB has growth plans in place, both in Australia and in export markets, which include new products and improved distribution. The Company's significantly increased distribution capacity provides the platform for growth.

With strong brands around the world, very capable senior management and staff, a strong balance sheet and growth strategies in place, the Board believes ARB is well positioned to achieve on-going success.

Yours faithfully,

A handwritten signature in black ink, appearing to be 'R. Brown', enclosed within a large, horizontal oval shape.

**Roger Brown**  
Chairman

28 February 2018