



4X4 ACCESSORIES

MARKET UPDATE

MAY 2018



Presented by Roger Brown, Chairman

Table of Contents

1. ARB introduction	p. 3
2. Overview of operations	p. 4
3. Financial highlights	p. 5
4. Performance – last 10 years	p. 7
5. Australian new vehicle sales	p. 10
6. ARB sales by market segment	p. 12
a. Australian aftermarket	p. 13
b. Export sales	p. 16
c. Original equipment sales	p. 18
7. Product development	p. 19
8. Production	p. 26
9. Financial position	p. 27
10. Growth strategy	p. 28
11. Outlook	p. 29

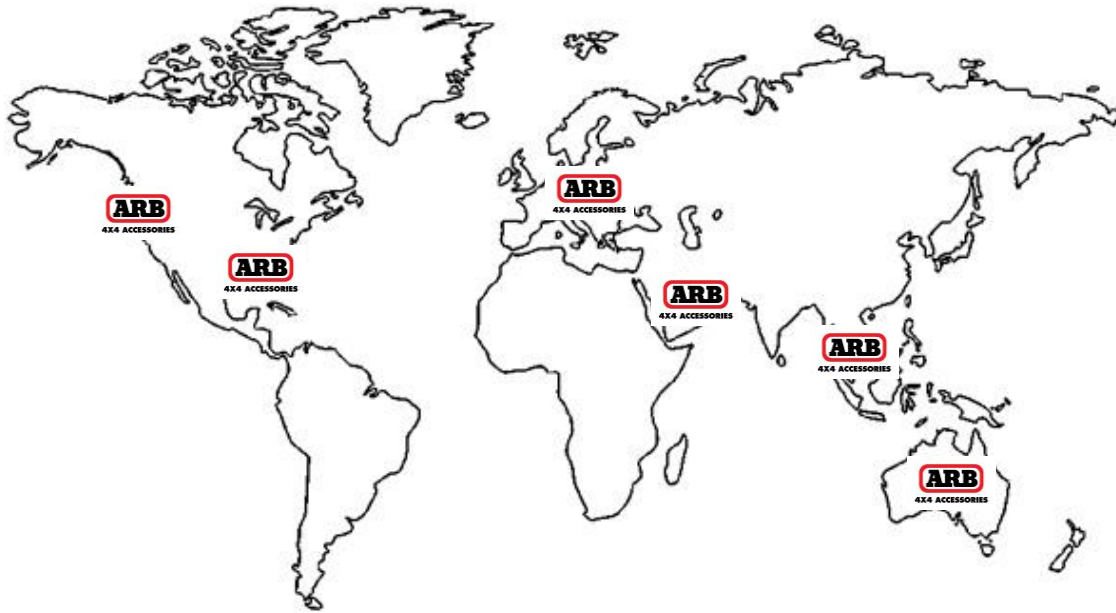
1. ARB Introduction

- Established as a private company in 1975 with 2 employees.
- Listed on the Australian Securities Exchange in 1987.
- Designs, manufactures and distributes Australia's largest range of accessories for 4WD and light commercial vehicles.



- ARB is now a major force in this market internationally.
- Focused on our core business for the past 43 years, in a growing market.

2. Overview of Operations



- Annual sales of over \$400m
- 1,600 employees worldwide
- Authorised distributors in all key international markets

- Manufacturing in Australia and Thailand.
- Sales, warehousing & fitting facilities across Australia.
- Sales & warehousing in Thailand (Rayong), USA (Seattle & Jacksonville), Czech Republic (Prague) and UAE (Dubai).

3. Financial Highlights

1H FY2018



Sales Revenue of

\$208.1m

Up 12.4%

- Sales growth in all key parts of the business.
- Follows 7.2% sales growth in last financial year.

Profit before Tax of

\$35.7m

Up 10.9%

- Growth of 10.9% is broadly in line with sales revenue growth.
- Impacted by one off costs relocating warehouses and manufacturing facilities in Australia.

Profit after Tax of

\$23.4m

Up 0.4%

- Impacted by a provision for additional taxes of \$3.0 million in relation to the period 1 July 2013 to 30 June 2017.
- Growth in Profit after Tax excluding the impact of this one off provision was 13.4%.

3. Financial Highlights

1H FY2018



Capital Expenditure of

\$26.6m

- Significant investment in Property, Plant and Equipment:
 - National warehouse in Keysborough, Victoria; and
 - Various plant items and ARB Store upgrades.
- Further investment in inventory levels.

Net Debt of

\$nil

Maintained

- No net debt, consistent with June 2017 financial year end.
- Well placed to react quickly to opportunities, such as acquisitions or capital projects.

Interim Dividend of

17.5 cps

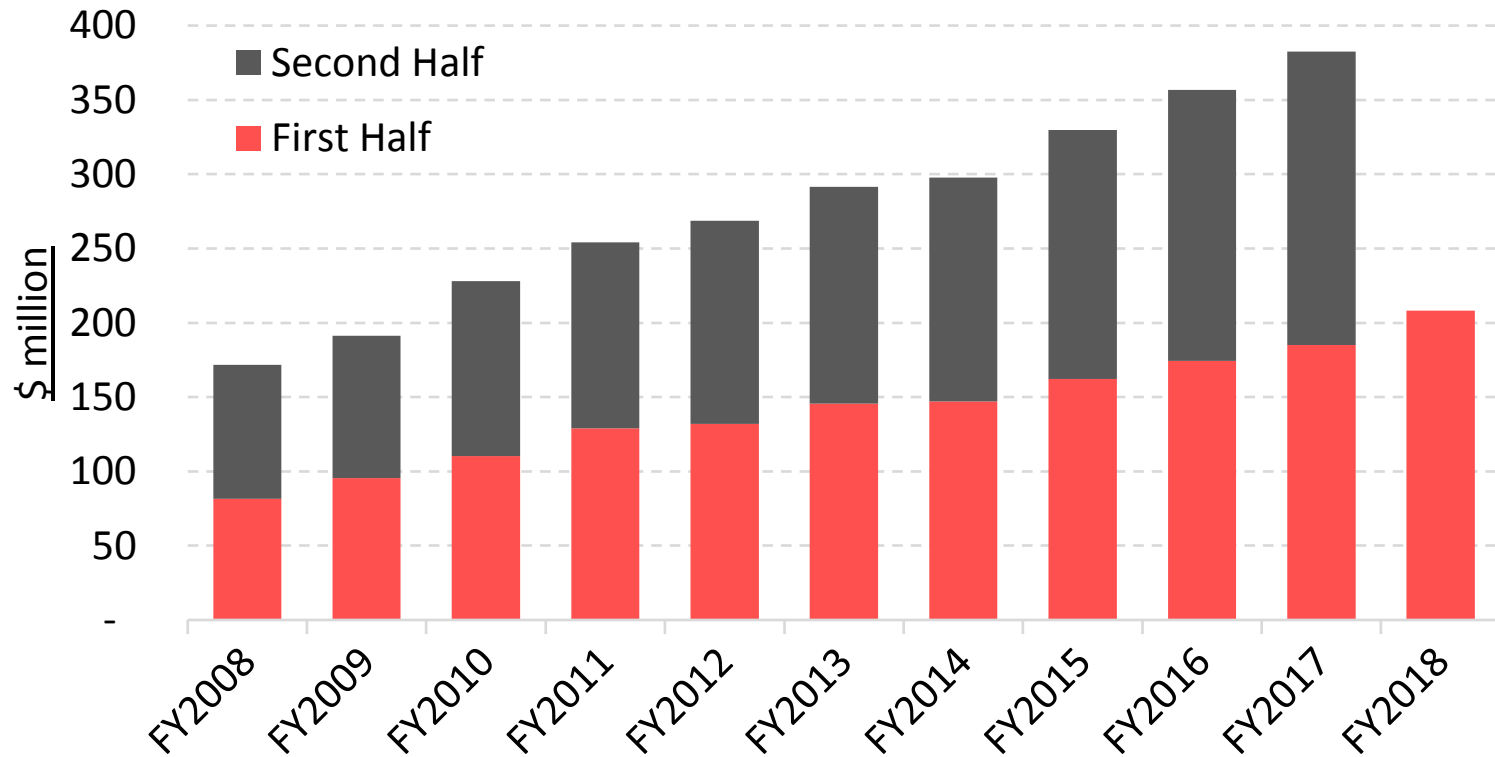
Up 9.4%

- Dividend fully franked.
- Dividend Reinvestment & Bonus Share Plans recommenced.

4. Performance – last 10 years

Sales Revenue: 10 Year CAGR: 10.1%

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

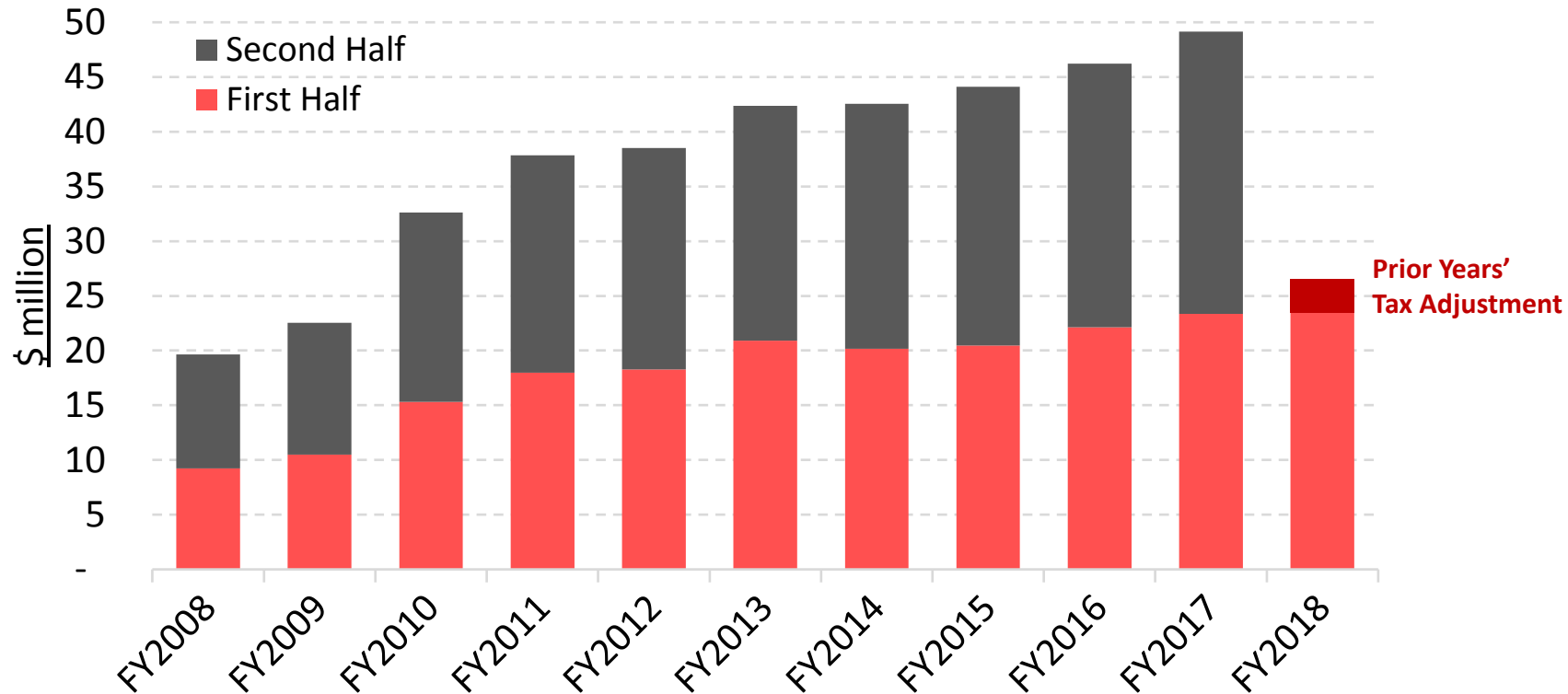


4. Performance – last 10 years

Profit after Tax: 10 Year CAGR: 12.0%

(excluding property sale in FY2016)

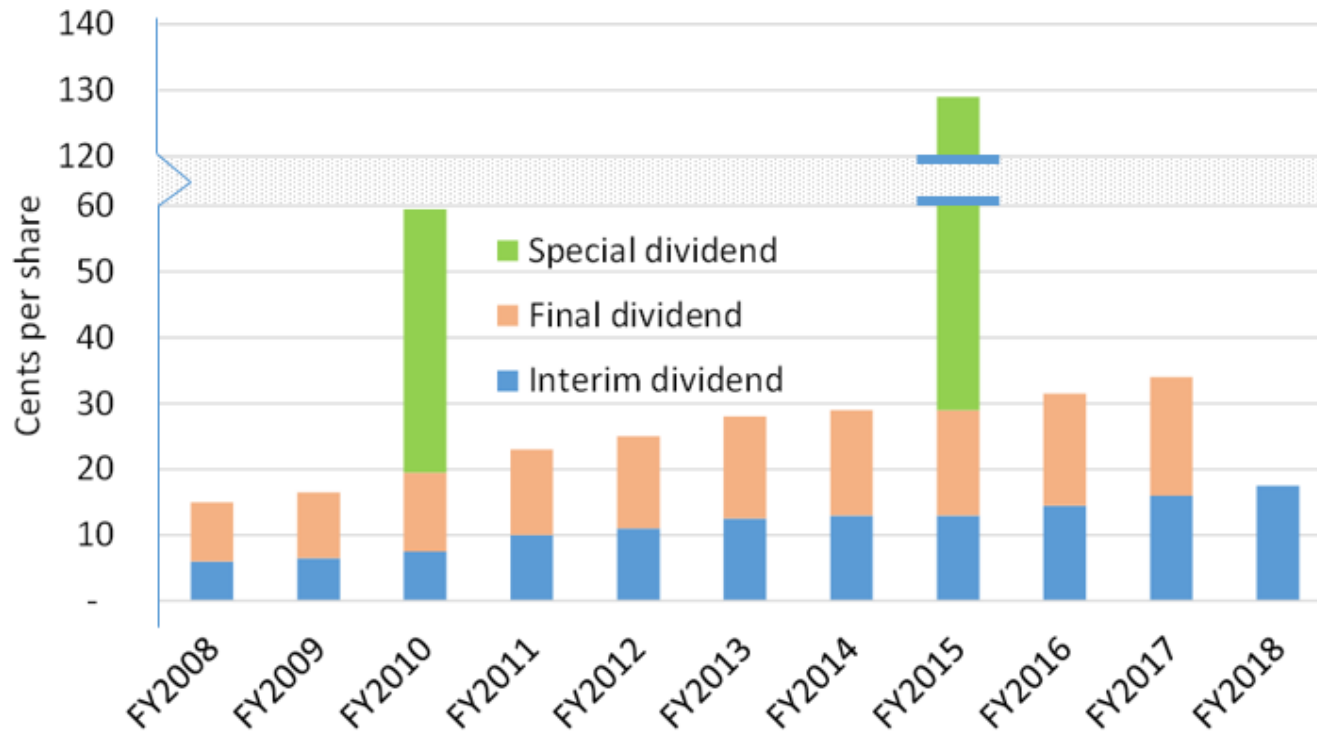
Profit after Tax grew at an average compound rate of 12.0% over the past 10 years.



4. Performance – last 10 years

Dividends per Share

- Dividends paid have grown steadily over the last 10 years.
- Specials dividends were paid in FY2010 & FY2015.

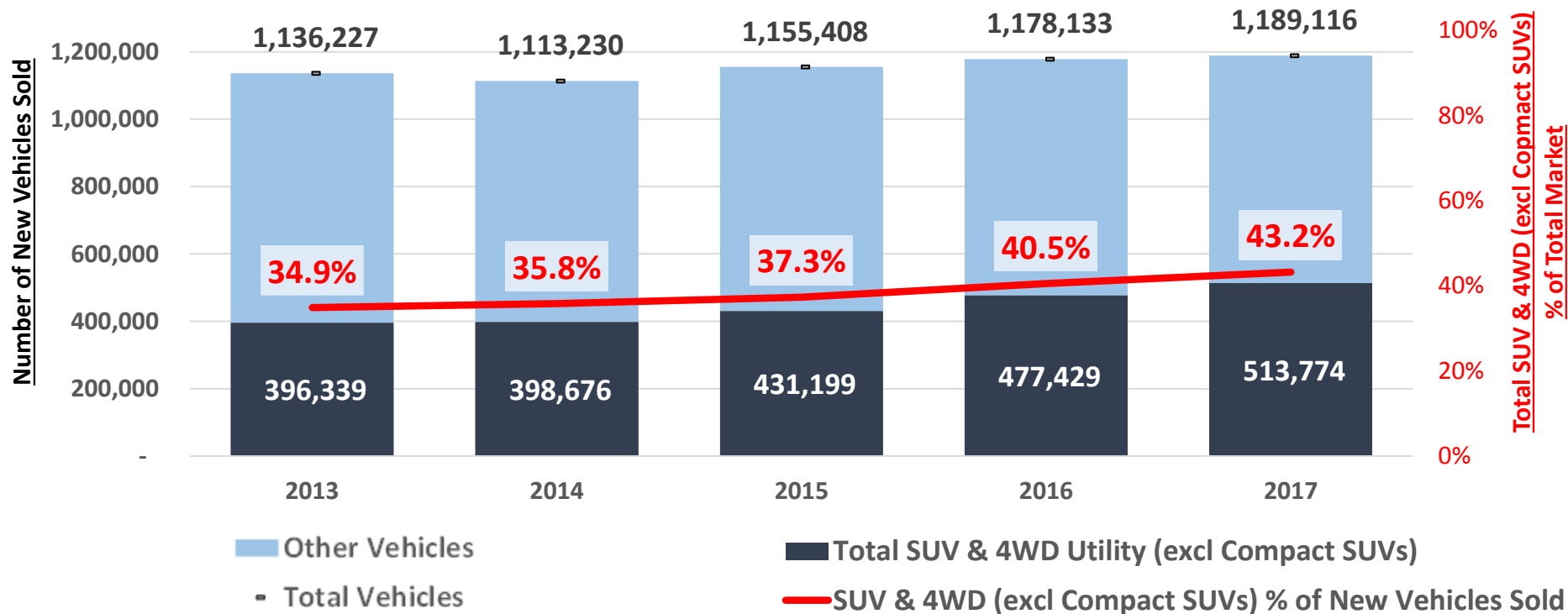


5. Australian New Vehicle Sales



4WD Utilities and 4WD Sport Utilities (SUVs) have increased from 34.9% of new vehicles sold in 2013 to **43.2% of new vehicles sold in 2017**.

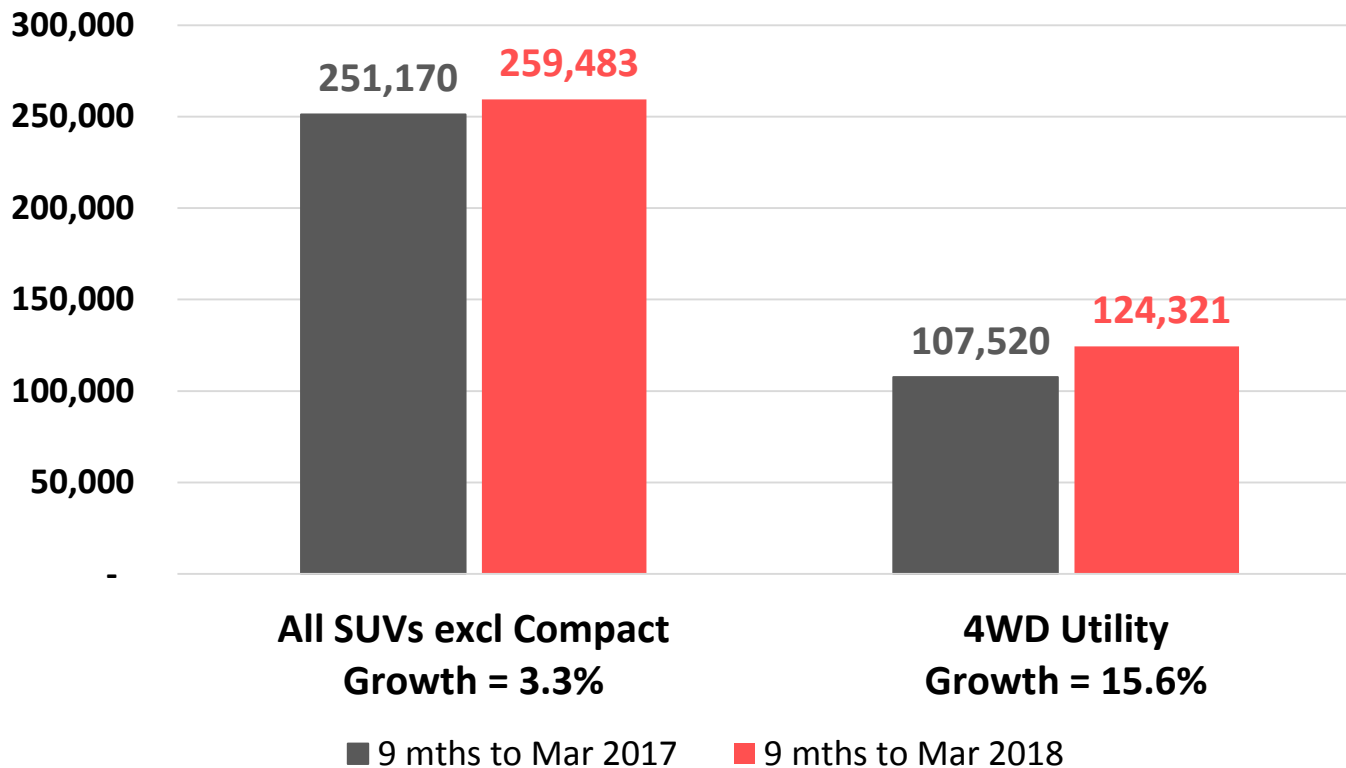
Nb: Compact SUVs are excluded from the SUV numbers on this slide and the next as they are not typically accessorised; they were included in previous years' presentations.



- The trend of growth continues!

5. Australian New Vehicle Sales

4WD categories most important to ARB Financial YTD – 9 mths to March 2018



- ARB's largest groups of customers own Medium to Large SUVs and 4WD Utilities (typically diesel dual cabs).

6. ARB Sales by Market Segment



4X4 ACCESSORIES

Q3 FY2018 YTD

• **Australian Aftermarket** **+11.3%**

(includes: ARB Aftermarket, SmartBar, Kingsley Enterprises, GoActive Outdoors)

Variable growth across the country

- 65.8% of Group sales

• **Export** **+16.3%**

Strong growth in all regions

- 27.7% of Group sales

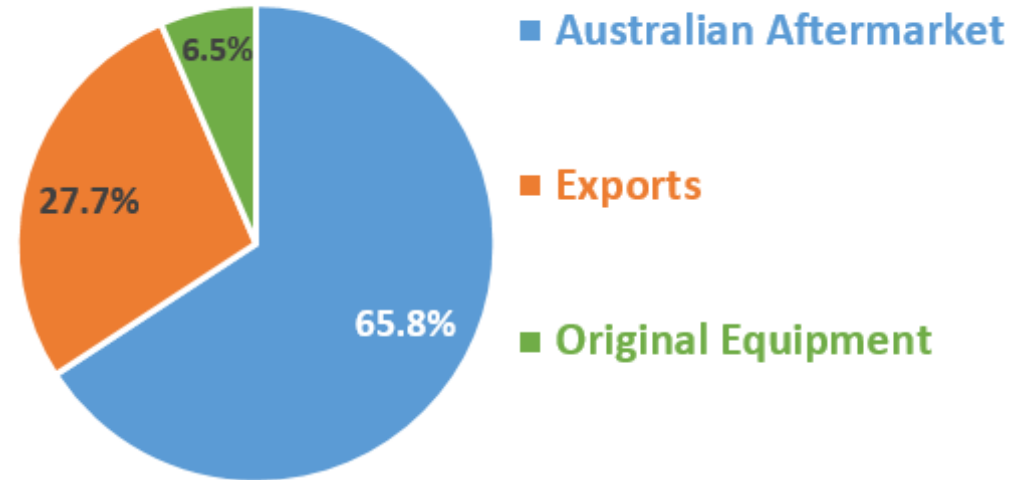
• **Original Equipment** **+7.9%**

Return to growth compared with this time last year

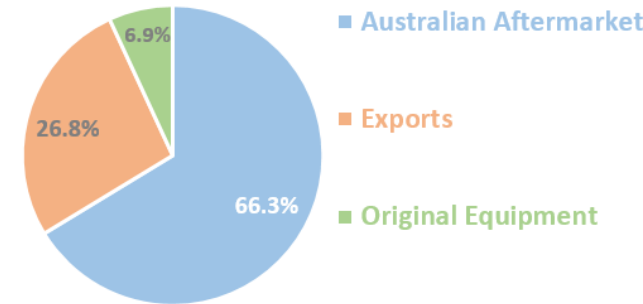
- 6.5% of Group sales

• **TOTAL SALES GROWTH** **+12.4%**

Q3 FY2018



Q3 FY2017



6a. Australian Aftermarket



Sales growth of 11.3% (65.8% of total Company sales)

- Sales offices and warehouses in all states.
- Distribution through ARB stores, independent 4WD specialists, new vehicle dealers and fleet operators.
- ARB operates 25 Company owned ARB stores across Australia.
- ARB also distributes through 36 independently owned ARB stores across Australia, an increase of two stores compared with this time last year.

6a. Australian Aftermarket



- Sales were up in all states of Australia.
- Growth was above the average in Queensland, New South Wales and Tasmania.
- Growth was near the average in Western Australia and South Australia.
- Growth in Victoria was below the average but cycling at very high growth figures over the past 5 years. Northern Territory was also below the average due to capacity constraints.
- Fleet sales generating strong growth.
- Dealer sales performing well off the back of the “Just Gotta Ask” campaign.
- A number of new stores are planned throughout 2018 and into 2019.

6a. Australian Aftermarket



- GoActive Outdoors, Kingsley Enterprises and SmartBar also provide very useful contributions to ARB's Australian Aftermarket sales.
- The new ARB store format continues to roll out across new and existing ARB Stores.
- Strong marketing initiatives in place.
- Active social media presence.
- General inventory increase providing the ability to grow.
- Fitting capacity resources are constrained at some locations.

6b. Export Sales



Sales growth of 16.3% (27.7% of total Company sales)

- Sales and distribution operations are established in the USA, Europe, Thailand and the Middle East.
- Sales growth was achieved by all export operations including exports out of Australia.
- ARB sells to distributors all over the world.
- The 4WD market is growing in many parts of the world and represents strong growth potential for ARB.
- Exports remain a key focus for ARB, attracting investment in both infrastructure and marketing.

6b. Export Sales



- The US operations continue to generate steady growth.
 - The team, including senior management and staff, is well settled.
 - Facilities in Seattle, WA and Jacksonville, FL are operating efficiently.
- ARB Europe, now in its fourth year of operation, continues to find opportunities across the European market and is growing steadily.
- ARB Thailand's wholesale operation is extending further throughout Asia with new distributors and investments by established distributors.
- ARB Middle East continues to expand its activities throughout the region engaging new customers whilst assisting existing customers with local support and locally held inventory.

6c. Original Equipment Sales



Sales growth of 7.9% (6.5% of total Company sales)

- ARB maintains strong working relationships with the Original Equipment Manufacturers (OEM's).
- A number of new OEM contracts for new and existing vehicles and products are commencing throughout the 2018 calendar year.
- Despite lower margins, OEM provides important factory throughput.
- The current order book from OEM customers is strong.
- ARB continues to pursue opportunities around new vehicle releases, both domestically and overseas.

7. Product Development

- Product development is the key to maintaining the Company's long term competitive advantage and sales growth.
- ARB's R&D department includes a team of 40+ development engineers, supported by 20+ production engineers in both Australia and Thailand.
- The Company spent \$7.3m on R&D during FY2017, an 8% increase on FY2016.
- R&D expenditure represented 1.9% of total sales revenue.
- The R&D team is responsible for developing new and unique products for the existing vehicle range and upgrading existing products for models newly released into the market.
- The Company is also focusing on a number of long term development projects.

7. Product Development

Recent important new product releases include:

LINX

- LINX is a unique modern controller that declutters the dashboard and centralises the command of vehicle accessories.
- LINX replaces classic switches and gauges and monitors performance with a smart driver interface.
- Release date: February 2018



7. Product Development



▶ ⏪ 🔊 0:02 / 1:01



7. Product Development

Tailgate Assist

- Tailgate Assist safely controls opening and reduces closing effort by over 50%.
- Already developed for a large range of the 4WD utilities on the market.
- Release date: Now



7. Product Development

SAFELY CONTROLS OPENING



7. Product Development

Jack

- Jack utilises powerful, lightweight, hydraulic technology to smoothly raise and lower the vehicle safely and effortlessly.
- Release date: Now



7. Product Development



8. Production

- Production is at near capacity with continued strong demand.
- Work will commence shortly on the new 20,000 m2 free-trade zoned warehouse in Thailand. This will also create more manufacturing space for the current Thai operations and improve supply to customers around the world.
- Continued investment is planned to facilitate growth and upgrade existing machinery.
- Key production objectives: volume, efficiency and highest quality products.

9. Financial Position

- Strong financial position maintained with no net debt at December 2017.
- Free cash flow and existing cash balances funded the \$20m national warehouse in Keysborough, Victoria completed in September 2017.
- Inventory levels increased 20% at December 2017 compared with the same time last year.
- Profit is being impacted by the strengthening THB which is the Company's current key FX exposure.
- The Company is well placed to take advantage of investment opportunities.

10. Growth Strategy

There are many expansion opportunities for ARB:

- Product development is key to growth and maintaining industry position.
- Developing the Australian store network in terms of number of stores and presentation of stores.
- Developing distribution throughout the international network.
- Selectively acquiring new products or businesses.
- Investment in equipment to increase efficiencies and production.
- Continuous improvement throughout existing operations.

11. Outlook



- ARB expects to establish 7 new ARB stores between now and the end of the next financial year.
- The sales order book is currently strong both domestically and internationally.
- Establishment of the new free-trade zoned global warehouse in Thailand will substantially increase warehousing and production capacity.
- The Board believes the company is well positioned to continue its growth but is cautious of the current economic environment and severe instability in some parts of the world.

Disclaimer

This presentation has been prepared by ARB Corporation Limited (ARB). The information in this presentation is current as at 1st May 2018.

This presentation is not an offer or invitation for subscription or purchase of securities or a recommendation with respect to any security. Information in this presentation should not be considered advice and does not take into account the investment objectives, financial situation and particular needs of an investor. Before making an investment in ARB any investor should consider whether such an investment is appropriate to their needs, objectives and circumstances and consult with an investment adviser if necessary. Past performance is not a reliable indication of future performance.

ARB has prepared this presentation based on information available to it. No representation or warranty, express or implied, is made as to the fairness, accuracy, completeness or correctness of the information, opinions and conclusions contained in this presentation. To the maximum extent permitted by law, none of ARB, its directors, employees or agents, nor any person accepts any liability, including, without limitation, any liability arising from fault or negligence on the part of any of them or any other person, for any loss arising from the use of this presentation or its contents or otherwise arising in connection with it.

This presentation may contain forward looking statements that are subject to a range of risk factors and uncertainties. Whilst the statements are considered to be based on reasonable assumptions, the statements themselves and the assumptions upon which they are based may be affected by a range of circumstances which could cause actual results to differ significantly from the results expressed or implied in these forward looking statements.