



ARB CORPORATION LTD

Tel: +61 3 9761 6622
 Fax: +61 3 9721 9093
 arb.com.au

Postal Address:
 PO Box 105, Kilsyth,
 Victoria 3137 Australia

Street Address:
 42-44 Garden Street, Kilsyth,
 Victoria 3137 Australia

Dear Shareholder,

RESULTS

The Directors of ARB Corporation Limited (“**ARB**” or the “**Company**”) report that the Company achieved a profit before tax of \$77.7 million for the year ended 30 June 2019. This represents a 4.5% increase compared with the year to 30 June 2018. Sales for the year were \$443.9 million, an increase of 5.0% over the previous corresponding year.

The Company achieved a net profit after tax of \$57.1 million for the year ended 30 June 2019, up 12.1% on the reported net profit after tax of \$51.0 million in the previous year. The previous year included an expense of \$3.0 million relating to an under-provision of taxes in prior years, the impact of which is highlighted in the table below for comparative purposes.

The full year results are summarised below:

Year ended	30 Jun 19	30 Jun 18	Change
	\$'000	\$'000	
Sales	443,891	422,675	5.0%
Other Revenue	2,681	2,469	
Total Revenue	446,572	425,144	5.0%
Profit before Tax	77,692	74,372	4.5%
Tax	(20,555)	(23,403)	
Profit after Tax	57,137	50,969	12.1%
Add back:			
Under-provision of taxes in prior years ¹	-	3,041	
Net profit excluding under-provision of taxes in prior years¹	57,137	54,010	5.8%
EPS - cents	71.9	64.3	
DPS - cents			
Interim	18.5	17.5	
Final	<u>21.0</u>	<u>19.5</u>	
Total	<u>39.5</u>	<u>37.0</u>	6.8%
Franking	100%	100%	

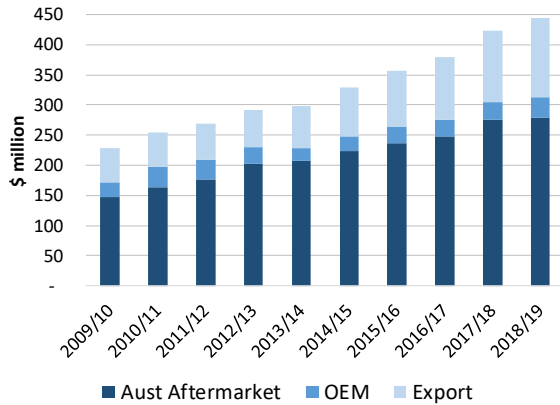
Note 1. As disclosed in the 2018 Financial Statements, the reported results for the financial year ended 30 June 2018 include a payment for additional taxes of \$3.0 million in relation to the period from 1 July 2013 to 30 June 2017. The Board believes the results adjusted for the impact of this expense more accurately reflect the operating performance of the Company in the current financial year.

The Company intends to pay a final fully franked dividend of 21.0 cents per share on 18 October 2019. This brings total dividends for the year to 39.5 cents per share fully franked. The Record Date for the final dividend will be 4 October 2019. The ARB Dividend Reinvestment Plan and Bonus Share Plan will be in operation for the Final Dividend.

Information about the ARB Dividend Reinvestment Plan and Bonus Share Plan can be found on the Company's website at <https://www.arb.com.au/about/investor-relations/>. Investors wishing to make or change an election to participate in either of the plans can do so online via the Computershare Investor Centre website at www.computershare.com.au/easyupdate/arb or by phoning Computershare on 1300 850 505.

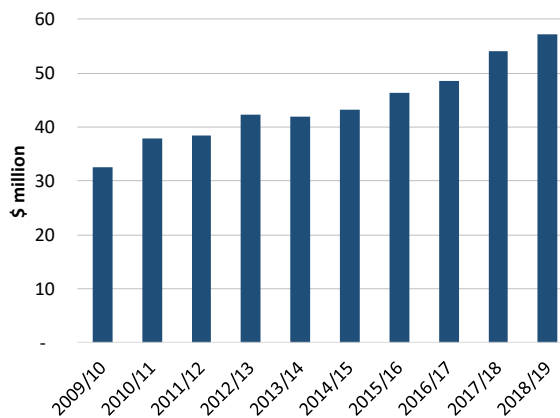
10 YEAR HISTORICAL PERFORMANCE

The sales, profits and dividends per share performance of the Company over the past 10 years are illustrated in the graphs below:



SALES REVENUE

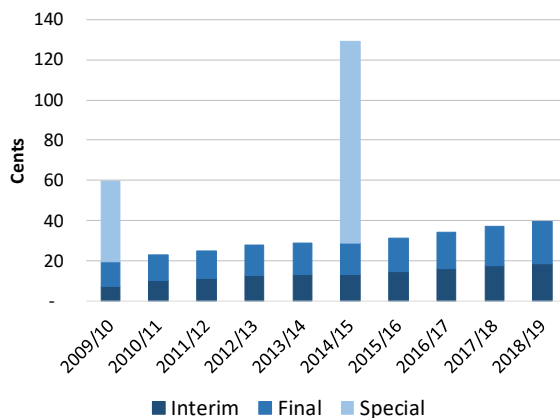
Annual sales revenue has grown at an average compound rate of 8.8% over the past 10 years.



NET PROFIT AFTER TAX

Net profit after tax has grown at an average compound rate of 9.7% over the past 10 years.

(The under-provision of tax recorded in 2018 has been allocated back to the relevant periods being 1 July 2013 to 30 June 2017. See Note 1 on prior page.)



DIVIDENDS PER SHARE

Dividends per share have grown steadily over the past 10 years with special dividends paid in 2009/10 and 2014/15. All dividends have been fully franked.

HIGHLIGHTS OF THE 2018/19 YEAR

Sales and Distribution

Sales revenue increased by 5.0% in 2018/19 over the previous corresponding period. Sales growth was achieved in all categories of the business as can be seen from the table below.

Customer Category	Percentage of Sales		Sales Growth
	12 months to Jun 2019	12 months to Jun 2018	
Australian Aftermarket	62.9%	65.0%	1.6%
Exports	29.4%	28.1%	9.8%
Original Equipment	7.7%	6.9%	17.1%
	100.0%	100.0%	5.0%

ARB's sales to the Australian aftermarket grew by a modest 1.6%. The Australian Aftermarket now represents 62.9% of the Group's sales, down from 65.0% last year.

Growth in Australian Aftermarket sales were inhibited by flat new vehicle sales of medium to large SUVs and four-wheel drive utilities (ARB's target market) whilst total new vehicles sold in Australia declined by 8%.

In the Australian Aftermarket the Company distributes through the ARB store network, to ARB stockists, to new vehicle dealers and to various fleet operators. Contributions from GoActive Outdoors, Kingsley Enterprises and SmartBar are included in the Australian Aftermarket sales segment.

ARB branded retail stores are an integral part of the Company's distribution network in Australia. The number of ARB stores has increased by three since this time last year with new stores in Warragul, Victoria and in South Hedland and Bunbury, Western Australia. These stores were all fitted out in the new "ARB flagship" format which continues to be rolled out progressively across the network. This brings the total number of ARB stores to 66, of which 26 are Company owned.

Export sales grew by 9.8% and now represent 29.4% of the Group's sales. Export sales remain a key focus for ARB and growth was achieved in sales from the Company's distribution centres in Australia, the USA, the Czech Republic and Thailand. Sales were down slightly from the distribution centre in the United Arab Emirates. Reported growth in the Export channel was partially assisted by the weaker Australian dollar.

Sales to Original Equipment Manufacturers grew strongly by 17.1% for the year reflecting the commencement of new contracts along with a marginal shift of customers from the Aftermarket channel. A number of new contracts with Original Equipment customers are scheduled to commence in the second half of the new financial year.

Products and Production

ARB regards product development as a key element in maintaining the Company's long term competitive advantage. Research and development expenditure grew by 36.7% to \$13.0 million in 2018/19. 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.

The Ford Ranger PXIII and the US version, Suzuki Jimny and Mitsubishi Triton MR were important new vehicle releases. New product development focused on accessories for these vehicles and on expanding the range to suit recent facelifts to the Nissan Patrol Y62, Jeep Grand Cherokee and the Toyota Hilux range.

ARB maintained a steady stream of new product releases throughout the year, most notably additional modules were added to the LINX vehicle accessory interface, the ARB Summit bull bar and SmartBar ranges were expanded and ARB released Intensity V2 lights and the ARB Classic Fridge Freezer II. The Bushranger branded winch and Night Hawk driving lights were also successfully launched and well received by the market.

Work is continuing on a number of exciting 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 is a great source of information.

Both the Australian and Thai manufacturing plants are operating efficiently and at close to capacity.

The new 20,000 square metre free-trade zoned global warehouse in Thailand is nearing completion and is expected to be operational in the next two months. The new warehouse will provide increased warehousing and manufacturing capacity and increase the efficiency of the global distribution network by distributing from a more central location at lower cost.

Financial

Cash flows from operations increased by 11.6% to \$50.0 million despite a 15.3% increase in inventory levels of \$16.6 million to facilitate sales growth and more-timely customer deliveries.

The Company invested \$23.6 million in property, plant and equipment including robot welders, laser cutters, brake presses and CNC lathes in both Australia and Thailand. It is anticipated that new machinery will continue to drive manufacturing quality and efficiencies.

ARB's strong balance sheet, with no net debt, ensures that the Company is well placed to take advantage of investment opportunities going forward which are actively being pursued.

THE FUTURE

The Company's growth in 2018/19 was hampered by difficult local and global market conditions. Specifically, new car sales in Australia posted their biggest annual fall in more than nine years. In addition, the Australian dollar declined to its historically weakest position against the Thai Bhat.

Although the lower Australian dollar increases ARB's offshore revenue opportunities, in the short term it has a significant impact on the cost of the Company's Thai manufactured product and negatively impacts sales margins. The Company is taking measures to offset the increased cost, but the exchange rate will continue to affect the Company's performance throughout the first half of the new financial year.

The current economic conditions remain uncertain. However, the Board remains focussed on the long term growth of the Company as it develops and pursues a number of exciting opportunities. This includes further growth in export markets, new products and vehicle releases, and improved distribution.

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

A first quarter trading update will be provided to shareholders at the AGM on 17 October 2019.



Roger Brown
Chairman
20 August 2019