

# AGM 2014

Annual General Meeting



## ARB CORPORATION LIMITED 2014 ANNUAL GENERAL MEETING



Presented by Roger Brown  
Executive Chairman



## Summary of 2013/14 Result

- Sales Revenue up 2.2% to \$297.8 million
- Pre Tax Profit down 1.2% to \$57.3 million
- Net Profit After Tax up 0.5% to \$42.57 million

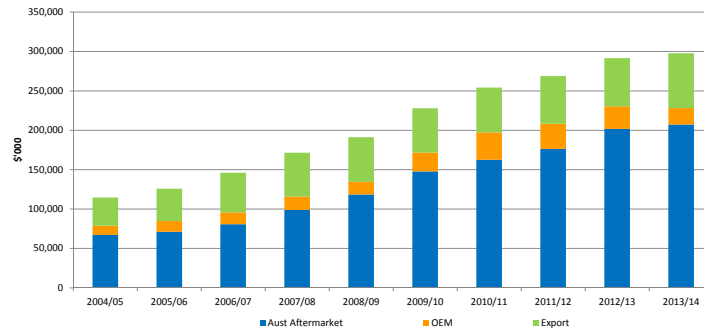
## Dividends

- The Company has declared an increased final fully franked dividend of 16.0 cps, payable on 24<sup>th</sup> October, 2014.
- This brings total ordinary dividends for the year to 29 cps fully franked, compared with 28 cps last year.
- The dividend payout ratio is 49% which is up on last year.

## Sales Revenue

### 10 Year Company Performance

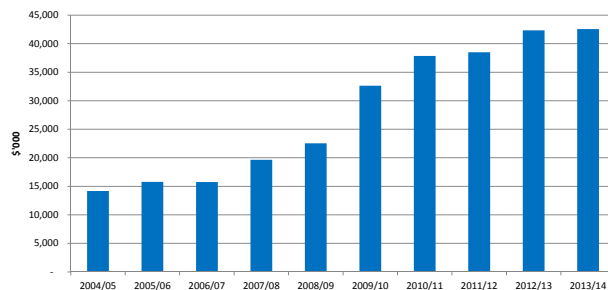
Annual sales revenue has grown at an average annual compound rate of 11.2% over the past 10 years



## Net Profit After Tax

### 10 Year Company Performance

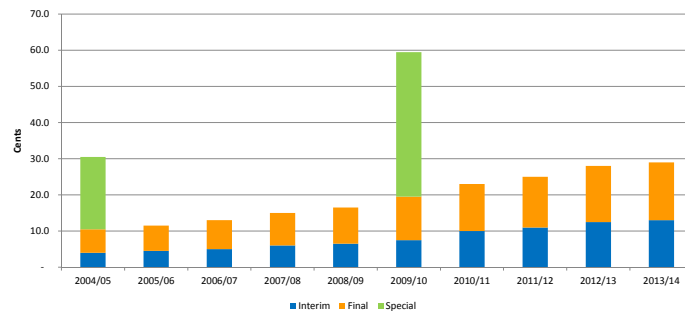
Net profit after tax has grown at an average annual compound rate of 13.0% over the past 10 years



## Dividends

### 10 Year Company Performance

Dividends per share have grown steadily over the past 10 years with Special Dividends paid in 2004/5 and 2009/10. All dividends have been fully franked



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## Sales Growth by Market Segment

### 2013/14 compared with 2012/13

<b>Australian Aftermarket Sales</b> (including Thule & Kingsley)	up	1.8%
<b>Export Sales</b>	up	14.0%
<b>Australian Original Equipment Sales</b>	down	28.0%
<b>TOTAL SALES</b>	up	2.2%

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## Market Segment Reporting

- We have previously reported Export Sales as ex Australia and ex our US subsidiary Air Locker Inc. Our exporting structure is now more complex and exports will now be reported as one figure combining exports from operations in Australia, the USA, Thailand and Europe as one market segment.

## Sales Mix by Market Segment 2013/14 compared with 2012/13

	2013/14	2012/13	Change
<b>Australian Aftermarket</b>	<b>69.6%</b>	<b>69.5%</b>	flat
<b>Exports</b>	<b>23.4%</b>	<b>20.5%</b>	up
<b>Australian Original Equipment</b>	<b>7.0%</b>	<b>10.0%</b>	down
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>	



## ARB's Australian Aftermarket Distribution

- Sales to the Australian Aftermarket were up by a modest 1.8% over the year.
- The Australian aftermarket figures include sales made by Kingsley Enterprises and Thule Roof Rack Systems in Australia.
- ARB distributes throughout Australia from state sales offices with attached warehouses.
- Distribution is to ARB stores, independent 4WD stockists and new vehicles dealers throughout each state.
- As at 30<sup>th</sup> June 2014 there were 50 ARB stores in Australia (compared with 47 at the same time last year) and well over 100 independent stockists.

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## ARB's Australian Aftermarket Distribution

- New independent ARB stores were established at the following locations:
  - Biggera Waters, Qld
  - Broken Hill, NSW, and;
  - Pakenham, Vic
- Also during the year the company purchased the independently owned ARB stores at Welshpool in WA and Darwin in the NT.
- Of the present 50 ARB stores in Australia 21 are owned by the Company.
- Sales to the Australian Aftermarket continued to be supported by solid sales of new 4wd vehicles.

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## Australian New Vehicle Sales

	2013/14 (units sold)	2012/13 (units sold)	Change
4WD Utilities	132,687	138,521	- 4.2%
Total 4WD and Utilities	515,810	510,533	+ 1.0%
All Vehicles	1,122,467	1,137,889	- 1.4%

- Overall vehicle market was flat year on year

## ARB's Australian Aftermarket Distribution

- During the year sales results were not consistent across all States and Territories. Sales grew well in Victoria, New South Wales, South Australia and Tasmania, however sales declines were experienced in Queensland and Western Australia due to the larger impact of mining expenditure cutbacks in those states.
- The Australian Aftermarket represented almost 70% of our business during the year.

## Export Sales

- Export sales were up by 14% over the prior year.
- The weaker Australian dollar for much of the year certainly contributed to export growth.
- In March 2014 two new warehouse and sales operations were opened to better service our export customers in Europe and the USA.
- ARB Europe was established in Prague in the Czech Republic to service customers throughout Europe.

## Export Sales

- In the USA a new facility was established in Jacksonville, Florida. This facility will service eastern USA and Central and South America.
- Both the new businesses have operated successfully for the last quarter of the financial year and continue to do so.
- During the year ARB considerably strengthened its sales presences in many markets around the world which will contribute to growth in future periods.
- For the full year exports represented 23.4% of total sales.



## Manufacturing

- The Company has manufacturing facilities in Kilsyth, Australia and Rayong in Thailand.
- Production output has been reduced at the Kilsyth plant due to the drop in demand from Original Equipment customers in Australia who are mainly serviced by this plant. We have continued to invest in both plants to achieve efficiency gains.
- Growth in Aftermarket and Export demand resulted in increased sales by our Thailand manufacturing subsidiary. Sales by this subsidiary were up by 42% over the prior year.

## Warehousing - Australia

- Australia warehousing capacity will be increased over the next 12 months.
- In Adelaide, South Australia ARB purchased a warehouse to replace existing leased properties and provide increased capacity. This new warehouse will be operating this month.
- In New South Wales, the sales facility at Moorebank has been purchased and will be substantially renovated over the next 12 months. Also a larger warehouse has been leased to relieve current congestion. This warehouse will be operational in November, 2014.
- Finally in Queensland a new company owned warehouse is being built in Brendale, a northern suburb of Brisbane to replace existing smaller leased warehousing facilities. This new warehouse will be opened in January, 2015.

## Product Development

- ARB regards product development as essential and it is a key element in maintaining the Company's long-term competitive advantage.
- Expenditure on R&D was increased again over the period and new products are regularly being released to ARB's markets.
- Two long term development projects have recently been released to the market.
- The ARB Ascent canopy was released to market in April, 2014. This product represents a new level of design and innovation and is a world leading product in its category. Over the next 12 months models of the canopy will be released to suit all popular utilities.

## Product Development

- ARB is also releasing a new high end 4WD shock absorber which has been developed over the last 4 years. This is known as the BP-51. It is an aluminum bodied, remote cannister shock absorber incorporating by-pass technology. We have built a state of the art production facility to produce this product in our Thailand manufacturing plant. Assembly of this product began this week and over the next 18 months we will expand the range of vehicle fitments available.
- Both products were exhibited at the Automechanika Show in Frankfurt in September and were enthusiastically welcomed by our customers.
- ARB is continuing to work on numerous long and short term product development projects which will result in significant product releases over the next few years.

## Financial – Balance Sheet

- ARB has maintained a strong balance sheet over the period and had a net cash balance of \$38.8 million at the 30<sup>th</sup> June 2014.
- This was despite increased spending on inventory, plant and equipment and property over the period.
- The Company's strong financial position ensures that ARB can react quickly to appropriate opportunities, such as further capital projects or suitable acquisitions.

## Acquisition of Smart Bar

- ARB is pleased to advise that the company completed the purchase of the "Smart Bar" division from Hills Industries Ltd on the 31<sup>st</sup> August, 2014.
- Smart Bar is the manufacturer of a unique range of rotomoulded high density polyethylene bull bars for a range of vehicles.
- Volumes are not large at present but the product is well accepted by some fleets and government users. We intend to add the range to ARB's current distribution network which will increase sales over time.
- The purchase is expected to be earning's per share positive from acquisition date.



## Purchase of ARB's Head Office Facility

- As advised to the ASX on the 1<sup>st</sup> October, ARB has signed a contract to purchase 42-44 Garden Street, Kilsyth, for \$19 million. ARB currently leases the site and the purchase is due to complete by the end of October, 2014.
- This gives us the opportunity to renovate and reconfigure this site which house's the Company's head office functions, warehousing, manufacturing and our retail store over the next few years.
- This purchase will result in a significant reduction in operating costs relating to the site.

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## Trading Update



- ARB advised in the 2014 Annual Report that it would provide a first quarter update at today's meeting.
- The Board is pleased to report that sales growth has been recorded for the first quarter to the 30<sup>th</sup> September 2014 over the previous corresponding period as follows:
  - Australian Aftermarket sales have achieved modest growth, assisted by the addition of ARB Welshpool, WA and ARB Darwin, NT.
  - Exports sales have continued to grow since warehouses in Prague, Europe and Jacksonville, USA have been opened.
  - OEM sales are up significantly, but off a low base, driven by run out programs from some of the OEM's with new vehicle releases due in the second half of this financial year.

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## Trading Update (cont.)

- All in all, an encouraging start to the year, although profit growth will be modest due to the relatively lower margin on Export and OEM sales and increased operating costs associated with the expansion of operating capacity in most areas.

## Growth Strategy

ARB's main growth strategies can be summarised as follows:

- Continuing the development of new products - ARB is clearly a world leader in the development of accessories for 4WD vehicles and the Company's focus on new product development is being increased.
- Further expanding ARB's store network throughout Australia, particularly in areas where 4WD vehicle sales are strong.
- Expanding distribution both in Australia and around the world by strengthening ARB's sales teams, increasing marketing efforts and broadening distribution arrangements in a number of markets over the next year.

## Growth Strategy (cont.)

- Selectively acquiring new products or businesses if suitable opportunities arise.
- Concentrating ARB's sales efforts in areas of the world where oil extraction, mining, aid and relief and agriculture are creating high demand for 4WD vehicles.

## Outlook

- The Company's 2013/14 result was achieved in the face of very challenging global market conditions.
- The Board is optimistic about the future outlook for the Company but remains cautious in the short term given the current economic environment.
- The modest lift in first quarter sales is a positive start for the year ahead.

## Outlook (cont.)

- ARB is well positioned to achieve on-going success despite the present economic challenges we have:
  - strong brands around the world;
  - experienced and capable staff, with important senior management appointments being made in key areas;
  - strong cash flows and a strong balance sheet; and
  - well defined growth strategies and a flexible approach to implementation.

## Special Dividend

- Today the Board is pleased to announce a **fully franked Special Dividend of \$1.00 per share**.
- ARB's Dividend Reinvestment Plan (DRP) and Bonus Share Plan (BSP) will be recommenced for the Special Dividend, with the last date for receipt of Election Notices for the Plans being the 21<sup>st</sup> November 2014. Therefore shareholders will be able to receive their dividend in cash or shares with a full franking credit attached in both cases.
- The Record Date of the special dividend will be the 19<sup>th</sup> November 2014.

## Special Dividend

- The Payment Date of the special dividend will be the 5<sup>th</sup> December 2014.
- The DRP/BSP issue price will be based on ARB's 5 day ex-dividend volume weighted average price less a 5% discount, as outlined in the Rules of the Plans subject to an issue price cap of \$11.35. It should be noted that this is an ex dividend price.
- The Plans have been fully underwritten to maintain ARB's strong financial position.
- Further details are provided in the ASX announcement which has been released separately today.