

ARB Corporation Limited 2015/16 Year Results Commentary

Presented by Roger Brown
Chairman

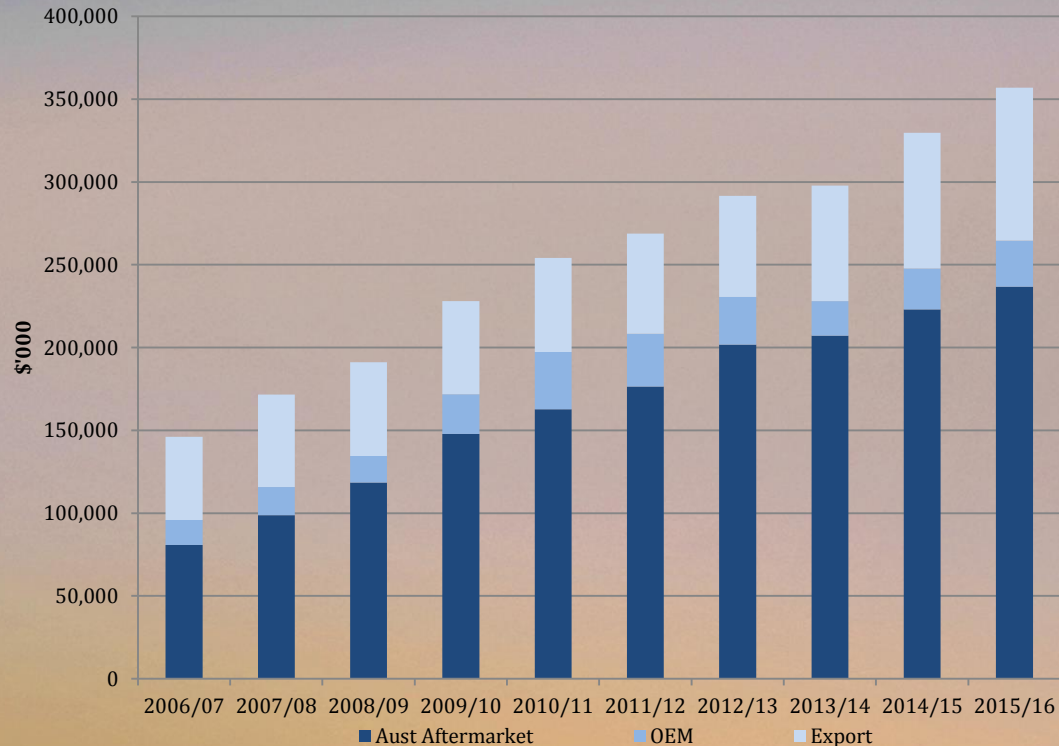


4X4 ACCESSORIES

RESULTS SUMMARY

Year to 30 June	2016 \$'000	2015 \$'000	Change
Sales Revenue	356,905	329,755	+8.2 %
Total Revenue	361,224	333,356	+8.4 %
Profit Before Tax	64,379	60,016	+7.3 %
Less Tax	16,940	15,923	
Net Profit After Tax	47,439	44,093	+7.6 %
Basic EPS – cents	59.9	57.8	
DPS – cents			
Interim	14.5	13.0	
Final	<u>17.0</u>	<u>16.0</u>	
Total	31.5	29.0*	+8.6 %
Franked Amount	100%	100%	

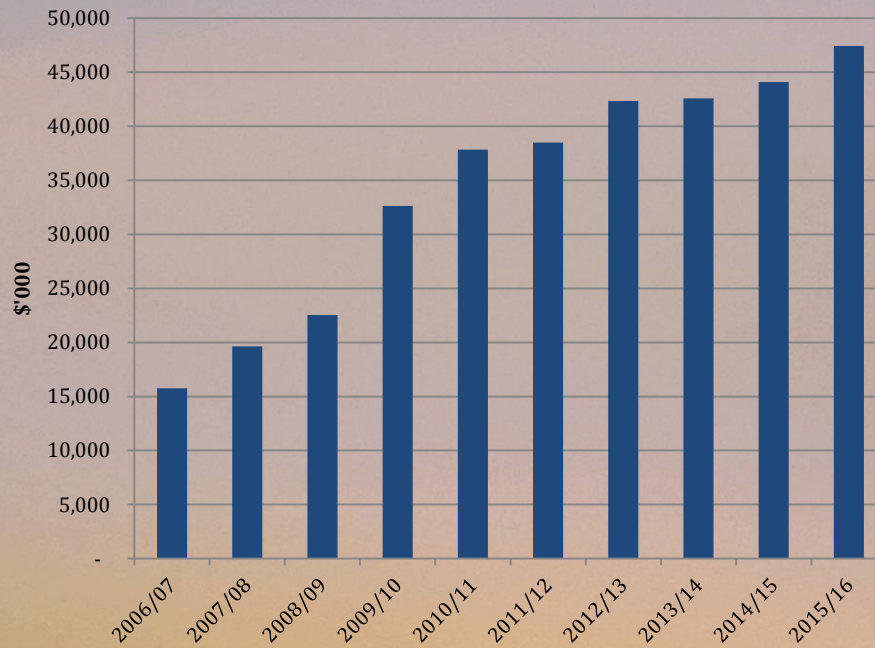
HISTORICAL PERFORMANCE



SALES REVENUE

Annual sales revenue has grown at an average compound rate of 10.4% over the past 10 years

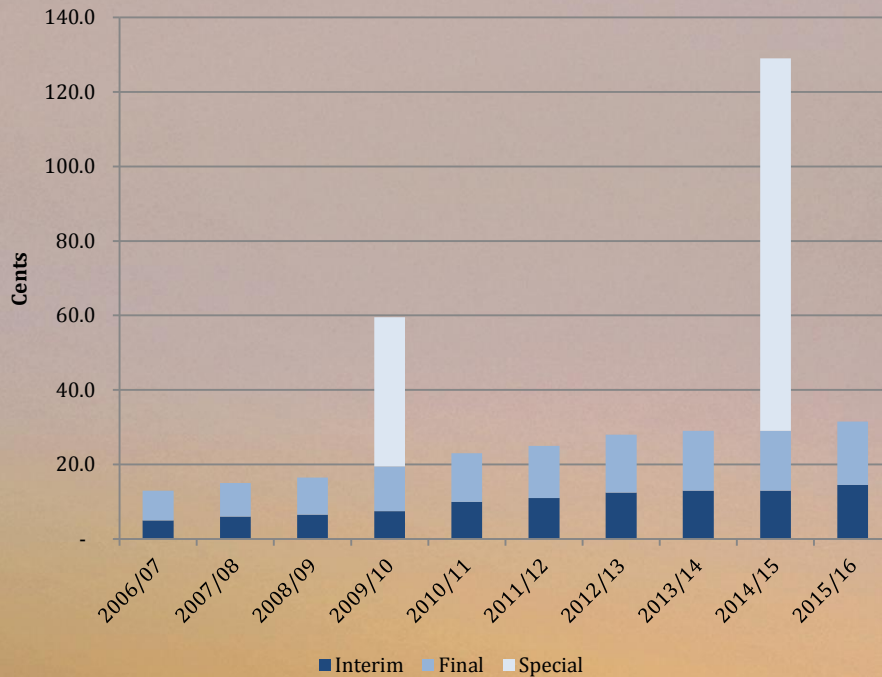
HISTORICAL PERFORMANCE (cont.)



NET PROFIT AFTER TAX

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

HISTORICAL PERFORMANCE (cont.)



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.



4X4 ACCESSORIES

SALES BY CATEGORY

Customer Category	Percentage of Total Sales		Sales Growth
	12 months to June 2016	12 months to June 2015	
Australian Aftermarket	66.3%	67.6%	+6.2%
Exports	25.9%	24.9%	+12.6%
Original Equipment	7.8%	7.5%	+12.2%
	100.0%	100.0%	+8.2%



4X4 ACCESSORIES

AUSTRALIAN AFTERMARKET

- 66.3% of total sales
- 6.2% growth over pcp
- Major impact – release of many new vehicles in first half - Nissan Navara, Mitsubishi Triton, updated Ford Ranger, Toyota Hilux and updated Land Cruiser 200 series
- Also release of new vehicle category – PUV's: Mitsubishi Pajero Sport, Isuzu MU-X, Colorado 7, Ford Everest and Toyota Fortuner. A new opportunity going forward.
- Better growth in 4th quarter
- Australian aftermarket growth not consistent across all states and territories.



4X4 ACCESSORIES

AUSTRALIAN AFTERMARKET (cont.)

- Distribution
 - Sales & warehousing in each State and Territory
- ARB Stores 56 (24 corporate) up from 52
- ARB Stockists
- New vehicle dealers
- Fleets



4X4 ACCESSORIES

AUSTRALIAN AFTERMARKET (cont.)

- Warehousing – new warehousing established in South Australia, Queensland, New South Wales and ACT in past 2 years.
- Now looking at capacity in Victoria and Western Australia.
- Fitting Capacity – definitely a bottleneck in some locations recently. Further capacity being looked at.



4X4 ACCESSORIES

EXPORT SALES

- 25% of total sales.
- 12.6% growth over PCP.
- Growth a little slower in last quarter due to higher Australian dollar and slow down in economies dependent on oil and gas exports.
- Sales made
 - from Australia
 - from USA
 - from Thailand
 - from Europe
- And introducing Dubai in the Middle East as a new sales and distribution point.
- Highlight of the year has been growth in sales from new European operation.
- Export sales growth is a top priority for ARB.

ORIGINAL EQUIPMENT SALES

- 7.8% of total sales.
- 12.2% sales growth over PCP.
- Growth expected to slow a little over next 12 months but good opportunities exist going forward from 2017/18 both locally and overseas.



4X4 ACCESSORIES

PRODUCT DEVELOPMENT

- Product development critical to ARB's future and one of our major investments always.
- We are pleased to advise that we have recently established design engineering capability in the USA to cater for that markets special requirements.
- Most major new products released over the past 2 years have been very successful.



4X4 ACCESSORIES

SUMMIT BULL BAR WITH SIDE RAILS





4X4 ACCESSORIES

SUMMIT REAR STEP TOW BAR



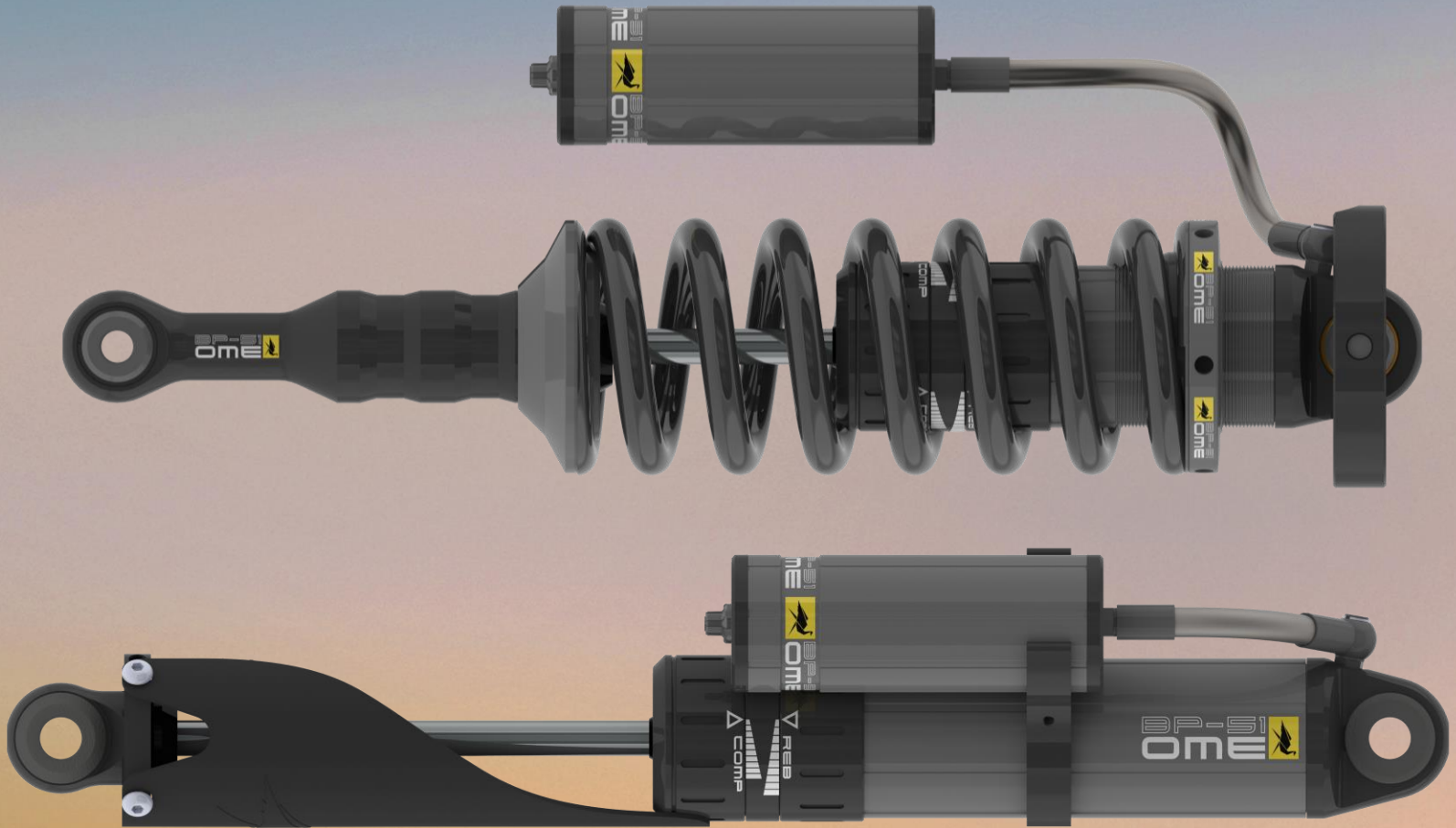


4X4 ACCESSORIES

ASCENT CANOPY



HIGH PERFORMANCE BYPASS SHOCK ABSORBERS





ARB FRONTIER TANK
ROTARY MOULDED PLASTIC FUEL TANK





4X4 ACCESSORIES

ARB ALLOY BULL BAR





4X4 ACCESSORIES

ARB MODULAR BULL BAR





4X4 ACCESSORIES

PRODUCT DEVELOPMENT (cont.)

- Sales growth was hampered by the unusually high number of new vehicle releases made simultaneously in the first half of the year.
- Product development and manufacturing teams still catching up.
- We are continuing with a number of long term development projects to ensure ARB's future growth.



4X4 ACCESSORIES

PRODUCTION

- Busy in both Australia and Thailand plants over the year.
- To provide for future global warehousing and manufacturing space we have agreed to purchase a further 55,000 sq meters of land in the same estate we currently occupy in Thailand. This land will allow for duty free zoned warehousing and distribution to be conducted.
- Development of this site will proceed in stages as required over the medium term.



4X4 ACCESSORIES

MARKETING

ARB has strong in-house marketing capability

- Whilst maintaining a presence in traditional print media, such as specialist 4x4 publications, ARB is significantly expanding in the field of digital advertising. This will facilitate very targeted advertising for both new products and existing lines.
- ARB has a strong and vibrant presence across a variety of social media platforms. The company has more Youtube subscribers than any other automotive brand in Australia.
- ARB's in house marketing department continues to produce outstanding material, with the ARB catalogue being awarded Australia's best automotive and parts catalogue for two consecutive years at the annual catalogue awards.



4X4 ACCESSORIES

FINANCIAL

- Pleased with sales growth of 8.2% but profit growth was hampered by increases in product development and manufacturing costs associated with large number of new products released over the year.
- Cash flow strong at \$44.9 million.
- Strong balance sheet with no debt and cash balance of \$13.8 million.
- Maintenance annual capital expenditure of \$10 to \$12 million will probably be higher this year due to property and other investments.



4X4 ACCESSORIES

THE FUTURE

- Should establish 4 new Australian ARB stores in 2016/17.
- Development of ARB ME our sales and warehousing operations in Dubai serving the Middle East and North Africa.
- Strengthening distribution in the USA and Central and South America.
- Continued release of new products to world markets.
- A first quarter trading update will be provided at the AGM in October.