

# 2016 Q3 Broker Presentation

October 2016



YEARS

**AG EAGERS** Established 1913

# A.P. Eagers – Trading Update Q3, 2016

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- Introduction
- AP Eagers - Today
- Operational Update – Q3 Trading
- Strategic Update - Carzoos
- ASIC Reviews – Finance and Insurance
- Mitigations

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**EAGERS** Established 1913

# A.P. Eagers Today

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- **103** year old automotive retail group founded in **1913**
- **58** years as a listed public company – dividend paid every year
- A.P. Eagers owns **\$285m** of prime real estate
- Represents all **12** of the top **12** selling vehicle brands in Australia and **27** car brands in total along with **12** truck / bus brands
- **4,360** employees **140+** dealership locations in QLD, NT, NSW, VIC, SA and TAS
- **19.9%** ownership of Automotive Holdings Group (\$229m\*)
- **8.2%** ownership of [www.carsguide.com.au](http://www.carsguide.com.au) (\$2.5m)



# Operational Update – Q3 2016

- National Trucks

- SA Cars

- NSW Metro Cars

- NSW Regional Cars

- Northern Territory and Blacks Cars

- Victoria and Tasmania Cars and Trucks

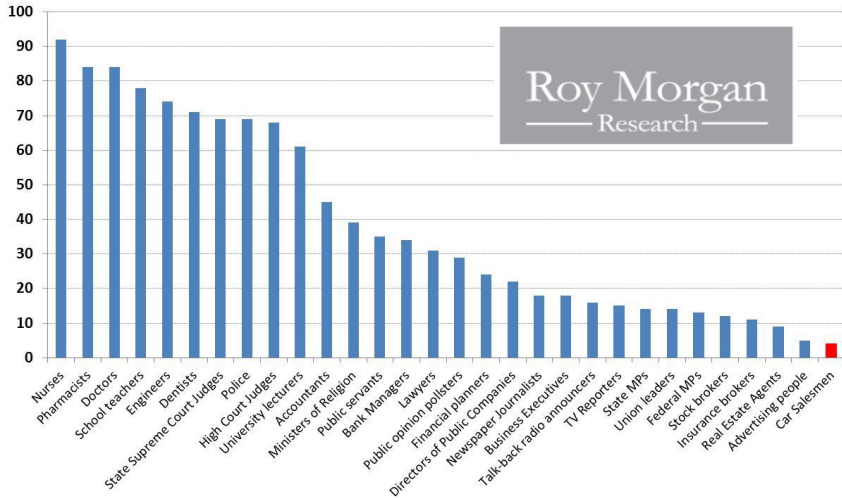
- South East Queensland Cars

- Cramptons and Tony Irelands

	Month		Year to Date		Variance	
	2016	2015	2016	2015	MTD % Chg	YTD % Chg
Australian Capital Territory	1,631	1,604	14,102	13,530	1.7%	4.2%
New South Wales	34,424	33,983	299,126	283,746	1.3%	5.4%
Northern Territory	880	785	8,481	8,272	12.1%	2.5%
Queensland	19,702	20,387	178,171	178,468	-3.4%	-0.2%
South Australia	6,551	5,859	53,565	50,888	11.8%	5.3%
Tasmania	2,074	2,090	13,993	14,287	-0.8%	-2.1%
Victoria	28,766	27,675	242,667	233,680	3.9%	3.8%
Western Australia	8,668	9,009	76,971	79,961	-3.8%	-3.7%
<b>Total</b>	<b>102,696</b>	<b>101,392</b>	<b>887,076</b>	<b>862,832</b>	<b>1.3%</b>	<b>2.8%</b>



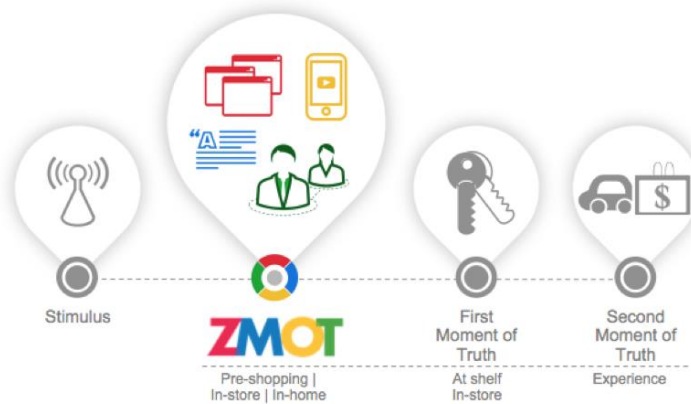
# Carzoos – Theory & Rationale



## Customers' Perceptions of the Used Car Buying Experience.

*"Dealers do not have my best interests at heart."*

- Commission based – it's only about the sale
- Try to upsell
- Don't care about what I need
- Don't tell the whole truth



Google



Stacy's car-buying journey included over 900 digital touchpoints\* in a 3-month period

- 71% Occurred on Mobile
- 139 Google Searches
- 14 YouTube Videos
- 89 Images
- 69 Dealer Interactions
- 186 Manufacturer Interactions

Explored 14 Brands



Considered 6 Brands

Decided Between 2 Brands

# Used Car Disruption

## Carvana raises a \$160M Series C to expand its online dealership and car vending machines nationwide

Posted Aug 10, 2016 by [Fitz Tepper \(@fitztepper\)](#)

## Used-Car Startups Lure Buyers Online From Dealer Lots

by [Polina Noskova](#)

September 12, 2016 — 5:01 AM EDT Updated on September 13, 2016 — 7:31 PM EDT

## This Online Used Car Marketplace Startup Is Adding An Auction Service

by [Kirsten Korosec](#) @kirstenkorosec SEPTEMBER 19, 2016, 2:21 PM EDT

## Vroom Brings In \$50 Million to Expand Its Online Used-Car Business

by [Kirsten Korosec](#) @kirstenkorosec SEPTEMBER 20, 2016, 7:30 AM EDT

### Overview



Total Equity Funding  
**\$300M in 3 Rounds**  
Most Recent Funding  
**\$160M Series C** on August 10, 2016

Headquarters: [Phoenix, AZ](#)  
Description: Carvana is a better way to buy a car. Skip the dealership and buy online. savings over \$1,500 vs KBB. Free delivery. 7-day test own.  
Founders: [Ryan Keeton, Ernie Garcia](#)  
Categories: [E-Commerce, Internet, Automotive](#)  
Website: <http://www.carvana.com/>  
Social: [f](#) [t](#) [in](#)

### Overview



Total Equity Funding  
**\$148.95M in 5 Rounds** from **34 Investors**  
Most Recent Funding  
**\$70M Series B** on August 1, 2015

Headquarters: [Mountain View, California](#)  
Description: Buying and Selling a Car. More Than Improved. Elevated.  
Founders: [Alejandro Resnik, Owen Savir](#)  
Categories: [E-Commerce, Internet, Peer to Peer, Marketplace, Automotive](#)  
Website: <http://beepi.com>  
Social: [f](#) [t](#) [in](#)

### Overview



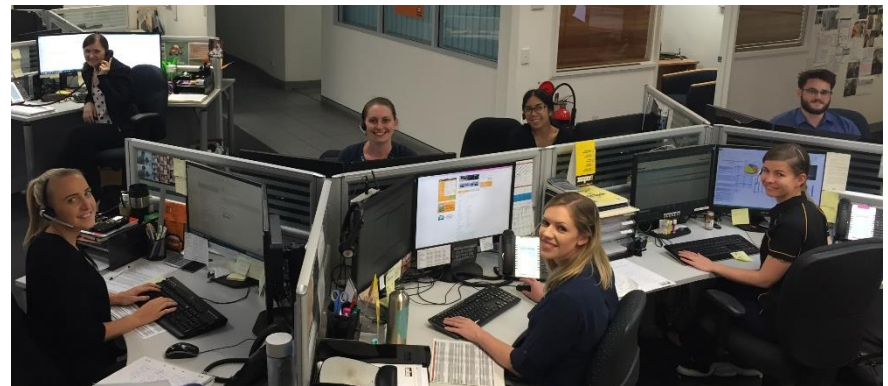
Acquisitions  
**1 Acquisition**  
Total Equity Funding  
**\$218.25M in 5 Rounds** from **14 Investors**

Headquarters: [New York, New York](#)  
Description: Vroom is an online direct car retailer that makes car-buying and -selling fast and easy.  
Founders: [Marshall Chesrown, Kevin Westfall](#)  
Categories: [E-Commerce, Automotive, Customer Service](#)  
Website: <http://vroom.com>  
Social: [f](#) [t](#) [in](#)

# Global Trends – Automotive Retail in Shopping Centres



# CARZOOS ... 4 Weeks New!





# Brand Proposition – Solving the 3 Pain Points

## THE CARZOOS CUSTOMER

## COMPELLING BENEFITS

## ENABLERS

### Buying

### Consumer Pain Points

- 7-day money-back guarantee
- Free comprehensive motor vehicle insurance
- No haggle discounted pricing (Algorithm based)
- Capped price servicing
- 24/7 roadside assistance
- Carzoos 175,000 km warranty

WHAT CAR?  
WHAT PRICE?

### Selling

- 24 hour guaranteed best in market price (not as a part exchange)
- 30-day 'buy your car guarantee'
- Peer to peer - without the fear - concierge service

WHAT IS  
MY TRADE  
WORTH?

### Financing

- Nine finance companies best tailored for you, but customer choice
- 100% independent
- Fully transparent fee structure and rate comparison
- Real-time quote generation (Algorithm based)

HOW TO  
FINANCE?  
AND CAN I  
GET FINANCE?

CONVENIENCE • CHOICE • CONTROL

TECHNOLOGY STACK

GP  
**EAGERS**  
DEALERSHIPS

ONE · FLEET

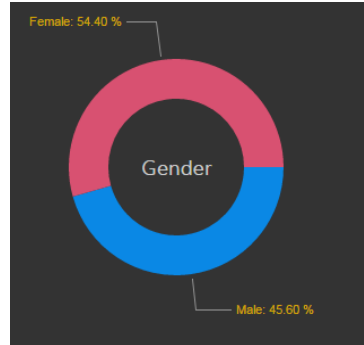
**Zooper!**

**AUTO  
BIDDA**  
Best price. Real time.

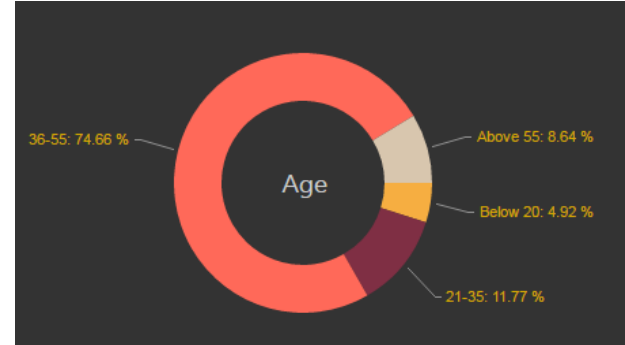
**Simplr.**<sup>TM</sup>

# Carzoos – Beta Store Learnings (4 weeks in):

- Slight Female Skew
- Encouraging Age demographic
- High Engagement
- Exceptional Response
- Strong Sell My Car Enquiry
- Metrics are sound



54% female V 45% male in store



74% Age 36-55 + 12% Age 21-35

Website Traffic Gender Breakdown New vs Old Carzoos			
Gender	Old Carzoos	New Carzoos	Variance (+/-)
Male	70.6%	54.9%	-15.7%
Female	29.4%	45.1%	15.7%

Website Traffic Demographic Breakdown New vs Old Carzoos			
Age Groups	Old Carzoos	New Carzoos	Variance (+/-)
18-24	9.3%	14.5%	5.2%
25-34	24.3%	35.0%	10.7%
35-44	21.2%	21.0%	-0.2%
45-54	22.4%	16.2%	-6.2%
55-64	15.2%	7.9%	-7.2%
65+	7.6%	5.3%	-2.3%

<b>Total 18-34</b>	33.6%	49.5%	15.9%
<b>Total 35-54</b>	43.6%	37.2%	-6.4%
<b>Total 55+</b>	22.8%	13.3%	-9.5%



# ASIC Review – Finance as at 10/2016

## The Facts:

- Dealers are remunerated through combination of Fees, Flex Commission and Volume Bonus
- ASIC **have no** issue with Fees or Volume Bonus
- ASIC **have no** issue with Commission
- ASIC **have issue** with Flex mechanism for Commission payments

## Response:

- Dealer Finance is highly convenient and highly competitive
- Correlation between Rate and Risk is definitive across aggregate data
- **ASIC involvement seeks to eliminate low risk profile consumers paying higher rates BUT**
- **ASIC involvement risks reducing the opportunity for consumers to pay below risk rates**
- ASIC decision should reduce 'perception' of uncompetitive dealer finance



# ASIC Review – Insurance

## The Facts:

- Add-on Insurance products designed, priced and distributed by Insurance Companies
- Add on Insurance products retailed by Dealerships
- ASIC review has focussed on design, payout ratios, lack of competition, high commissions and mis-selling
- Insurance Council of Australia (ICA) proposed a universal cap on commission of 20%
- ACCC review process and proposed ICA transition period forecast due June 2017

## Response:

- If product flaws are deemed there are multiple remedies available to Insurance Companies
- ICA response has been simplistic with commission fixing as central remedy
- ACCC now reviewing if cartel style fixing of commissions, which may ultimately reduce competition, provides greater consumer outcomes or not
- AADA only just engaged with ASIC and ACCC planned



# ASIC Review – Potential Mitigations

- **Finance Review** proving difficult for ASIC to implement without unintended consumer harm
- Spectrum for change from **No Change** – **Cap and Collar** – **Flex prohibition**
- ASIC review may lead to materially higher penetration rates
- APE well positioned to respond to any ASIC outcome by moving through the vertical distribution chain to desired position
- **Simplr....**
- **Insurance Review** still in early stages with ACCC likely to ask for more detail
- APE well positioned to respond to any outcome by moving through the vertical distribution chain to desired position
- **Simplr...**



# Simplr. Finance

