

Broker Briefing

September 2009

About A.P. Eagers



- **96** year old automotive retail group founded in **1913**
- **52** years as a listed public company – dividend paid every year
- A.P. Eagers owns more than **64** acres of prime real estate with June 2009 balance sheet value of land and buildings **\$309m**
- Represents all 10 of the top 10 selling vehicle brands in Australia and 25 Brands in total
- Direct operations in Qld, NSW and NT
- Through Adtrans investment, operations in NSW, Vic and SA

About A.P. Eagers

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Represents 10 of the top 10 selling vehicle brands in Australia



HOLDEN



SUBARU



About A.P. Eagers

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As well as 15 others, representing 25 vehicle brands in total



HUMMER



Group Financial Results

Underlying Trading Performance



- Revenue down by 9% reflecting overall vehicle market conditions.
- Substantial increase in margins as a result of a reduced cost base.
- High (partially fixed) interest rates on reduced debt balances.

Underlying Trading Performance

| | 1 H 2009 | Change |
|--------------|----------|--------|
| | \$m | |
| Revenue | 820 | -9% |
| EBITDA | 38.5 | +18% |
| EBIT | 35.1 | +20% |
| NPBT | 23.1 | +39% |
| NPAT | 16.5 | +40% |
| EBITDA/Sales | 4.7% | +31% |
| EBIT/Sales | 4.3% | +31% |
| NPBT/Sales | 2.8% | +47% |

Franchise Automotive Retail Segment



- Improved profit and return on a lower sales and asset base.
- GST tax refund of \$11.5m before tax excluded from 1H08.

| | 1H09 \$m | 1H08 \$m |
|-------------------|-------------|-------------|
| Revenue | 792.0 | 867.5 |
| Profit before tax | 19.1 | 14.2 |
| Total Assets | 389.8 | 506.5 |
| Total Liabilities | 253.1 | 331.4 |
| Net Assets | 136.7 | 175.1 |
| PBT/Revenue | 2.4% | 1.6% |
| RONA (after tax) | 20.1% | 11.3% |

Operational Changes Over the Last 12 months



- Southside Ford Sales amalgamated with Metro Ford sales (*November '08*). Property to be sold.
- Southside Volvo / Land Rover Sales amalgamated with Austral Volvo / Land Rover (*January '09*). Property sold for book value.

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- **New Audi Centre Sunshine Coast launched (*March '09*)**

Audi Centre Sunshine Coast (March 09)

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Audi Centre Sunshine Coast



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- New Audi Centre Sunshine Coast launched (*March '09*)
- **Kloster Ford (Cessnock) amalgamated with Highway Ford (Maitland) (*April '09*)**

Kloster Ford (Cessnock) Property to be Sold

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- Kloster Ford (Cessnock) amalgamated with Highway Ford (Maitland) (*April '09*)
- **Metro Ford property sold, business maintained (*June '09*)**

Metro Ford Property Sold (June 2009) Business to be relocated (June 2010)

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- Kloster Ford (Cessnock) amalgamated with Highway Ford (Maitland) (*April '09*)
- Metro Ford property sold, business maintained (*June '09*)
- **New BMW Newcastle dealership completed (*July '09*)**

BMW Newcastle (July 09)

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- **Sale of Bayside Honda / Kia at Cleveland, Queensland (Sept '09)**

Bayside Honda & Kia Sale of Business (Property is leased)

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- **Metro Ford relocation to new showroom on alternate A.P. Eagers property (June '10)**

Metro Ford Proposed New Build Newstead (June 2010)

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Property Segment



- Lower returns due to higher (fixed) interest rates on reduced borrowings.
- Revaluation deficit primarily relates to sale of property previously revalued upwards.
- Property values stable overall. Impending re-zonings and infrastructure works supporting values.

| | 1H09 \$m | 1H08 \$m |
|---------------------------------------|-------------|-------------|
| Rental Income | 14.7 | 13.6 |
| Profit before tax | 4.8 | 4.4 |
| Revaluation surplus/(deficit) (a/tax) | (2.0) | 0 |
| Total Assets | 315.7 | 338.1 |
| Total Liabilities | 133.5 | 202.0 |
| Net Assets | 182.2 | 136.4 |
| RONA Trading (a/tax) | 3.6% | 4.6% |
| RONA incl. revaluations | 2.1% | 4.6% |

A Typical Property Company Characteristics of Earnings



- Secure but unspectacular rental returns of 3 – 5% on conservatively geared portfolio
- Annual CPI / market review income gains
- Capital gain associated with CPI / market review increases
- Capital gain / sale proceeds associated with rezoning for a higher and better use
- Capital gain / sale proceeds associated with rezoning and physical redevelopment

Characteristics of AP Eagers Property Portfolio September 2009



- 42 Prime main arterial road sites of 6,090 m² average land size
- 42 sites with an average net book value of \$7.3m
- 42 x \$7.3m = \$306.6m
- Current corporate debt of \$107m
- Effective LVR of 35%

AP Eagers Property Strategy



- Continue to dispose of unused or underutilised property (circa \$35m)
- Maintain ownership of strategic sites
- Purchase some sites that are currently leased (circa \$5.9m)
- Complete a sale and lease back on some non strategic property locations i.e. parts warehouses (circa \$10m)

Property Segment



What value should the market attribute to this Property Portfolio?

| | 1H09 | Forecast FY09 |
|------------|----------|---------------|
| Net Assets | \$182.2m | \$182.2m |
| PBT | \$4.8m | \$9.6m* |
| PAT | \$3.4m | \$6.7m* |

*Excludes any sale or purchase of properties during 2H 09

Group Financial Results

Underlying Trading Performance

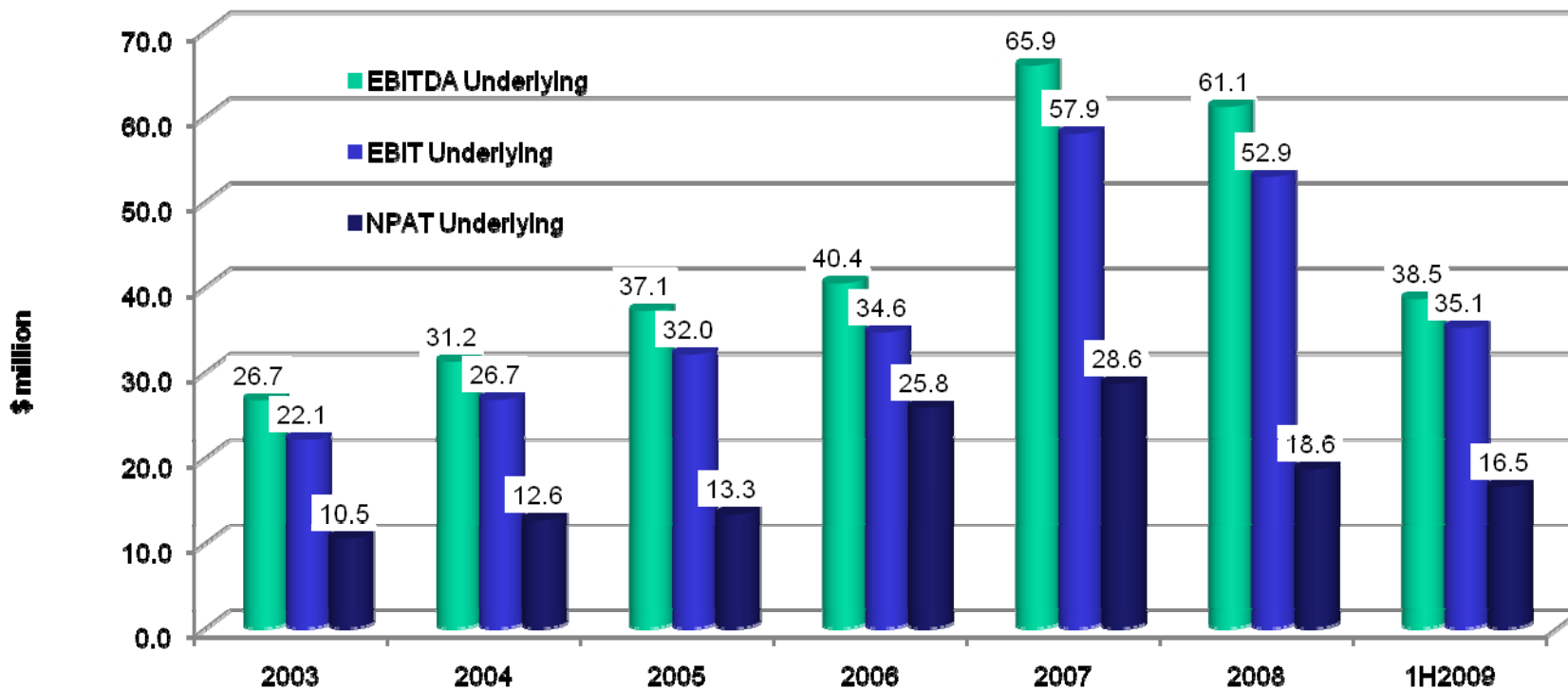


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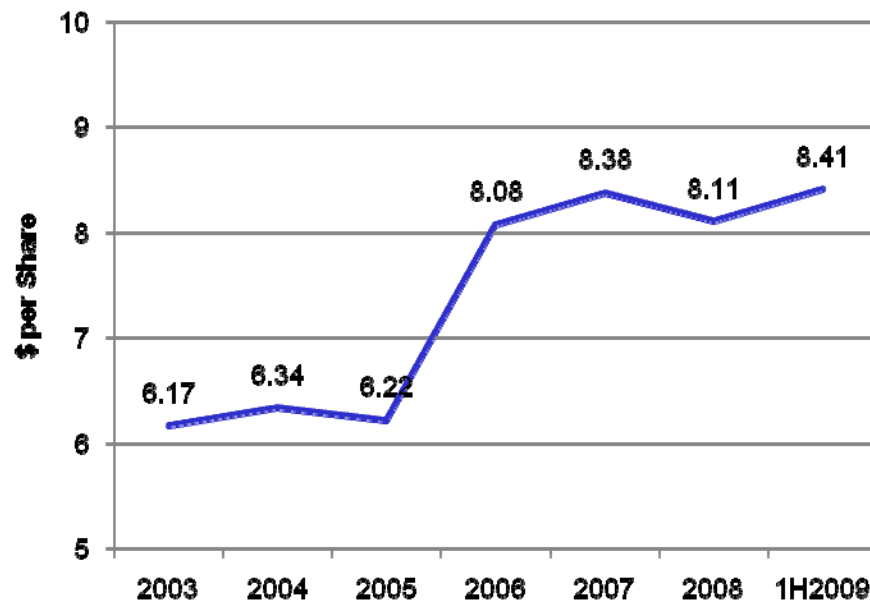
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Financial Trends

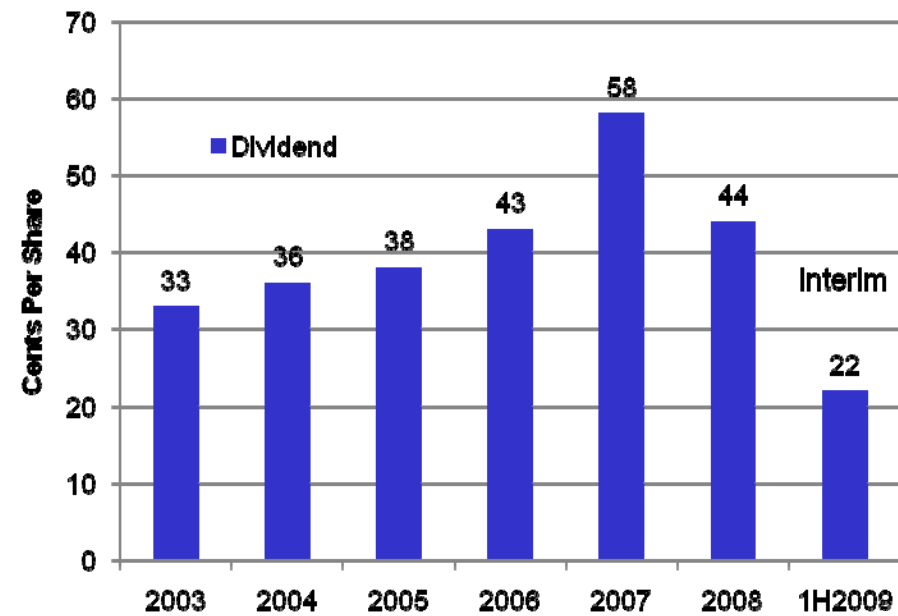


Financial Trends

Net Tangible Assets



Dividend



Group Balance Sheet - Summary



- Inventories and trade receivables stable at 43 and 14 days respectively.
- No impairments at June 30.
- Reduced PPE due to sale of property.
- Cashflow and property sale proceeds used to reduce N/C debt.

| | 1H09 \$m | Change on Dec 08 (\$m) | Change |
|------------------------|-------------|------------------------------|--------|
| Working Capital | 34.2 | (15.5) | +45% |
| Investments | 18.7 | 1.1 | +6% |
| PP&E | 332.6 | (26.1) | -8% |
| Intangibles | 67.6 | 0 | 0% |
| Non Current Borrowings | 107.2 | (38.7) | -36% |
| Net Assets | 322.1 | 11.0 | +4% |

Working Capital = Receivables + Inventories – Payables -Current Borrowings

Borrowings

- \$154 million reduction in debt over 12 mths.
- Internal targets for gearing and interest cover reset to match current environment.

| | 1H 09 \$m | FY 08 \$m | 1H 08 \$m | FY 07 \$m |
|-------------------------------------------|--------------|--------------|--------------|--------------|
| Cash | 10.9 | 0 | 6.0 | 1.0 |
| Current-Bailment & O'draft | 162.9 | 168.5 | 250.0 | 188.2 |
| N/Current Debt | 107.2 | 145.9 | 173.7 | 133.8 |
| Total Borrowing | 270.1 | 314.3 | 423.7 | 322.0 |
| Gearing (ND/N+E) | 44.6% | 50.2% | 56.4% | 51.5% |
| Gearing ex.bailment | 23.0% | 31.9% | 34.2% | 30.7% |
| Interest Cover (EBITDA/Borrowing Cost) | 3.2 | 2.7 | 2.6 | 3.2 |

Bailment (floorplan) finance: industry specific, cost effective finance, secured directly to vehicle inventory, and linked to retail finance offering.

Group Cash Flow - Summary



- Approx. \$10m benefit from timing of vehicle payouts in July 09.
- Cash applied to debt reduction.

| | 1H2009 \$m |
|----------------------------------------|---------------|
| Cash from operations | 47.8 |
| Purchase of PP&E | (4.3) |
| Net proceeds from sale of property | 18.3 |
| Acquisitions and investments | 0 |
| Net prepayment of borrowings | (43.8) |
| Dividends (net DRP) and share buyback) | (5.9) |
| Increase in Cash | 12.1 |

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- Further improved balance sheet strength through non core Property disposals.
- Continued review of property portfolio to achieve a commercial return and “market value”.
- Continued performance growth through internal business optimisation.
- Execution of Market Penetration strategies (geographically and Brand based).
- Internal Product development expansions predominantly internet based.