

Broker Briefing

March 2010

About A.P. Eagers



- **97** year old automotive retail group founded in **1913**
- **53** years as a listed public company – dividend paid every year
- A.P. Eagers owns more than **60** acres of prime real estate with December 2009 balance sheet value of land and buildings **\$302m**
- 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



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About A.P. Eagers



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



A Record 2009



- Record Profits – actual and underlying.
- Record EPS 121.6 cents per share.
- Record Dividend payout 62 cents per share.
- Whilst most companies were having capital raisings, A.P. Eagers:
 - » Reduced net corporate debt by \$50m; and
 - » Invested \$4.0m in a share buy back initiative.

Financial Highlights



1. Improved underlying profit margins
 - » EBITDA/Sales 4.6% vs 3.6%.
 - » NPBT/Sales 3.0% vs 1.5%.
2. Strong balance sheet
 - » EBITDA Interest Cover 3.6:1
 - » Gearing* 22.5%
3. Future growth not dependent on debt funding.

Gearing = non-bailment debt less cash + equity/equity

Group Financial Results

Underlying Trading Performance

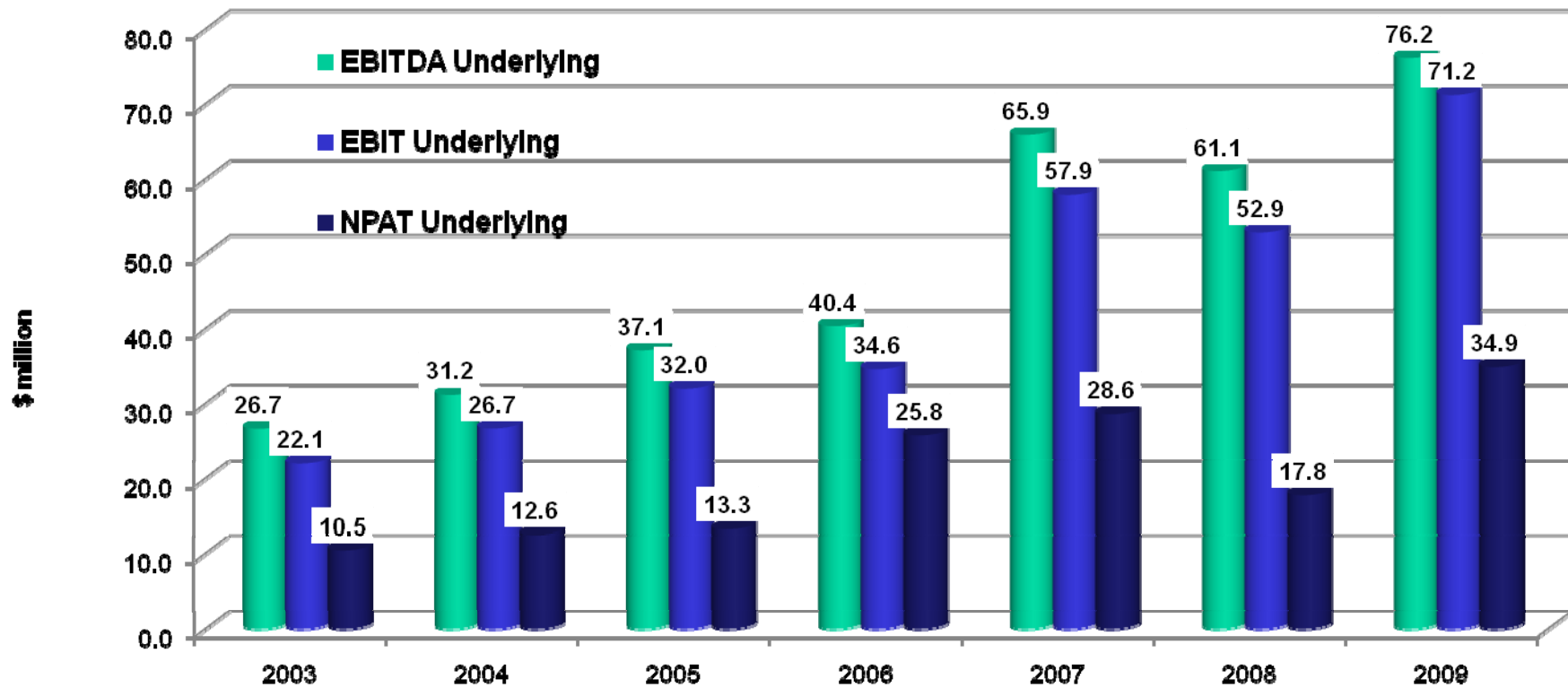


- Margin improvement primarily from lower costs in the new vehicle sales.
- Improved used vehicle trading conditions.
- Stable parts and service contributions.

Underlying Trading Performance

	2009 \$m	Change
Revenue	1,663	-2%
EBITDA	76.2	+25%
EBIT	71.2	+35%
NPBT	50.2	+91%
NPAT	34.9	+91%
EBITDA/Sales	4.6%	+28%
EBIT/Sales	4.3%	+39%
NPBT/Sales	3.0%	+100%

Financial Trends



Group Financial Results

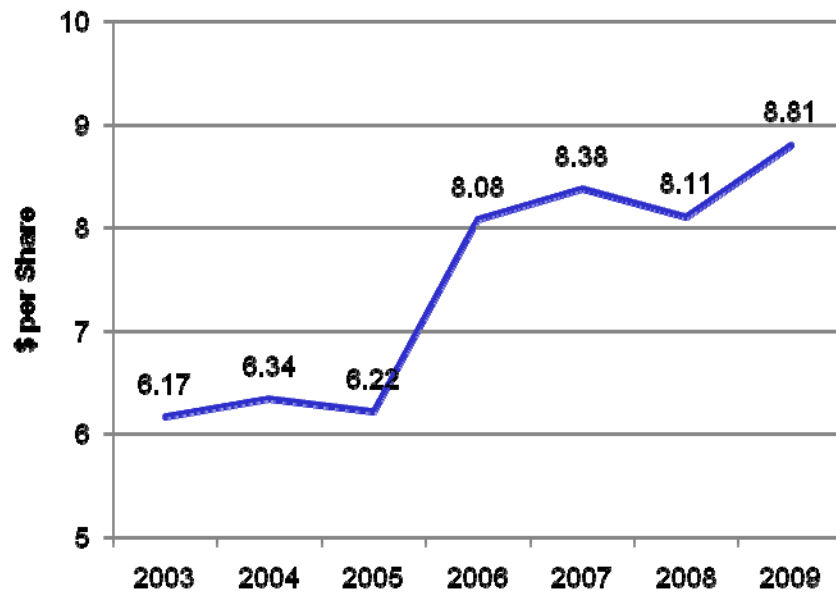
Non - Trading Significant Items



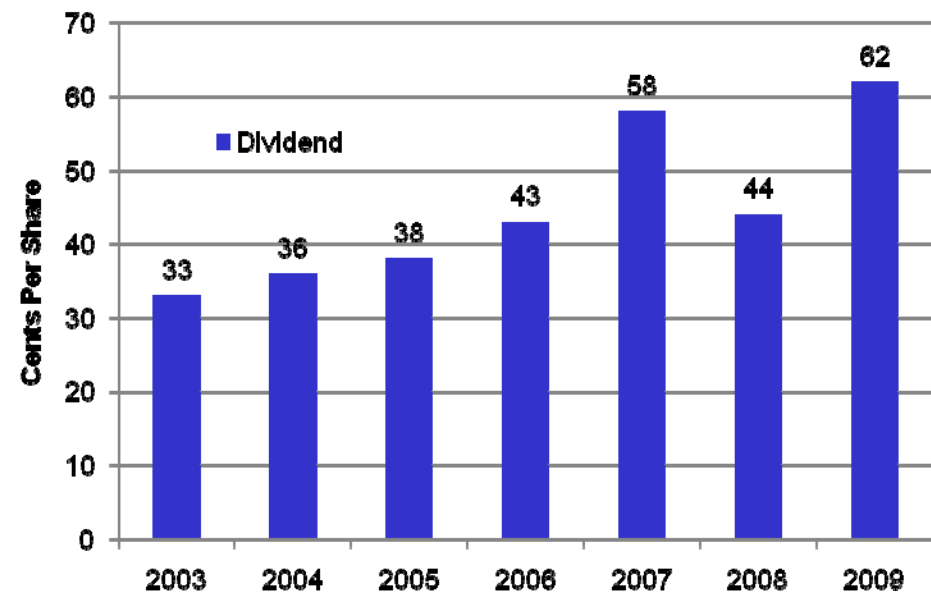
\$000	2009 Before tax	2008 Before tax
GST on holdback tax refund	0	11,469
Adtrans investment revaluation based on share price \$3.50 (2008:2.45) and 10% premium.	5,817	(9,550)
Impairment of intangible assets - goodwill	0	(6,759)
Property revaluations	<u>(3,424)</u>	<u>(1,475)</u>
Total	2,393	(6,315)

Financial Trends

Net Tangible Assets

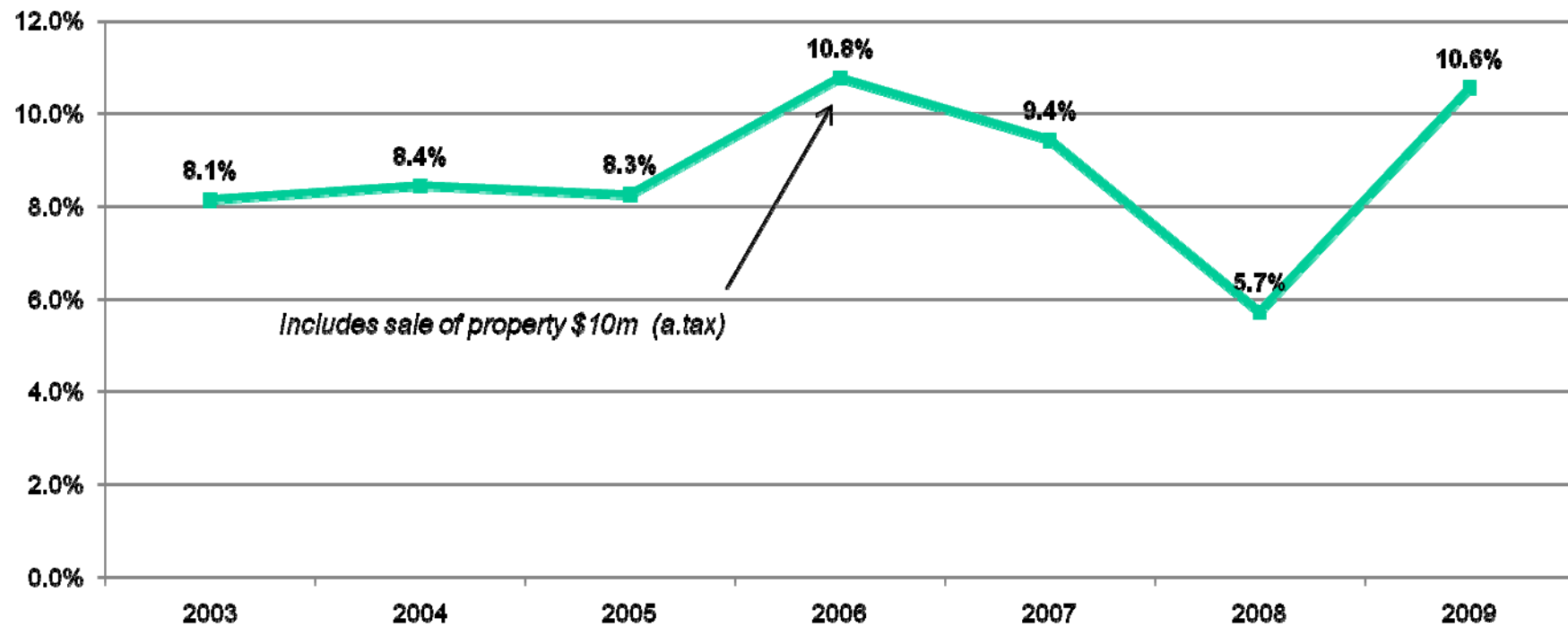


Dividend



Financial Trends

Return on Equity After Tax (Underlying)



Group Balance Sheet - Summary



- Positive revaluation Adtrans investment by \$5.8m (2008:(\$9.6 m)) plus equity accounted profits.
- Decrease in PPE due to property sales and negative revaluations.
- Cash flow used to reduce debt to target level.
- Cash on hand \$18.9m (2008:\$0).

	2009 \$m	Change (\$m)	Change
Working Capital	59.7	9.9	+20%
Investments	26.9	9.3	+53%
PP&E (incl. held for sale)	323.1	(34.6)	-10%
Intangibles	67.5	0.1	0%
Non Current Borrowings	115.2	(30.7)	+27%
Net Assets	330.6	20.8	+7%

Working Capital = Receivables + Inventories – Payables -Current Borrowings

Borrowings

- Further reduction in non-current debt.
- Five year facility for \$65 million established.
- Bailment at target level.

	FY2009 \$m	FY 2008 \$m
Cash	18.9	0.0
Current - Bailment & O'draft	170.9	168.5
N/Current (Bank Debt)	115.2	145.5
Total Borrowing	286.1	314.3
Total Gearing (D/D+E) - net of cash	44.6%	50.2%
Gearing – excl.bailment, cash (D/D+E)	22.5%	31.9%
Interest Cover (EBITDA/Borrowing Cost)	3.6 times	2.7 times

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

Group Cash Flow - Summary



- Substantial debt repayment.
- Strong operational cashflow plus sale of surplus property.
- Funding available for growth.

	2009 \$m	2008 \$m
Cash from operations	65.2	48.5
PP&E Acq./Disp.	11.8	(32.7)
Investments (ADG)	(0.5)	(2.7)
Business Acq./Disp.	0.4	(9.8)
Net proceeds from borrowings	(40.5)	5.3
	Repayment	
Share buy back	(4.0)	0
Dividends (net DRP)	(12.1)	(10.7)
Inc/(Dec) in Cash	20.1	(2.1)

Property Segment



- Increased property taxes.
- Negative revaluation on some near city Brisbane properties.
- Lower interest costs.
- Net assets increased due to lower debt. All non-bailment debt allocated to property.

	2009 \$m	2008 \$m
Rental Income	29.4	27.9
EBITDA	24.7	24.5
Operating Profit	9.8	9.1
Revaluations (b4 tx)	(8.5)	0
PBT	1.3	9.1
Net Assets	180.9	159.8
RONA Trading (a/tax)	3.6%	3.7%
RONA incl. revaluation (a/tax)	0.5%	3.7%

Non-Core Underutilised L&B Assets



- 5 – 10% of our owned portfolio (\$15m - \$30m).
- Includes \$17.5m of L&B “held for sale”.
- Assets currently producing a negative or negligible return.
- Cash generation of \$15m - \$30m to be used for expansion.

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

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Metro Ford Proposed New Build Newstead (June 2010)

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Franchise Automotive Retail Segment



- Significant margin improvement.
- High return on net assets.
- Some adjustments to 2008 figures due to AASB interpretation and the addition of an “Other” segment.

	2009 \$m	2008 \$m
Revenue	1,606.6	1651.7
EBITDA	64.1	36.2
PBT	48.4	15.7
Net Assets	145.7	149.1
EBITDA/Revenue	4.0%	2.2%
PBT/Revenue	3.0%	1.0%
RONA (after tax)	23.6%	7.6%

Note: Includes fair value adjustments and GST on holdback refund.

Automotive Retail Segment



- Business Optimisation
- Market Penetration
 - Organic growth
 - Acquisition growth (Geographical)
 - Acquisition growth (Brands)
- New Product and Service development
 - Homedrive
 - Carzoos
 - Others

- 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.

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