



**ARB Corporation Ltd**

4X4 ACCESSORIES

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Dear Shareholder,

## RESULTS

The Directors of ARB Corporation Limited ("ARB" or the "Company") report that the Company achieved a net profit after tax of \$47.4 million for the year ended 30<sup>th</sup> June 2016. This represented a 7.6% increase over the previous corresponding period. The Company's profit was achieved on an 8.2% increase in sales to \$356.9 million from \$329.8 million last year.

A summary of the 2015/16 result is presented below:

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

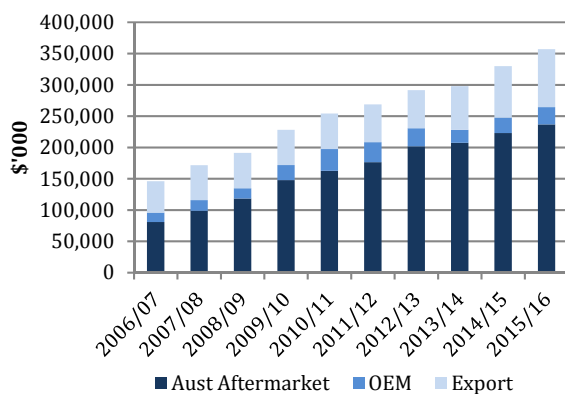
\* A special fully franked dividend of \$1.00 per share was also paid in the 2014/15 year.

The 2015/16 profit includes the profit on sale of a property in the USA. Excluding the profit on the sale of the property, the net profit after tax for the 2015/16 year is \$46.2 million.

The Company intends to pay a final fully franked dividend of 17.0 cents per share on the 21<sup>st</sup> October 2016. This brings total dividends for the year to 31.5 cents per share fully franked. The Record Date for the final dividend will be the 7<sup>th</sup> October 2016.

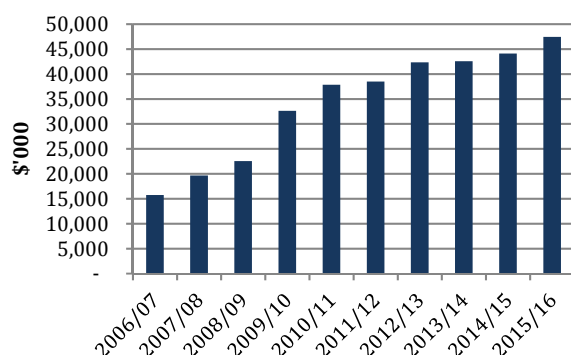
## 10 YEAR HISTORICAL PERFORMANCE

The sales, profits and dividends per share performance of the Company over the past 10 years are illustrated in the graphs below:



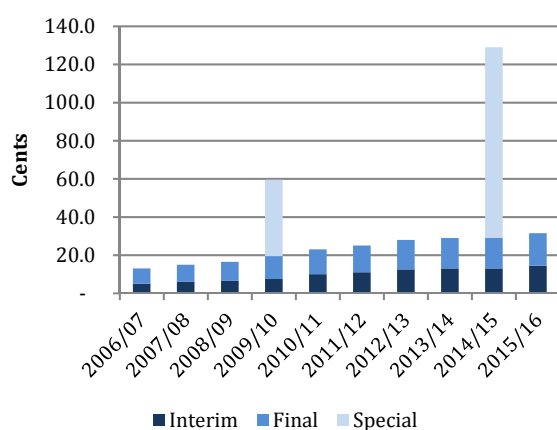
### SALES REVENUE

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



#### NET PROFIT AFTER TAX

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



#### 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.

### HIGHLIGHTS OF THE 2015/16 YEAR

#### Sales and Distribution

Sales revenue increased by 8.2% in 2015/16 over the previous corresponding period. Sales growth was achieved in all categories of the business despite demand from mining industry customers around the world continuing to be weak. As can be seen from the table below, ARB's sales growth in the Australian aftermarket was 6.2%, while sales to export and original equipment customers grew by 12.6% and 12.2% respectively.

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%

In the Australian aftermarket the Company distributes through an ARB store network, to ARB stockists, to new vehicle dealers and to various fleet operators. ARB's market-leading store network is pivotal to the Company's strength in the Australian aftermarket. Currently there are 56 ARB stores in Australia, of which 24 are Company owned. At this time last year, 52 ARB stores were operating in Australia. It is expected that 3 or 4 new ARB stores will be established over the 2016/17 financial year.

In the 2015/16 financial year ARB established new state warehouses at Adelaide in South Australia, Liverpool in New South Wales and Brendale in Queensland. Currently the Company is actively addressing warehousing capacity in Victoria and Western Australia.

One of the limiting factors in Australian aftermarket growth over the past 12 months has been the lack of fitting capacity in many areas. Increased fitting capacity is being established to enable sales growth in the Australian market.

Export sales in the second half of 2015/16 grew at a slightly slower pace than in the first half. This was due to a slightly stronger dollar during the period and lower export orders received from customers operating in economies dependent on oil and gas exports. To enable further expansion of export sales, ARB is establishing a sales and distribution centre in Dubai to service the Middle Eastern region. This project commenced in June 2016 and a warehouse and office have been leased and staff have been appointed.

Sales to original equipment manufacturers grew well during the year despite the conclusion of some contracts with OEM customers.

## **Products and Production**

As noted at the end of the first half, sales growth was hampered by the unusually high number of new vehicle releases that occurred almost simultaneously in Australia and around the world. The releases of all these vehicles over a short period made it impractical for the Company to supply a full range of accessories to its customers in a timely manner. ARB's product development and manufacturing teams have made good progress in the second half although many new products are still being completed for new vehicles released in 2015/16.

New product development remains an essential part of ARB's strategy and it is a key element in maintaining the Company's long-term competitive advantage. Expenditure on R&D was increased over the period.

ARB is pleased to advise that work is continuing on a number of long term product development projects that will provide promising opportunities for the Company in the future.

The Australian and Thai manufacturing plants have both operated efficiently for the full year. The Board expects these plants will be busy with new product implementation for the foreseeable future.

To provide for future production and warehousing capacity in Thailand, ARB has recently agreed to purchase a further 55,000 square metres of land in the estate that houses the Company's existing manufacturing and warehousing facilities in Thailand.

## **Financial**

The increase in profit during 2015/16 was achieved in the face of a number of significant operational challenges. Although increases in product development and manufacturing costs were above average, the Board is pleased that ARB successfully addressed these challenges and responded well to the unusually high number of new vehicle models released during the year.

Cash flows from operating activities increased to \$44.9 million from \$40.4 million last year.

ARB invested \$16 million in additional property, plant and equipment during the year which has significantly expanded the Company's future capacity in local and overseas markets. Notwithstanding this major capital investment programme, ARB has maintained its strong balance sheet. As at 30 June 2016, the Company had a net cash balance of \$13.8 million.

The strong financial position of the Company ensures that ARB can react quickly to appropriate opportunities, including further capital projects or suitable acquisitions.

## **THE FUTURE**

The Company's growth in 2015/16 was achieved despite difficult local and global market conditions. The current economic environment still remains uncertain. However, the outlook for the Company is positive and the Board is optimistic about the future.

Demand for the Company's products currently remains healthy in many countries around the world. ARB has long term growth plans in place, both in Australia and in export markets, which include new products and improved distribution.

With strong brands around the world, capable senior management and staff, a strong balance sheet and growth strategies in place, the Board believes ARB is well positioned to achieve on-going success.

A first quarter trading update will be provided to shareholders at the AGM in October 2016.



**Roger Brown**  
Chairman  
17<sup>th</sup> August 2016