

A.P. Eagers

2014 Full Year Results Presentation

March 2015

Monday, March 02, 2015

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2014 Full Year Highlights

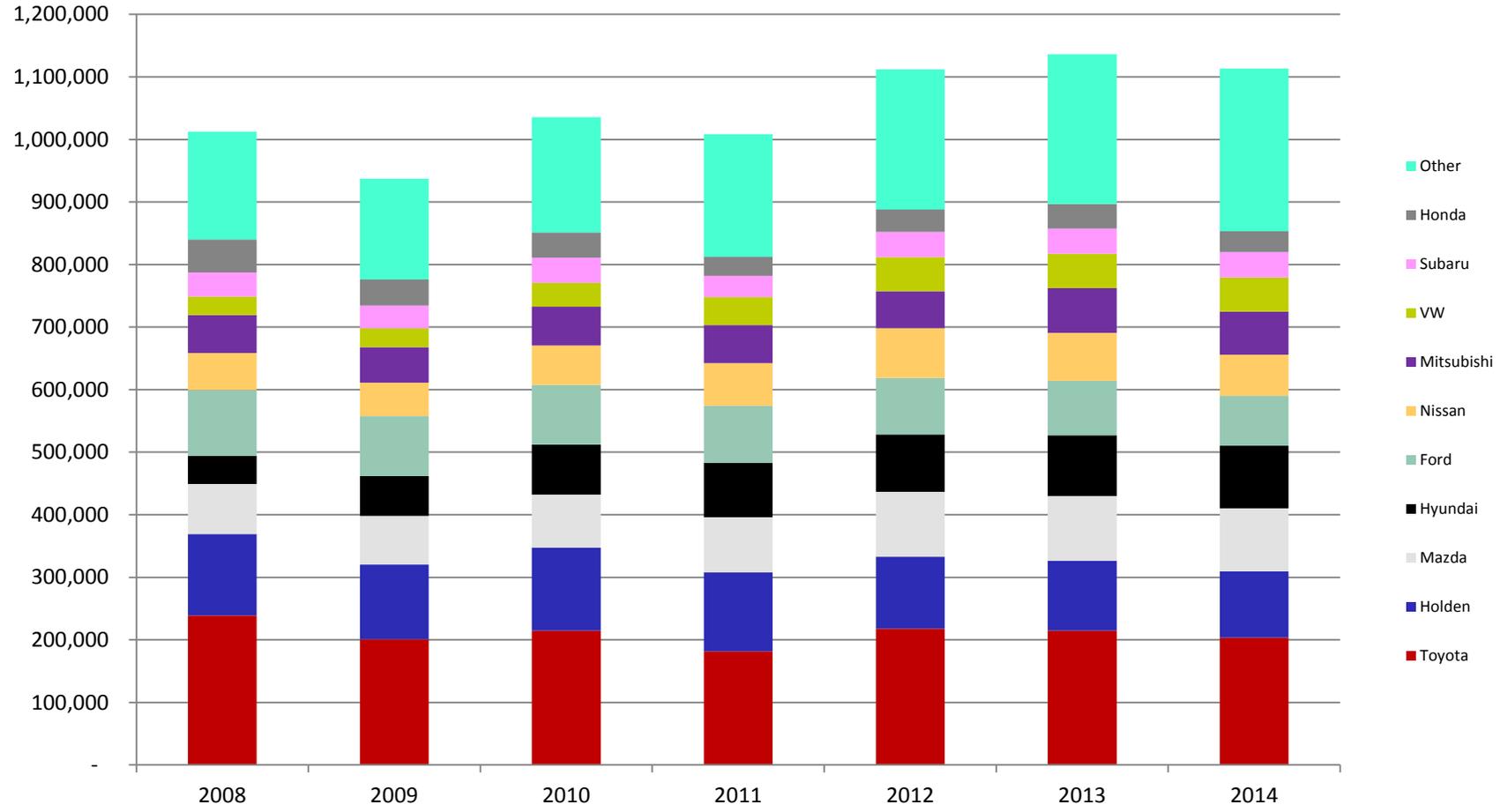
- Record statutory profit after tax up 20%.
- Record statutory basic EPS of 43.0 cents an increase of 18%.
- Record underlying EPS up 21%.
- Fully franked dividend of 18 cents for a record FY dividend of 27 cents up 111% over 4 years.
- Car retailing performed strongly in all states with significant gains in Used cars and our previously underperforming NSW operations.
- Contributions from acquisitions and gains from sale of property and business as part of ongoing portfolio management.
- Disappointing used truck trading results in a weak market environment.

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National Vehicle Sales



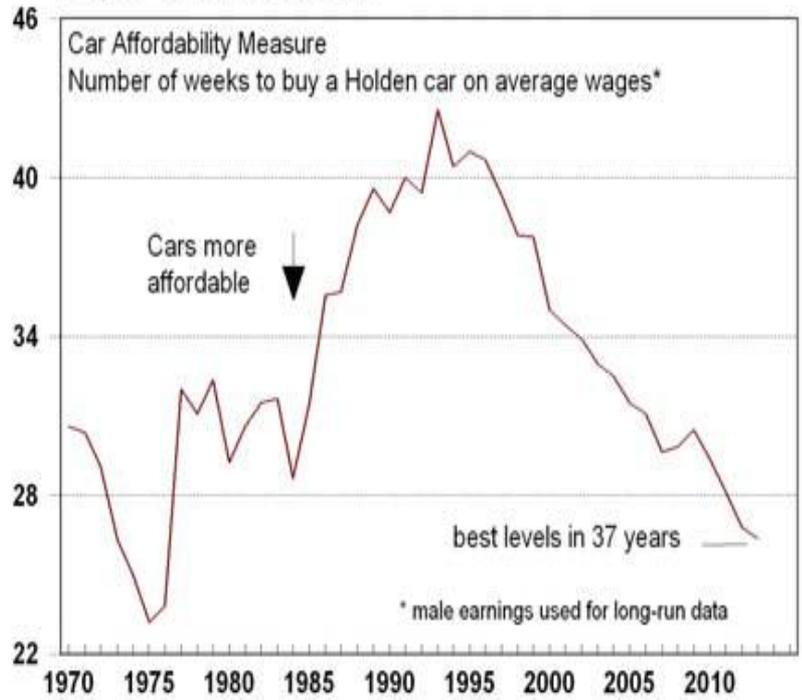
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Affordability

Super-affordable cars



Source: CommSec, NRMA, AAA, ABS

More affordable luxury cars

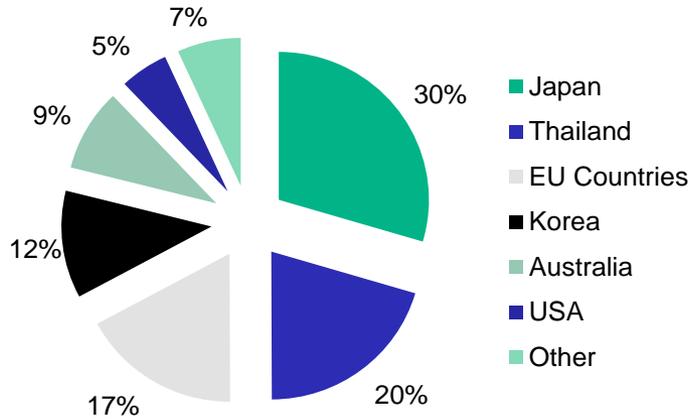


Exchange Rate Impact

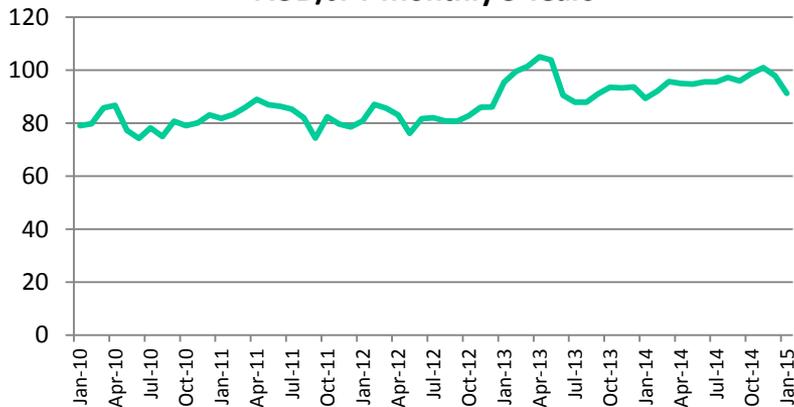
- 79% of cars sold in Australia are from Japan, Thailand, Korea or EU Countries.
- Manufacturers have long planning horizons and diversified exposures;
 - Product and production planning based on 3-7 year cycles.
 - Most manufacturers pursuing global common vehicle platform strategies.
 - Generally large product runs based on supply of a common product to multiple markets.
- Manufacturer distribution margins can wear some of the adjustment.
- Product specification can and does adjust to maintain price point.
- Australian market relatively accessible and marketing is cost effective, but highly competitive.
- Early 2015 has seen vehicle price decreases by Japanese suppliers based on tariff removal and re-positioning of product against competitors.

Exchange Rates

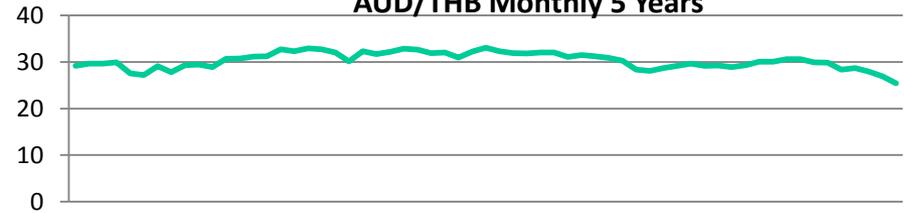
**New vehicle Sales (VFACTS) -
1,113,224 Country of Origin**



AUD/JPY Monthly 5 Years



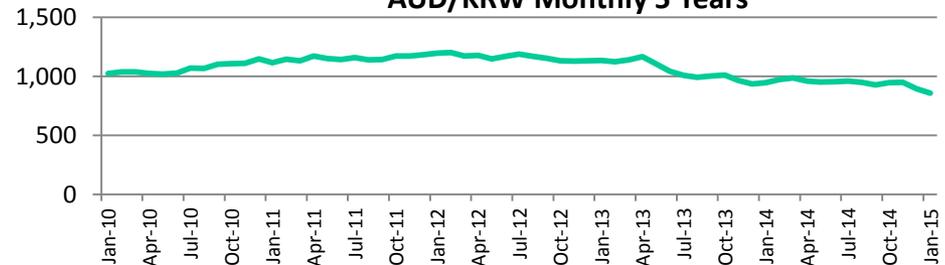
AUD/THB Monthly 5 Years



AUD/EUR Monthly 5 Years



AUD/KRW Monthly 5 Years



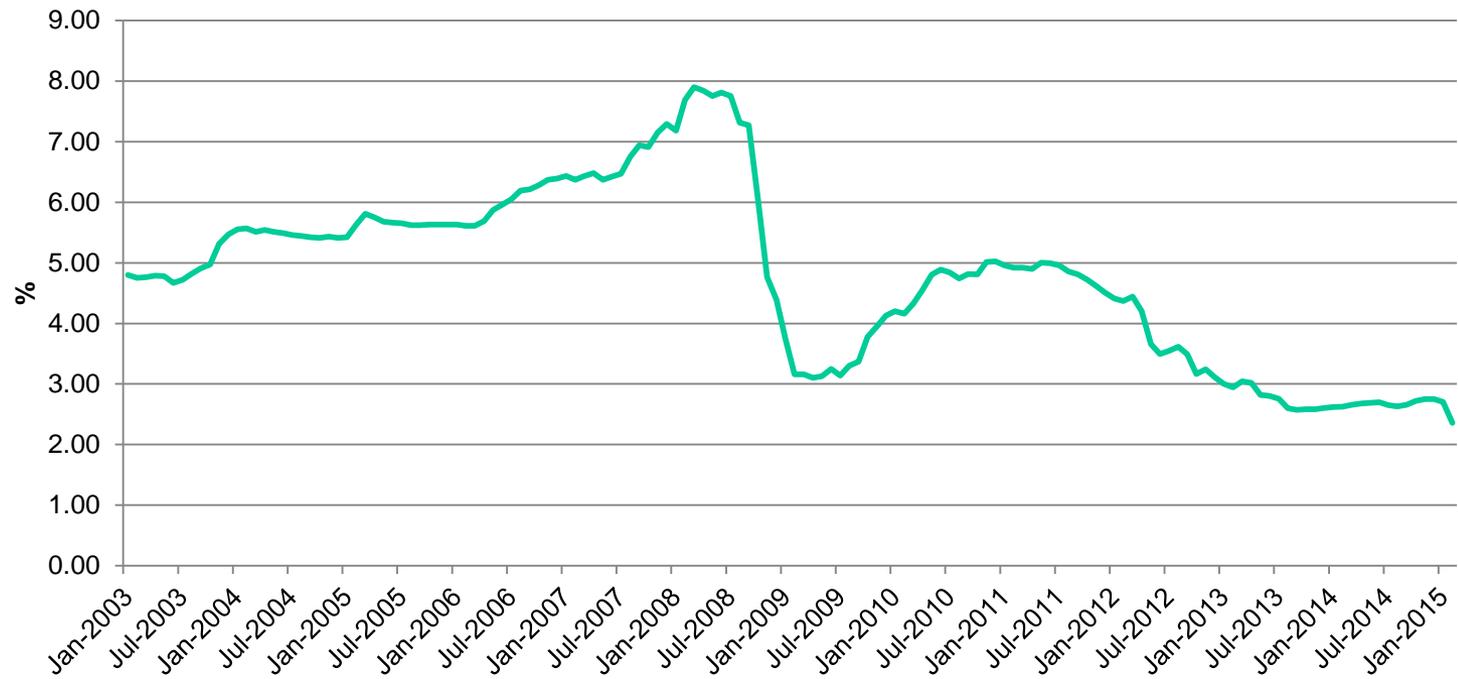
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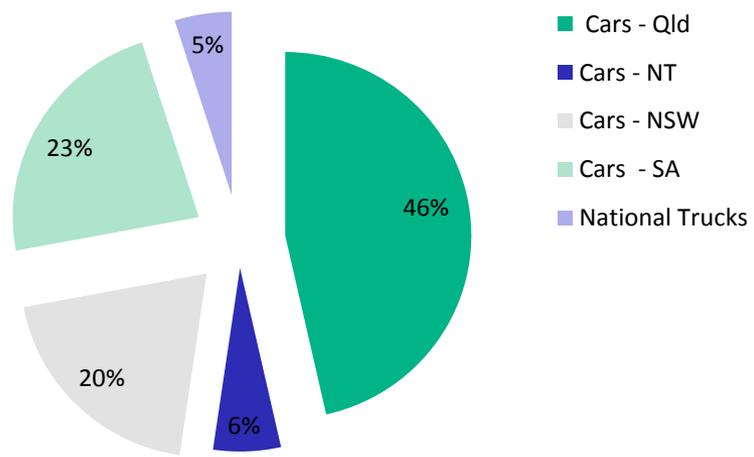
Affordability

90 Day Bank Bill Rate

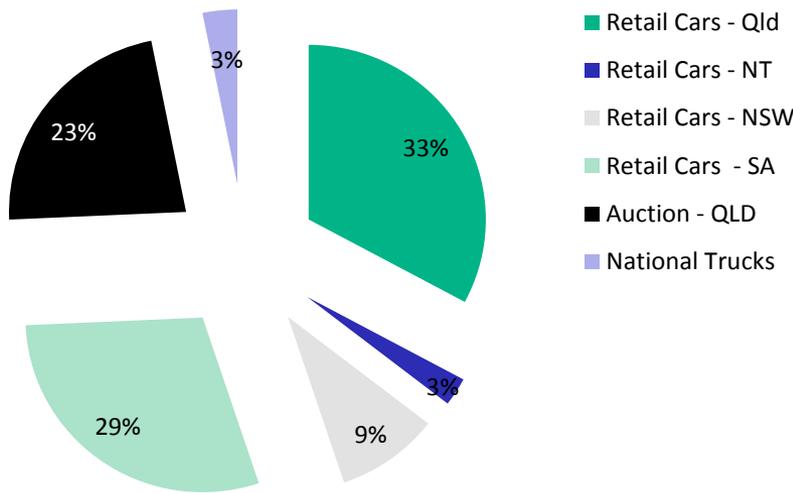


APE Vehicle Sales 2014

A.P Eagers New Vehicle Sales
 Total 44,966 + 5.5% (4.0% of National Market)



A.P. Eagers Used Vehicle Sales
 Total 25,447 + 8.8% (Retail used 19380)



2014	New Vehicles	1	: 0.43	Retail Used Vehicles (Excludes Auctions)
2005	New Vehicles	1	: 0.23	Retail Used Vehicles



2014 Full Year Highlights - Financial

- Record statutory basic EPS of 43.0 cents an increase of 18%.
- Fully franked final dividend of 18 cents for a record full year dividend of 27 cents.
- EBITDA increased to \$138m up 13%.
- Underlying NPBT increased by 22% to \$106.2m
- Cash flow from operations of \$ 98.1 million.
- Financial strength and flexibility increased - EBITDA/Interest Cover 6.2 times (2014)
- EBITDA/Interest Cover 5.2 times (2013)

Financial Summary - Statutory

\$ Million	2014	2013	Change
Revenue	2,858.1	2,672.8	Up 7%
EBITDA	138.1	122.3	Up 13%
EBIT	124.9	109.9	Up 14%
PBT	102.8	86.7	Up 19%
PAT	76.7	64.0	Up 20%
Cash from operating activities	98.1	76.0	Up 29 %
NTA/share	2.38	2.34	Up 2%
Gearing excluding bailment debt	24.3%	27.0%	Down 10%

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Balance Sheet - Summary

- New vehicle inventory and related receivables funded by bailment debt.
- Parts and most used vehicle inventory is balance sheet funded.
- Substantial property portfolio underwrites the company's financial position.
- AHG investment valued at \$232 million.
- NTA increased by 2% to \$2.38/share.

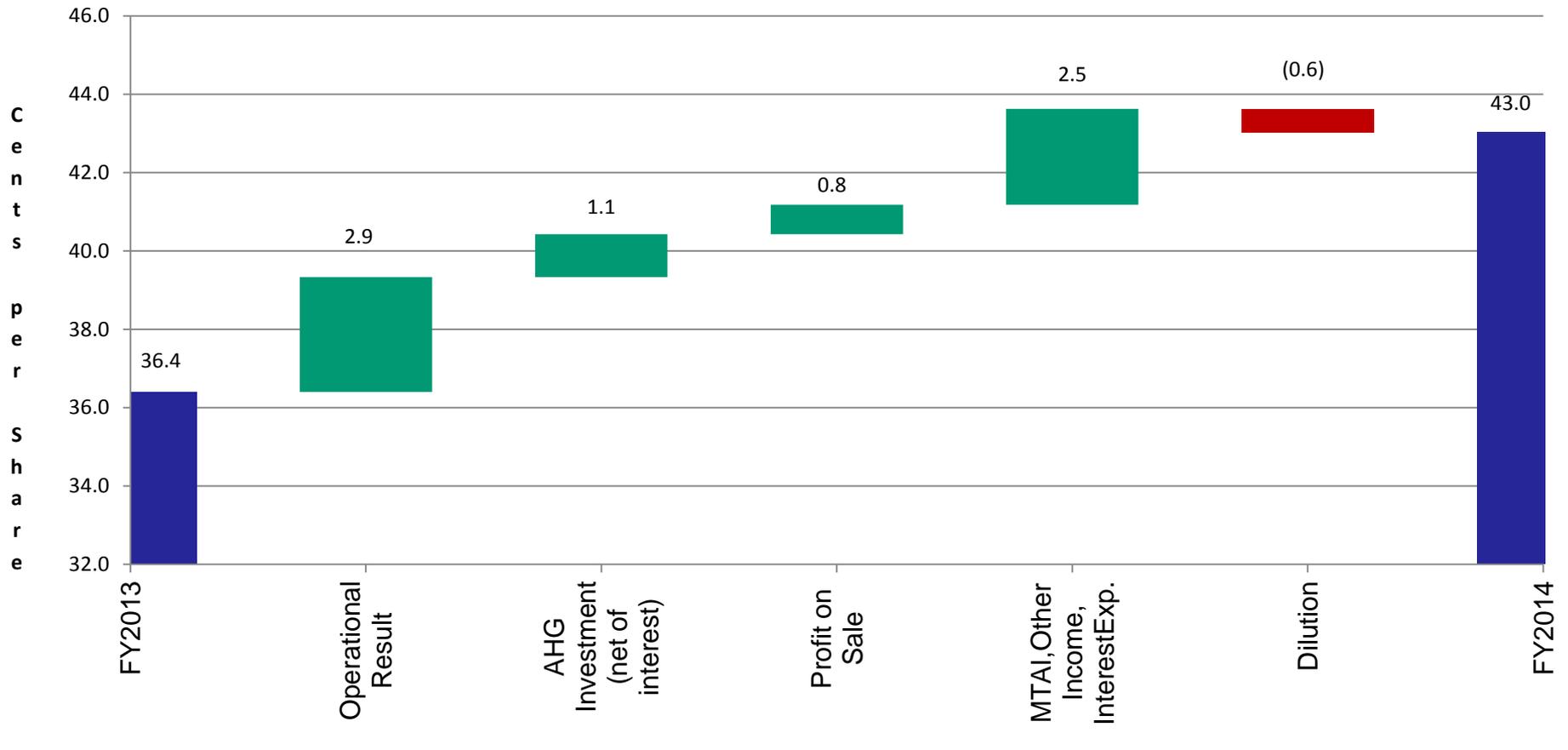
	31/12/14 \$m
CA-CL (excl. held for sale)	82.3
Freehold Property (incl. held for sale)	278.1
Other Non Current Tangible Assets	72.4
Investments	234.4
Intangibles	165.7
Non Current Debt	(214.0)
Other N/C Liabilities (Deferred tax, finance leases and provisions)	(27.8)
Net Assets	591.1

Asset Fair Value Adjustments (before tax)

	\$ Million	2013	2013
Balance Sheet			
- Freehold Property		(1.7)	+3.2
- Investments		+1.3	+22.8
Profit or Loss			
- Investments		0	0
- Freehold Property		(0.6)	0
- Intangible Assets		0	0
Total		(1.0)	+26.0

Earnings Per Share

EPS FY2014 Bridge

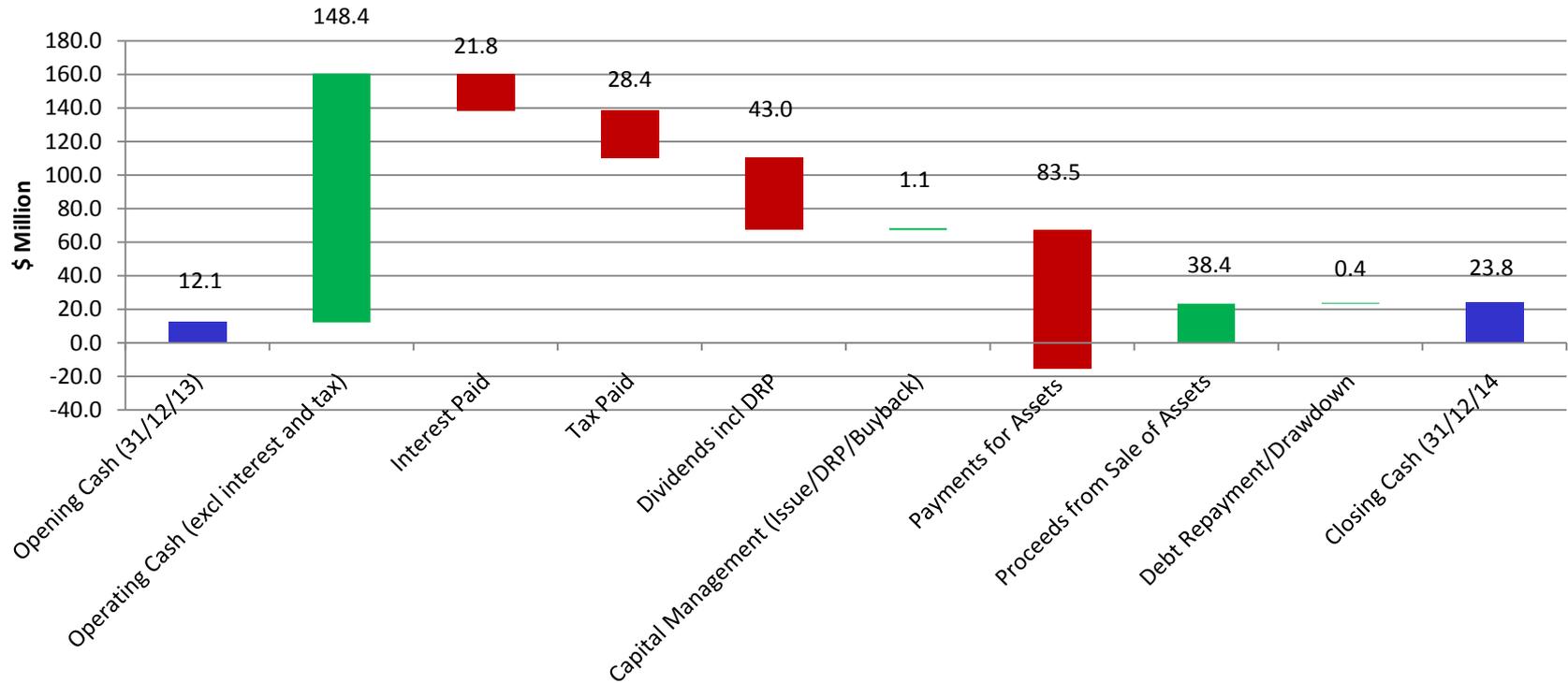


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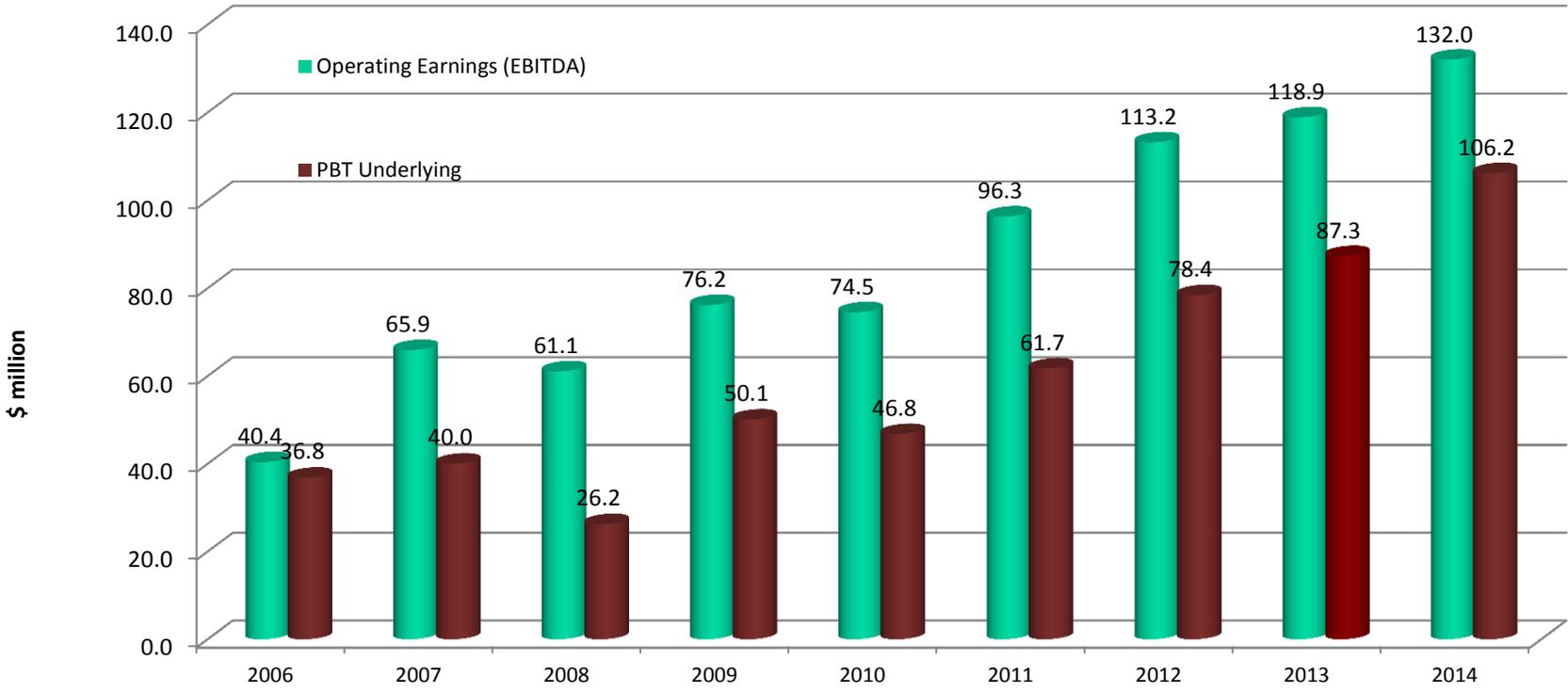
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Financial Summary - Cashflow

Cashflow Full Year 2014



Financial Trends

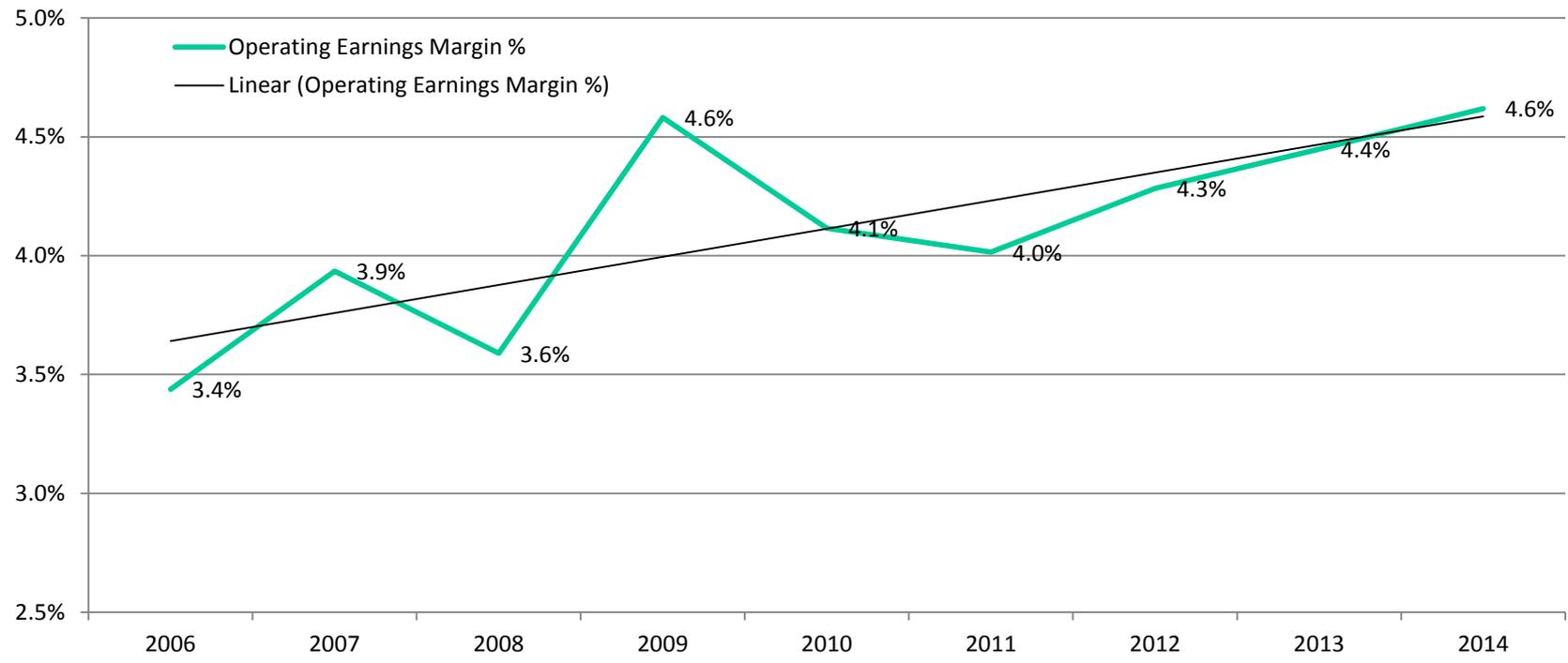


Operating Earnings is EBITDA Underlying excluding profit/loss on sale of assets and from associates. It includes AHG dividend.



Financial Trends

Operating Margin

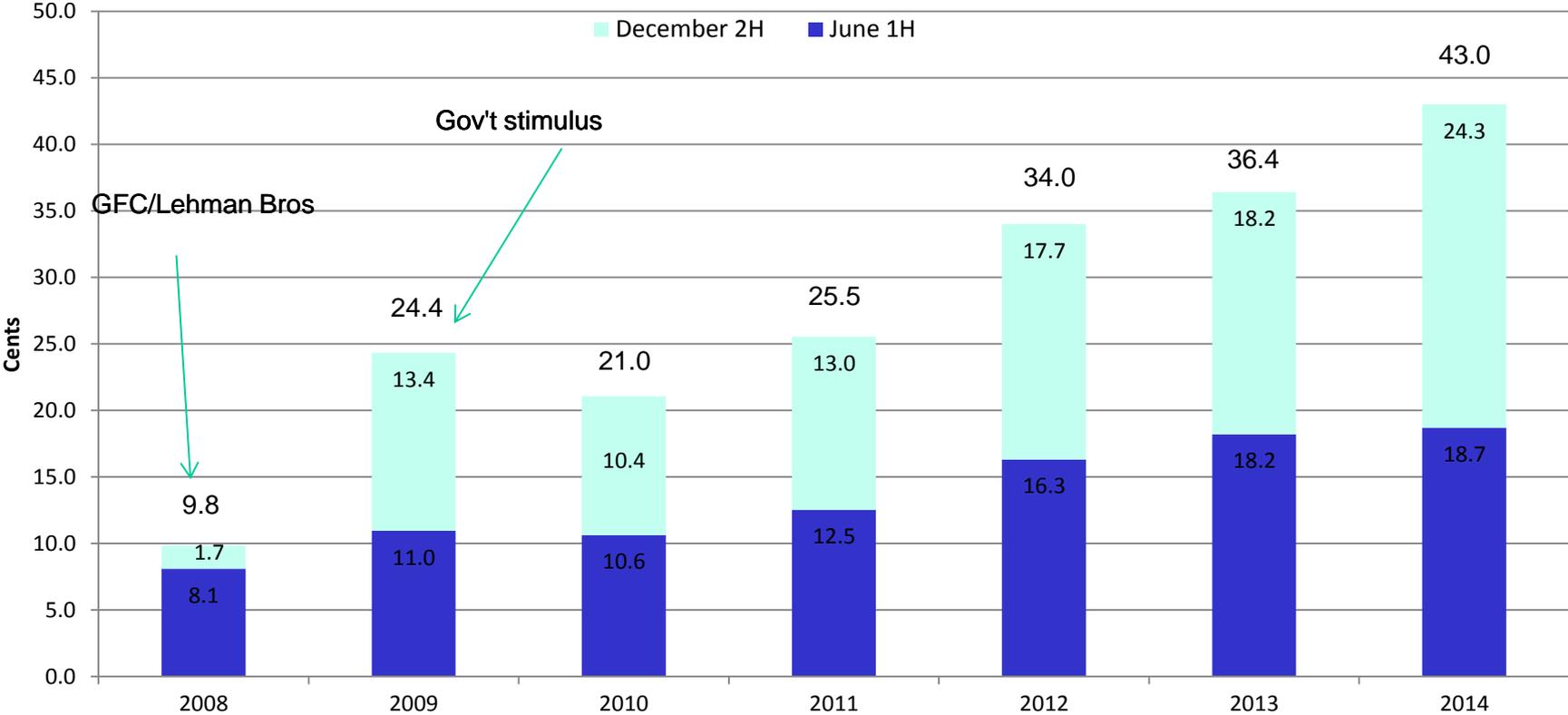


Includes AHG dividend from 2012.



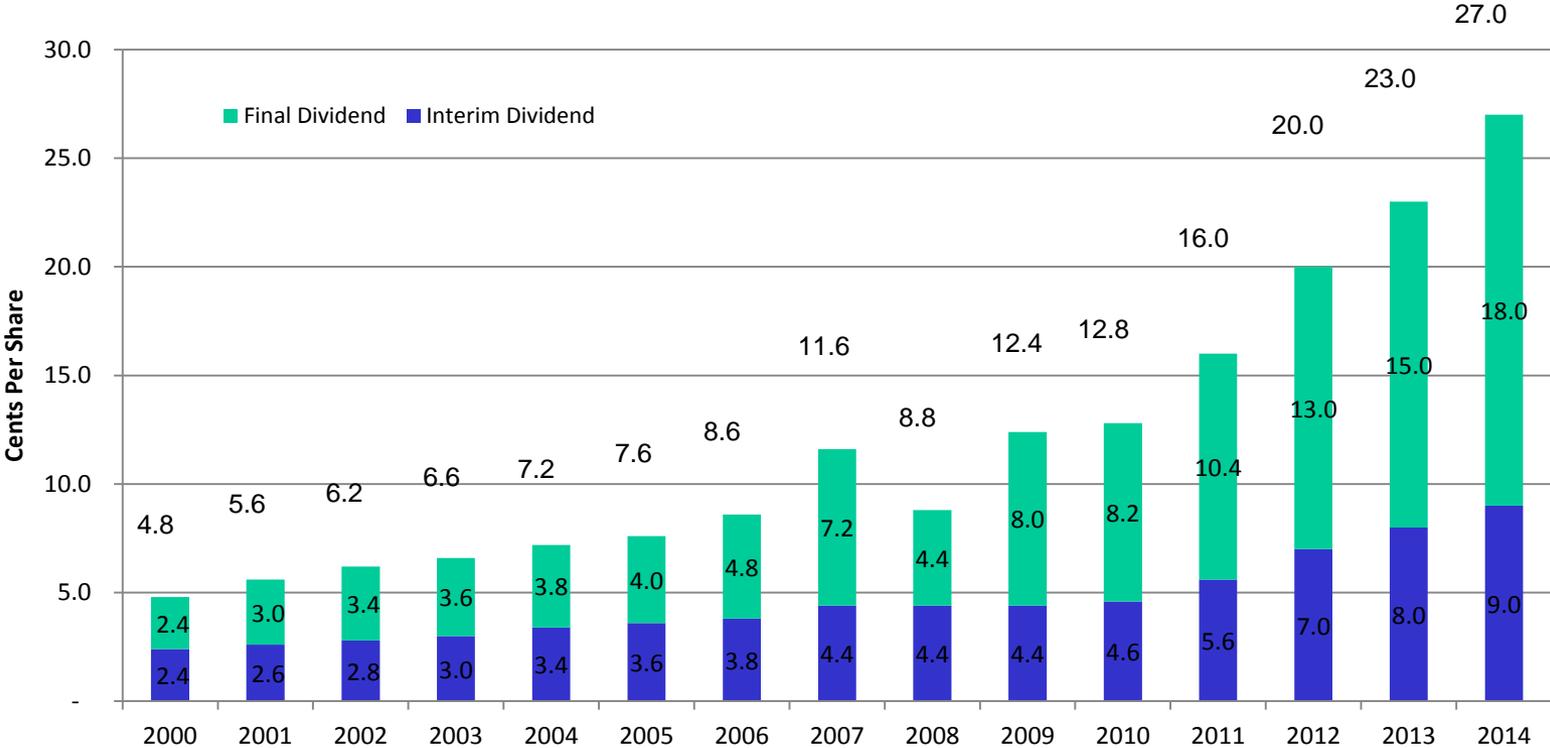
Financial Trends

EPS Statutory (Basic)



Financial Trends

Dividend



Segment Results

Car Retailing

Strong and consistent used car results, improved NSW performance, contribution from acquisitions. Gain on sale of business.

Truck Retailing

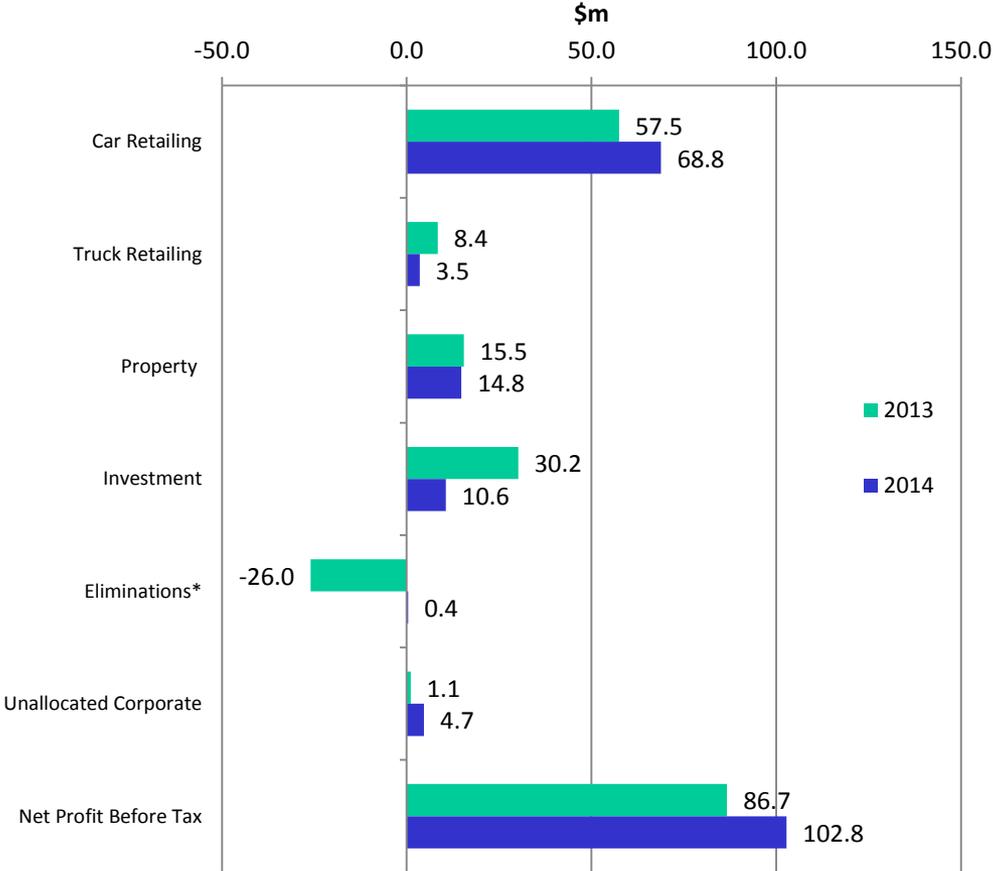
Very weak used truck trading results in poor market conditions.

Property

Consistent income, gains on sale of property, partly offset by negative revaluation.

Investment and All Other

Additional dividend income. Stable AHG share price.



Eliminations include inter-segment transactions and asset fair value adjustments not recognised in the P&L.



Car Retailing Segment

- Consistent operational results.
- Increased asset base reflects acquisition in July and October hence only partial profit contribution.

	FY2014 \$m	FY2013 \$m
Revenue	2,470	2,251
Segment Profit before tax	68.8	57.5
Total Assets	657.1	542.0
Total Liabilities	438.0	349.8
Net Assets	219.1	192.2
PBT/Revenue	2.8%	2.6%
RONA (after tax)	22.5%	21.0%

Truck Retailing Segment

- Segment represent 13% of revenue, 7% of net assets.
- Very weak used truck trading results.
- Used truck values declined substantially impacting inventory values and aging.

	FY2014 \$m	FY2013 \$m
Revenue	374.2	410.8
Segment profit before tax	3.5	8.4
Total Assets	146.1	138.2
Total Liabilities	106.3	95.1
Net Assets	39.8	43.1
PBT/Revenue	0.9%	2.0%
RONA (after tax)	6.1%	13.7%

Property Segment

- Sale and leaseback of Cardiff & Hamilton properties in Newcastle, and St Mary's property in Adelaide.
- W'Gabba property recognised as deferred settlement sale, but rental income continues.
- Overall impact of revaluations \$(2.3) million .
- Property assets held for sale of \$27.8 million – properties in Fortitude Valley and Newstead.

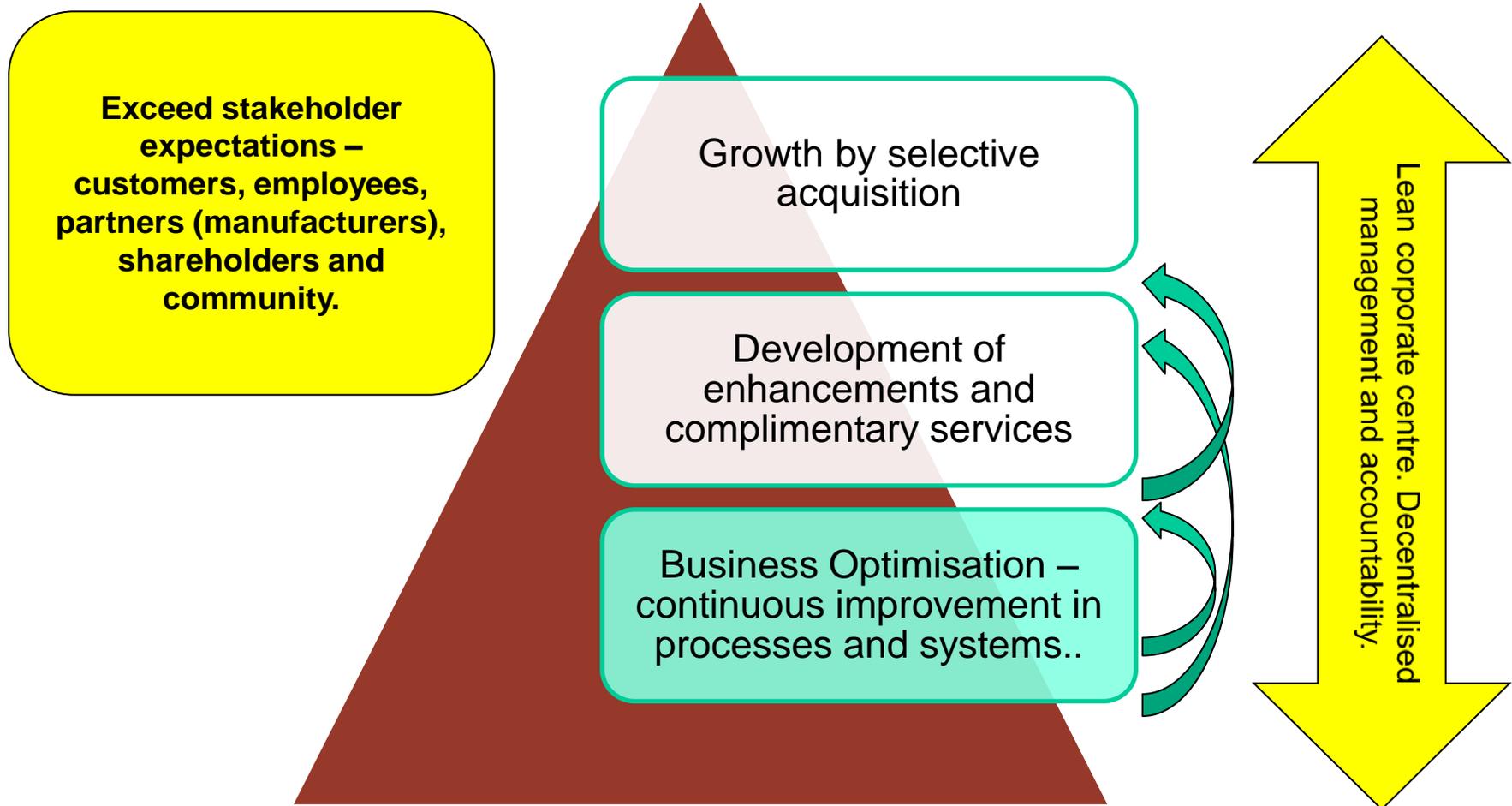
	FY2014 \$m	FY2013 \$m
Rental Income	29.9	28.9
Segment Profit before tax	17.1	12.3
Revaluation surplus/(deficit) (b/tax)	(2.3)	3.2
Total Assets	320.5	343.0
Total Liabilities	162.4	166.6
Net Assets	158.1	176.5
RONA Trading (a/tax)	6.2%	4.8%
RONA incl. revaluations	6.5%	6.2%

Investment

- Segment adjusted to only include Available for Sale Investments, consistent with June 2014 Half Year Report.

	FY2014 \$m	FY2013 \$m
Revenue	12.1	10.0
Segment Profit before tax	9.3	7.4
Revaluation surplus/(deficit) (b/tax)	1.3	22.8
Total Assets	234.4	195.2
Total Liabilities	60.3	66.3
Net Assets	174.1	128.9
RONA Trading (a/tax)	5.8%	6.3%
RONA incl. revaluations	6.3%	18.8%

Strategy (FOCUS: GROW EPS & PAY LARGER DIVIDENDS)



Strategy (FOCUS: GROW EPS & PAY LARGER DIVIDENDS)

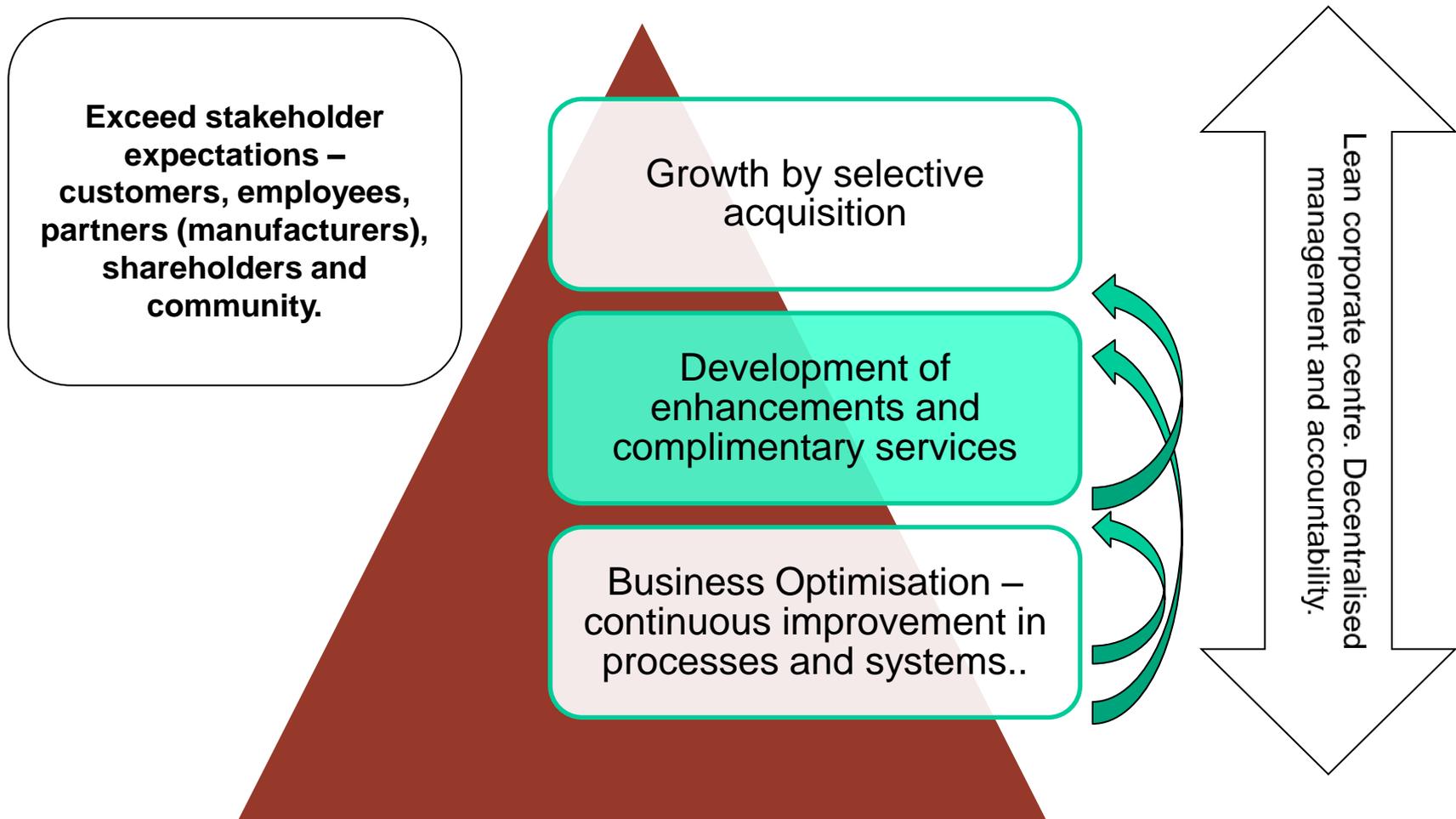
Business Optimisation – Short Term

- Replacement and repair opportunities continue from 60,000 hail damaged vehicles in SEQ.
- Strong benefits from Ian Boettcher Motors acquisition and integration.
- Blacks acquisition benefits subdued due to tough local market conditions (mining/csg slow down) – long term strategic fit still very exciting
- Continuing improvements in NSW Car retailing providing strong results.

Business Optimisation – Medium Term

- Newstead Parts relocation to Eagle Farm 1H 2015.
- Fortitude Valley Land Rover / Jaguar and Volvo relocation to Newstead by end 2016
- Complete “hold for sale” property process, exit locations and collect and reinvest cash.
- Truck retailing improvements expected certainly internally and hopefully macro market conditions.

Strategy (FOCUS: GROW EPS & PAY LARGER DIVIDENDS)



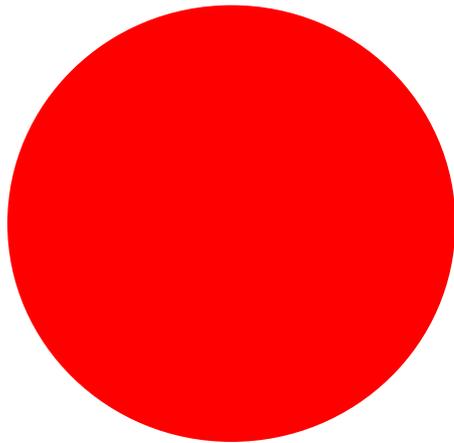
Strategy (FOCUS: GROW EPS & PAY LARGER DIVIDENDS)

Development of Enhancement & Complimentary Services – Medium / Long Term

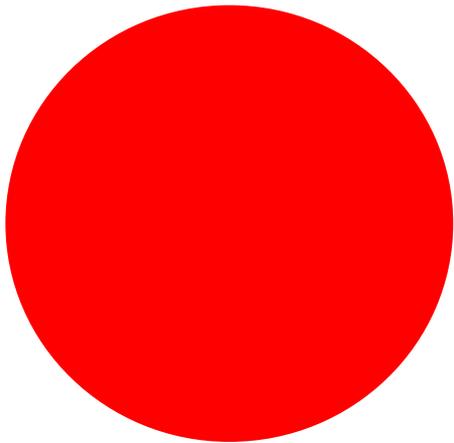
- MTAI Insurance (27 yrs old, APE 21%) – Operating company sold to Suncorp (August 2014)
- www.carsguide.com.au (3 yrs old, APE 7.5%)
- www.carzoos.com.au (3 yrs old, APE 100%)
- Precision Automotive Technology [Paint & Fabric Protection, ERP and Window Tint] (18 mths old, APE 100%)
- New initiatives likely to be completed in 2015

APE Vehicle Sales 2005

A.P Eagers New Vehicle Sales
Total 23752



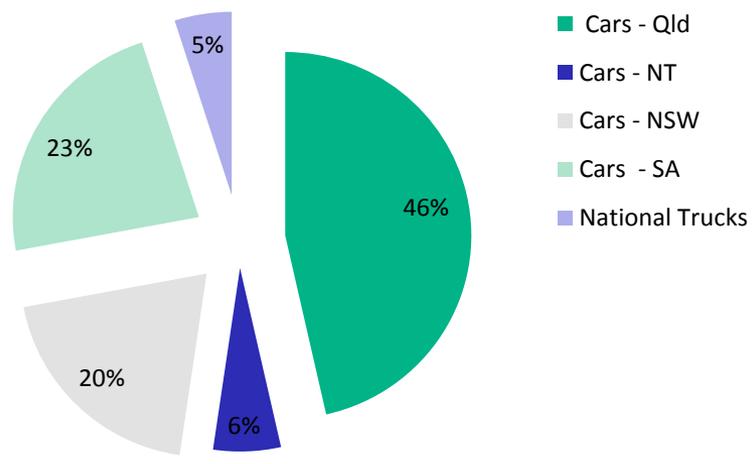
A.P. Eagers Used Vehicle Sales
Total 5421



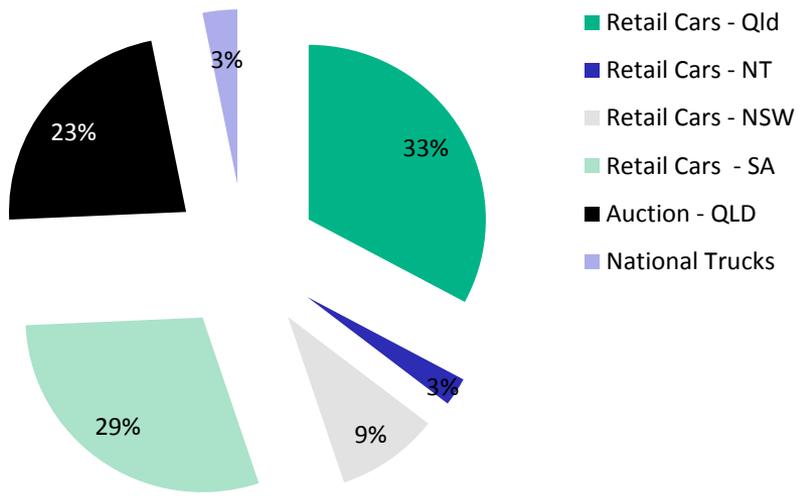
Retail New 1 : 0.23 Retail Used

APE Vehicle Sales 2014

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 Total 44,966 + 5.5% (4.0% of National Market)



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 Total 25,447 + 8.8% (Retail used 19380)



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2005	New Vehicles	1	: 0.23	Retail Used Vehicles

Twice the size without the restrictions.

NEW CAR MARKET



USED CAR MARKET



	New Car Department	Used Car Department
Product	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Price	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Margin	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Promotion	<input type="checkbox"/>	<input checked="" type="checkbox"/>
People	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Place	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Leading US Automotive Retailers	Market Capitalisation * ₂ - * ₃	
Autonation	\$6.3bn	- \$7.0bn
Penske	\$3.8bn	- \$4.3bn
Carmax	\$10.2bn	- \$14.2bn

¹ RTA NSW Data. VFACTS NSW Share Assumption ² As at 6 October 2014 ³ As at 26 February 2015

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**CARZOOS
HAPPINESS
GUARANTEE**



48hr Moneyback Guarantee



120 Point Safety Check



Carzoos Warranty



24/7 Roadside Assist



Carzoos Fixed Price Servicing



Used car buying you can't get wrong.



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CARZOOS

BRENDALE

 **We're happy to bring you these great deals** 

We've just launched our new Used Car, Service & Tyre Centre, and we want to celebrate with you.



CARZOOS BRENDALE
Service
55 South Pine Road
T. 07 3384 8855
service.brendale@carzoos.com.au

Used Cars
55 South Pine Road
T. 07 3384 8866
facebook:/carzoos.brendale.com



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Hundreds of quality used vehicles to choose from.



We know that buying a used car can be a stressful experience, but you've never bought a used car like a Carzoos used car.

From the moment you walk in, until the moment you drive away, you'll wonder how you ever managed to buy a used car somewhere else.

Talk to us about used car buying you can't get wrong.

CARZOOS HAPPINESS GUARANTEE

The Carzoos Happiness Guarantee means that every one of our cars comes with:

- ⦿ 120 Point Safety Check
- ⦿ Carzoos Warranty
- ⦿ Roadside Assistance
- ⦿ Carzoos Fixed Price Servicing
- ⦿ 48hr Moneyback Guarantee

48hr Moneyback Guarantee

If within 48 hours you don't love your car, just give it back and you will be entitled to a full refund of the purchase price.*

*Certain matters may impact upon the customer's right to receive the refund, including: if the vehicle travels more than 500km or sustains any damage or repair before it is returned; if the customer does not take delivery of the vehicle within 7 days of being notified that it is ready for delivery; if the refundable amount is not sufficient to discharge any encumbrances granted by the customer and the customer elects not to pay the balance in order to discharge the encumbrance; if there is a trade-in vehicle associated with the purchase of the Carzoos vehicle; the Carzoos

Used Cars



Servicing with a Smile.

The Carzoos Servicing Happiness Guarantee means you can leave your car with us, confident we're doing the right thing by you at every stage.

So when you service with Carzoos, you simply can't go wrong.

Servicing that's guaranteed to make you happy.

Limited Time Only

\$99

Lube Service

Includes oil change, lubrication service and under bonnet check.*

+ FREE

Safety Stop

*Up to 5L fuel. Offer expires 31/10/14. Ref: C208

\$195

General Service

Includes oil and filter replacement, battery, brake and alignment check and a 30 point written vehicle inspection.*

*Up to 5 Litres. Offer expires 31/10/14. Ref: C208

\$295

Maxi Service

Includes oil and filter replacement, battery, brake and alignment check and a 30 point written vehicle inspection.*

+

Rotate and balance on all four wheels, brake fluid flush, replacement of spark plugs.*

*Up to 5 Litres. Offer expires 31/10/14. Ref: C208. Standard spark plugs only. Platinum/Iridium plugs may incur an extra charge.

BR also Inspection

Receive a brake and suspension inspection, including free electronic safety stop inspection for only \$35.00, RRP \$72.00.

Offer expires 31/10/14. Ref: C208

Alignment Special

Visit Carzoos Brendale and save on front and rear wheel alignment with rotate and balance on all four wheels for only \$69.00, RRP \$104.00.

Offer expires 31/10/14. Ref: C208



www.carzoos.com.au 2014

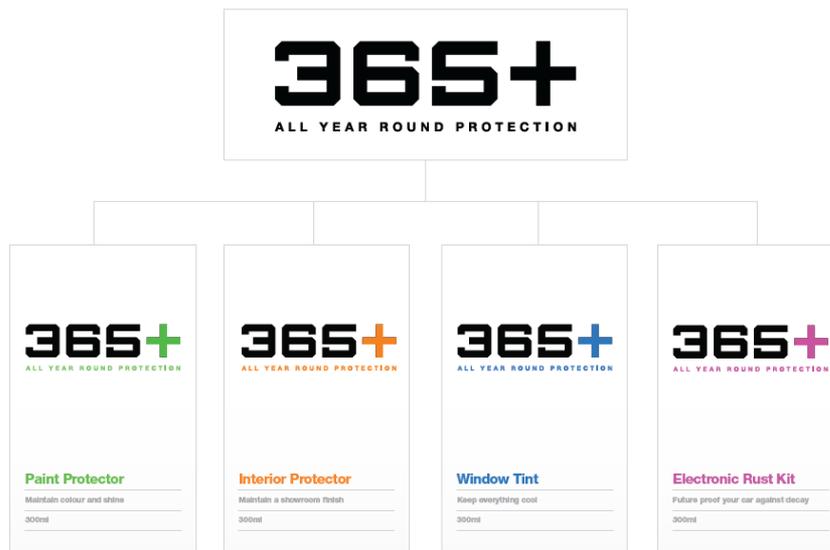
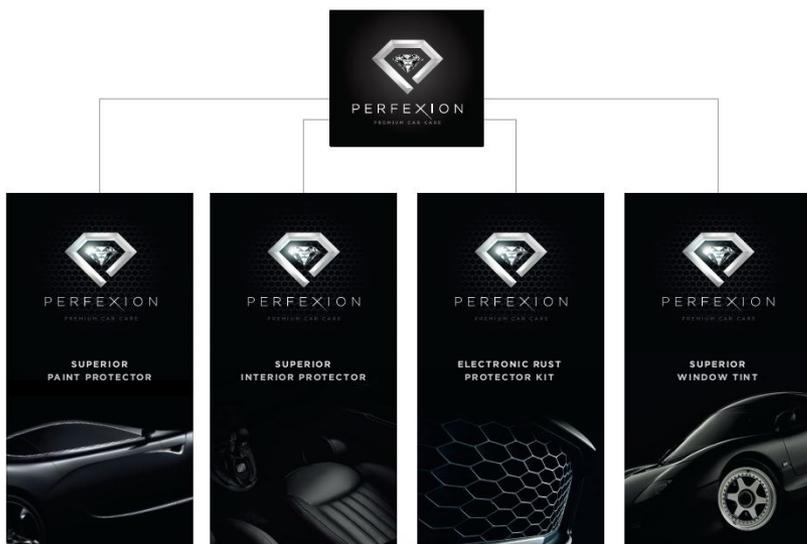
- Like for like used vehicle units up 6%
- Carzoos people, process and procedure and strong market conditions produced a 50% profit up lift
- Three physical locations rebranded to Carzoos
- 8,700 used vehicles sold as Carzoos used cars in 2014 (45% of APE retail used 19380)

www.carzoos.com.au 2015

- Investing in improved new website for launch late 2015
- Investing in alternative used car channels to market for launch late 2015
- Expand Carzoos brand within AP Eagers (45% increasing to TBD)

PAT

PRECISION AUTOMOTIVE TECHNOLOGY



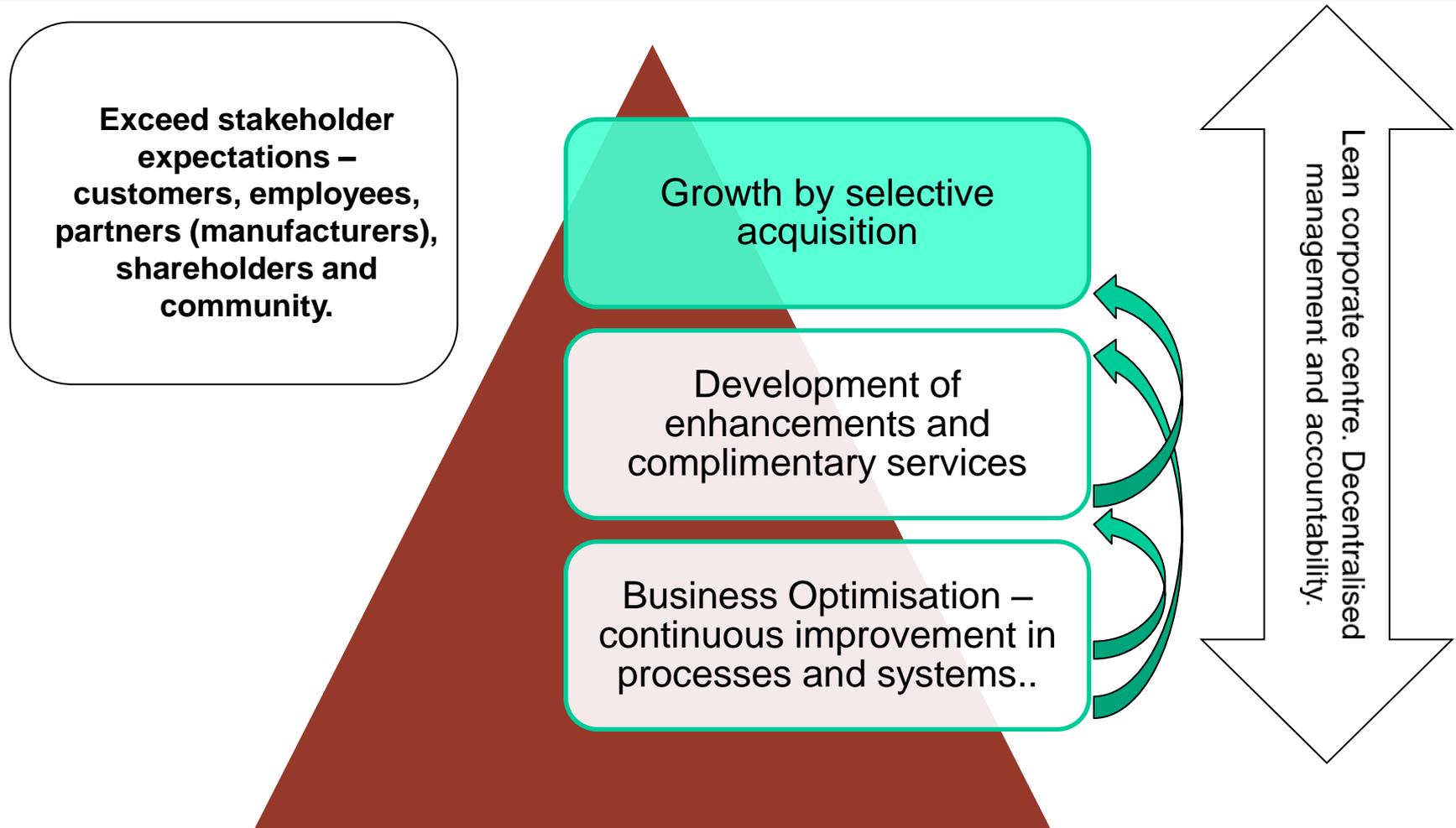
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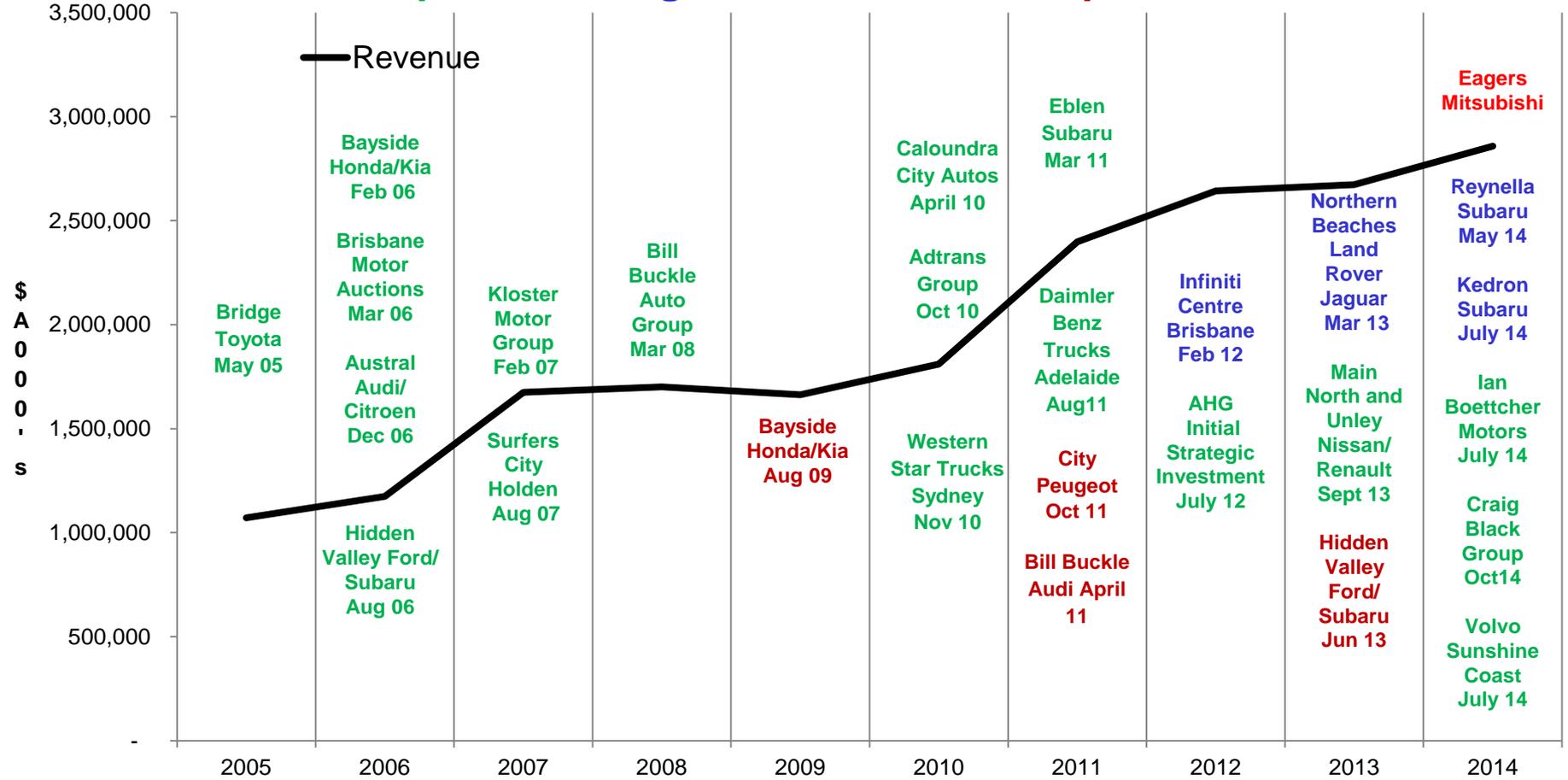


Strategy (FOCUS: GROW EPS & PAY LARGER DIVIDENDS)



Growth Timeline – Revenue

Acquisitions, Organic Growth and Disposals



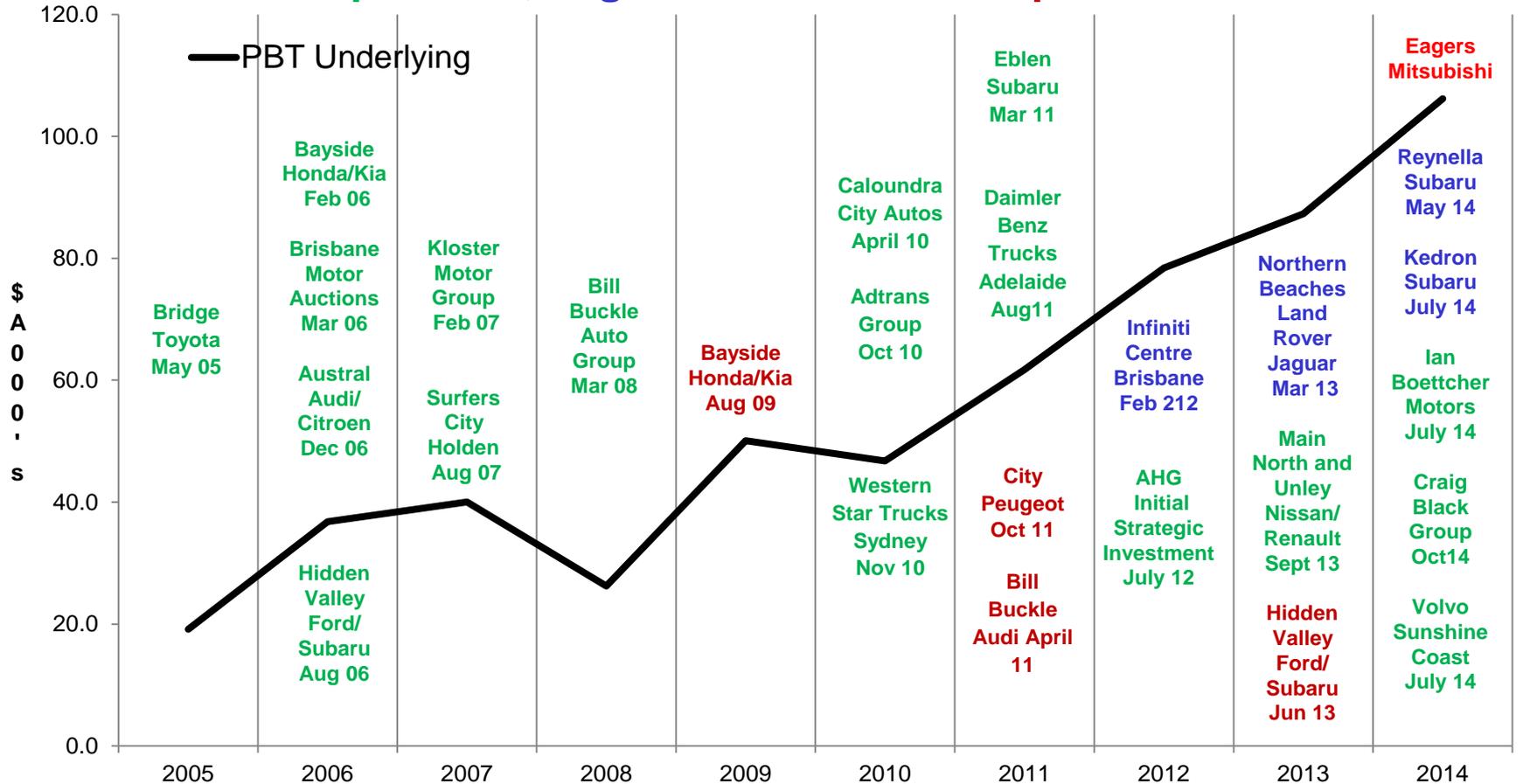
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Growth Timeline – PBT Underlying

Acquisitions, Organic Growth and Disposals



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Employee Engagement

- Record employee engagement 2014*₁
- Record low staff turnover improved from 53% (2006) now below 25% (2014)
- Compares with USA Nationally 36% (2014) *₂
- Increased investment in:
 - » Future Leaders
 - » Leadership Program
 - » F & I Academy
 - » Car Care Academy
 - » Carzoos Academy

-  - new program for high potential females
SUPPORTING WOMEN TO CHAMPION CHANGE

*1 externally measured by Quantum Management Indicators

*2 NADA (Dealership Workforce Study)

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The Next 12-24 Months

- Continue integration of Ian Boettcher Motors and The Black Group, + \$230m t/o for 2015
- Relocate Land Rover, Jaguar and Volvo to Newstead, parts to Eagle Farm
- Improve truck retailing division
- Continue Carzoos expansion internally and externally
- Develop alternate channels to market for Carzoos
- Grow via further quality acquisitions
- Develop or Acquire “complimentary services” to core car retailing

Forward-Looking Statements

This document may contain forward-looking statements, forecasts and estimates made by the Company (forward-looking statements), including the anticipated future performance of the Company and the market in which it operates. These forward-looking statements are based on certain key expectations and assumptions of known and unknown risks, uncertainties and other factors, which are deemed reasonable when made but may or may not prove correct. Actual events are difficult to predict and may depend upon factors that are beyond the Company's control. Therefore, actual results, may turn out to be materially different from any future results, performance or achievements express or implied by such forward-looking statements. Forward-looking statements only speak as of the date of this document and no representations are made as to the accuracy or fairness of such forward-looking statements. The Company disclaims any obligation to update any forward-looking statements, to reflect any change in the Company's expectations with regard thereto, or any change in events, conditions or circumstances on which any such statement is based.

Appendix

AP Eagers Today (Feb 2015)

- **102** year old automotive retail group founded in **1913**
- **57** years as a listed public company – dividend paid every year
- A.P. Eagers owns \$278m of prime real estate
- Represents all **12** of the top **12** selling vehicle brands in Australia and **27** car brands in total along with **11** truck / bus brands
- **3,500** employees **110+** dealership locations in QLD, NT, NSW, VIC and SA
- 19.9% ownership of Automotive Holdings Group (\$232m*)
- 7.5% ownership of www.carsguide.com.au (\$2.25m)

*31/12/14

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AP Eagers Volume Car Brands

Represents 12 of the top 12 selling volume car brands in Australia



AP Eagers Luxury* Car Brands

Represents 8 of the top 9 selling luxury car brands in Australia



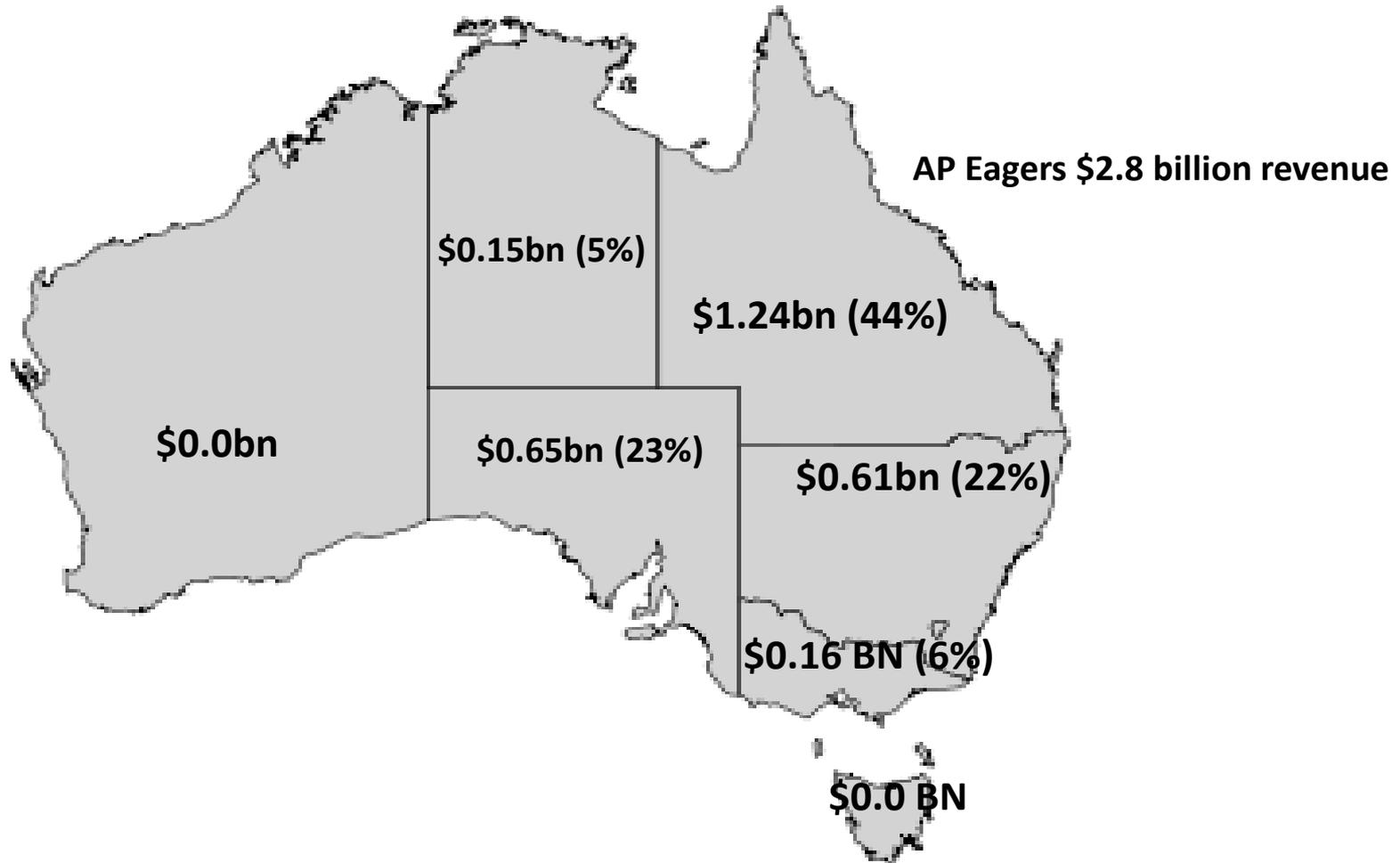
* Luxury is defined as luxury vehicle selling more than 500 units annually (V Facts)

AP Eagers Truck and Bus Brands

Representing 11 truck and bus brands



Revenue by State / % of group Revenue (2014 Annualised)



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Income Opportunity Franchised Dealership

NEW CAR SALES: + Accessories + Finance + Insurance + Car Care + Trade-In

USED CAR SALES: + Accessories + Finance + Insurance + Car Care + Trade-In

VEHICLE SERVICE: - Value add products ie Tyres, wheel alignments, batteries, wiper blades.

VEHICLE REPAIR: - Warranty (Manufacturer pays) and Non Warranty (Customer pays)

- Internal reconditioning of Used Cars

PARTS SALES: - Internal (Service, warranty repair, non-warranty repair, accessories)

- External (Retail – dealership direct to customer)

- External (Wholesale / Trade – large distribution centres deliver to customers)

- Hard parts (Panel) + Mechanical parts

Income Opportunity Franchised Dealership

The Income from the operational performance of the dealership, along with financial incentives for achieving target volume, market share and customer satisfaction indices combined, result in a manufacturer's "Economic Model" which funds their chosen customer retail network.

A manufacturer's volume and "Economic Model" will determine the number of Retail dealership locations (franchise points) nationally.

Manufacturer's adjust their financial levers up and down over good and bad times to maintain the financial health of their chosen retail network.