

26 August 2021

Market Announcements Office
ASX Limited

Results for Announcement to the Market

Half Year Report and Accounts

Eagers Automotive delivers strong 1H 2021 result

The following documents for our half year ended 30 June 2021 are **attached**:

1. Half Year Report – Appendix 4D and commentary
2. Directors' Report
3. Interim Financial Report
4. Auditor's Report and Declaration of Independence

These are given to the ASX under listing rule 4.2A and are to be read in conjunction with our most recent annual financial report.

ENDS

For further information please contact:

Lauren Thompson
Domestique Consulting
0438 954 729
lauren@domestiqueconsulting.com.au

Authorised for release by the Board.

26 August 2021
Markets Announcements Office
ASX Limited

Appendix 4D Half Year Report and Commentary

Half year ended 30 June 2021
(ASX listing rule 4.2A)

Eagers Automotive delivers strong 1H 2021 result

Financial Highlights	Half Year to June 2021 \$ Million	Half Year to June 2020 \$ Million
Statutory Profit After Tax	202.3	11.8
Statutory Profit Before Tax from Continuing Operations	267.4	61.4
Underlying Operating Profit Before Tax ⁽¹⁾	218.6	40.3

- Statutory Profit After Tax for the period of \$202.3 million including discontinued operations (1H20: \$11.8 million).
- Statutory Profit Before Tax from continuing operations of \$267.4 million (1H20: \$61.4 million).
- Underlying Operating Profit Before Tax⁽¹⁾ of \$218.6 million (1H20: \$40.3 million).
- Retained a very strong financial position with available liquidity of \$661.1 million (available cash and undrawn commitments) and net debt position of \$32.0 million at 30 June 2021 (FY2020: \$129.3 million).
- Statutory EPS including discontinued operations of 77.1 cps (1H20: 3.2 cps), Underlying⁽¹⁾ EPS of 59.6 (1H20: 10.0 cps).
- Ordinary interim dividend of 20.0 cps will be paid for 1H21 (1H20: nil) while continuing to balance the Board's prudent approach to managing through the COVID-19 environment.
- In addition, following successful completion of the sale of the Daimler Trucks business, the Board has approved a special dividend of 8.4 cps, which will deliver a combined ordinary and special dividend payable to shareholders for the period of 28.4 cps (1H20: nil).

Eagers Automotive Limited
ABN 87 009 680 013

T (07) 3608 7100
F (07) 3608 7111

E corporate@eagersautomotive.com.au

Registered Office
5 Edmund Street,
Newstead
QLD 4006

Postal Address
PO Box 199,
Fortitude Valley
QLD 4006

Operational & Strategic Highlights

- Results reflect the strength of the market, disciplined execution of key initiatives and the benefits of our Next100 strategic progress.
- Strong demand for new and used vehicles continued throughout the period, driven by favourable economic conditions and changes in social trends and consumer behaviour. New vehicle orders have continued on their strong trajectory, with supply constraints contributing to month-on-month growth in order bank throughout the period.
- Geographic scale and diversity enabled Eagers Automotive to capitalise on new vehicle market recovery across all regions and mitigate the impacts of localised COVID-19 Government restrictions.
- Disciplined execution continues to deliver cost out benefits, with cost reductions of more than \$100 million in annualised savings and post-AHG merger annualised synergies of \$35.8 million driving sustainable, long-term uplift in Return on Sales.
- Our national, fixed price, pre-owned business easyauto123 continues to deliver profit growth, with significant year-on-year improvement in financial performance since the completion of the AHG merger, providing a sustainably profitable platform to accelerate top line growth.
- Strategic rationalisation of the franchised automotive portfolio and simplification to focus on core automotive retail through the completion of sale of the Daimler Trucks business.
- Accelerated property strategy with focus on ownership in key strategic locations, providing greater flexibility to implement omni-channel retail approach, with \$110 million of property acquired during the period.

(1) Underlying operating results refers to continuing operations, adjusted for significant items outlined and reconciled to statutory results on slides 41 (1H21) and 42 (comparative financial information) of the Investor Presentation. Underlying operating figures are non-financial measures and have not been subject to audit by the Company's external auditors.

Commenting on the half year performance CEO Keith Thornton said:

"Our first half results reflect strong market dynamics, a disciplined approach to managing operations within the current environment and the benefits of our Next100 strategic progress and are further validation of our transformative merger with AHG. A key driver of our strong financial performance has been the deliberate action we have undertaken to simplify our business and reduce our cost base. This has resulted in permanent cost savings that will continue to benefit shareholders in future periods."

"Our national, fixed price, pre-owned vehicle strategy, headlined by easyauto123, is continuing to deliver growth with significant year-on-year improvement since the completion of the AHG merger. We continue to experience strong demand for new vehicles, with an increasing order book due to supply constraints. Our geographic diversity and scale enables us to capitalise on recovery in the new vehicle market across all regions and mitigate the impacts of localised COVID-19 Government restrictions."

"While the Company remains positive about the outlook for the second half of 2021, we will continue to monitor the evolving COVID-19 situation, the associated effects of lockdowns in key markets and the ongoing supply situation. As always the Company will continue to manage the business with a balanced approach to optimising all key stakeholder outcomes."

Eagers Automotive Limited (ASX: APE) ("Eagers Automotive" or "the Company"), Australia's leading automotive retail group, today announced its results for the six months ended 30 June 2021 (1H21). On a continuing basis, the Company delivered Underlying Operating Profit Before Tax⁽¹⁾ of \$218.6 million, compared to \$40.3 million in the prior corresponding period (pcp).

Strong economic conditions and changes in consumer behaviour, primarily in response to the impacts of COVID-19, generated strong demand for new vehicles, with a 28.3% increase in the new car market⁽²⁾ compared to the first six months of 2020. These market dynamics are further buoyed by demand continuing to materially outstrip supply, with the Company's order bank increasing month-on-month over the last six months.

Underlying profit continues to be supported by the ongoing benefits of our material cost out program completed over the last 12 months.

Statutory Net Profit After Tax (including discontinued operations) for the 2021 half year was \$202.3 million, compared to a profit of \$11.8 million in the 2020 half year. On a statutory basis (excluding discontinued operations), the Company recorded a Statutory Net Profit Before Tax from continuing operations of \$267.4 million for 1H21 compared to a Statutory Net Profit Before Tax of \$61.4 million in the pcp. The 1H21 statutory result included significant items totalling \$48.8 million net income before tax, predominately relating to the gain on sale of assets totalling \$41.1 million, offset by non-cash impairments of \$5.2 million associated with the revaluation of a property.

(2) According to Federal Chamber of Automotive Industry statistics sourced through VFACTS.

Key Financial Highlights from Continuing Operations

Half Year to June, from Continuing Operations	Half Year to June 2021 \$ Million	Restated Half Year to June 2020 ⁽⁴⁾ \$ Million
Statutory Results		
Revenue	4,699.2	4,155.0
EBITDAI ⁽³⁾	378.0	228.5
Statutory Profit Before Tax	267.4	61.4
Statutory Profit After Tax	202.3	41.5
Total Dividend per Share – cents	28.4	-
Underlying Operating Results⁽¹⁾		
Underlying Revenue ⁽¹⁾	4,699.2	4,155.0
Underlying EBITDAI ⁽³⁾	252.9	78.6
Underlying Profit Before Tax ⁽¹⁾	218.6	40.3
Underlying Profit After Tax ⁽¹⁾	158.1	29.3

(3) EBITDAI means earnings before interest, tax, depreciation, amortisation and impairment.

(4) Inclusion of EBITDAI⁽³⁾ measure in comparative half year June 2020 to ensure consistency with full year 2020 and Half Year June 2021.

Dividend

The Board has approved payment of an ordinary interim dividend of 20.0 cps fully franked for the half year (1H20: nil). In addition, following the successful completion of the sale of the Daimler Trucks business, the Board has also approved payment of a fully franked special dividend of 8.4 cps. The ordinary and special dividends have been approved for payment on 15 October 2021 to shareholders who are registered on 24 September 2021 (Record Date).

The dividends reflect a payout ratio of 37.4% on the attributable half year Statutory Net Profit After Tax (including discontinued operations) and 48.3% on the attributable Underlying Operating Profit After Tax⁽¹⁾. The payout reflects the Board's desire to ensure the Company has the capacity and flexibility to invest in restructuring and growth initiatives, balanced with its prudent approach to managing through the ongoing uncertainty of the COVID-19 environment, including the impacts of Government enforced lockdowns.

The Company's dividend reinvestment plan (DRP) will not operate in relation to the ordinary or special dividend.

External Environment

The new car market continues to be driven by strong consumer demand, with favourable economic conditions and changes in social trends and consumer behaviour contributing to a strong recovery relative to the prior period, which was heavily impacted by the onset of the COVID-19 pandemic. According to Federal Chamber of Automotive Industry statistics, the new car market was up 28.3% compared to the first six months of 2020.

The larger markets of Queensland, New South Wales and Victoria recorded sales increases of 33.9%, 29.1% and 22.3% respectively. Other markets also recorded increases, with South Australia up 29.1%, Western Australia up 39.4% and Tasmania up 36.0%.

The increase in new motor vehicles sales on the pcg was experienced across most buyer types, with private sales (+38.7%), business sales (+14.4%), and rental sales (+82.8%) all up, with only Government sales down (-9.3%). The luxury vehicle segment share contracted from 12.4% to 11.0% of the Australian new vehicle market during the period, however still recorded good growth, up +14.3% on the pcg. While sales of plug-in hybrid and electric vehicles grew 139.6% it was from a very low base with traditional fuel vehicles still accounting for 99% of all recorded new vehicle sales.

Nationally, the Heavy Commercial segment recorded a +26.4% increase with significant increases in light duty sales (+38.8%) and heavy/medium duty sales (+14.0%).

Strategic Developments

During the period, the Company made substantial progress with its Next100 Strategy across a number of key areas including:

- Maintaining disciplined focus on cost base, underpinning strong and sustainable Return on Sales performance;
- Expansion of our fixed price, pre-owned easyauto123 business on a more efficient cost base, including a new site in Sydney and multiple new locations in Auckland;
- Development of integrated technology solutions leading to an acceleration in online sales capability and providing a platform for future productivity gains;
- Completion of the sale of the Daimler Trucks business on 30 April 2021;
- Divestment of 360 Finance and two non-core dealerships consistent with disciplined but active M&A strategy; and
- Ongoing rebalance of the property portfolio post the merger with AHG including the exit of a number of leased locations and acquisition of a number of strategic sites, which were previously leased.

Financial Performance

Statutory and Underlying⁽¹⁾ revenue from continuing operations increased by 13.1% to \$4,699.2 million, with 1H20 revenue impacted by the COVID-19 pandemic.

EBITDAI⁽³⁾ from continuing operations increased to \$378.0 million in 1H21 (1H20: \$228.5 million). Underlying⁽¹⁾ EBITDAI⁽³⁾ increased to \$252.9 million in 1H21 (1H20: \$78.6 million). Profit margins increased as indicated by the Underlying⁽¹⁾ operating EBITDAI⁽³⁾/Revenue ratio of 5.4% (1H20: 1.9%), with a comparable increase in Underlying⁽¹⁾ operating NPBT⁽⁵⁾/Sales ratio of 4.7% (1H20: 1.0%). The strong margins predominately reflect the ongoing benefits of our material cost out program completed over the last 12 months, supported by market dynamics.

Statutory borrowing costs from continuing operations decreased by 6.3% to \$40.8 million (1H20: 43.6 million), driven by a reduction in lease liabilities resulting from the sale of the Daimler Trucks business. Underlying⁽¹⁾

borrowing costs increased by 7.3% to \$20.6 million for 1H21 (1H20: \$19.2 million), reflecting the funding of our property strategy with 13 properties acquired since 1 July 2020. The Group's bailment charges have benefitted from a reduction in inventory and associated bailment levels and underlying interest rates compared to the pcpc. Included within statutory borrowing costs is interest expense recognised in accordance with AASB 16 Leases of \$20.2 million (down from \$24.4 million in the pcpc).

Statutory depreciation and amortisation charges from continuing operations decreased by 22.3% to \$64.6 million for 1H21 (1H20: \$83.2 million), driven by a reduction in the right-of-use asset resulting from the sale of the Daimler Trucks business and prior year impairments. Underlying⁽¹⁾ depreciation and amortisation charges decreased by 27.9% to \$13.7 million for 1H21 (1H20: \$19.1 million). The decrease is predominately through the sale of the Daimler Trucks business and its associated buy back commitments. Included within the statutory depreciation expense is an additional \$50.9 million of depreciation expense recorded in accordance with AASB 16 (down from \$64.1 million in the pcpc).

(5) NPBT means Net Profit Before Tax

Segments

The Car Retail Segment delivered an Underlying⁽¹⁾ Operating Profit Before Tax of \$211.6 million, an increase of \$173.0 million compared to \$38.6 million in 1H20. The profit performance reflects the first full contribution to a reporting period from significant permanent cost reductions in response to COVID-19, supplemented by favourable market dynamics. The increase is reflected across all regions in Australia and New Zealand. The prior half year performance was significantly impacted by Government lockdowns, particularly in April and May 2020 – the peak impact of COVID-19 restrictions.

The Car Retail Segment recorded a Statutory Profit Before Tax from continuing operations of \$220.3 million compared to a profit of \$64.0 million in 1H20.

Continued focus on our national, fixed price, pre-owned strategy via the easyauto123 business is delivering strong results. The easyauto123 business delivered a strong performance for the half year 2021, with the significant improvement in financial performance continuing since the completion of the AHG merger. This has been achieved via improvement in all key metrics, operating on a more efficient cost base and the benefits from post-merger scale and integration into the wider business.

Car Retailing Statutory and Underlying⁽¹⁾ revenue from continuing operations increased by 20.8% to \$4,474.7 million (1H20: \$3,703.8 million). Again, 1H20 included the April and May peak impact of COVID-19 restrictions.

The Truck Segment delivered an Underlying⁽¹⁾ Operating Profit Before Tax of \$4.6 million, a decrease compared to \$6.2 million in 1H20, reflecting the sale of the Daimler Trucks business on 30 April 2021.

The Statutory Profit Before Tax from continuing operations was \$39.8 million, compared to a profit of \$8.1 million in 2020 and was impacted by the gain on sale of the Daimler Trucks business.

The value of the property portfolio increased to \$409.2 million as at 30 June 2021 compared with \$356.5 million at 31 December 2020 and \$260.0 million at 30 June 2020. The increase is due to the deliberate and ongoing rebalance of the property portfolio post the merger with AHG. This included the acquisition of a number of strategic sites, which were previously leased premises, offset by the \$5.2 million revaluation decrement in our property portfolio and the sale of 10 non-core properties during the period.

The Property Segment recorded an Underlying⁽¹⁾ Operating Profit Before Tax of \$2.3 million (excluding impairment and gains on sale), down \$0.2 million on the pcpc. The decline in underlying profit was driven by finance costs on recent property acquisitions, combined with properties recently purchased which are currently under

redevelopment and therefore not yet recovering internal rent, and the reduction on internal rental income from a number of properties divested during the first half of 2021.

The Property Segment recorded a Statutory Profit Before Tax of \$7.2 million for 1H21 compared to a loss of \$3.9 million in the pcp. The movement was driven by gains on sale of non-core property, partially offset by a loss on revaluation of a property.

Financial Position

Eagers Automotive is in a very strong financial position underpinned by a substantial property portfolio and asset base, together with \$661.1 million of available liquidity at 30 June 2021. This liquidity position includes available cash and undrawn commitments under our corporate debt facilities.

Corporate debt (Term and Capital loan facility) net of cash on hand decreased to \$32.0 million as at 30 June 2021, down from \$129.3 million at 31 December 2020.

The Group's leverage metrics are in a strong position, with the gearing ratio at 0.06 times (1H20: 0.03 times) and the capitalisation ratio at 2.5% (1H20: 0.8%), excluding discontinued operations, vehicle bailment and lease liabilities.

Total inventory levels decreased to \$960.8 million as at 30 June 2021, down from \$1,025.8 million at 31 December 2020. The decrease in inventory and associated floorplan is primarily due to the sale of the Daimler Trucks business. Inventory levels continue to be impacted by a combination of global supply chain dynamics and management's initiatives in response to COVID-19. Eagers Automotive continues to maintain a significant equity ownership in used vehicle inventory.

The Company continues to focus on cash management, retaining a strong cash position of \$294.7 million as at 30 June 2021 driven by operating cash flows of \$204.2 million, supplemented by investing activities of \$134.9 million.

Please note that the operating cash flows for the six months ended 30 June 2020 included a number of extraordinary actions to fortify our cash position in response to COVID-19, including but not limited to deferred payments and liquidating equity owned stock.

The balance sheet reflects a net current asset position of \$7.1 million as at 30 June 2021, compared to a net current liability position of \$102.8 million at 31 December 2020. Our net current asset position is impacted by the application of the new lease standard which results in the recognition of a \$131.3 million net current lease liability as at 30 June 2021, reflecting property rental charges for the next 12 months. This commitment was recorded off balance sheet under the previous accounting standard.

Removing the impact of the new lease standard results in a net current asset position for the Group of \$138.5 million at 30 June 2021.

Outlook

Eagers Automotive is uniquely placed within the automotive retail industry with unmatched scale, geographic diversity and partner relationships, which allow the Company to best withstand the challenging external conditions and benefit from accelerating industry transition. While the group will continue to be responsive to the changing COVID-19 market dynamics, the business has started the second half of 2021 strongly, benefitting from our geographic diversity with unusually strong demand continuing in regions across both Australia and New Zealand which are operating with limited or no Government restrictions.

Eagers Automotive has a strong balance sheet and fortified liquidity position, providing the Company with the flexibility and capacity to invest in restructuring, organic growth, investment in technology enablers and acquisition opportunities as it accelerates execution of the Next100 Strategy.

In the near term, Eagers Automotive is focused on delivering improved operational performance through:

- Maintaining disciplined management of operations to leverage current favourable market conditions, with continued margin enhancement through process and productivity measures, while further exploring structural and sustainable cost out initiatives;
- Accelerating the scaling of easyauto123 through growth in volume, further reducing cost through scale and continuing to develop an omni-channel offering that delivers an enhanced customer experience; and
- Advancing our property strategy through the acquisition of strategically located sites that are currently leased and restructuring operations on both owned and leased properties to enable increased flexibility within our property portfolio and deliver an enhanced customer experience on a substantially lower cost base.

In the short to medium term, the Group is focused on driving EPS growth by prioritising the following initiatives:

- Continuing to drive operational efficiencies across all aspects of our business through a whole of Company focus on delivering the Next100 Strategy;
- Creating shareholder value through the profitable growth of our easyauto123 business;
- Leveraging our point of sale advantage, technology investments and a favourable credit market to continue the growth in our finance penetration levels; and
- Continuing to review accretive acquisition opportunities, selected rationalisation of our dealership portfolio and complementary consolidation that supports our strategic mandate.



Tim Crommelin
Director

26 August 2021

For more information:

Keith Thornton
Chief Executive Officer
(07) 3608 7110

Lauren Thompson
Domestique Consulting
0438 954 729

www.eagersautomotive.com.au

Eagers Automotive First Half 2021 Analyst and Investor Call – 9:30am AEST Thursday 26 August 2021

Participants can register to receive dial-in details for the call using the following link:

<https://s1.c-conf.com/diamondpass/10015256-mas84f.html>

Participants may also wish to join a webcast of the results briefing using this link:

<https://services.choruscall.com.au/webcast/eagers-210826.html>

Note: All national sales figures are based on Federal Chamber of Automotive Industry statistics sourced through VFACTS.

Appendix 4D

Half year report

1. Company details

Name of entity

Eagers Automotive Limited

ABN or equivalent company
reference

87 009 680 013

Half year ended ('current period')

30 June 2021

Half year ended ('previous
period')

30 June 2020

2. Results for announcement to the market

\$A'000's

2.1	Revenues from ordinary activities	Up	13.1%	to	4,699,201
2.2	Net profit (loss) for the period	Up	335.8%	to	267,423
2.3	Net profit (loss) for the period attributable to members	Up	2,246.9%	to	195,261
2.4	Dividends		Amount per security		Franked amount per security
	Ordinary interim dividend		20.0 cents		20.0 cents
	Special dividend		8.4 cents		8.4 cents
2.5	+Record date for determining entitlements to the dividend.	24 September 2021			
2.6	Brief explanation of any of the figures in 2.1 to 2.4 above necessary to enable the figures to be understood.				

3. NTA backing

	Current period	Previous corresponding Period
Net tangible asset backing per +ordinary security	\$1.67	\$0.57

4.1 Control gained over entities

Name of entity (or group of entities)

N/A

Date control gained

N/A

Contribution of such entities to the reporting entity's profit/ (loss) before tax, and internal rent from ordinary activities during the period (where material).

N/A

Profit(loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) for the whole of the previous corresponding period.

N/A

4.2 Loss of control over entities

Name of entity (or group of entities)

Daimler Truck Operations

Date control lost

30 April 2021

Contribution of such entities to the reporting entity's profit/ (loss) from ordinary activities during the period (where material).

\$2.3 million

Consolidated profit/(loss) from ordinary activities of the controlled entity (or group of entities) whilst controlled during the whole of the previous corresponding period (where material).

N/A

5 Dividends

Individual dividends per security

		Date dividend is payable	Amount per security	Franked amount per security at 30% tax	Amount per security of foreign source dividend
	Ordinary interim dividend: Current year	15/10/2021	20.0¢	20.0¢	Nil¢
	Special dividend: Current year	15/10/2021	8.4¢	8.4¢	Nil¢
	Previous year	N/A	Nil¢	Nil¢	Nil¢

6 Dividend Reinvestment Plans

The ⁺dividend or distribution plans shown below are in operation.

The Eagers Automotive Limited Dividend Reinvestment Plan will not apply to the interim dividend.

The last date(s) for receipt of election notices for the ⁺dividend or distribution plans

7 Details of associates and joint venture entities

Name of associate/joint venture	Reporting entity's percentage holding		Contribution to Net profit/(loss) (where material)	
	Current Period	Previous corresponding period	Current Period \$'000	Previous corresponding period \$'000
DealerMotive Limited	-	39.37%	-	-
Vehicle Parts (WA) Pty Ltd	50.0%	50.0%	239	120
Mazda Parts	16.7%	16.7%	326	128

Group's aggregate share of associates' and joint venture entities' profits/(losses) (where material):

	Current period \$A'000	Previous corresponding period - \$A'000
Profit/(loss) from ordinary activities before tax	565	248
Income tax on ordinary activities	-	-
Profit/(loss) from ordinary activities after tax	565	248
Extraordinary items net of tax	-	-
Net profit/(loss)	565	248
Adjustments	-	-
Share of net profit/(loss) of associates and joint venture entities	565	248

Sign here: 
(Director)

Date: 26 August 2021

Print name: Tim Crommelin

EAGERS AUTOMOTIVE LIMITED ACN 009 680 013
DIRECTORS' REPORT

The Directors present their report on the consolidated entity consisting of Eagers Automotive Limited ("the Company") and the entities it controlled at the end of, or during, the half year ended 30 June 2021.

Directors

T B Crommelin, N G Politis, D T Ryan, D A Cowper, M J Birrell, S A Moore, G J Duncan, D S Blackhall and M V Prater were Directors of the Company during the whole of the half year and they continue in office at the date of this report. M A Ward was a Director during the half year until his resignation on 1 March 2021.

Review of Operations and Results

The consolidated entity achieved a net profit after tax of \$202.3 million for the half year ended 30 June 2021 (2020HY: \$11.8 million). Further review of the consolidated entity's operations during the half year and the results of those operations are included in pages 1 to 8 of the commentary at the front of this report.

Dividends

The Board has determined to pay an interim ordinary dividend for the half year of 20.0 cents per share (2020: nil cents) and a special dividend of 8.4 cents per share (2020: nil cents). Both dividends will be fully franked and payable on 15 October 2021 to shareholders registered on 24 September 2021 (Record Date).

The special dividend represents 100% of the company's after-tax gain on sale of the Daimler Truck Operations during the half year.

The company's dividend reinvestment plan (DRP) will not operate in relation to either the interim ordinary dividend or the special dividend.

All future dividends remain subject to Board discretion.

Auditor's Independence Declaration

A copy of the Auditor's independence declaration under section 307C of the Corporations Act 2001 is **attached**.

Rounding of Amounts to Nearest Thousand Dollars

The company is of a kind referred to in Class Order 98/100 issued by the Australian Securities & Investments Commission relating to the "rounding off" of amounts in the Directors' Report and Financial Report. Amounts in the Directors' Report and Financial Report have been rounded off to the nearest thousand dollars in accordance with that Class Order.

This report is made in accordance with a resolution of the Directors.



Tim Crommelin
Chairman

Brisbane
26 August 2021

The Board of Directors
Eagers Automotive Limited
5 Edmund Street
Newstead, QLD, 4006

26 August 2021

Dear Board Members

Eagers Automotive Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Eagers Automotive Limited.

As lead audit partner for the review of the interim financial report of Eagers Automotive Limited for the half-year ended 30 June 2021, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review;
and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



David Rodgers

Partner
Chartered Accountants

Eagers Automotive Limited

ABN 87 009 680 013

**Interim Financial Report
30 June 2021**

Eagers Automotive Limited

ABN 87 009 680 013

Interim Financial Report - 30 June 2021

Contents

	Page
Financial Statements	
Condensed Consolidated Statement of Profit or Loss	2
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	3
Condensed Consolidated Statement of Financial Position	4
Condensed Consolidated Statement of Changes in Equity	5
Condensed Consolidated Statement of Cash Flows	7
Notes to the Condensed Consolidated Financial Statements	8
Directors' Declaration	24
Independent Auditor's Review Report to the Members	25

Eagers Automotive Limited
Condensed Consolidated Statement of Profit or Loss
For the half-year ended 30 June 2021

		Half-year ended	
		30 June	30 June
		2021	2020
	Notes	\$'000	\$'000
Revenue	5	4,699,201	4,155,040
Finance income		4,652	-
Other gains	6	52,968	306
Raw materials and consumables used		(3,840,656)	(3,416,645)
Employee benefits expense		(352,277)	(299,192)
Finance costs		(40,846)	(43,573)
Depreciation and amortisation expense		(64,584)	(83,159)
Other expenses		(186,444)	(211,273)
Impairment of non-current assets		(5,156)	(40,385)
Share of net profits of associates accounted for using the equity method	13	565	248
Profit before income tax		267,423	61,367
Income tax expense	7	(65,130)	(19,857)
Profit from continuing operations		202,293	41,510
Loss from discontinued operation	15	-	(29,685)
Profit for the period		202,293	11,825
Attributable to:			
Owners of Eagers Automotive Limited		195,261	8,320
Non-controlling interests		7,032	3,505
		202,293	11,825
		Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
Basic earnings/(loss) per share		77.1	3.2
From continuing operations		77.1	14.8
From discontinued operation		-	(11.6)
Diluted earnings/(loss) per share		76.7	3.2
From continuing operations		76.7	14.8
From discontinued operation		-	(11.6)

The above Condensed Consolidated Statement of Profit or Loss should be read in conjunction with the accompanying notes.

Eagers Automotive Limited
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the half-year ended 30 June 2021

	Half-year ended	
	30 June	30 June
	2021	2020
	\$'000	\$'000
Profit for the period	202,293	11,825
Other comprehensive income		
<i>Items that may be reclassified to profit or loss</i>		
Exchange differences on translation of foreign operations	(15)	(3)
Total other comprehensive income for the period, net of tax	(15)	(3)
Total comprehensive income for the period	202,278	11,822
Total comprehensive income is attributable to:		
Owners of Eagers Automotive Limited	195,246	8,317
Non-controlling interests	7,032	3,505
	202,278	11,822

The above Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Eagers Automotive Limited
Condensed Consolidated Statement of Financial Position
As at 30 June 2021

	30 June 2021 \$'000	31 December 2020 \$'000
Notes		
Current assets		
Cash and cash equivalents	294,735	209,092
Trade and other receivables	277,538	268,863
Inventories	960,805	1,025,781
Prepayments and deposits	28,538	31,898
Finance lease receivable	33,059	27,309
Total current assets	1,594,675	1,562,943
Non-current assets		
Other loans receivable	22,475	23,148
Other non-current receivables	6,739	2,851
Financial assets at fair value through other comprehensive income	2,100	2,366
Investments in associates	13 1,757	1,561
Property, plant and equipment	488,917	494,266
Deferred tax assets	164,450	162,005
Intangible assets	8 765,283	785,574
Other non-current assets	9,837	9,837
Right-of-use assets	642,981	801,129
Finance lease receivable	225,169	187,971
Total non-current assets	2,329,708	2,470,708
Total assets	3,924,383	4,033,651
Current liabilities		
Trade and other payables	442,276	436,372
Borrowings - bailment and other current loans	837,112	878,149
Deferred revenue	13,984	23,965
Current tax liabilities	21,289	16,381
Provisions	108,489	131,372
Lease liabilities	164,389	179,522
Total current liabilities	1,587,539	1,665,761
Non-current liabilities		
Borrowings	302,302	304,513
Deferred revenue	18,332	20,906
Provisions	13,311	26,497
Lease liabilities	971,843	1,091,397
Total non-current liabilities	1,305,788	1,443,313
Total liabilities	2,893,327	3,109,074
Net assets	1,031,056	924,577
Equity		
Contributed equity	1,173,069	1,173,069
Reserves	(617,679)	(580,200)
Retained earnings	455,852	317,848
Equity attributable to equity owners of Eagers Automotive Limited	1,011,242	910,717
Non-controlling interests	19,814	13,860
Total equity	1,031,056	924,577

The above Condensed Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Eagers Automotive Limited
Condensed Consolidated Statement of Changes in Equity
For the half-year ended 30 June 2021

		Issued capital \$'000	Asset revaluation reserve \$'000	Share- based payments reserve \$'000	Investment revaluation reserve \$'000	Business combination reserve \$'000	Foreign currency translation \$'000	Retained earnings \$'000	Attributable to equity holders of the parent \$'000	Non- controlling interest \$'000	Total \$'000
Notes											
Balance at 1 January 2021		1,173,069	32,834	(62,510)	(72,686)	(479,042)	1,204	317,848	910,717	13,860	924,577
Profit for the period		-	-	-	-	-	-	195,261	195,261	7,032	202,293
Other comprehensive income		-	-	-	-	-	(15)	-	(15)	-	(15)
Total comprehensive income for the period		-	-	-	-	-	(15)	195,261	195,246	7,032	202,278
Share based payments expense		-	-	1,602	-	-	-	-	1,602	-	1,602
Shares acquired by employee share trust		-	-	(48,569)	-	-	-	-	(48,569)	-	(48,569)
Shares issued pursuant to staff share plan		-	-	16,732	-	-	-	-	16,732	-	16,732
Dividends provided for or paid	3	-	-	-	-	-	-	(64,233)	(64,233)	(1,078)	(65,311)
Income tax on items taken to or transferred directly from equity		-	-	(253)	-	-	-	-	(253)	-	(253)
Transfer to retained earnings		-	(6,976)	-	-	-	-	6,976	-	-	-
		-	(6,976)	(30,488)	-	-	-	(57,257)	(94,721)	(1,078)	(95,799)
Balance at 30 June 2021		1,173,069	25,858	(92,998)	(72,686)	(479,042)	1,189	455,852	1,011,242	19,814	1,031,056

The above Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Eagers Automotive Limited
Condensed Consolidated Statement of Changes in Equity
For the half-year ended 30 June 2021
(continued)

		Issued capital	Asset revaluation reserve	Share-based payments reserve	Investment revaluation reserve	Business combination reserve	Foreign currency translation	Retained earnings	Attributable to equity holders of the parent	Non-controlling interests	Total
	Notes	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 January 2020		1,173,069	28,312	(37,863)	(72,686)	(470,729)	1,153	209,933	831,189	9,423	840,612
Adjustment on finalisation of business combination		-	-	-	-	(8,313)	-	(10,469)	(18,782)	-	(18,782)
Restated total equity at the beginning of the financial period		1,173,069	28,312	(37,863)	(72,686)	(479,042)	1,153	199,464	812,407	9,423	821,830
Profit for the period		-	-	-	-	-	-	8,320	8,320	3,505	11,825
Other comprehensive income		-	-	-	-	-	(3)	-	(3)	-	(3)
Total comprehensive income for the period		-	-	-	-	-	(3)	8,320	8,317	3,505	11,822
Share based payments expense		-	-	208	-	-	-	-	208	-	208
Shares acquired by employee share trust		-	-	(18,045)	-	-	-	-	(18,045)	-	(18,045)
Dividends provided for or paid	3	-	-	-	-	-	-	(28,905)	(28,905)	(1,255)	(30,160)
Payments received from employees for exercised options		-	-	8,610	-	-	-	-	8,610	-	8,610
Income tax on items taken to or transferred directly from equity		-	-	(6,047)	-	-	-	-	(6,047)	-	(6,047)
		-	-	(15,274)	-	-	-	(28,905)	(44,179)	(1,255)	(45,434)
Balance at 30 June 2020		1,173,069	28,312	(53,137)	(72,686)	(479,042)	1,150	178,879	776,545	11,673	788,218

The above Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Eagers Automotive Limited
Condensed Consolidated Statement of Cash Flows
For the half-year ended 30 June 2021

		Half-year ended	
		30 June	30 June
		2021	2020
Notes		\$'000	\$'000
Cash flows from operating activities			
		5,125,923	4,975,115
	Receipts from customers (inclusive of GST)		
	Payments to suppliers and employees (inclusive of GST)	(4,823,555)	(4,487,990)
	Receipts from Government	-	43,954
	Receipts from insurance claims	906	3,469
	Interest and other costs of finance paid	(40,846)	(51,913)
	Income taxes paid	(64,676)	(10,956)
	Dividends received	1,447	-
	Interest received	5,019	1,462
	Net cash provided by operating activities	204,218	473,141
Cash flows from investing activities			
	Payments for acquisition of businesses - net of cash acquired	11 (723)	(14,963)
	Payments for property, plant and equipment	(36,562)	(15,380)
	Proceeds from sale of businesses	12(b) 104,807	750
	Proceeds from sale of property, plant and equipment	67,347	-
	Proceeds from return of capital	-	64
	Net cash provided by/(used in) investing activities	134,869	(29,529)
Cash flows from financing activities			
	Proceeds from issues of shares and other equity securities	16,732	8,610
	Payments for shares acquired by the trust	(48,569)	(18,045)
	Proceeds from borrowings	-	102,875
	Repayment of borrowings	(101,575)	(211,822)
	Transactions with non-controlling interests	250	-
	Dividends paid to members of Eagers Automotive Limited	3 (64,233)	(28,905)
	Dividends paid to minority shareholders of a subsidiary	(4,145)	(234)
	Receipts from subleases	9,723	-
	Repayment of lease liabilities	(61,627)	(97,746)
	Net cash used in financing activities	(253,444)	(245,267)
Net increase in cash and cash equivalents			
		85,643	198,345
	Cash and cash equivalents at the beginning of the financial year	209,092	94,172
	Cash and cash equivalents at the end of the period	294,735	292,517

*The above Condensed Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.
The 30 June 2020 Statement of Cash Flows has been reclassified to reflect consistent disclosures to the 31 December 2020 full year report relating to AASB 120 Accounting for Government Grants and Disclosure of Government Assistance.*

1 Significant accounting policies

(a) Statement of compliance

The condensed consolidated half-year report ("half-year report") is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting* ("AASB 134"). Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. The half-year report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report and any public announcements made by Eagers Automotive Limited ("the Company", "the Group") during the half-year reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

(b) Basis of preparation

The half-year report has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise stated.

The Company is an entity of the kind referred to in Australian Securities and Investments Commission ("ASIC") Corporations Instrument 2016/191, dated 24 March 2016. In accordance with that Corporations Instrument, amounts in the Directors' report and the half-year report are rounded off to the nearest thousand dollars, unless otherwise indicated.

The accounting policies and methods of computation adopted in the preparation of the half-year report are consistent with those adopted and disclosed in the Company's 2020 annual financial report for the financial year ended 31 December 2020. The accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

(c) New and amended Accounting Standards that are effective for the current period

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") that are relevant to their operations and effective for the current half-year. New and revised Standards and amendments thereof and Interpretations effective for the current year that are relevant to the Group are:

•AASB 2020-4 Amendments to Australian Accounting Standards - *COVID-19 Related Rent Concessions*

(d) Going concern

The half-year report has been prepared on the basis that the Group is a going concern, able to realise assets in the ordinary course of business and settle liabilities as and when they fall due.

The Group has maintained a robust balance sheet with net current assets of \$7 million at the balance sheet date. This includes a substantial asset base and property portfolio valued at \$416 million (including construction in progress) at June 2021 and total available liquidity of \$661 million (cash in bank of \$295 million and undrawn facilities of \$366 million). Corporate debt net of cash is \$32 million at 30 June 2021.

The Group has generated positive net cash flows from operating activities of \$204 million and an EBITDA of \$373 million for the half-year ended 30 June 2021.

Based on the strength of the Group's balance sheet and its cash flow modelling, the Directors are of the view that the Group will be able to settle all obligations as they fall due for a period of 12 months following this report. The Directors are therefore of the opinion that the preparation of the financial statements as a going concern is appropriate.

In response to the ongoing COVID-19 pandemic, lockdowns and other restrictions have occurred across parts of Australia and New Zealand during the half-year. The Directors of the Company have assessed the impact of these lockdowns and other restrictions on continuing operations and note that they are short-term in nature and do not consider this matter to have a material impact on the overall Group and its available liquidity.

2 Significant changes in the current reporting period

The financial position and performance of the Group was particularly affected by the following events and transactions during the six months to 30 June 2021:

2 Significant changes in the current reporting period (continued)

(a) Sale of Daimler Trucks business

The sale of the Daimler Trucks business to Velocity Vehicle Group ("VVG"), a privately owned operator of commercial truck dealerships based in the United States, was completed on 30 April 2021. The final balancing payment was made on 30 June 2021. The sale of the Daimler Trucks business delivered cash proceeds of \$104 million and a gain of \$31 million.

(b) COVID-19 lockdowns and restrictions

The impact of COVID-19 on the Group has been considered within Note 1(d).

3 Dividends

	Half-year ended	
	30 June	30 June
	2021	2020
	\$'000	\$'000
Ordinary shares		
Dividends paid during the half-year	64,233	28,905
Dividends not recognised at the end of the half-year		
Since the end of the half-year, the Directors have determined the payment of an interim dividend of 28.4 cents (2020: nil) per fully paid ordinary share, fully franked based on tax paid at 30%. This is based on an ordinary dividend of 20.0 cents, and a special dividend of 8.4 cents.		
As at Thursday the 26th August 2021, the aggregate amount of the interim dividend expected to be paid on 15th October 2021 out of retained profits at the end of the half-year, but not recognised as a liability, including all shares yet to be issued, is:		
	72,969	-

4 Segment information

Segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker, being the board of Directors, in order to allocate resources to the segment and to assess its performance.

The Group has historically operated in four operating and reporting segments being (i) Car Retailing (ii) Truck Retailing (iii) Property and (iv) Investments, these being identified on the basis of being the components of the Group that are regularly reviewed by the chief decision maker for the purpose of resource allocation and assessment of segment performance.

As a result of the divestment of the Daimler Trucks business during the first half of 2021, the Group has changed the structure of its internal organisation. This has caused a change in the composition of its reportable segments since the prior period, resulting in the Group operating in three reporting segments from April 2021. The Truck Retailing reporting segment represents only Daimler dealerships for the six months ended 30 June 2021. The remaining non-Daimler truck dealerships have been reallocated to the Car Retailing segment.

Per AASB 8 *Operating Segments* ("AASB 8") paragraph 29, the corresponding segment information for earlier periods, including the prior year, has not been restated in respect of the change in the structure of the Group's reportable segments as this information is not available. Instead, in accordance with AASB 8 paragraph 30, the Group has disclosed segment information for the current period on both the old basis and the new basis of segmentation.

Information regarding the Group's reporting segments is presented below:

(i) Car Retailing

Within the Car Retailing Segment, the Group offers a diversified range of automotive products and services, including new vehicles, used vehicles, vehicle maintenance and repair services, vehicle parts, service contracts, vehicle brokerage, vehicle protection products and other aftermarket products. They also facilitate financing for vehicle purchases through third-party sources. New vehicles, vehicle parts, and maintenance services are predominantly supplied in accordance with franchise agreements with manufacturers. This segment includes the Motors Tasmania truck retailing business (as it is managed inside the Motors Tasmania car business), a motor auction business and forklift rental business. For the half-year ended 30 June 2021, this segment also incorporates the remaining non-Daimler truck dealerships, as detailed above.

(ii) Truck Retailing

For the half-year ended 30 June 2021, this segment includes only Daimler truck dealerships which has been divested during the period, as detailed above. Within the Truck Retail Segment, the Group offers a diversified range of products and services, including new trucks, used trucks, truck maintenance and repair services, truck parts, service contracts, truck protection products, and other aftermarket products. They also facilitate financing for truck purchases through third-party sources. New trucks, truck parts, and maintenance services are predominantly supplied in accordance with franchise agreements with manufacturers.

(iii) Property

Within the Property Segment, the Group acquires commercial properties principally for use as facility premises for its motor dealership operations. The Property Segment charges both the Car Retailing Segment and Truck Retailing Segment commercial rent for owned properties occupied by that segment. The Property Segment reports property assets at fair value, based on annual assessments by the Directors supported by periodic, but at least triennial, valuations by external independent valuers. Revaluation increments arising from fair value adjustments are reported internally and assessed by the chief operating decision maker as profit adjustments in assessing the overall returns generated by this segment to the Group.

(iv) Investment

This segment includes the investment in DealerMotive Limited in the prior period only.

4 Segment information (continued)

In accordance with AASB 8 paragraph 30, the Group has disclosed segment information for the current period on both the old basis and the new basis of segmentation. The table below discloses segment information on the new basis of segmentation for the 6 months ended 30 June 2021.

6 months ended 30 June 2021 - new basis	Car Retailing \$'000	Truck Retailing \$'000	Property \$'000	Investments \$'000	Eliminations \$'000	Consolidated \$'000
Sales to external customers	4,474,689	223,826	686	-	-	4,699,201
Inter-segment sales	-	-	11,188	-	(11,188)	-
TOTAL REVENUE	4,474,689	223,826	11,874	-	(11,188)	4,699,201
SEGMENT RESULT						
Operating profit before interest	247,443	6,333	6,617	-	-	260,393
External interest expense allocation	(34,250)	(2,314)	(4,282)	-	-	(40,846)
OPERATING CONTRIBUTION	213,193	4,019	2,335	-	-	219,547
Dividends received	1,078	-	-	-	-	1,078
Business acquisition and divestment costs	(74)	(307)	-	-	-	(381)
Brand restructure compensation	323	-	-	-	-	323
Profit on sale of property/businesses	5,791	36,050	10,043	-	-	51,884
Property revaluations	-	-	(5,156)	-	-	(5,156)
SEGMENT PROFIT	220,311	39,762	7,222	-	-	267,295
Unallocated corporate expenses						128
PROFIT BEFORE TAX						267,423
Income tax expense						(65,130)
NET PROFIT FROM CONTINUING OPERATIONS						202,293
Depreciation and amortisation	53,827	7,819	2,938	-	-	64,584
ASSETS						
Segment assets	3,522,011	-	402,372	-	-	3,924,383
LIABILITIES						
Segment liabilities	2,609,129	-	284,198	-	-	2,893,327
NET ASSETS	912,882	-	118,174	-	-	1,031,056

4 Segment information (continued)

In accordance with AASB 8 paragraph 30, the Group has disclosed segment information for the current period on both the old basis and the new basis of segmentation. The table below discloses segment information on the old basis of segmentation for the 6 months ended 30 June 2021.

6 months ended 30 June 2021 - old basis	Car Retailing \$'000	Truck Retailing \$'000	Property \$'000	Investments \$'000	Eliminations \$'000	Consolidated \$'000
Sales to external customers	4,294,703	403,812	686	-	-	4,699,201
Inter-segment sales	-	-	11,188	-	(11,188)	-
TOTAL REVENUE	4,294,703	403,812	11,874	-	(11,188)	4,699,201
SEGMENT RESULT						
Operating profit before interest	246,185	7,591	6,617	-	-	260,393
External interest expense allocation	(33,186)	(3,378)	(4,282)	-	-	(40,846)
OPERATING CONTRIBUTION	212,999	4,213	2,335	-	-	219,547
Dividends received	1,078	-	-	-	-	1,078
Business acquisition and divestment costs	(74)	(307)	-	-	-	(381)
Brand restructure compensation	323	-	-	-	-	323
Profit on sale of property/businesses	5,791	36,050	10,043	-	-	51,884
Property revaluations	-	-	(5,156)	-	-	(5,156)
SEGMENT PROFIT	220,117	39,956	7,222	-	-	267,295
Unallocated corporate expenses						128
PROFIT BEFORE TAX						267,423
Income tax expense						(65,130)
NET PROFIT FROM CONTINUING OPERATIONS						202,293
Depreciation and amortisation	51,437	10,209	2,938	-	-	64,584
ASSETS						
Segment assets	3,416,922	105,089	402,372	-	-	3,924,383
LIABILITIES						
Segment liabilities	2,514,578	94,551	284,198	-	-	2,893,327
NET ASSETS	902,344	10,538	118,174	-	-	1,031,056

4 Segment information (continued)

6 months ended 30 June 2020	Car Retailing \$'000	Truck Retailing \$'000	Property \$'000	Investments \$'000	Eliminations \$'000	Consolidated \$'000
Sales to external customers	3,703,768	450,797	475	-	-	4,155,040
Inter-segment sales	-	-	7,321	-	(7,321)	-
TOTAL REVENUE	3,703,768	450,797	7,796	-	(7,321)	4,155,040
SEGMENT RESULT						
Operating profit before interest	72,846	10,340	5,512	-	-	88,698
External interest expense allocation	(35,480)	(5,108)	(2,985)	-	-	(43,573)
OPERATING CONTRIBUTION	37,366	5,232	2,527	-	-	45,125
Business acquisition and divestment costs	(235)	-	-	-	-	(235)
Profit on sale of property/businesses & rent waivers	664	-	-	-	-	664
Impairment of non-current assets	(34,000)	-	(6,385)	-	-	(40,385)
Business integration costs	(1,621)	-	-	-	-	(1,621)
Government wage subsidies*	61,864	2,832	-	-	-	64,696
SEGMENT PROFIT	64,038	8,064	(3,858)	-	-	68,244
Unallocated corporate expenses						(6,877)
PROFIT BEFORE TAX						61,367
Income tax expense						(19,857)
NET PROFIT FROM CONTINUING OPERATIONS						41,510
Depreciation and amortisation	67,000	14,670	1,489	-	-	83,159
ASSETS						
Segment assets	3,499,320	437,470	248,029	15,746	-	4,200,565
LIABILITIES						
Segment liabilities	3,028,619	250,261	133,467	-	-	3,412,347
NET ASSETS	470,701	187,209	114,562	15,746	-	788,218

*Note, a portion of the Government wage subsidies has been recorded against the Unallocated corporate expenses.

Geographic Information

The Group operates in two principal geographic locations, being Australia and New Zealand.

5 Revenue

Revenue from contracts with customers

Half-year ended 30 June 2021				
	Retailing \$'000	Property \$'000	Investments \$'000	Total \$'000
Type of goods or service				
New Vehicles	2,892,646	-	-	2,892,646
Used Vehicles	998,971	-	-	998,971
Parts	501,161	-	-	501,161
Service	278,134	-	-	278,134
Other	27,603	686	-	28,289
Revenue from external customers	4,698,515	686	-	4,699,201
Timing of revenue recognition				
At a point in time	4,420,381	686	-	4,421,067
Over time	278,134	-	-	278,134
Total revenue from external customers	4,698,515	686	-	4,699,201
Geographical markets				
Australia	4,441,230	686	-	4,441,916
New Zealand	257,285	-	-	257,285
Total revenue from external customers	4,698,515	686	-	4,699,201
Half-year ended 30 June 2020				
	Retailing \$'000	Property \$'000	Investments \$'000	Total \$'000
Type of goods or service				
New Vehicles	2,291,878	-	-	2,291,878
Used Vehicles	1,061,339	-	-	1,061,339
Parts	494,885	-	-	494,885
Service	285,790	-	-	285,790
Other	20,673	475	-	21,148
Revenue from external customers	4,154,565	475	-	4,155,040
Timing of revenue recognition				
At a point in time	3,868,775	475	-	3,869,250
Over time	285,790	-	-	285,790
Total revenue from external customers	4,154,565	475	-	4,155,040
Geographical markets				
Australia	3,943,517	475	-	3,943,992
New Zealand	211,048	-	-	211,048
Total revenue from external customers	4,154,565	475	-	4,155,040

6 Other gains

		Half-year ended	
		30 June 2021 \$'000	30 June 2020 \$'000
Notes			
	Gain on disposal of non-financial assets	6,359	306
	Gain on disposal of properties	10,044	-
12	Gain on disposal of businesses	31,086	-
	Brand restructure compensation	323	-
	Gain on reversal of prior impairment	5,156	-
		<u>52,968</u>	<u>306</u>

7 Income tax expense

(a) Income tax expense

	Half-year ended	
	30 June 2021 \$'000	30 June 2020 \$'000
Current income tax expense	67,207	27,528
Deferred income tax (benefit)	(2,077)	(7,671)
Total current tax expense	<u>65,130</u>	<u>19,857</u>

Deferred income tax (benefit) included in income tax expense comprises:
In respect of the current year

	<u>(2,077)</u>	<u>(7,671)</u>
--	----------------	----------------

(b) Numerical reconciliation of income tax expense to prima facie tax payable

	Half-year ended	
	30 June 2021 \$'000	30 June 2020 \$'000
Profit before income tax expense	267,423	61,367
Tax at the Australian tax rate of 30% (2020 - 30%)	80,227	18,410
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non deductible capital expenditure	114	1,954
Non-taxable dividends	(2,472)	645
Non allowable expenses	286	284
Property impairment	1,547	1,924
Accounting gain on asset sales offset by capital losses	(9,326)	-
Application of capital losses against current year capital gains	(3,963)	-
Sundry items	(1,283)	(3,360)
Income tax expense	<u>65,130</u>	<u>19,857</u>

8 Non-current assets including intangible assets

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash generating units ("CGU"), or groups of CGUs, that are expected to benefit from the synergies of the combinations. Each unit or group of units to which goodwill is allocated represents the lowest level at which assets are monitored for internal management purposes.

The Group has six groups of CGUs in the Car Retailing Segment, grouped by the operating regions (QLD & NT, NSW, VIC & TAS, SA, WA, NZ) and a National Used and Finance CGU, with the lowest level for which there are independent cash flows determined to be on an operating region or State basis. During the six months, and following the disposal of the Daimler Trucks business, the remaining truck businesses were allocated to the six groups of CGUs in the Car Retailing Segment. As a result, there no longer remains a national Trucks Segment CGU.

The value of intangible assets assessed for impairment is as follows:

Half-year ended 30 June 2021	
	Total \$'000
Intangible assets	
Goodwill	752,189
Trademarks/brand names	6,965
Customer relationships	6,129
Total intangible assets	765,283

At 30 June 2021, management have reviewed all CGUs for indicators of impairment by comparing the profit figures in the HY21 budget to the actual results year to date ("YTD") 30 June 2021 in addition to considering forward-looking factors. The Group has outperformed budget and sufficient headroom is noted in each CGU/operating region. Management have considered all available sources of information (both external and internal) and concluded that there are no indicators of impairment on any CGU that would require management to estimate the recoverable amount of the CGUs at 30 June 2021. External macro-economic conditions are strong and despite supply chain dynamics, the industry continues to deliver vehicles. The Group is continuing to benefit from favourable market conditions and our cost outs, delivering underlying profit before tax performance significantly ahead of our budget.

Management have considered the market context and performance with reference to the VFACTS National Report New Vehicle Sales results for June 2021. Market new vehicle sales increased 28.3% YTD Jun-21 compared to YTD Jun-20. New Vehicle sales is a leading indicator for Used Vehicle, Parts and Service department performance.

Furthermore, the impact of COVID-19 on the Group has been considered in the context of determining if this represents an impairment indicator. The Directors' view is that whilst the current lockdowns in NSW and Victoria have caused disruption, the impact is not considered to be material, and this is supported by the actual results for these two groups of CGUs during July 2021 and the current order book.

The Group determined that there were no indicators of impairment at 30 June 2021.

9 Equity securities movements

	30-Jun-21	Half-year ended		
	No. of Shares	30-Jun-20	30-Jun-21	30-Jun-20
		No. of Shares	\$'000	\$'000
Movements in ordinary shares during the half-year	-	-	-	-

Included in the share capital is 2,743,285 ordinary shares held by the Employee Share Trust.

10 Fair value

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded in the financial statements approximate their fair value.

The fair value and net fair value of financial assets and financial liabilities are determined as follows:

- The fair value of financial assets and financial liabilities with standard terms and conditions, and traded on active liquid markets, are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes).
- The fair value of derivative instruments are calculated using quoted prices. Where such prices are not available, discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives and option pricing models for optional derivatives. Interest rate swaps are measured at the present value of future cash flows, estimated and discounted based on the applicable yield curves derived from quoted interest rates.

Details of the Group's freehold land and buildings and information about the fair value hierarchy as at 30 June 2021 are as follows:

Explanation of asset classes:

- Car - HBU Alternate Use refers to properties currently operated as car dealerships but which have a higher and best use ('HBU') greater than that of a car dealership;
- Car Dealership refers to properties operating as a car dealership with a HBU consistent with that use;
- Development Car Dealership refers to properties which are in the progress of, or are being held for future development as a car dealership;
- Truck Dealership refers to properties being operated as a truck dealership with a HBU consistent with that use; and
- Other Logistics are industrial properties used for parts warehousing and vehicle logistics.

10 Fair value (continued)

Unobservable inputs used in determination of fair values										
Class of Financial Assets & Liabilities	Carrying Amount 30/06/21 \$'000	Carrying Amount 31/12/20 \$'000	Valuation Technique	Key Input	Input	Average / Range 2021	Average / Range 2020	Other Key Information	Range (weighted avg) 2021	Range (weighted avg) 2020
Level 3 Car – HBU Alternate Use	59,409	46,140	Direct comparison	External valuations	Price/sqm land	Average \$2,600/sqm Range \$1,702 - \$3,573/sqm	Average \$3,071/sqm Range \$1,234 - \$5,065/sqm	Land size	Average 3,991 sqm Range 2,015 - 4,931 sqm	Average 3,005 sqm Range 2,015 - 4,853 sqm
Level 3 Car Dealership	342,431	283,222	Summation method, income capitalisation and direct comparison	External valuations & industry benchmarks	Capitalisation rate	Average 6.1% Range 0.0% - 9.1%	Average 6.4% Range 5.4% - 9.5%	Net rent /sqm land Net rent /sqm GBA	Average \$100/sqm Range \$0 - \$980/sqm	Average \$115/sqm Range \$47 - \$330/sqm Average \$255/sqm Range \$107 - \$1,730/sqm
Level 3 Truck Dealership	6,323	20,039	Direct comparison	External valuations	Price/sqm land Price/sqm GBA	Average \$235/sqm Range \$235 - \$235/sqm	Average \$411/sqm Range \$276 - \$532/sqm	Land size Net rent/sqm land Capitalisation rate	Average 23,006 sqm Range 23,006 - 23,006 sqm Average \$20/sqm Range \$20 - \$20/sqm Average 7.3% Range 7.3% - 7.3%	Average 24,353 sqm Range 23,006 - 25,700 sqm Average \$29/sqm Range \$17 - \$39/sqm Average 6.9% Range 6.3% - 7.2%
Level 3 Other Logistics	1,068	7,062	Income capitalisation method supported by market comparison	External valuations	Capitalisation rate	Average 8.0% Range 8.0% - 8.0%	Average 6.8% Range 7.8% - 8.5%	Net rent /sqm GBA	Average \$71/sqm Range \$71 - \$71/sqm	Average \$129/sqm Range \$143 - \$215/sqm
Total	409,231	356,463								

There were no transfers between levels in the period. Note that the above table excludes construction in progress.

10 Fair value (continued)

Details of the Group's assets held at fair value through other comprehensive income and information about the fair value hierarchy as at 30 June 2021 are as follows:

Unobservable inputs used in determination of fair values				
Class of Financial Assets and Liabilities	Carrying Amount 30/06/21 \$'000	Carrying Amount 31/12/20 \$'000	Valuation Technique	Key Input
Level 3 Financial assets at fair value through other comprehensive income - Unlisted entities	2,100	2,366	Net asset assessment and available bid prices from equity participants	Pre tax operating margin taking into account management's experience and knowledge of market conditions and financial position. Market information based on available bid prices.

There were no transfers between levels in the period.

11 Acquisitions

(a) Description

The Group acquired the following business during the first half of 2021 as detailed below:

Year	Name of business	Date of acquisition	Principal activity	Proportion acquired
2021	Westpoint Volkswagen	31 March 2021	Motor Vehicle Dealership	100%

(b) Allocation of purchase consideration

The purchase price of the business acquired has been allocated as follows:

	Fair value \$'000
Inventory	575
Plant and equipment	240
Creditors, borrowings and provisions	(30)
Net assets acquired	785
Acquisition cost	785
Goodwill on acquisition	-
Net cash flow on acquisition	
Total purchase consideration	785
Less: Deferred consideration	(62)
Cash acquired on acquisition	-
Net cash flow on acquisition of business	723

12 Disposals of business

(a) Description

The Group sold the following businesses during the first half of 2021 as detailed below:

Year	Name of business	Date of sale	Principal activity	Proportion disposed
2021	360 Finance	31 March 2021	Finance Company	100%
2021	Daimler Trucks	30 April 2021	Trucks Business	100%
2021	Carlins Automotive Auctioneers (WA) Pty Ltd	31 May 2021	Automotive Business	47%
2021	Coffs Harbour Iveco and Hino	18 June 2021	Trucks Business	100%

(b) Details of the disposal

**30 June
2021
\$'000**

Receivables and prepayments	40,938
Inventory	153,899
Property, plant and equipment	15,312
Intangible assets	19,566
Creditors, borrowings and provisions	(155,686)
Net assets disposed	<u>74,029</u>
Cash consideration	104,807
Liabilities paid on our behalf	308
Total sale consideration	<u>105,115</u>
Gain on sale	<u>31,086</u>

The Directors have considered these disposals during the six month period to June 2021 in the context of AASB 5 *Non-current Assets Held For Sale* ("AASB 5"), and they have determined that the disclosure requirements of discontinued operations do not apply. This judgement has been made based on all of the available facts and circumstances surrounding the sale and the impact of the related segments and remaining businesses.

13 Investments in associates

Investments accounted for using the equity method	30-Jun-21 \$'000	31-Dec-20 \$'000
Investments in associates		
Shares in associate - Vehicle Parts (WA) Pty Ltd	1,372	1,233
Shares in associate - Mazda Parts	385	328
Total investments accounted for using the equity method	1,757	1,561

Vehicle Parts (WA) Pty Ltd

Vehicle Parts (WA) Pty Ltd provides warehousing and distribution of automotive parts and accessories for Subaru in Western Australia.

Mazda Parts

Mazda Parts provides distribution of automotive parts and accessories for Mazda in Western Australia.

Detailed in the table below is the share of investees' net profit recognised in the financial period ending 30 June 2021:

	30-Jun-21 \$'000	30-Jun-20 \$'000
Vehicle Parts (WA) Pty Ltd	239	120
Mazda Parts	326	128
Share of net profit from equity accounted investees	565	248

14 Contingent liabilities

There has been no change in contingent liabilities since the last annual reporting date.

15 Discontinued operations

The loss from discontinued operations in the half-year ended 30 June 2020 relates to the divestment of Refrigerated Logistics which occurred on the 29th June 2020. This business was acquired as part of the acquisition of Automotive Holdings Group Limited in 2019 and was immediately classified as an asset Held for Sale. The Buyer, Anchorage Capital Partners, acquired the business on a debt-free basis, with the sale proceeds at completion directed to the repayment of the finance leases and hire purchase liabilities associated with Refrigerated Logistics. The loss from discontinued operations reported in the Statement of Profit or Loss represents a combination of Refrigerated Logistics trading losses for the period ended 30 June 2020 and the loss realised on divestment of the business.

No profit or loss from discontinued operations was recognised for the half-year ended 30 June 2021.

16 Subsequent events

COVID-19 lockdowns and restrictions

In response to the ongoing COVID-19 pandemic, lockdowns and other restrictions remain in place across parts of Australia and New Zealand. In particular, New South Wales, Victoria, Queensland, South Australia and New Zealand have had lockdowns subsequent to reporting date.

The Directors of Eagers Automotive Limited have assessed the impact of these lockdowns and other restrictions on continuing operations and note that they do not have a significant impact at this stage on the overall Group and its available liquidity, and consider this matter to represent a non-adjusting event.

The Directors declare that:

- (a) In the Directors' opinion, there are reasonable grounds to believe that Eagers Automotive Limited will be able to pay its debts as and when they become due and payable.
- (b) In the Directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the Directors made pursuant to s.303(5) of the *Corporations Act 2001*.

On behalf of the Directors



T B Crommelin
Director

Brisbane
26th August 2021

Independent Auditor's Review Report to the Members of Eagers Automotive Limited

Report on the Interim Financial Report

Conclusion

We have reviewed the interim financial report of Eagers Automotive Limited (the "Company") which comprises the condensed consolidated statement of financial position as at 30 June 2021, and the condensed consolidated statement of profit and loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration as set out on page 24.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of the Company is not in accordance with the *Corporations Act 2001*, including:

- Giving a true and fair view of the Company's financial position as at 30 June 2021 and of its performance for the half-year ended on that date; and
- Complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* ("ASRE 2410"). Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Interim Financial Report* section of our report. We are independent of the Company in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

Directors Responsibilities for the Interim Financial Report

The directors of the Company are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the interim financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Review of the Interim Financial Report

Our responsibility is to express a conclusion on the interim financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matters that makes us believe that the interim financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the Company's financial position as at 30 June 2021 and its performance for the period ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



DELOITTE TOUCHE TOHMATSU



David Rodgers

Partner

Chartered Accountants

Brisbane, 26 August 2021