



Established 1913
AP EAGERS

AP Eagers FY2019 Result

Martin Ward | Chief Executive Officer
Sophie Moore | Chief Financial Officer

Thursday 27 February 2020

Financial highlights

Resilient performance despite challenging market conditions

FY19 a transformative year:

- ▶ four months of AHG contribution
- ▶ transaction costs
- ▶ restructure activities
- ▶ balance sheet review

\$100.4m

Underlying Operating Profit
Before Tax from continuing
operations¹

Statutory PBT (\$63.3m)

\$244.9m

Impairment of assets from
continuing operations

Technical acquisition accounting
treatment with no cash impact

\$5.4b

Revenue from continuing
operations¹

Annualised revenue from
continuing operations \$9.2b²

\$170.8m

Net cashflows from operations

22.5 cps

Final dividend

(1) Underlying operating results refers to continuing operations, adjusted for significant items and including removal of Kloster Motor Group's (KMG) contribution from 2019 and comparative financial information, outlined and reconciled to statutory results on slides 35 (FY2019) and 36 (comparative financial information) of this Investor Presentation. Underlying operating figures are non-financial measures and have not been subject to audit by the company's external auditors.

(2) Annualised revenue calculated based on APE's 12 month revenue from continuing operations plus AHG's 4 month revenue from continuing operations annualized to a 12 month figure.

Strategic highlights

Year of significant investment and change

AHG acquisition

Completed transformative merger to create a national dealership network capable of leading through structural industry change.

Divestment & rationalisation

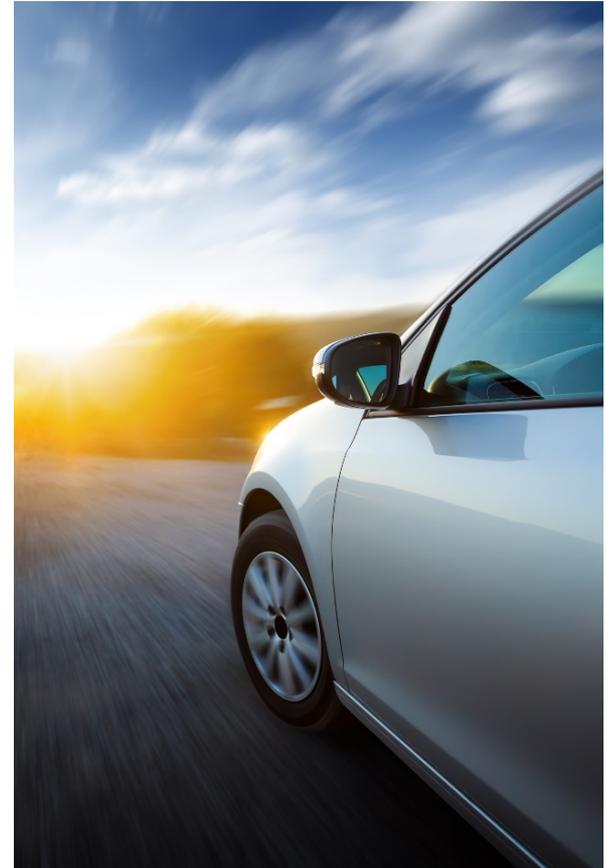
Completed divestment of Klosters and associated property.
Ongoing rationalisation of dealership footprint delivering benefits (i.e. VIC)
Refrigerated Logistics sale process ongoing

Resilient performance

Parts and service deliver strong result. Used cars materially improving. Market leading brands performing strongly.

Property transactions

Executed sale and leaseback of Newstead properties and acquired strategic site in Albion (QLD).
Continuing transition to world class automotive retail hub at Brisbane Airport.



Agenda

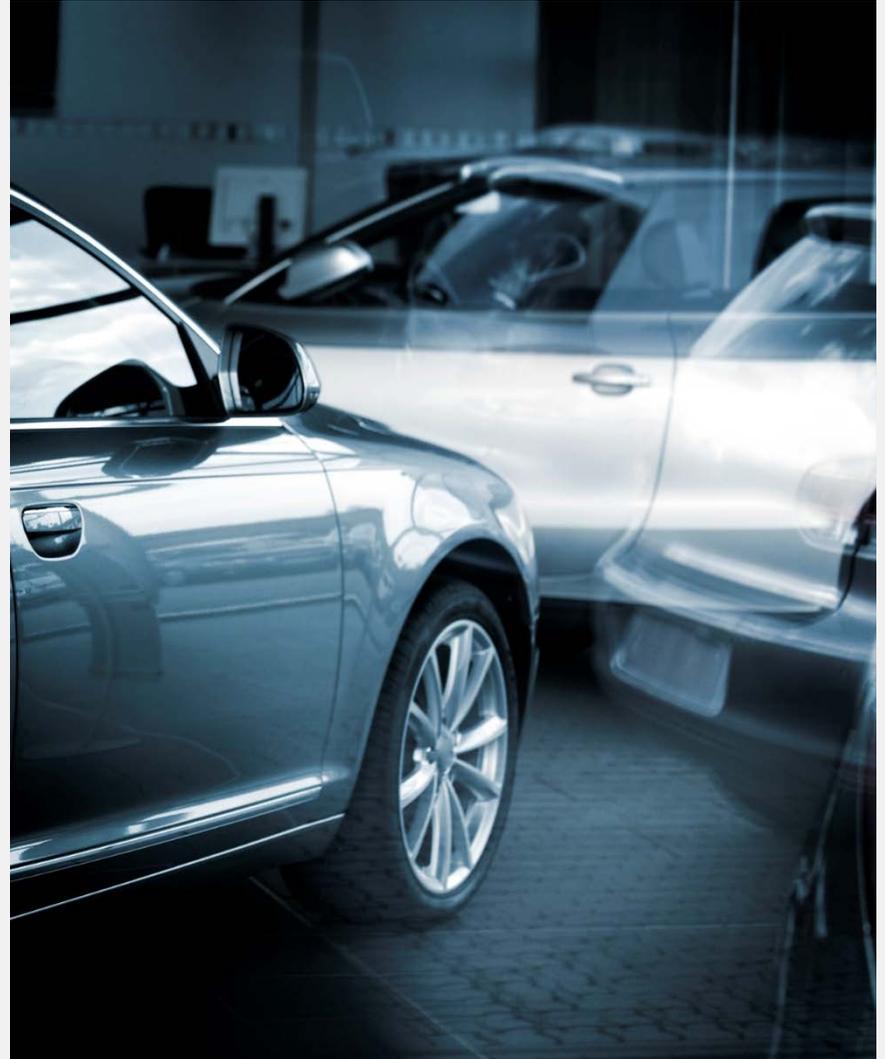
1 Market context

2 Operational performance

3 Financial results

4 Strategic priorities

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Agenda

1 Market context



Market context

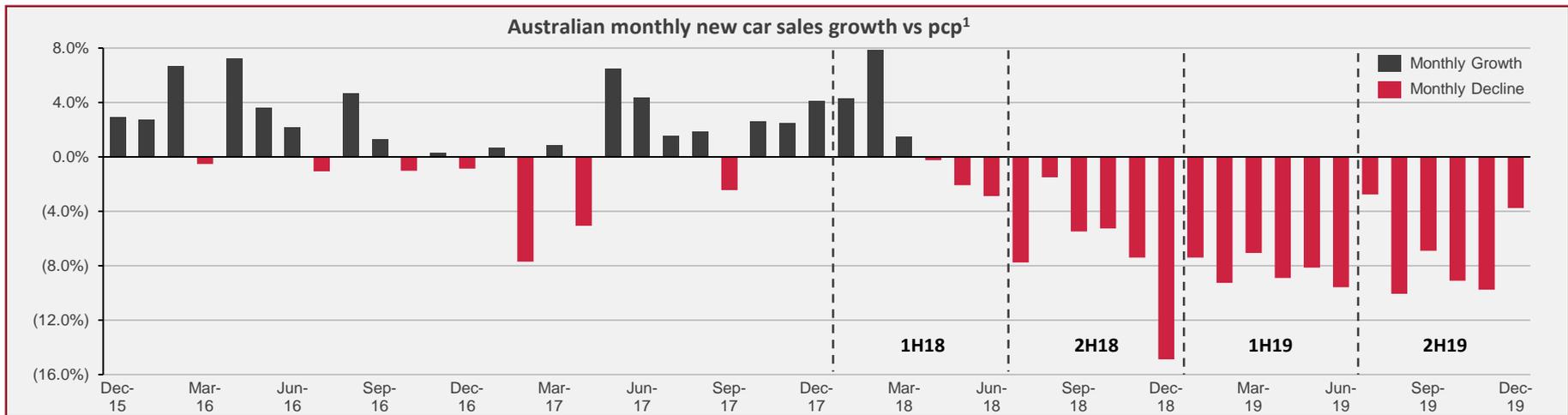
AP Eagers has a track record of resilience through challenging external conditions

Macro environment

- Economy static / retail under pressure
- Tighter credit availability (cyclical)
- Consumer confidence low

Australian industry conditions

- Overall market for new vehicle sales has declined for 21 consecutive months
- Represents a decrease of approximately 138,000¹ units sold over the same period
- For the 12 months ended 31 December 2019, national new vehicle sales were down 7.8%¹ on the prior corresponding period (pcp)



¹ Source: VFACTS

Environment a catalyst for industry transition

AP Eagers positioned to benefit from industry changes in the medium to long term

Transition accelerating

- Departure of loss-making brands (i.e. General Motors)
- Rationalisation of dealer locations and owners
- Consolidation of owners
- Adoption of non-traditional omni-channel retail networks

OEM headwinds

- Investing in alternative fuels (EV, hydrogen, etc.) and alternate blue-sky investments
- Forex pressures rationalising manufacturer numbers and/or model ranges
- OEMs recognise the physical retail network cost base must be reduced

Future state

- Traditional dealerships blended with destination auto precincts focused on CX
- Greater number of convenient, smaller alternatives (e.g. Auto Mall within shopping centres)
- Those to adapt will benefit from increased throughput on a lower cost base

Holden exits Australia

Withdrawal of iconic brand symptomatic of industry's rapid transition

AP EAGERS IMPACT

- 90+ year relationship
- 19 Holden dealerships nationally
QLD: 9 / NSW: 4 / TAS: 4 / WA: 1 / NZ: 1
- Parts & Service outlets to continue to support customers for next 10 years
- Compensation negotiations ongoing and confidential at this stage
- We will keep the market informed



HOLDEN

FINANCIAL REVIEW

Holden was a slow-motion car crash

Holden's last roll of the dice in 2002 was an expansion plan with a fatal flaw: it was built on cars fewer consumers actually wanted, writes James Thomson.

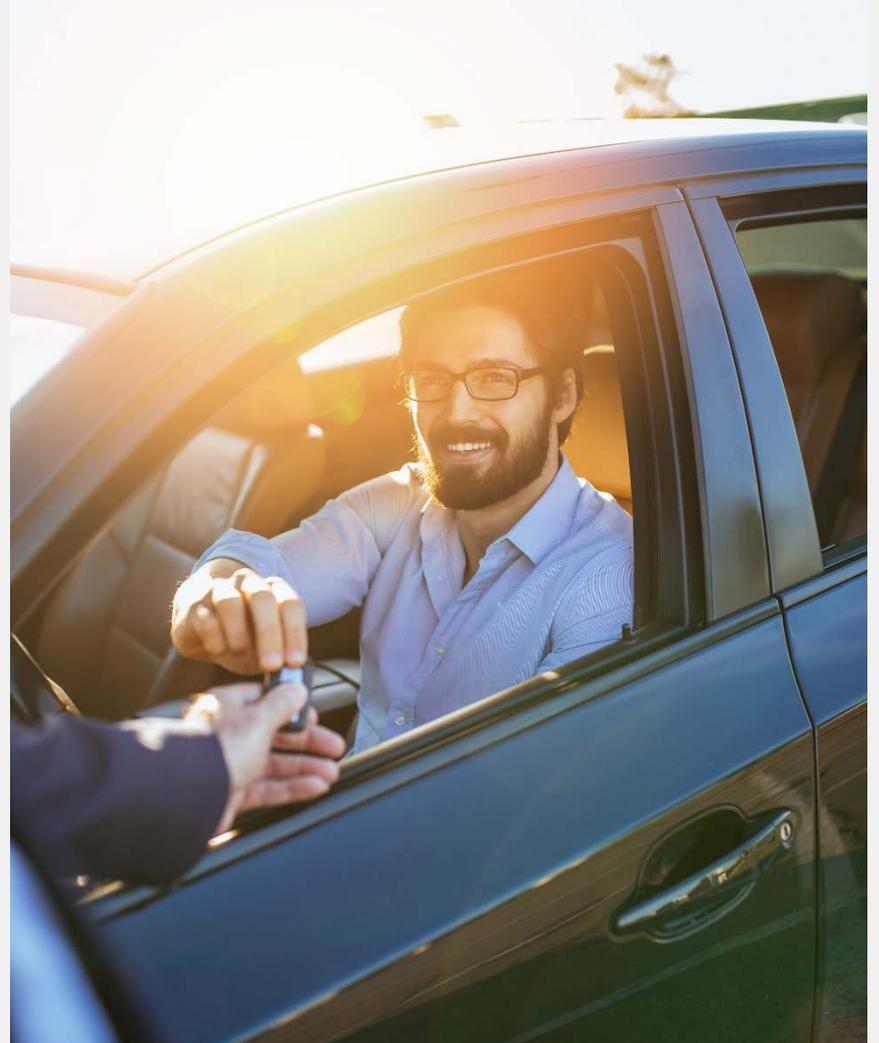
The Sydney Morning Herald

Hundreds of jobs to go following Holden axe

Over 600 jobs will be lost along with the iconic Australian car brand Holden.

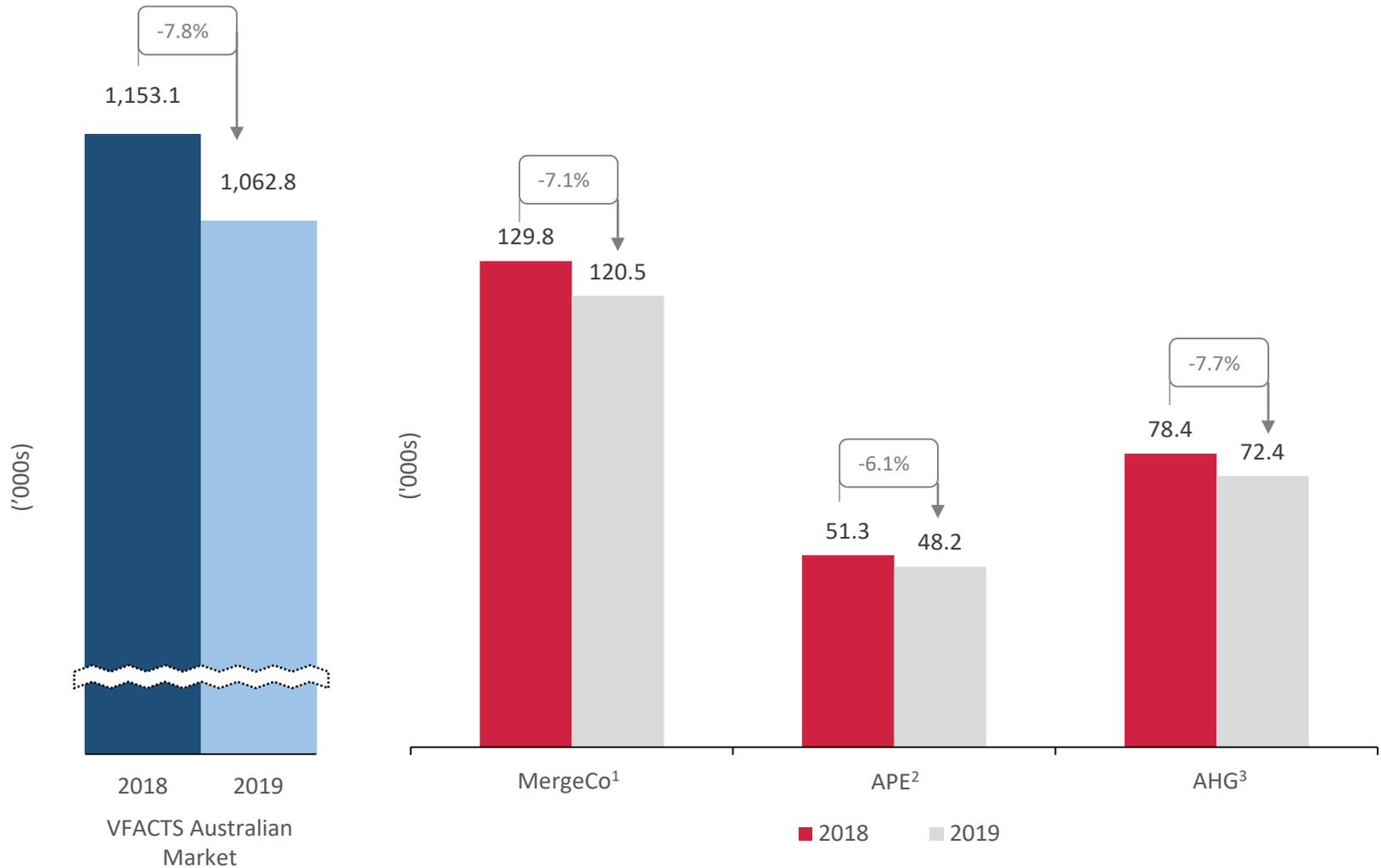
Agenda

2 Operational performance



MergeCo share of new vehicle market

MergeCo leads market with 11.2% of the national new vehicle sales



1 – MergeCo represents combined new vehicle sales for APE and AHG for the 12 month periods ended 31 December.

2 – APE excludes new vehicle sales for Kloster Motor Group (KMG) for the 12 month periods ended 31 December.

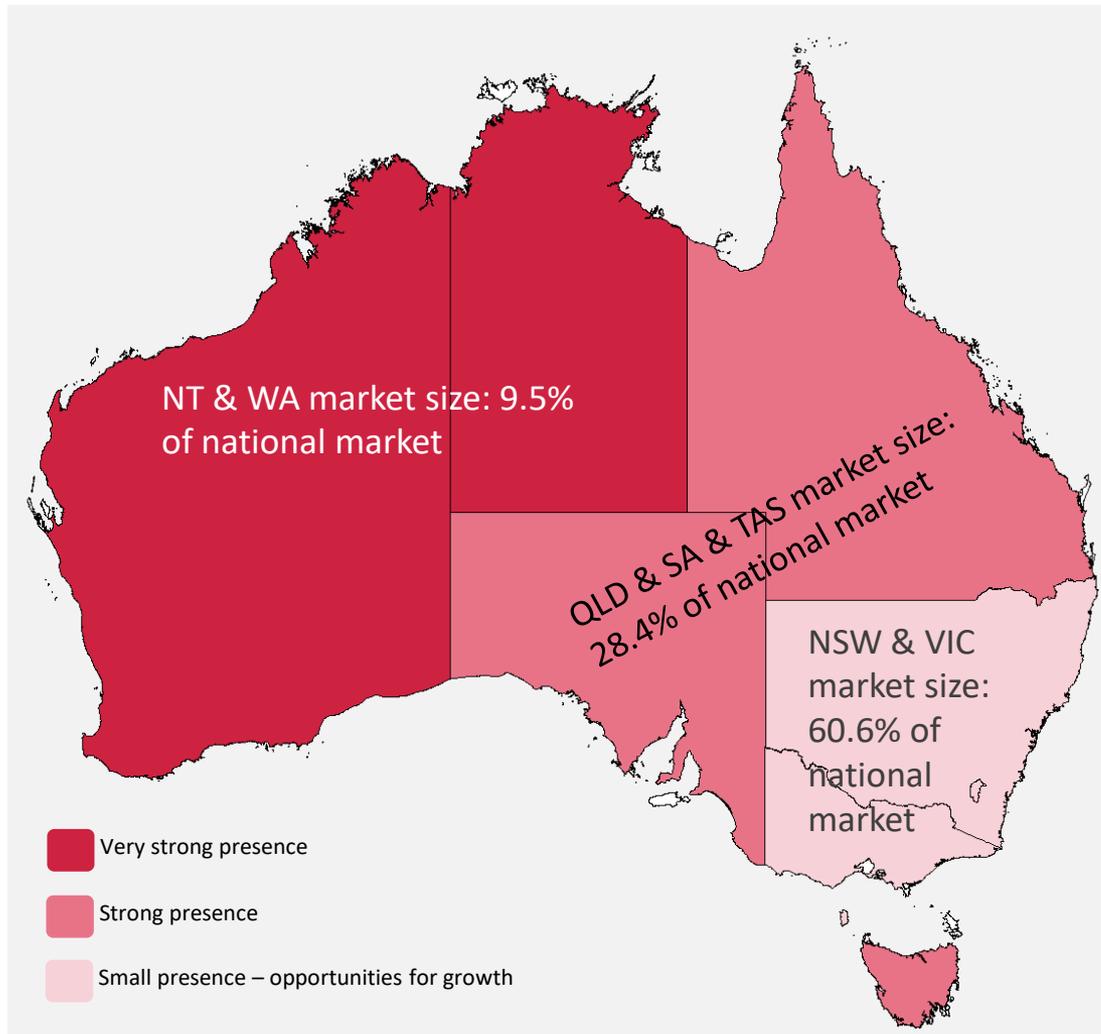
3 - AHG excludes new vehicle sales for AHG NZ operations for the 12 month periods ended 31 December

Source: VFACTS (as at 31 December 2019)



MergeCo market share by region

National footprint, leading market position with significant room to grow



MergeCo Market Share represents the combined market share for APE & AHG for the 12 months to 31 December 2019 excluding Klosters and NZ.

Source: VFACTS (as at 31 December 2019)

MergeCo Market Share

State	Market Share	State	Market Share
QLD	14.4%	NT	26.4%
WA	22.7%	NSW	10.0%
SA	14.8%	VIC	5.9%
TAS	18.4%	ACT	-

Market Opportunity

- Strong market positions across national footprint with significant growth potential in largest markets
- Small but strategic presence in New Zealand

Agenda

3 Financial results



MergeCo Summary P&L

Includes four months of consolidated AHG contribution

\$ Million	FY19	FY18 (Restated)	Movement (%)	
Revenue from continuing operations ¹	5,478.4	3,689.3	48.5%	Underlying
Underlying operating EBITDA from continuing operations ¹	163.2	141.2	15.6%	
Underlying operating PBT from continuing operations ¹	100.4	103.5	(3.0%)	
Specific Items reported below underlying profit ¹	(163.7)	24.9	(757.1%)	Statutory
Statutory (loss) / profit before tax	(63.3)	128.4	(149.3%)	
Statutory (loss) / profit after tax from continuing operations	(80.5)	97.5	(182.5%)	
Statutory (loss) after tax from discontinued operations	(48.6)	-		
Statutory (loss) / profit after tax for the year	(129.1)	97.5	(232.4%)	

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MergeCo Summary P&L

AP Eagers & AHG contribution to MergeCo result

\$ Million	APE				AHG	MERGECO			
	FY19	FY18 Restated	Change		Sep-Dec 2019	FY19	FY18 Restated	Change	
Revenue from continuing operations ¹	3,611	3,689	▼	(2.1%)	1,867	5,478	3,689	▲	48.5%
Underlying operating EBITDA ¹	121.7	142.1	▼	(14.4%)	41.5	163.2	141.2	▲	15.6%
Underlying operating EBITDA margin ¹	3.4%	3.9%			2.2%	3.0%	3.9%		
Underlying operating PBT ¹	82.8	103.5	▼	(20.0%)	17.6	100.4	103.5	▼	(3.0%)
Underlying operating PBT margin ¹	2.3%	2.8%			0.9%	1.8%	2.8%		

- AP Eagers impacted by declining new vehicle volumes impacting margin. Partly mitigated by cost reduction, strong combined parts and service result and improved profit performance from used cars
- AHG impacted by declining new vehicle volumes and margin compression, two significantly underperforming car regions and used trucks underperformance

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Segment results – MergeCo

Full year to 31 December 2019 – Continuing operations

Car retailing

TAS and NZ performed well. Challenging market conditions impacted QLD, NSW, VIC, WA and SA results. Parts and service businesses continue to excel, used recorded improved profit performance

Truck retailing

Challenging market conditions and material decline in National Trucks sales (from record pcp) resulted in decline in all regions and departments

Property

Decline in underlying profit due to sale of five properties and loss of internal rent

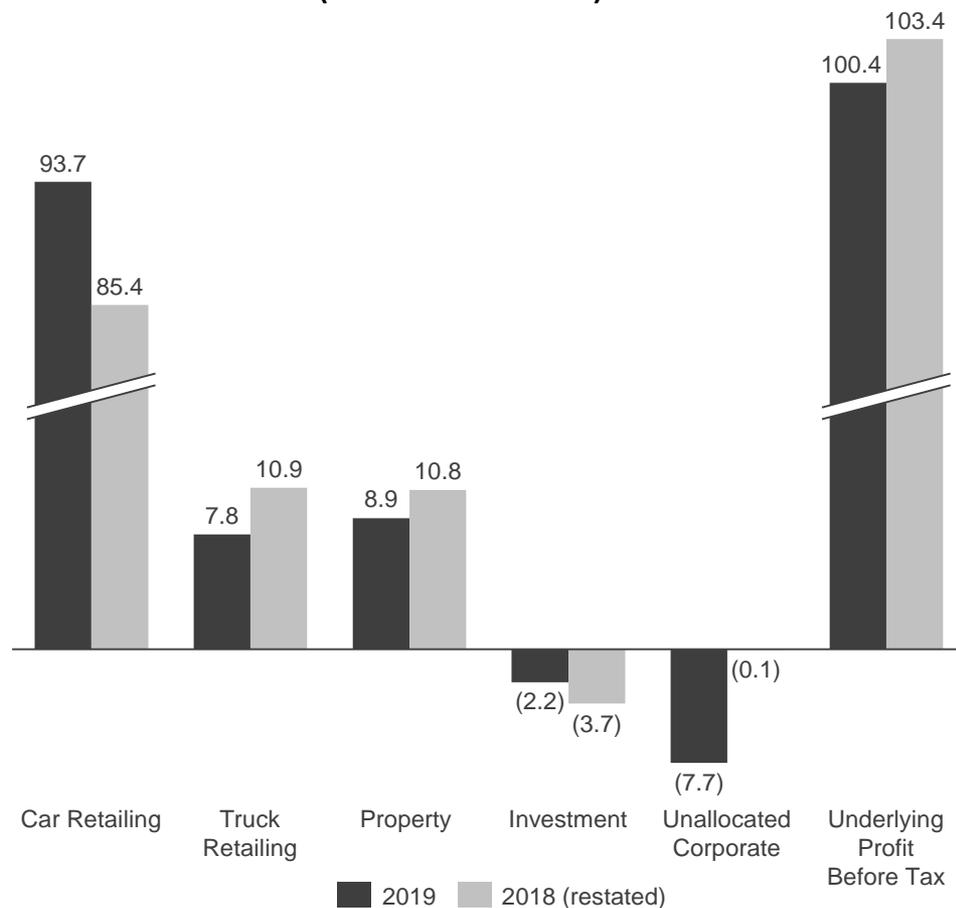
Investment

AHG investment now consolidated, loss represents allocation of corporate debt up to the date AHG was consolidated

Unallocated Corporate

Represents AHG Corporate function

Underlying Operating Contribution¹ (excl. AASB 16)



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Balance sheet

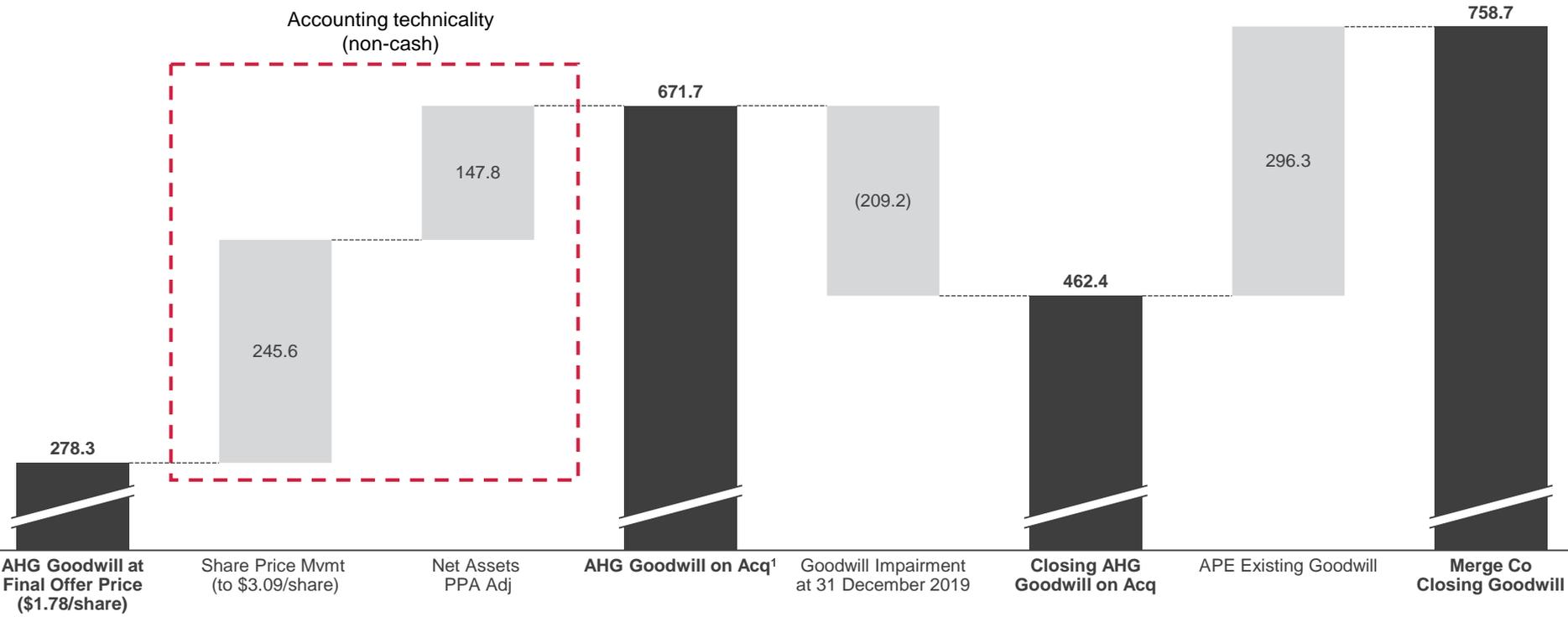
Strong balance sheet provides flexibility to pursue growth

- IFRS 16 significant impact on balance sheet and key ratios (slide 17), amplified by AHG leased property portfolio
- New vehicle inventory funded by bailment debt. Parts and most used vehicle inventory is balance sheet funded
- Proceeds from sale of property and businesses generated \$242.1m of proceeds, used to pay down merged group debt, generated a current tax liability of \$37.2m
- Substantial property portfolio continues to underwrite the company's financial position
- Employee underpayments provisional liability recorded
- NTA decreased by 39.3% to \$1.02 per share (YE18 restated: \$1.68) due to dilution on acquisition of AHG and its associated goodwill and the impact of IFRS 16

	FY19 (\$M)
CA – CL (excludes assets held for sale & current lease liabilities)	29.5
Freehold Property (includes assets held for sale)	267.2
Assets net of Liabilities held for sale	(1.5)
Other Non Current Tangible Assets	419.7
Investments	19.2
Intangible Assets	758.7
Non Current Debt	381.9
Other N/C Liabilities (employee provisions)	93.8
Net Assets (pre AASB 16)	1,020.1
AASB 16 – Right Of Use Assets	1,013.1
AASB 16 – Lease Liabilities	1,192.6
Net Assets (Reported)	840.6

Non-Cash Impairment - Goodwill

\$209.2m non-cash impairment to goodwill recorded in 2019



1 - Inclusive of Customer Relationships (circa \$10m)

New lease standard impact

No impact on underlying shareholder value, cash flows or Group's covenants

Lease liability \$1,192.6m
Right of use asset \$1,013.1m
Deferred tax asset \$54.0m

- AP Eagers adopted the full retrospective method 1 Jan 2019
- AHG's impact is significant given size and tenor of leases, accounted from Aug 2019
- Operating leases recognised on balance sheet as lease liabilities with corresponding right of use asset
- Total gearing increases with no impact on financial covenants
- **Group is actively managing its lease liabilities and WALE given market dynamics**

EBITDA up \$83.8m
EBIT up \$15.9m
PBT down \$11.6m

- **Material increase in EBITDA & EBIT, significant contribution from AHG leases:**
 - Remove rental charges: \$83.8m FY 2019 (AHG: \$39.7m), replace with:
 - Straight-line depreciation of right of use asset: \$67.9m FY 2019
 - Interest charge on reducing lease liability: \$27.5m FY 2019
- **PBT \$11.6m lower in 2019, reducing EPS by 5.3cps.**

Operating cash inflows up \$64.8m
Financing cash outflows down \$64.8m

- **No impact on underlying cash flows**
 - Splits rental payments (currently operating cash flows) into operating cash outflows & financing cash outflows
 - Includes rental payments for discontinued operations

New lease standard impact

No impact on underlying shareholder value, cash flows or Group's covenants

	MERGEKO	APE	AHG
Lease Liability	\$1,192.6m	\$270.5m	\$922.1m
Right of use asset	\$1,013.1m	\$193.2m	\$819.9m
Deferred tax asset	\$54.0	\$23.3m	\$30.7m
EBITDA up	\$83.8m	\$44.1m	\$39.7m
EBIT up	\$15.9m	\$13.1m	\$2.8m
(Loss) before tax	(\$11.6m)	(\$1.0m)	(\$10.6m)
Operating cash flows up	\$64.8m	\$30.0m	\$34.8m
Financing cash flows down	\$64.8m	\$30.0m	\$34.8m

Agenda

4 Strategic priorities



AHG acquisition provides competitive advantage

Stronger foundations to respond to the rapidly evolving automotive retail environment

geography

Exposure to motor vehicle retailing in all Australian States and Territories (other than the ACT).

portfolio

More than 200 new car dealerships across Australian and New Zealand. Extensive portfolio of new truck and bus dealership locations in Australia.

scale

Larger, more flexible balance sheet.
Scale benefits in relation to key input costs.

expertise

Extensive auto retail experience of the APE board and management.
APE track record of profit, EPS and dividend growth

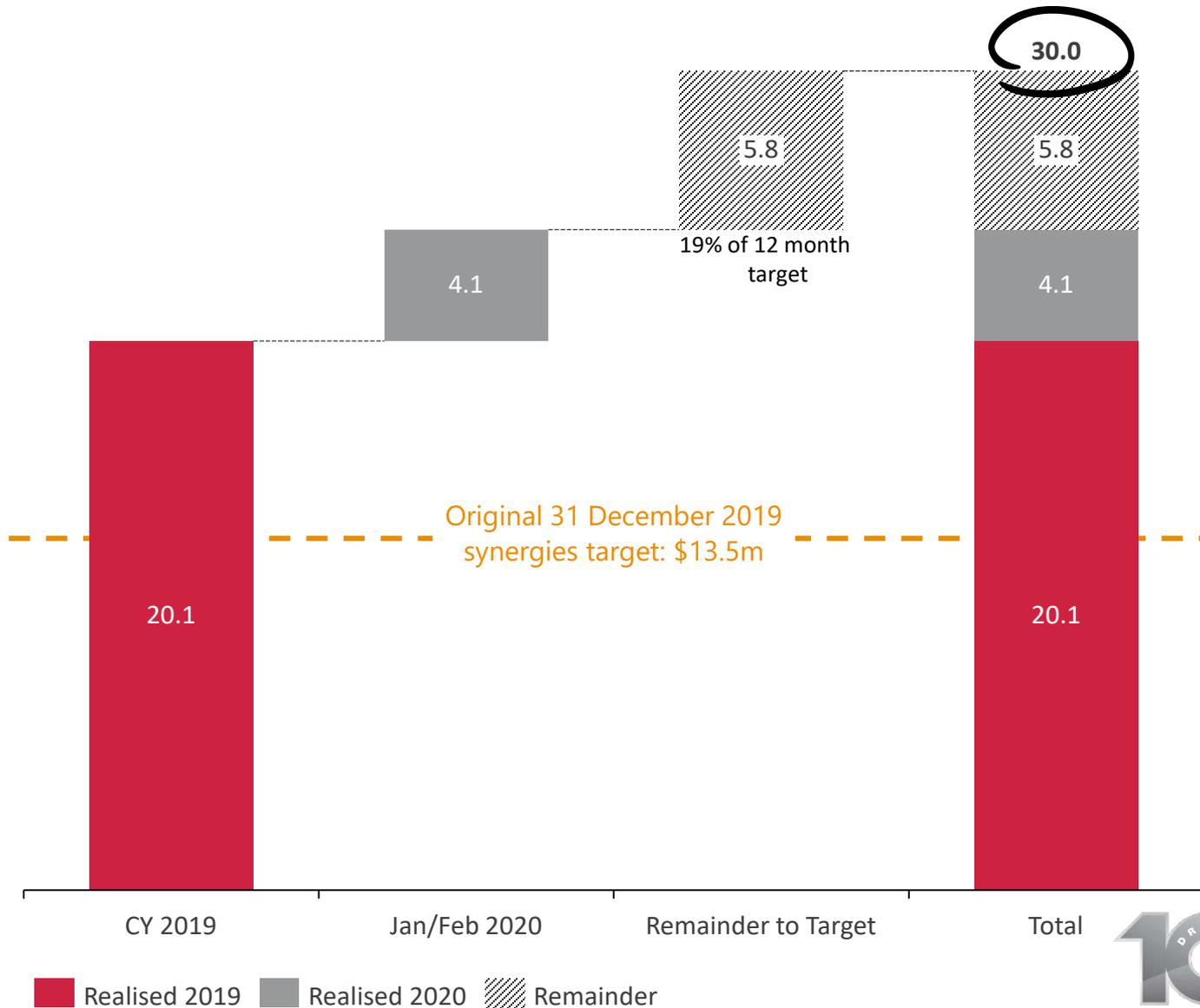
strategy

Clear strategy to respond to evolving automotive market and pursue growth together

National footprint, leading market position with significant room to grow

Synergies update

Ahead of initial synergies target with additional savings identified

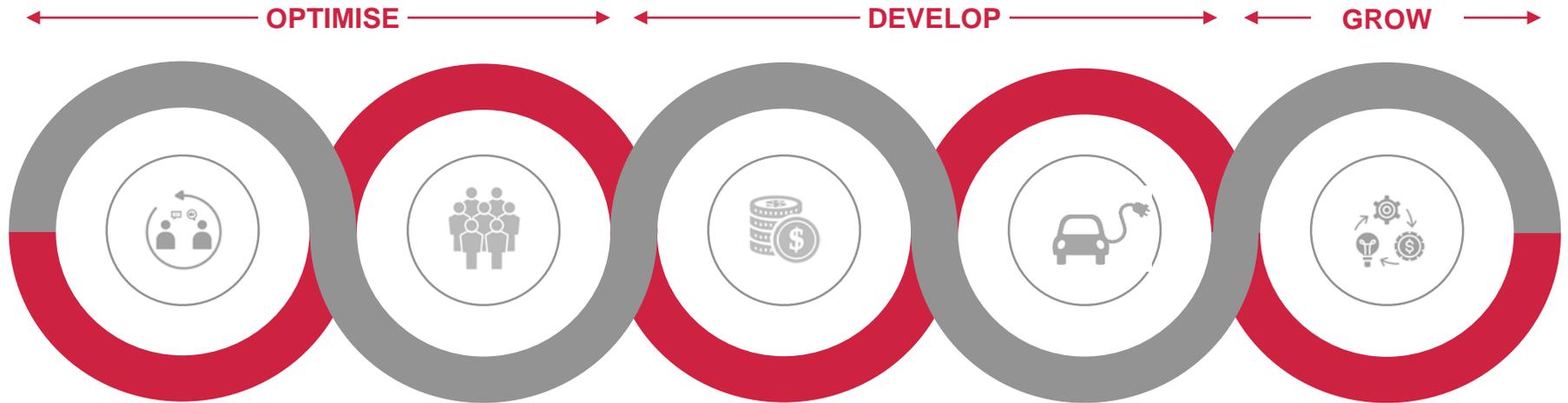


- Significant FTE synergies through organisational rationalisations
- 2019 non-FTE synergies predominantly driven by ASX listing fees and wholesale bailment alignment
- Key initiatives identified to deliver remaining \$5.8m and surpass the \$30m target



Next100 strategy

providing integrated mobility solutions for the next 100 years



Engage our customers, everywhere

Online. At the airport. In shopping malls. In multi-brand service hubs. At home. At work.

Our flexible owned and leased property portfolio allows us to continue to evolve to fit our customers' lifestyles, circumstances, wants and needs.

Redefine our workforce

Our workforce: re-defined and re-imagined, based on our customers' journey.

This transformation is aimed at delivering an all new and vastly superior customer experience on a more sustainable and productive cost base

Deliver optimised vehicle finance solutions

Capitalise on the unique position our industry occupies in the distribution of motor vehicles, with the aim of becoming the preferred provider of automotive and mobility finance solutions.

Deliver ultra-competitive, highly tailored finance solutions sourced from our extensive funding relationships.

Support innovation

Support our partners to introduce ACE (autonomous, connected and electric) and other emerging product innovations.

Our partners cover circa 95% of the total market for new vehicles in Australia and are at the forefront of design, performance and innovation.

Reinvest with discipline

Disciplined use of shareholder funds combined with rigorous review of existing and new operations to support an unrelenting focus on long term wealth creation.

Utilise balance sheet strength to capitalise on evolving and emerging market trends.

EXCEED STAKEHOLDER EXPECTATIONS

Customers. Employees. Partners. Shareholders. Community.

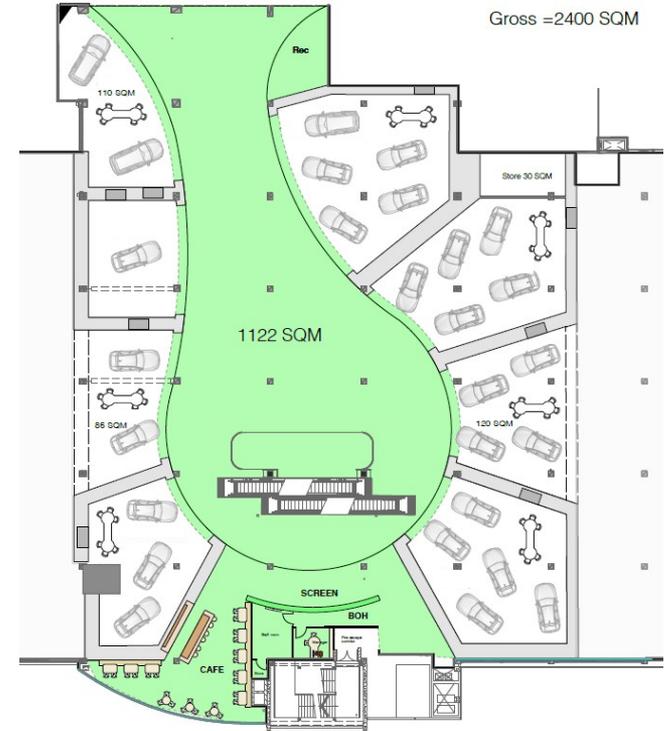
What our strategy must deliver

An enhanced customer experience on a substantially reduced cost base



What our strategy must deliver

An enhanced customer experience on a substantially reduced cost base



Future-proofing AP Eagers with customers at the centre

BNE Auto Mall

A Destination



Scalable 'fixed price' used car model

National footprint with significant opportunity to grow



National: big box retail + online



QLD: shopping mall + online



SA: big box retail + online

VOLUME GROWTH ACCELERATING

USED VEHICLE SALES

Combined 12 month volume to 30 June 2019	8,340
Combined last 3 months volume (annualised)	13,256
3MMA growth annualised	+59%

Advantages under combined APE/AHG 'fixed price' model

- Cost base reduction – implementing shift to sustainable lease arrangements
- Operational improvement initiatives underway
- Improving incentivisation/relationships between dealerships and used car operators

EA123 / Carlins / Carzoos / Zooper - Jan 2020 Loss of \$0.15m versus Jan 2019 loss of \$0.95m (\$0.8m improvement on pcp)

US market landscape signals potential

A window to the future of AP Eagers' globally unique combination

NEW CAR INDUSTRY LEADERS			
COMPANY	MARKET POSITION ¹	TURNOVER ²	MARKET CAP ²
AutoNation	Largest new car retailer	\$21.2 billion	\$4.7 billion
Penske	Second largest new car retailer	\$22.7 billion	\$4.2 billion

USED CAR INDUSTRY LEADERS			
COMPANY	MARKET POSITION ¹	TURNOVER ²	MARKET CAP ²
Carmax	Largest 'fixed price' used car retailer	\$19.2 billion	\$15.9 billion
Carvana	Second largest 'fixed price' used car retailer	\$3.7 billion	\$12.4 billion



AP Eagers globally unique combination

- Market leadership in both new car dealerships + emerging fixed price used car model
- Investment phase – volumes increasing, capacity to scale
- Positioned to benefit from growth in consignment vehicles – fleet companies

¹ Market position determined by reference to market capitalisation

² All values in USD, turnover (based on trailing twelve months (TTM)) and market cap data are as at 15 November 2019 per reuters.com



Deliver the best solutions in vehicle financing

Ultra-competitive, tailored financial services and platforms driving customer centricity

New financing model producing good outcomes and expected to incrementally lift penetration rates

- Current credit environment continues to be challenging
- 2019 results validating strategy, 2H reaching 40% new car penetration
- Income per retail up 4.3% over the same period

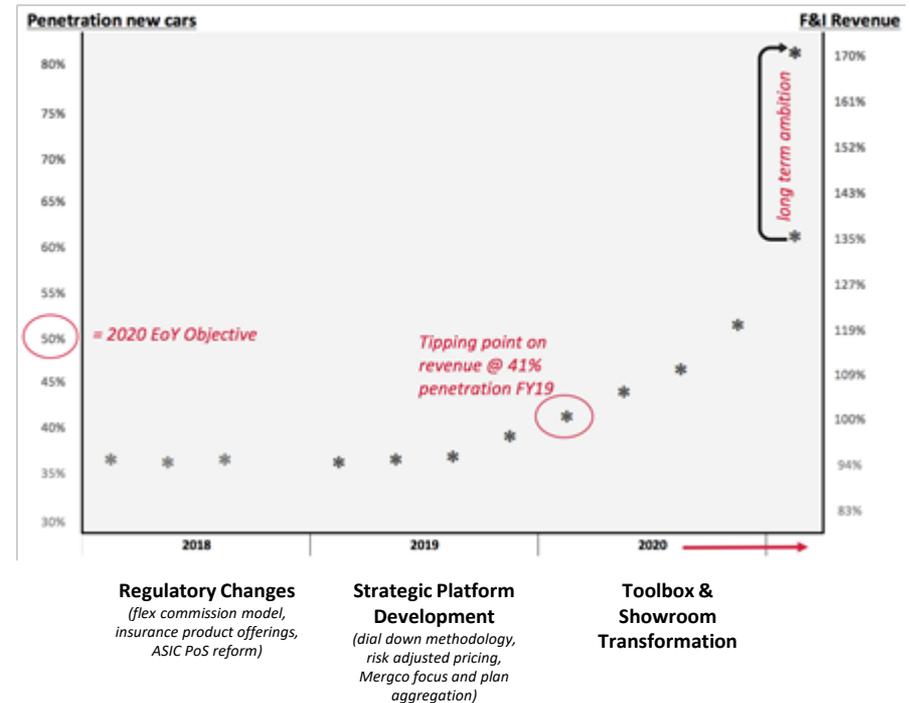
AP Eagers developing and implementing a range of product offerings to suit all customer/borrower types

- Risk Based Pricing
- Guaranteed Future Value growth
- Modus, AP Group panel strength
- Innovative JV style partnership with Taurus

Other operational & product initiatives

- Subscription or fractional ownership models
- Accelerating showroom floor transformation

F&I penetration



Objective to replicate US and UK penetration rates at ~ 80% penetration

Long term journey will be measured in 1% increments translating into ~\$2.5M revenue increase

Financial Services platforms

Driving customer centricity solutions across all segments



Mission: All licensed & ancillary entities acting in support of AP Eagers' integrated mobility solutions vision

Evolution in Finance

- Significant industry change and transformation of financial services business model
- 2020 toolbox rollout and showroom transformation to capture more value in F&I

AP Eagers Financial Services

	Non-Conforming/Broking		Traditional	Finance Innovation		
	Dealer Facing 	Market Facing 		Subscriptions 		
				Launched January 2020		
<i>Mission/ Raison d' être</i>	↑ finance penetration	↑ finance penetration & ↑ vehicle referrals	↑ finance penetration and retention	Disruption Flexible rental	Digital speed to market	↑ finance penetration <i>Own finance company</i>
<i>Key Inputs</i>	AP Dealership declined Customer Referrals	Digital leads	Dealership Prime & referrals	B2B (AP-owned fleet) & B2C	Dealership Prime & Commercial Referrals	Dealership Prime & Mid-Prime Consumer Referrals
<i>Value Chain</i>	35% of all declined deals converted to deliveries	Increase vehicles sourced by AP Group	Floorplan and retail solutions	Incremental growth and driving higher penetration		

Outlook

Emerging stronger from the current market conditions

- Scale and competitive advantage to withstand the challenging market conditions and benefit from the accelerating industry transition
- MergeCo's underlying core automotive result for January 2020 demonstrated strong profit growth on the prior corresponding period

Near term focus on delivering improved operational performance through...

- Ongoing **integration of AHG** including realisation of targeted \$30m in synergies (\$24.2m achieved)
- **Divestment of non-core assets** to improve the statutory result
- Effectively **managing the exit of Holden / GM** from Australian market

Driving EPS growth in the short to medium term through...

- Scaling our **fixed price used car business**
- **Unlocking value of property** – transitioning to Auto Mall to support enhanced experience on lower cost base
- Increasing F&I penetration rates toward levels present in US and UK markets
- **Restructuring, rationalisation and consolidation** opportunities



Agenda

5 Q&A



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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. APE disclaims any obligation to update any forward-looking statements, to reflect any change in APE's expectations with regard thereto, or any change in events, conditions or circumstances on which the statements are based.

Non-IFRS information

APE's results are reported under International Financial Reporting Standards (IFRS). However, APE also uses certain measures to manage and report on its business that are not recognised under Australian Accounting Standards or IFRS. These measures are collectively referred to in this presentation as 'non-IFRS financial measures' under Regulatory Guide 230 'Disclosing non-IFRS financial information' published by ASIC. Management uses these non-IFRS financial measures to evaluate the performance and profitability of the overall business for internal management reporting as it better reflects what APE considers to be its underlying performance and APE believes that they are useful for investors to understand APE's financial condition and results of operations. The principal non-IFRS financial measure that is referred to in this presentation are Underlying Operating financial results. Management uses these and other measures to evaluate the underlying performance of APE. Unless otherwise specified, non-IFRS financial measures have not been subject to audit or review in accordance with Australian Accounting Standards. A reconciliation of Underlying Operating financial results to IFRS financial information is included in slides 35 (FY2019) and 36 (comparative financial information) of this Investor Presentation.

Appendix



MergeCo Summary P&L 2019

Includes four months of AHG contribution and four months equity accounted

\$ Million	EBITDA	Depn & Amort	Interest Expense	PBT	Tax Expense	NPAT
Underlying Continuing Operating¹	163,220	(26,639)	(36,192)	100,389	(31,121)	69,268
Impairment	(244,925)			(244,925)	10,680	(234,245)
Gain on consolidation of AHG	65,061			65,061		65,061
Gain on Release of contingent consideration	19,674			19,674		19,674
Gain on sale of assets	34,166			34,166		34,166
Backout of Klosters profit contribution	8,552	(689)	(1,871)	5,992		5,992
AHG investment income	554			554		554
Business acquisition & integration costs	(16,306)			(16,306)	3,265	(13,041)
Employee underpayments	(8,334)			(8,334)		(8,334)
New lease standard	78,515	(67,889)	(27,506)	(16,880)		(16,880)
Other	(2,695)			(2,695)		(2,695)
Total significant items	(65,738)	(68,578)	(29,377)	(163,693)	13,945	(149,748)
Statutory Continuing	97,482	(95,217)	(65,569)	(63,304)	(17,176)	(80,480)

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AP Eagers Summary P&L 2018

Includes dividends received from AHG during the period

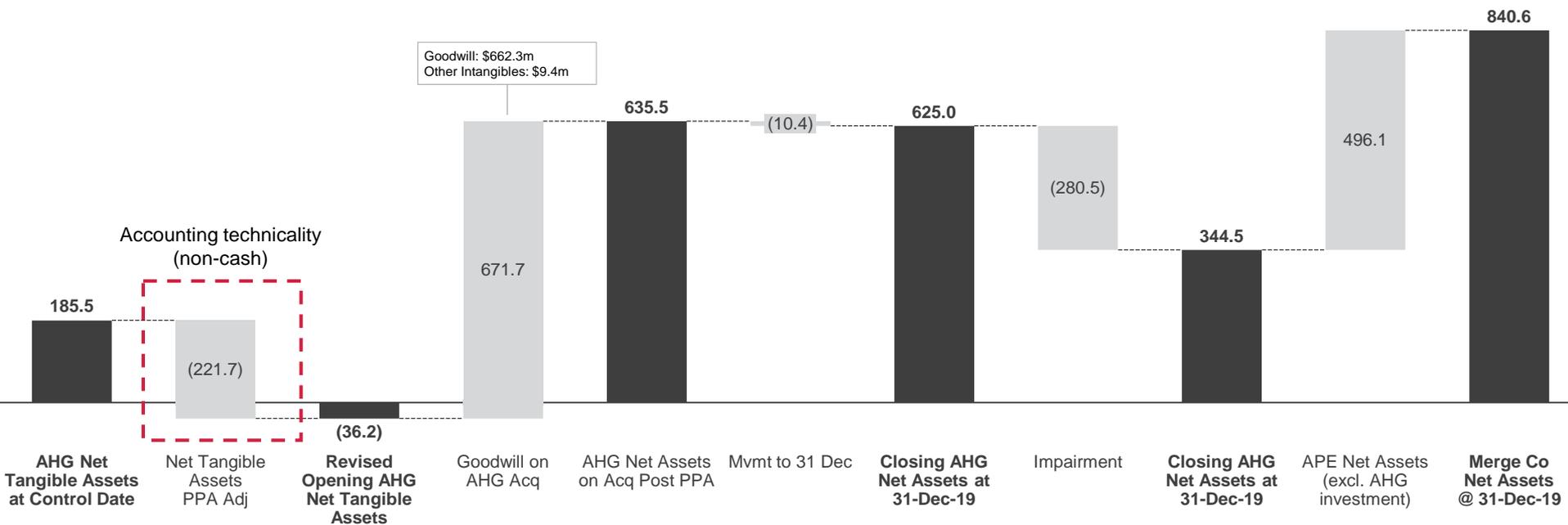
\$ Million	EBITDA	Depn & Amort	Interest Expense	PBT	Tax Expense	NPAT
Underlying Continuing Operating¹	141,189	(14,671)	(23,031)	103,487	(32,081)	71,406
Impairment	-			-		
Gain on consolidation of AHG	-			-		
Gain on Release of contingent consideration	-			-		
Gain on sale of assets	6,022			6,022	1,175	7,197
Backout of Klosters profit contribution	12,752	(970)	(3,499)	8,283		8,283
AHG investment income	13,868			13,868		13,868
Business acquisition & integration costs	(680)			(680)		(680)
Employee underpayments	-			-		-
New lease standard	39,381	(30,496)	(14,214)	(5,329)	1,650	(6,979)
Other	2,751			2,751		2,751
Total significant items	74,094	(31,466)	(17,713)	24,915	2,825	24,440
Statutory Continuing	215,283	(46,137)	(40,744)	128,402	(30,906)	97,496

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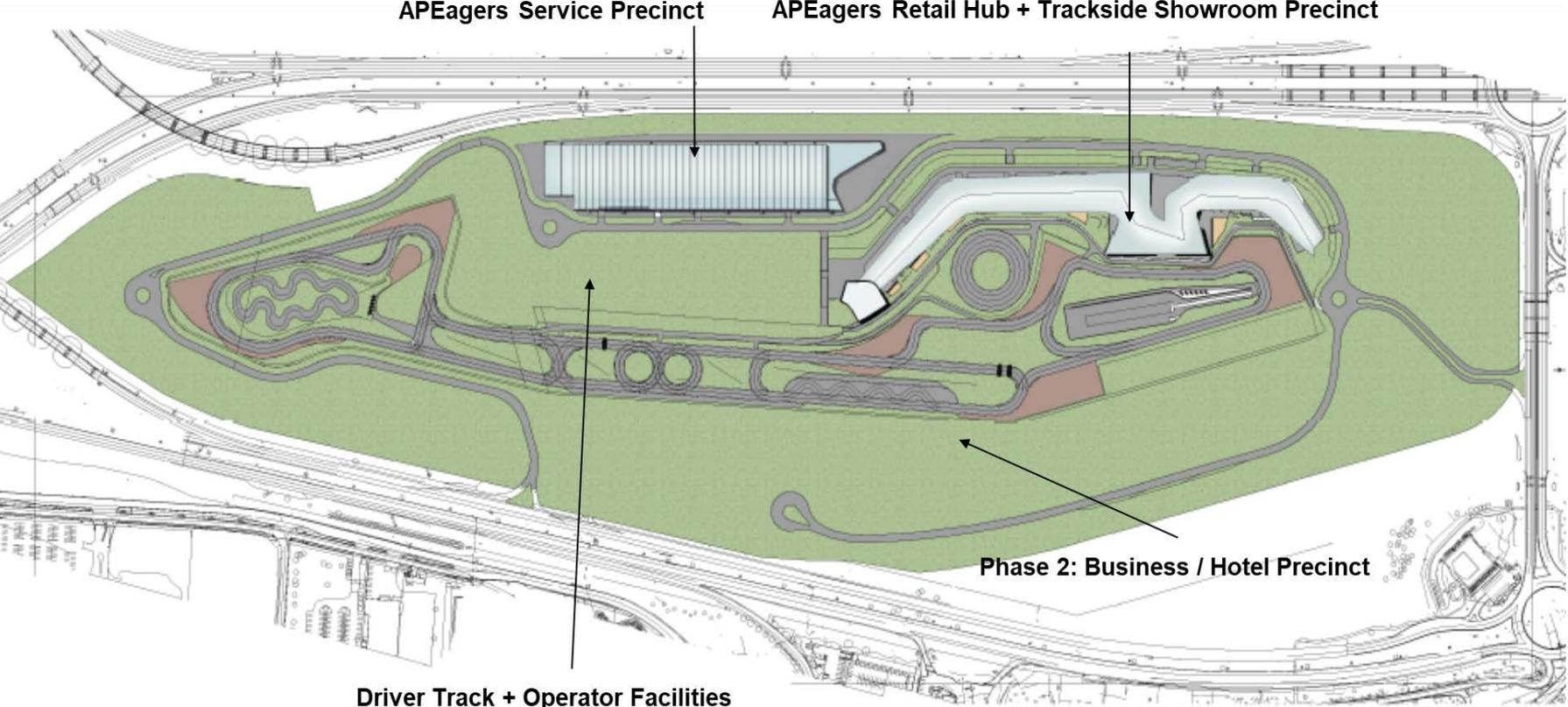
Net assets on acquisition

\$280.5m total non-cash asset impairment recorded in 2019, including impairment from discontinued operations

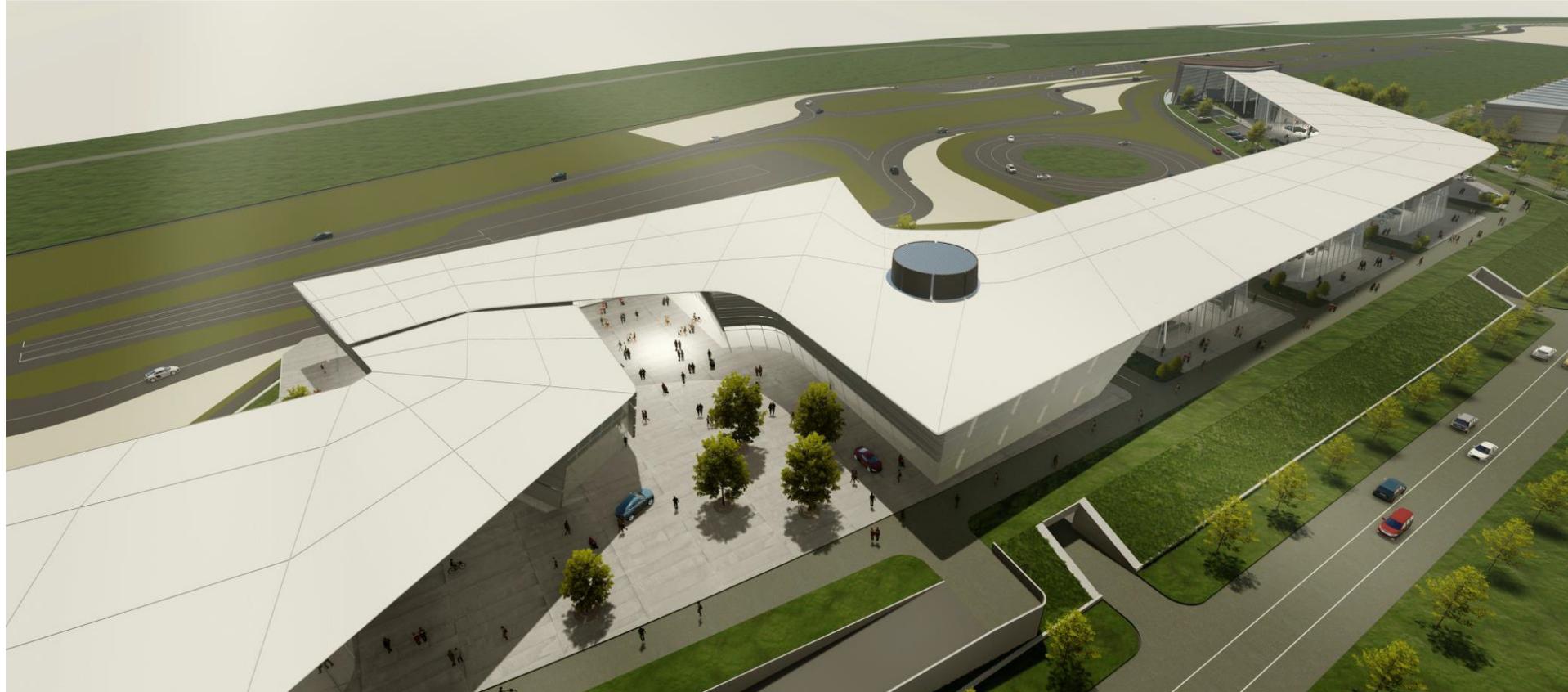


BNE Auto Mall

An Integrated Design

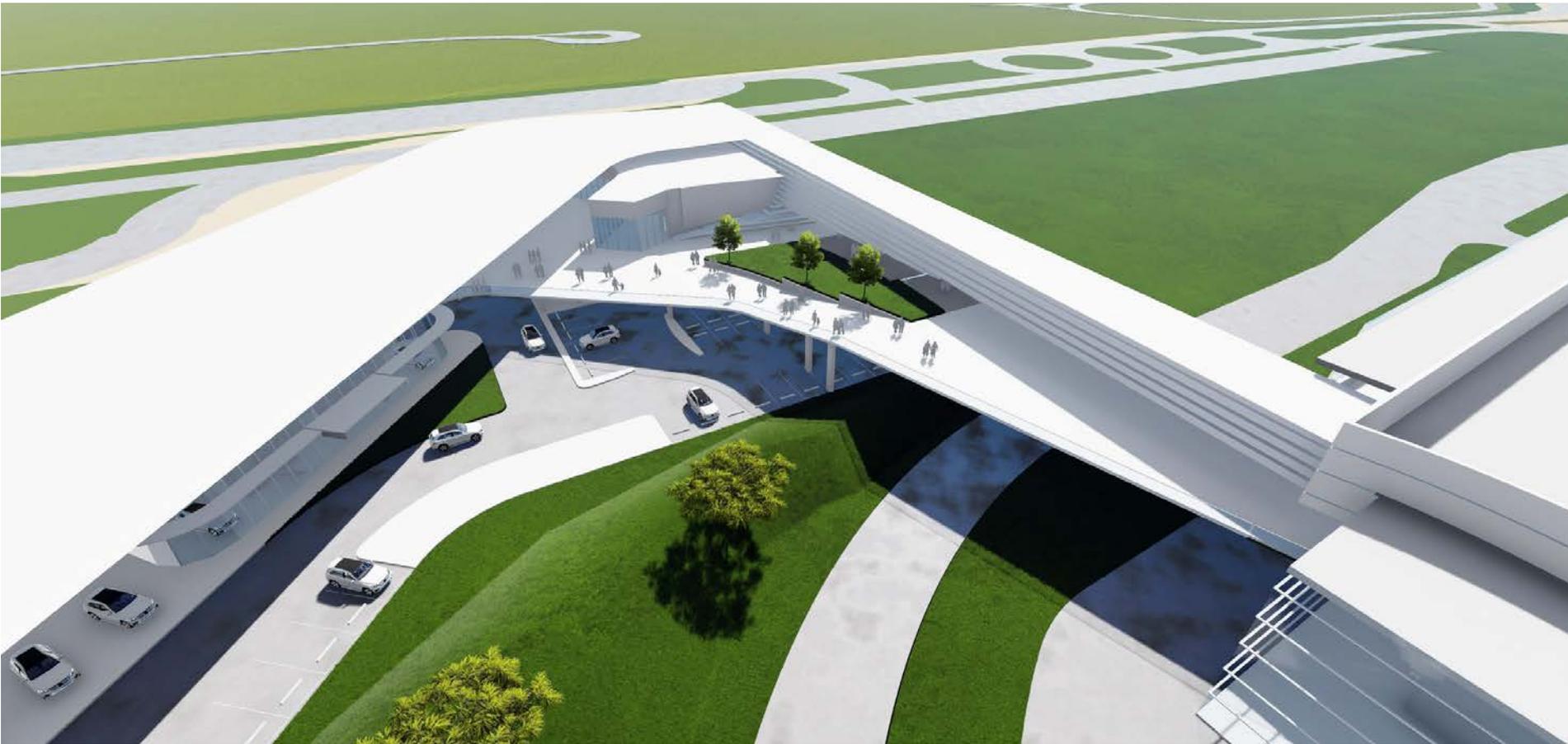


The Hub Precinct - Engaging

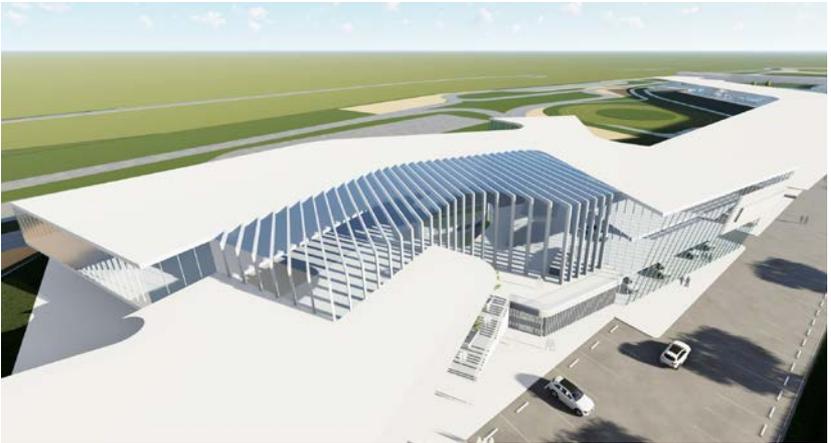


Integrated Sales and Service

Destination Link Bridge



BNE Auto Mall



BNE Auto Mall



Auto Mall – Shopping Centre

Express Service (Roof Top)



Auto Mall – Shopping Centre

Express Service (Roof Top)



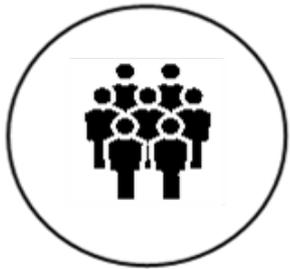
Auto Mall – Shopping Centre

Express Service (Roof Top)



Expenses are linked

But People Costs must be solved



People Costs

49.4%



Rent Costs

9.4%



Inventory Costs

2.6%



Marketing

3.8%

Expenses demonstrated as a percentage of Gross for AP Eagers on a standalone basis for the year ended 31 December 2019



Definitions Non-IFRS Financial Information

APE is defined as AP Eagers Ltd

AHG is defined as Automotive Holdings Group Limited

EBIT is defined as earnings before net finance costs

EBITDA is defined as earnings before net finance costs and losses on de-recognition of financial assets, income tax, depreciation and amortisation

EBITDA margin is calculated as EBITDA before significant items as a percentage of revenue

F&I is defined as Finance & Insurance

NPAT is defined as net profit after tax

PBT is defined as profit before tax

PBT margin is calculated as profit before tax before significant items as a percentage of revenue

MergeCo is defined as the combination of AP Eagers and AHG

Underlying Operating profit is defined as statutory profit adjusted for significant items

Significant items are items that are non-recurring in nature, individually material or do not relate to the operations of the existing business. Refer to slides 35 (FY2019) and 36 (comparative financial information) of this Investor Presentation for a breakdown of these items

VFACTs is published by the Federal Chamber of Automotive Industries (FACI) and provides a break down of monthly new motor vehicle sales statistics, outlining the number of new cars sold by brand by model.

3MMA is defined as three month moving average