



4X4 ACCESSORIES

2011
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2011 ANNUAL GENERAL MEETING



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ARB CORPORATION LIMITED 2011 ANNUAL GENERAL MEETING

Presented by Roger Brown
Executive Chairman





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Summary of 2010/11 Result

- Sales Revenue up 11.5% to \$254 million
- Pre Tax Profit up 14.5% to \$51.32 million
- Net Profit After Tax up 16.1% to \$37.85 million
- Earnings per share up 12.7% to 52.2 cps



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Dividend

- The Company has declared an increased final fully franked dividend of 13 cps, payable on 21st October 2011.
- This brings total ordinary dividends for the year to 23.0 cps fully franked, compared with 19.5 cps last year.



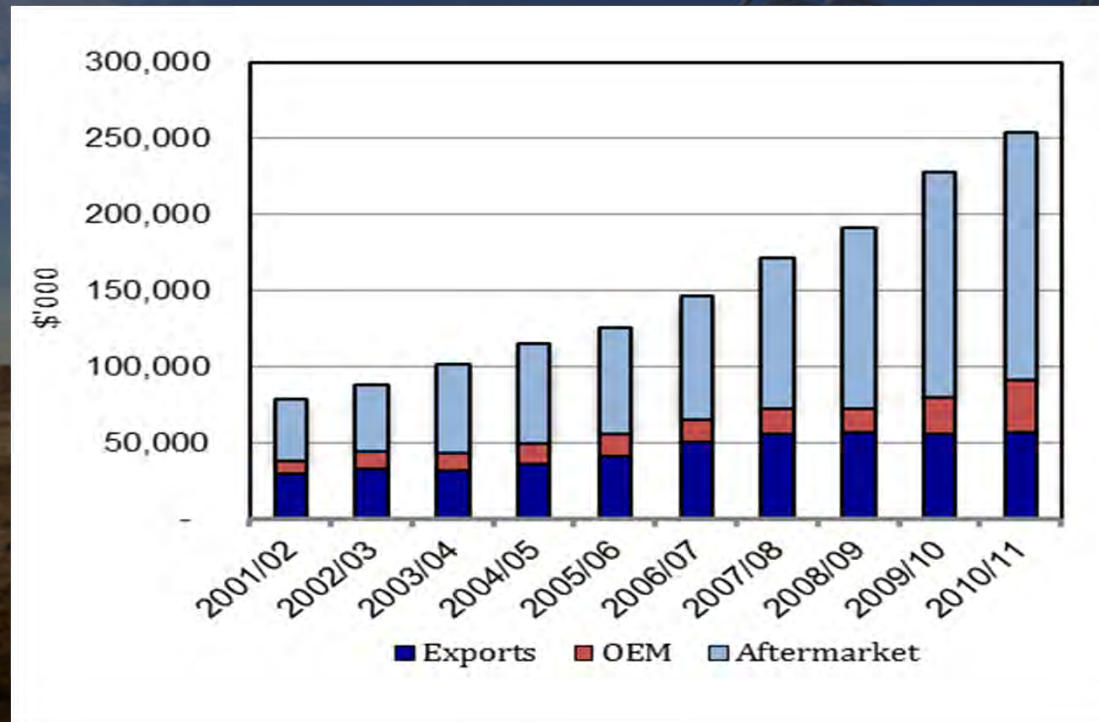
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Sales Revenue

10 Year Company Performance

Annual sales revenue has grown at an average annual compound rate of 13.9% over the past 10 years



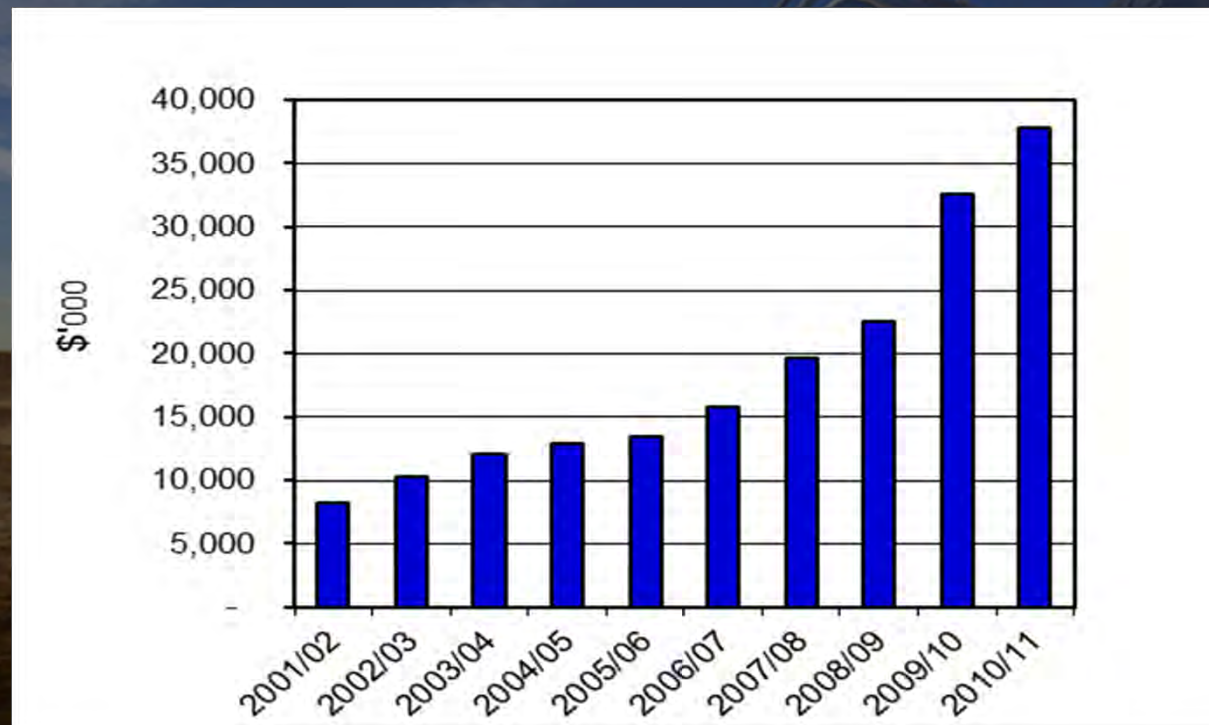


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Net Profit After Tax (ex property sales) 10 Year Company Performance

Net profit after tax has grown at an average annual compound rate of 20% over the past 10 years
(excluding profits from property sales in 2004/05 and 2005/06)





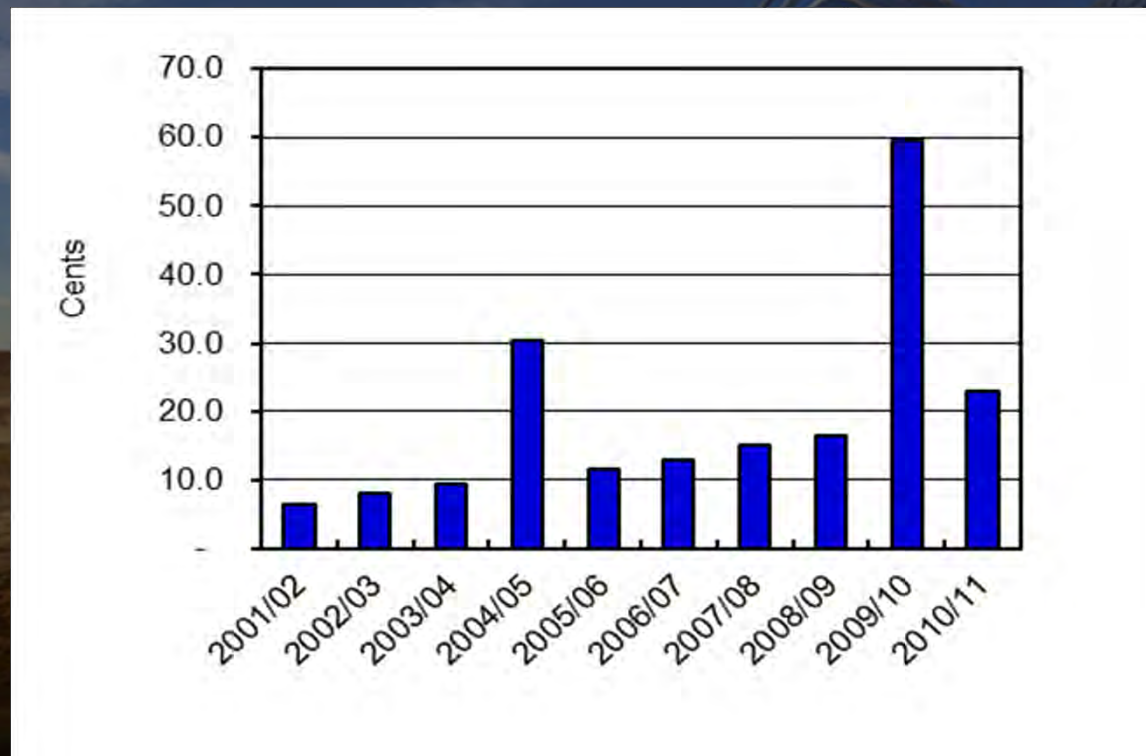
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Dividends

10 Year Company Performance

Dividends per share have grown steadily over the past 10 years with Special Dividends paid in 2004/5 and 2009/10. All dividends have been fully franked





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ARB Today

- ARB is a world leading designer, manufacturer and distributor of accessories for 4WD and commercial vehicles.
- Annual sales of \$254million.
- 1,000 employees worldwide.
- Manufacturing plants in Victoria, Australia and Rayong, Thailand.
- Sales, warehousing and fitting facilities in all Australian States.
- Canopy assembly and painting facilities in Melbourne, Sydney, Adelaide, Brisbane and Perth.



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ARB Today (cont)

- ARB stores and stockists throughout Australia.
- Two separate aftermarket operations in Australia, being Kingsley Enterprises and Thule Roof Rack Systems.
- A warehouse and sales centre in Seattle, USA and a warehouse and sales office in Rayong, Thailand.
- Distributors in over 80 countries around the world.





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Sales Growth by Market Segment

2010/11 compared with 2009/10

Australian Aftermarket
(including Thule & Kingsley)

up 11%

Australian Original Equipment

up 39%

Export Sales (ex Australia)

up 3%

Export Sales (via USA subsidiary)

**up 12% in US dollar
terms but flat in
Australian dollar terms**

ORA Ltd (Thailand manufacturing)

up 19%

TOTAL SALES

up 11.5%



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Sales Mix

2010/11 compared with 2009/10



A yellow 4x4 vehicle, possibly a Land Rover Defender, is shown from a rear three-quarter view, parked on a sandy desert dune. The vehicle has a spare tire mounted on the back and is equipped with ARB accessories. The background is a vast, flat desert landscape under a clear sky.

	2010/11	2009/10
Australia Aftermarket	64.0%	64.5%
Exports	23.0%	25.0%
Australian Original Equipment	<u>13.0%</u>	<u>10.5%</u>
	100%	100%



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New Vehicle Sales in Australia

(past 3 financial years)

	All 4 x4 Categories Sales		4WD Utilities Sales		Total Vehicle Sales	
2008/09	257,008		80,949		924,693	
2009/10	308,918	+20.2%	92,662	+14.5%	1,011,563	+9.4%
2010/11	327,386	+6.0%	96,741	4.40%	1,000,647	-1.0%

In 2010/11 the sales of 4WD Vehicles continued to grow over the very strong prior year.



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New Vehicle Sales - Worldwide

- Overall vehicle sales and sales of 4WD vehicles would have been stronger had it not been for the devastating earthquake and resultant tsunami that occurred in Japan early in the second half of 2010/11.
- The supply into Australia of both 4WDs and 4WD utilities built in Japan and Thailand was severely disrupted throughout the last quarter of 2010/11.
- This disruption has continued but vehicle deliveries should return to normal by the end of November 2011.
- The disruption affected a large number of markets around the world.



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ARB Aftermarket Distribution Network

- ARB distributes throughout Australia from state sales offices with attached warehouses.
- Distribution is to ARB stores, independent 4WD stockists and new vehicles dealers throughout each state.
- As at 30th June 2011 there were 40 ARB stores in Australia (compared with 39 at the same time last year) and well over 100 independent stockists.
- New ARB stores were:
 - ARB Caboolture, Queensland (independent)
 - ARB Mandurah, Western Australia (Company owned).
- The Company owned store in Abbotsford, Victoria was closed as scheduled.



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ARB Aftermarket Distribution Network

- Since 30th June 2011 a further 3 stores have been established:
 - ARB Welshpool, Western Australia (independent)
 - ARB Burleigh Heads, Queensland (independent)
 - ARB Orange, New South Wales (Company owned)
- There are at present 43 ARB stores in Australia, 16 of which are Company owned.





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Exports – ex Australia

- Sales growth of only 3% over prior year.
- Strength of the Australian Dollar was a major issue.
- Economic gloom in many markets around the world is constraining demand.
- Maintaining sales above last year's level was a good result.



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Exports – ex USA

- Sales up 12% in US Dollar terms but flat in Australian dollar terms due to the strengthening of the Australian dollar during the year.
- For the same reason, margins were significantly lower which reduced profitability.
- Sales to the US, Canada and South America via ARB's US subsidiary should continue to grow.



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Exports Overall

- Still many untapped opportunities in export markets.
- Export will be a major focus over the medium term.
- ARB is strengthening its management and sales focus in all export areas.



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Manufacturing and Warehousing

- Demand for the Company's manufactured products was consistently high during 2010/11.
- Plants in Australia and Thailand both operated, and are currently running, at near full capacity.
- ARB continues to invest in new and more efficient equipment in all plants.
- Warehousing is near capacity at all facilities, but split and second shifts are being introduced to cope with expected increased demand.
- ARB intends to build a new facility in Thailand in 2011/12:
 - This will provide additional manufacturing capacity and, more importantly, warehousing space to service customers in Australia and around the world.
 - Final details of this new facility are yet to be established.



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Products

- ARB remains committed to product development to maintain its position as a world leader in the 4X4 market.
- Expenditure on R&D has continued to grow over the period.
- Product highlights for the 2010/11 year were:
 - A large range of polished aluminum nudge bars for smaller SUVs was released.
 - The ARB fridge range was expanded to four models.
 - The range of Nitrocharger Sport shock absorbers was expanded extensively.



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Products (cont.)

- A new product range – “under vehicle” protection systems – was released for many vehicle models and product acceptance was exceptional.
- A range of modular roller draw systems was released for most popular 4WDs and once again market acceptance was very good.
- A new high output, compact twin compressor which has significant potential in many applications was introduced in both portable and in vehicle versions.
- The Company is continuing to work on many short and long term development projects that are designed to underpin future growth.



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Financial – Balance Sheet

- ARB strengthened its balance sheet during the period and had a net cash surplus of \$30.7 million at the 30th June 2011.
- This compares with a net cash surplus of \$20.9 million at the 30th June 2010.
- The Company's strong financial position ensures that ARB can react quickly to appropriate opportunities, such as further earnings accretive capital projects or suitable acquisitions.



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Financial – Exchange Rates

- Exchange rates have fluctuated significantly over the year.
- The Company has some natural exchange rate hedges through its operations in Australia, USA and Thailand and also through its overseas purchasing and selling arrangements.
- However, changes in exchange rates affect costs in different geographic markets and ARB believes that more stable currency markets generally create a better business environment for the Company over the longer term.



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Growth Strategy

ARB's main growth strategies can be summarised as follows:

- Increasing output from the Company's manufacturing plants as demand requires.
- Fast tracking the development of new products - ARB is clearly a world leader in the development of accessories for 4WD vehicles and the Company's focus on new product development is being increased.
- Further expanding ARB's store network throughout Australia, particularly in areas where 4WD vehicle sales are strong.





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Growth Strategy (cont.)

- Expanding the recently established ARB Off Road business, which distributes ARB's product to the Thai market via existing resellers:
 - ARB has a good reputation in Thailand.
 - There is a large market available in Thailand.
 - Management is confident this business will generate profitable long term growth for the Company.
 - ARB Off Road has grown well since being established 2 years ago.
- Ensuring Kingsley Enterprises has new products to supply its existing customers both locally and overseas.



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Growth Strategy (cont.)

- Providing the resources required to allow Thule Car Rack Systems to grow within the Australian market - ARB is currently moving the business to a new headquarters nearby with additional warehousing and office space.
- Further strengthening ARB's small but highly effective marketing department which is the envy of the Company's competitors worldwide.
- Selectively acquiring new products or businesses if suitable opportunities arise.
- Concentrating ARB's sales efforts in areas of the world where oil extraction, mining, aid and relief and agriculture are creating high demand for 4WD vehicles.



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Outlook

- The Company's record 2010/11 result was achieved in the face of very challenging global market conditions.
- The Board is optimistic about the future outlook for the Company but remains cautious in the short term given the current economic environment.
- The strengthening Australian dollar against the US dollar, the Euro and the English Pound has made exporting very difficult and product cheaper for ARB's competitors in Australia who predominantly rely on Asian imports.
- The very recent fall in the Australian dollar will assist ARB's export efforts if the fall is sustained.



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Outlook (cont.)

- New vehicle supply should return to normal in the second quarter of this financial year.
- ARB is well positioned to achieve on-going success despite the present economic challenges:
 - strong brands around the world
 - very capable senior management team and staff
 - strong balance sheet
 - well defined growth strategies.
- The Board is pleased to advise that sales for the first quarter of 2011/12 were in line with the exceptionally strong first quarter sales achieved last year.