



16 November 2012

2012 AGM – Chairman's Address

Good morning ladies and gentlemen, and welcome to Automotive Holdings Group Limited's 2012 Annual General Meeting. My name is David Griffiths and I am the non-executive chairman of Automotive Holdings Group, or AHG, and this is my second AGM as chairman of this company.

In terms of the usual housekeeping items, could I remind you to please switch your mobile phones to silent. In the event of a fire, the emergency exits are clearly marked outside this room.

If you have not already done so, please register your attendance at the Computershare Investor Services desk, just outside the door.

As a quorum is present and the meeting is validly constituted, I formally declare the 2012 Annual General Meeting open.

The minutes of the 2011 Annual General Meeting have been approved by the Board and have been tabled.

Any shareholder that wishes to view a copy of the minutes is welcome to do so and should see the Company Secretary after the meeting.

With me today are my fellow directors:

- **Bronte Howson**, Chief Executive Officer;
- **Hamish Williams**, Executive Director of Strategy and Planning; I should note that Hamish is not standing for re-election to the Board, however we will retain his significant corporate knowledge at an executive management level.
- **John Groppoli**;
- **Michael Smith**, the Deputy Chairman;
- **Peter Stancliffe**;
- **Tracey Horton**; and
- **Robert McEniry**.

Also alongside the Board members today is Company Secretary, David Rowland.

Detailed backgrounds of each of the Board members and the senior management team are available in the 2012 Annual Report, which I encourage you to read. The report can be downloaded from AHG's investor relations website: www.ahgir.com.au

I would like to commence the Chairman's address today by providing a brief overview of the company and its performance in FY2012, before handing over to Chief Executive Officer, Bronte Howson, who will provide details of the Group's financial performance and highlights from the company's business units.

We will then turn our attention to the matters to be resolved at this meeting in the 'Formal Business' section, before closing the meeting.

Following this, the Directors would welcome the chance to answer any further questions from shareholders as we enjoy refreshments in the foyer.

AHG remains Australia's largest automotive retailer by sales, profitability, market capitalisation and the number of people employed. The company has more than 120 dealer points for passenger vehicles, buses and trucks and it represents 11 of the 12 most popular passenger vehicle brands across four Australian states and also in New Zealand.

To complement that business in autos, AHG has built a substantial logistics business, with its Rand division now Australia's largest integrated refrigerated transport, warehousing and distribution provider by volume.

AHG continued to outperform in FY2012, both as a company and as an investment. The company achieved record operating profit in FY2012 and its market capitalisation now stands at around \$829 million, compared with more than \$520 million a year ago.

AHG's share price has continued to outperform the index, rising to \$3.19 based on yesterday's close, compared with around \$2 a year ago.

Total Shareholder Returns have also continued to beat the pace set by the Small Ordinaries Index, with our TSR over the past three years standing at 76.8% demonstrating the shareholder value that the company has created through its strategy of pursuing accretive acquisitions.

In line with that impressive TSR, this slide highlights the strong growth that AHG has delivered across all of its key earnings metrics during a similar period, including revenue, EBITDA and NPAT. Revenue has grown at a Compound Annual Growth Rate of 8.5% since FY2009, while Operating NPAT and EBITDA have both grown by around 15.1% during the same period.

Earnings per share growth has been held back by two share raisings during this period but we expect this to improve as the benefits from our use of the balance sheet come through.

Earnings continue to improve, despite the challenging conditions in global markets, and the company has consistently returned money to shareholders through paying attractive dividends.

Diversification is a key element of AHG's strategy and the benefits of this were demonstrated by the increased contribution to FY2012 earnings from our logistics business, which continues to provide a platform for overall growth. Logistics now represents 30% of earnings at the EBITDA level, up from 24% a year earlier, and we are confident that the contribution from logistics will continue to increase over time.

Diversification across the major manufacturers that we represent in Australia also helped AHG to benefit from a strong year in automotive sales nationally, which means that AHG is well placed to benefit from market growth and positive trends in consumer sentiment and purchasing behaviour.

The Board and management maintained their focus on driving and delivering value to our shareholders in FY2012. At last year's AGM we identified areas where we planned to focus our attention in FY 2012 and we are happy to report back on considerable progress in all areas.

We utilised the Group's experience and financial strength in FY 2012 to acquire our Brisbane and Newcastle trucking operations, South Melbourne Holden, Wignall Group and Coffey Ford while Toll Refrigerated was acquired early in FY2013. We believe all of these acquisitions will be strong contributors over the years ahead.

We continued to develop our people, and to deepen the experience and skills of our management team with a number of key training initiatives introduced in 2012. Under our customer retention scheme, we trained more than 500 customer-facing staff across the group in FY2012 and we also continued to develop the AHG Master Apprentice program under which we train more than 420 apprentice technicians each year across Australia and New Zealand. We introduced our Sales Academy and provided dedicated leadership training to our Dealer Principals.

The integration of Cova and Harris into AMCAP and Rand have been an outstanding success with both acquisitions already making an important contribution to the bottom line.

Management has worked hard to address the operational and performance issues being experienced in Queensland. A material improvement has already been delivered, but more work remains for us to do there.

Lastly, the launch in August of the API Automotive Property Trust marked the successful delivery of our property strategy. So far we have received \$53.2 million gross (before our investment of \$6 million), with a further \$13 million to come on completion of the Castle Hill dealership hub.

Turning to the current year, AHG takes a proactive approach to reviewing and updating its Corporate Strategy in order to deliver shareholder value.

In order to ensure that we do so as effectively as possible, we have adopted the very successful Argenti-based system to set the framework for the plan, to identify the big strategic issues and to ensure the productive deployment of the company's capital.

We have a good deal of balance sheet capacity to fund growth by acquisition and organic growth and we will seek to use this capacity in a disciplined way to drive earnings and EPS growth in FY2013 and beyond.

Working in a consumer-focused industry, it is also vital that our marketing programs leverage the most effective tools available, and so our strategy in this area is dynamic and evolving as we address new media channels in order to maximize the benefit we get from advertising spend.

We will also continue to place considerable emphasis on training and development of our people in FY2013. The AHG Sales Academy will continue to build AHG's pipeline of sales professionals through defined pre-employment screening, training and job matching processes.

Our Dealer Principals will continue to benefit from dedicated leadership training and executive coaching aimed at improving self awareness and effectiveness in leading others, and in addition, we will continue to hold our successful information nights and recruitment drives aimed at bringing smart, effective people into AHG and the broader auto sales industry.

Finally, while the turnaround in Queensland has been encouraging, and while VSE and GTB have built up some real traction in their order books, the performance of these areas still needs to lift to meet AHG's requirements, so additional improvement will remain an area of focus in FY2013.

AHG's Board of Directors also continues to take extremely seriously its commitment to the highest standards of corporate governance.

Following the vote against the remuneration report at last year's AGM, the Board of Directors conducted a thorough consultation process with shareholders before commissioning a review by independent consultants PwC. As a result of this two-stage process, a number of changes were made to remuneration practices for senior management. These included limiting cash payouts, refocusing management targets and wider implementation of an equity-based plan to shift short-term variable remuneration to longer term remuneration.

We have also endeavoured to explain these practices more clearly in the Annual Report. It is our objective that our approach be transparent and that remuneration should be both fair and responsible and used to attract, motivate and retain the highest quality people who can ensure that AHG continues to deliver shareholder value.

In addition to the changes we have made to remuneration, AHG continued to strengthen its Board of Independent Directors during FY2012 with the appointment in May of Tracey Horton and Robert McEniry.

Tracey has a diverse executive and consulting career including leadership and line management roles at senior executive level and more than 13 years' management consulting experience with clients across a diverse range of industries. As a former consultant with Bain & Co, including eight years in the US. and a former economist with the Reserve Bank of Australia, Tracey brings to the Board of AHG a wealth of experience in strategy development and change management.

Robert brings to the Board of AHG more than 25 years experience in the automotive and auto supplier industries in Australia and overseas, including as Chief Executive of SPT Limited, or South Pacific Tyres. He spent five years as Chair, President and CEO of Mitsubishi Australia Limited and he has also worked with global car manufacturers including Saab and General Motors.

Ladies and gentlemen, these appointments bring to the Board of AHG a wealth of relevant business acumen and experience that complements the backgrounds of the existing Board members and, as a group, we look forward to working together to ensure that AHG continues to grow and outperform in the interests of all of our shareholders.

In summary, I would like to thank my fellow board members, Chief Executive Bronte Howson, his senior management team and all our staff for their hard work and commitment in FY 2012.

Following the Chairman's address, AHG Chief Executive Bronte Howson provided a presentation to the meeting in line with the slides that have been lodged with the exchange.

In addition, the formal business of the meeting was put to a vote and the results of the vote will be lodged with the ASX in due course.

-Ends-

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