

24 August 2018

The Manager

Company Announcements Office

Dear Sir / Madam,

APPENDIX 4E – PRELIMINARY FINAL REPORT AND 2018 FULL YEAR RESULTS

In accordance with ASX Listing Rules, the following documents are attached for release to the market:

- Appendix 4E – Preliminary Final Report; and
- 2018 Full Year Results Announcement and Presentation.

Yours faithfully,



D ROWLAND

COMPANY SECRETARY

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Appendix 4E – Preliminary Final Report

FOR THE YEAR ENDED 30 JUNE 2018 – AUTOMOTIVE HOLDINGS GROUP LIMITED AND ITS CONTROLLED ENTITIES

ABN 35 111 470 038

Report for the year ended 30 June 2018

This statement includes the results for Automotive Holdings Group Limited and its controlled entities, for the year ended 30 June 2018 (current period) compared with the year ended 30 June 2017 (prior period). The financial results of Automotive Holdings Group Limited and its Australian controlled entities are prepared in accordance with Australian International Financial Reporting Standards (AIFRS), whilst the Group's New Zealand controlled entities' local financial statements are prepared in accordance with New Zealand International Financial Reporting Standards (NZIFRS) and converted to AIFRS on consolidation.

This report is based on financial accounts which are in the process of being audited.

Results for Announcement to the Market

		\$A'000's		\$A'000's
Revenues from ordinary activities	Up	367,988	6.0% to	6,474,053
Profit after tax from ordinary activities attributable to members	Down	(22,900)	-41.2% to	32,639
Profit after tax from continuing operations attributable to members	Down	(22,900)	-41.2% to	32,639

DIVIDENDS	Amount per security	Franked amount per security
Interim dividend		9.5 cents
Final dividend	6.8 cents	6.8 cents
Record date for determining entitlement to the final dividend		21/09/2018
Date the final dividend is payable		9/10/2018

Appendix 4E – Preliminary Final Report

FOR THE YEAR ENDED 30 JUNE 2018 – AUTOMOTIVE HOLDINGS GROUP LIMITED AND ITS CONTROLLED ENTITIES

ABN 35 111 470 038

Commentary on results for the year

Net profit after tax attributable to members for the year ended 30 June 2018 was \$32.64 million (2017: \$55.54 million). Net profit after tax excluding unusual items attributable to members for the year ended 30 June 2018 was \$74.76 million (2017: \$87.29 million). Note 1 of this report outlines further details in relation to Operating and Statutory performance and movements on a segment-by-segment basis.

Unusual items in the current year comprised costs and fees in relation to integration, acquisition and disposal related activities, profit/loss on restructure of assets and operations, impairment of assets, and non-recurring Refrigerated Logistics costs post-HNA.

Group revenues from continuing operations were \$6.47 billion (2017: \$6.11 billion), representing a 6.0% increase over the previous year's revenue.

The Automotive Retail division contributed revenues of \$5.61 billion (2017: \$5.23 billion) and an Operating Non-IFRS EBITDA result of \$166.10 million (2017: \$171.02 million) before unusual item costs totalling \$16.12 million before tax. These represented growth rates of 7.3% and (2.9%) respectively. Operating Non-IFRS Profit before tax (before unusual item costs totalling \$16.12 million before tax), was \$116.70 million (2017: \$124.17 million), a decrease of 6.0%. These Automotive Retail results were driven by weakness in Finance & Insurance income, partially offset by Trucks, acquisitions and one-off insurance income of \$12 million.

The Refrigerated Logistics division contributed revenues of \$0.60 billion (2017: \$0.60 billion) and an Operating Non-IFRS EBITDA result of \$37.71 million (2017: \$35.05 million) before unusual item costs totalling \$43.95 million before tax. These represented growth rates of 0.5% and 7.6% respectively. Operating Non-IFRS Loss before tax (before unusual item costs of \$43.95 million before tax) was \$1.96 million (2017: \$2.82 million profit), a decrease of 169.6%. The decrease was attributed to the disruption of the HNA sale process and system implementation at management and customer levels.

The Other Logistics division contributed revenues of \$0.26 billion (2017: \$0.28 billion) and an Operating Non-IFRS EBITDA result of \$7.13 million (2017: \$14.21 million). These represented negative growth rates of 5.0% and 49.9% respectively. Operating Non-IFRS Profit before tax was \$3.76 million (2017: \$10.49 million), a decrease of 63.8%. The decrease was primarily attributed to the weaker foreign exchange impacts in KTM (incl. Husqvarna).

The property division delivered a Statutory IFRS loss before tax of \$6.11 million compared with a prior year Statutory IFRS loss before tax of \$7.70 million.

Consolidated Revenue and Results

Key Financial Data

	Statutory IFRS Result 2018 \$'000	Unusual items* 2018 \$'000	Operating Non-IFRS Result 2018 \$'000	Operating Non-IFRS Result 2017 \$'000
For the year ended 30 June 2018				
Revenue	6,474,053	-	6,474,053	6,106,064
EBITDA	147,938	60,066	208,004	215,955
EBITDA margin %	2.3%		3.2%	3.5%
Depreciation and amortisation	(52,509)	-	(52,509)	(46,920)
EBIT	95,429	60,066	155,495	169,035
Interest (net)	(43,102)	-	(43,102)	(39,255)
Profit before tax	52,327	60,066	112,393	129,780
Tax expense	(14,535)	(17,945)	(32,480)	(36,935)
Profit after tax	37,792	42,121	79,913	92,845
Non controlling interest	(5,153)	-	(5,153)	(5,554)
Net profit after tax attributable to shareholders	32,639	42,121	74,760	87,291
Basic EPS (cents per share)	9.8		22.5	26.7

*Unusual items: costs and fees in relation to integration, acquisition and disposal related activities, profit/loss on restructure of assets and operations, impairment of assets and non-recurring Refrigerated Logistics costs post-HNA.

Appendix 4E – Preliminary Final Report

FOR THE YEAR ENDED 30 JUNE 2018 – AUTOMOTIVE HOLDINGS GROUP LIMITED AND ITS CONTROLLED ENTITIES

ABN 35 111 470 038

Reconciliation of Statutory IFRS NPAT to Operating¹ NPAT

	2018 \$'000	2017 \$'000
Statutory IFRS Profit (net of tax) attributable to members	32,639	55,539
<u>Add back:</u>		
Net costs relating to Refrigerated Logistics transformation	7,013	5,799
Costs relating to restructure of operations and discontinued operations	7,805	9,278
Impairment of non-current assets - IT, plant & equipment, goodwill and franchise rights	25,013	13,647
Costs relating to integration, acquisitions and MD transition	2,290	3,028
Operating¹ Non-IFRS Profit (net of tax) attributable to members	74,760	87,290

Operating¹ – net of unusual items such as costs and fees in relation to integration, acquisition and disposal related activities, profit/loss on restructure of assets and operations, impairment of assets and non-recurring Refrigerated Logistics costs post-HNA.

2018:

The Group incurred costs and fees (including stamp duty) totalling \$42.12 million (after tax) during the current year in relation to integration, acquisition and disposal activities, profit/loss on restructures of assets and operations, impairment of assets and other non-recurring activities after non-completion of the divestment of AHG's Refrigerated Logistics operation to HNA. These activities included the business acquisitions of Carlins, Hunter Motor Group, Auckland Motor Group and Essendon Nissan/Kia, the restructure of underperforming operations across Automotive (including onerous lease provisions), impairment of non-current assets related to Refrigerated Logistics IT system and leasehold improvements (Refrigerated Logistics and Automotive), and non-recurring costs undertaken in Refrigerated Logistics, including post HNA write-downs and facility rationalisation costs. Refer to Note 11 for further details in relation to the above individual acquisitions.

2017:

The Group incurred costs and fees (including stamp duty) totalling \$31.75 million (after tax) during the current year in relation to integration and acquisition-related activities, profit/loss on sale and/or restructures of assets and operations, impairment of assets and transformation activities (including redundancies, consultancy fees and site and pallet consolidation). These activities included the business acquisitions of Doncaster Auto, Melbourne City Mazda, Daimler Trucks Laverton, Newcastle Audi/Skoda and Essendon Ford/Mitsubishi, the restructure of underperforming operations across Automotive and Other Logistics, impairment of assets related to IT and Automotive operations, and non-recurring costs focused on transformation program undertaken in Refrigerated Logistics and wider redundancies undertaken across the Group as part of streamlining and cost saving initiatives.

Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2018 – AUTOMOTIVE HOLDINGS GROUP LIMITED AND ITS CONTROLLED ENTITIES

	Notes	2018 \$'000	2017 \$'000
Continuing operations			
Revenue from continuing operations	2	6,474,053	6,106,064
Profit on sale of assets and investments	2	10	-
Raw materials and inventory expense		(4,966,237)	(4,634,829)
Employee benefits expense	2	(786,142)	(766,977)
Depreciation and amortisation expense	2	(52,509)	(46,920)
Finance costs	2	(44,584)	(41,447)
Advertising and promotion		(45,707)	(48,336)
Occupancy costs		(196,341)	(180,650)
Vehicle preparation and service		(53,036)	(52,615)
Supplies and outside services		(85,262)	(80,666)
Motor vehicle expense		(14,286)	(12,454)
Equipment rental	2	(19,406)	(21,169)
Professional services		(12,427)	(13,568)
Other expenses	2	(111,771)	(97,427)
Loss on sale of assets and investments	2	-	(636)
Impairment of non-current assets	2	(34,368)	(18,713)
Share of profit of joint venture		340	337
Profit before income tax		52,327	89,994
Income tax expense		(14,535)	(28,901)
Profit from continuing operations		37,792	61,093
Profit attributable to:			
Owners of Automotive Holdings Group Limited		32,639	55,539
Non-controlling interests		5,153	5,554
		37,792	61,093
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Available-for-sale financial assets			
Unrealised changes in the fair value of cash flow hedges		745	637
Loss on translation of foreign operations		(1,278)	(157)
Total comprehensive income for the year (net of tax)		37,259	61,573
Total comprehensive income attributable to:			
Owners of Automotive Holdings Group Limited		32,106	56,019
Non-controlling interests		5,153	5,554
		37,259	61,573
Earnings per share for profit from continuing operations attributable to the owners of the Group			
Basic earnings per share (cents)	10	9.8	17.0
Diluted earnings per share (cents)	10	9.8	17.0

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Statement of Financial Position

AS AT 30 JUNE 2018 – AUTOMOTIVE HOLDINGS GROUP LIMITED AND ITS CONTROLLED ENTITIES

	Notes	2018 \$'000	2017 \$'000
CURRENT ASSETS			
Cash and cash equivalents	3	73,046	95,035
Trade and other receivables		416,570	357,373
Inventories		1,110,746	899,796
Other current assets		26,331	49,707
Assets classified as held for sale	4	18,650	-
TOTAL CURRENT ASSETS		1,645,343	1,401,911
NON CURRENT ASSETS			
Investments accounted for using the equity method		1,127	1,088
Available-for-sale financial assets		7,228	7,228
Property, plant and equipment	5	376,524	401,130
Intangible assets	6	539,168	513,170
Deferred tax assets		68,701	60,866
TOTAL NON CURRENT ASSETS		992,748	983,482
TOTAL ASSETS		2,638,091	2,385,393
CURRENT LIABILITIES			
Trade and other payables		379,501	322,796
Interest-bearing loans and borrowings		1,028,661	827,830
Income tax payable		8,013	(4,110)
Provisions		87,032	78,041
TOTAL CURRENT LIABILITIES		1,503,207	1,224,557
NON CURRENT LIABILITIES			
Interest-bearing loans and borrowings		317,439	314,657
Deferred tax liabilities		11,778	21,136
Provisions		29,153	22,700
TOTAL NON CURRENT LIABILITIES		358,370	358,493
TOTAL LIABILITIES		1,861,577	1,583,050
NET ASSETS		776,514	802,343
EQUITY			
Contributed equity	8	653,134	653,134
Reserves		2,440	2,997
Retained earnings		100,929	131,298
Capital and reserves attributable to the owners of Automotive Holdings Group Limited		756,503	787,429
Non-controlling interests		20,011	14,914
TOTAL EQUITY		776,514	802,343

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2018 – AUTOMOTIVE HOLDINGS GROUP LIMITED AND ITS CONTROLLED ENTITIES

Notes	Attributable to owners of Automotive Holdings Group Limited				Non- Controlling Interest \$'000	Total Equity \$'000
	Contributed Equity \$'000	Reserves \$'000	Retained Earnings \$'000	Total \$'000		
At 1 July 2017	653,134	2,997	131,298	787,429	14,914	802,343
Profit for the year (after tax)	-	-	32,639	32,639	5,153	37,792
Changes in fair value of cash flow hedges	-	1,064	-	1,064	-	1,064
Loss on translation of foreign operations	-	(1,278)	-	(1,278)	-	(1,278)
Income tax relating to components of other comprehensive income	-	(319)	-	(319)	-	(319)
Total comprehensive income for the period	-	(533)	32,639	32,106	5,153	37,259
Transactions with owners in their capacity as equity holders:						
Acquisition of controlled entities	11	-	-	-	221	221
Disposal to non-controlling interest holder	-	260	-	260	4,708	4,968
Dividends provided for or paid	7	-	(63,008)	(63,008)	(4,985)	(67,993)
Employee share scheme	-	(284)	-	(284)	-	(284)
		(24)	(63,008)	(63,032)	(56)	(63,088)
At 30 June 2018	653,134	2,440	100,929	756,503	20,011	776,514

Notes	Attributable to owners of Automotive Holdings Group Limited				Non- Controlling Interest \$'000	Total Equity \$'000
	Contributed Equity \$'000	Reserves \$'000	Retained Earnings \$'000	Total \$'000		
At 1 July 2016	541,532	2,669	150,374	694,575	24,928	719,503
Profit for the year (after tax)	-	-	55,539	55,539	5,554	61,093
Changes in fair value of cash flow hedges	-	910	-	910	-	910
Loss on translation of foreign operations	-	(157)	-	(157)	-	(157)
Income tax relating to components of other comprehensive income	-	(273)	-	(273)	-	(273)
Total comprehensive income for the period	-	480	55,539	56,019	5,554	61,573
Transactions with owners in their capacity as equity holders:						
Issue of shares (after transaction costs)	8	111,602	-	111,602	-	111,602
Non-controlling interest on acquisition of subsidiary	-	-	-	-	(8,726)	(8,726)
Dividends provided for or paid	7	-	(74,615)	(74,615)	(6,842)	(81,457)
Employee share scheme	-	(152)	-	(152)	-	(152)
		(152)	(74,615)	36,835	(15,568)	21,267
At 30 June 2017	653,134	2,997	131,298	787,429	14,914	802,343

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2018 – AUTOMOTIVE HOLDINGS GROUP LIMITED AND ITS CONTROLLED ENTITIES

	Notes	2018 \$'000	2017 \$'000
Cash flow from operating activities			
Receipts from customers (inclusive of GST)		7,060,057	6,653,825
Payments to suppliers and employees (inclusive of GST)		(6,850,708)	(6,442,693)
Interest paid and costs of finance		(44,585)	(41,447)
Interest received		1,482	2,193
Income tax paid		(18,937)	(30,940)
Net cash inflow from operating activities	3	147,309	140,938
Cash flow from investing activities			
Payment for purchase of business, net of cash acquired	11	(30,736)	(74,691)
Proceeds from sale of businesses		-	13,964
Payment for property plant and equipment		(80,060)	(101,696)
Proceeds of sale of property, plant and equipment		19,248	21,837
Dividends and distributions received		378	468
Proceeds of sale of investments		4,968	-
Payment for purchase of investment (net)		-	(3,200)
Net cash outflow from investing activities		(86,202)	(143,318)
Cash flows from financing activities			
Net repayments from borrowings		(15,103)	(41,323)
Proceeds from issue of shares, net of transaction costs	8	-	111,602
Dividends paid to members	7	(63,008)	(74,615)
Dividends paid to non-controlling interest		(4,985)	(6,842)
Net cash outflow from financing activities		(83,096)	(11,178)
Net decrease in cash and cash equivalents		(21,989)	(13,558)
Cash and cash equivalents at the beginning of the year		95,035	108,593
Cash and cash equivalents at the end of the year	3	73,046	95,035

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Non-cash financing and investing activities

During the year the consolidated entity acquired plant and equipment with a fair value of \$21,021,000 (2017: \$14,378,000) by means of finance lease and hire purchase (excluding those assumed in acquisitions - refer note 5). These acquisitions are not reflected in the statement of cash flows.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018 – AUTOMOTIVE HOLDINGS GROUP LIMITED AND ITS CONTROLLED ENTITIES

1. Operating segments

Segment Reporting June 2018	Automotive Retail	Logistics		Property	Total
		Refrigerated Logistics	Other Logistics		
	\$'000	\$'000	\$'000	\$'000	\$'000
Gross revenue	6,247,836	625,008	296,974	432	7,170,250
Less: intercompany sales	(636,321)	(26,763)	(34,595)	-	(697,679)
Segment revenue	5,611,515	598,245	262,379	432	6,472,571
Interest earned	1,398	7	77	-	1,482
Total revenue					6,474,053
EBITDA	149,978	(6,233)	7,126	(2,932)	147,939
Depreciation and amortisation	(20,567)	(29,193)	(2,749)	-	(52,509)
EBIT	129,411	(35,426)	4,377	(2,932)	95,430
Interest expense (net)	(28,827)	(10,486)	(614)	(3,176)	(43,103)
Profit before tax for the year					52,327
Income tax expense					(14,535)
Reportable segment profit after tax for the year					37,792
<i>Detailed Segment Trading Analysis:</i>					
Total revenue	5,612,913	598,252	262,456	432	6,474,053
EBITDA before unusual items (non-IFRS)	166,096	37,715	7,126	(2,932)	208,005
EBIT before unusual items (non-IFRS)	145,529	8,522	4,377	(2,932)	155,496
Non-IFRS Segment result before unusual items	116,702	(1,964)	3,763	(6,108)	112,393
Unusual items*	(16,118)	(43,948)	-	-	(60,066)
Reportable segment result after unusual items	100,584	(45,912)	3,763	(6,108)	52,327
Segment assets	1,974,503	458,773	186,022	18,793	2,638,091
Total consolidated assets					2,638,091
Segment liabilities	1,174,781	470,733	170,729	45,334	1,861,577
Total consolidated liabilities					1,861,577
Acquisition of property, plant, equipment and intangibles	64,130	58,203	2,934	-	125,267

***Unusual items:** costs and fees in relation to integration, acquisition and disposal related activities, profit/loss on restructure of assets and operations, impairment of assets and non-recurring Refrigerated Logistics costs post-HNA.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018 – AUTOMOTIVE HOLDINGS GROUP LIMITED AND ITS CONTROLLED ENTITIES

1. Operating segments (continued)

Segment Reporting June 2017	Automotive Retail	Logistics		Property	Total
		Refrigerated Logistics	Other Logistics		
	\$'000	\$'000	\$'000	\$'000	\$'000
Gross revenue	5,851,096	614,941	318,021	320	6,784,378
Less: intercompany sales	(618,699)	(19,906)	(41,902)	-	(680,507)
Segment revenue	5,232,397	595,035	276,119	320	6,103,871
Interest earned	2,071	19	103	-	2,193
Total revenue					6,106,064
EBITDA	153,401	23,763	3,327	(4,322)	176,169
Depreciation and amortisation	(19,947)	(24,290)	(2,683)	-	(46,920)
EBIT	133,454	(527)	644	(4,322)	129,249
Interest expense (net)	(26,905)	(7,938)	(1,038)	(3,374)	(39,255)
Profit before tax for the year					89,994
Income tax expense					(28,901)
Reportable segment profit after tax for the year					61,093
<i>Detailed Segment Trading Analysis:</i>					
Total revenue^	5,234,468	595,054	276,222	320	6,106,064
EBITDA before unusual items (non-IFRS)	171,017	35,050	14,210	(4,322)	215,955
EBIT before unusual items (non-IFRS)	151,070	10,760	11,527	(4,322)	169,035
Non-IFRS Segment result before unusual items	124,165	2,822	10,489	(7,696)	129,780
Unusual items*	(17,616)	(11,287)	(10,883)	-	(39,786)
Reportable segment result after unusual items	106,549	(8,465)	(394)	(7,696)	89,994
Segment assets	1,809,945	414,795	141,398	19,255	2,385,393
Total consolidated assets					2,385,393
Segment liabilities	993,369	425,022	123,830	40,829	1,583,050
Total consolidated liabilities					1,583,050
Acquisition of property, plant, equipment and intangibles	68,963	91,174	17,204	-	177,341

**Unusual items: costs and fees in relation to integration and acquisition-related activities profit/loss on sale of assets and/or restructures of assets and operations, impairment of assets, transforming activities and benefits applicable to GST refunds (Son of Holdback).*

^ Refrigerated Logistics revenue restated from \$570,735,000 to \$595,054,000 due to reclassification, resulting consolidated revenue increase by 0.4% from \$6,081,745,000 to \$6,106,064,000. There is no impact to EBITDA or Profit Before Tax.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018 – AUTOMOTIVE HOLDINGS GROUP LIMITED AND ITS CONTROLLED ENTITIES

2. Revenue and expenses

	2018 \$'000	2017 \$'000
Sales revenue		
Sale of goods	5,444,541	5,089,614
Rendering of services	991,563	994,316
	6,436,104	6,083,930
Other revenue		
Interest	1,482	2,193
Other revenue	36,467	19,941
	37,949	22,134
Total revenue	6,474,053	6,106,064
Other income		
Profit on sale of assets	10	-
	10	-
Depreciation		
Vehicles, plant, furniture and equipment	38,376	35,599
	38,376	35,599
Amortisation		
Capitalised leased assets	6,380	4,278
Leasehold improvements	7,753	7,043
	14,133	11,321
Finance costs (for financial liabilities not at fair value through profit or loss)		
Interest paid - other	6,616	6,905
Interest paid - finance leases	1,491	1,352
Interest paid - hire purchase	4,449	4,707
Interest paid - floor plan	32,028	28,483
	44,584	41,447
Lease payments		
Rental expenses relating to property operating leases	159,011	145,551
Rental expenses relating to equipment operating leases	19,406	21,169
	178,417	166,720
Employee benefits expense		
Wages, salaries and employee benefits	733,617	715,374
Superannuation	52,809	51,755
Share-based payments expense	(284)	(152)
	786,142	766,977
Other expenses, including loss on sale of assets and impairment		
Bad debts written off	2,280	1,278
Repairs and maintenance	11,711	16,908
Insurances	32,732	28,002
Stamp duty and bank fees	8,734	8,483
Impairment of non-current assets	34,368	18,713
Office, IT, telephone and travel	44,272	37,239
Net loss on sale of assets	-	636
Miscellaneous	12,042	5,517
	146,139	116,776

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018 – AUTOMOTIVE HOLDINGS GROUP LIMITED AND ITS CONTROLLED ENTITIES

3. Cash and cash equivalents

	2018 \$'000	2017 \$'000
Cash at bank and on hand	72,536	94,525
Deposits at call	510	510
	73,046	95,035

Reconciliation to Statement of Cash Flows:

	2018 \$'000	2017 \$'000
Profit for the period after tax	37,792	61,093
<i>Non Operating Activity Cash flow in profit</i>		
- Distributions received	(378)	(468)
- Loss/(profit) on sale of assets	(10)	636
<i>Non Cash flow in profit</i>		
- Depreciation	38,376	35,599
- Amortisation	14,133	11,321
- Impairment of non-current assets	34,368	18,713
<i>Changes in operating assets and liabilities</i>		
(Increase) in trade receivables	(59,138)	(33,029)
(Increase) / decrease in inventories	(3,465)	4,622
(Increase) in other current assets	(39)	(40)
Decrease / (increase) in prepayments	27,210	(16,652)
(Increase) / decrease in deferred tax assets	(7,206)	1,795
Increase / (decrease) in current tax payable	12,122	(9,160)
Increase in trade creditors	58,128	57,080
(Decrease) / increase in accruals	(6,271)	3,248
Increase in employee entitlements	450	401
Increase in other provisions	10,555	452
(Decrease) / increase in deferred tax liabilities	(9,318)	5,327
Net cash inflow from operating activities	147,309	140,938

4. Asset held for sale

As at 30 June 2018, AHG was in the process of selling two blocks of land located in Hillcrest and Oxley, Queensland. The carrying value of the land is provided below:

	2018 \$'000
Non-current assets held for sale	18,650

The assets held for sale are carried at the lower of cost and fair value less costs to sell at the time of reclassification. The assets are presented within total assets of the property segment in note 1.

Prior to the issuance of this report, AHG entered into unconditional sales contracts to dispose the land with agreed considerations of \$23,132,000. This will generate an estimated gain of \$4,482,000 (before tax and costs) to the Group in FY2019.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018 – AUTOMOTIVE HOLDINGS GROUP LIMITED AND ITS CONTROLLED ENTITIES

5. Property, plant and equipment

Consolidated June 2018	Land and buildings	Plant and equipment	Capitalised leased assets	Leasehold improve - ments	Assets under construction	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cost	12	386,730	56,922	141,443	32,597	617,704
Accumulated depreciation	(3)	(182,397)	(17,634)	(41,146)	-	(241,180)
Carrying amount at 30 June 2018	9	204,333	39,288	100,297	32,597	376,524
Carrying amount at 1 July 2017	17,574	200,191	27,342	91,304	64,719	401,130
Translation adjustment	-	(134)	-	(54)	(85)	(273)
Additions	1,216	28,233	21,021	16,835	33,148	100,453
Impairment	-	(26,430)	-	(7,689)	-	(34,119)
Disposals	-	(15,933)	(183)	(3,392)	-	(19,508)
Transfers	(128)	56,779	(2,512)	11,046	(65,185)	-
Asset classified as held for sale	(18,650)	-	-	-	-	(18,650)
Depreciation / amortisation	(3)	(38,373)	(6,380)	(7,753)	-	(52,509)
Carrying amount at 30 June 2018	9	204,333	39,288	100,297	32,597	376,524

Consolidated June 2017	Land and buildings	Plant and equipment	Capitalised leased assets	Leasehold improve - ments	Assets under construction	Total
Cost	17,588	366,063	43,457	126,607	64,719	618,434
Accumulated depreciation	(14)	(165,872)	(16,115)	(35,303)	-	(217,304)
Carrying amount at 30 June 2017	17,574	200,191	27,342	91,304	64,719	401,130
Carrying amount at 1 July 2016	17,581	165,103	19,204	79,831	77,322	359,041
Translation adjustment	-	(2)	-	3	12	13
Additions	-	28,706	14,378	25,030	51,770	119,884
Impairment	-	(157)	-	(6,256)	(1,966)	(8,379)
Disposals	-	(22,228)	-	(281)	-	(22,509)
Transfers	-	64,361	(1,962)	20	(62,419)	-
Depreciation / amortisation	(7)	(35,592)	(4,278)	(7,043)	-	(46,920)
Carrying amount at 30 June 2017	17,574	200,191	27,342	91,304	64,719	401,130

Refer to note 12 for details on impairment.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018 – AUTOMOTIVE HOLDINGS GROUP LIMITED AND ITS CONTROLLED ENTITIES

6. Intangible assets

	Goodwill	Franchise Rights & Distribution Agreements	Total
	\$'000	\$'000	\$'000
Consolidated 2018			
Carrying amount at 1 July 2017	222,565	290,605	513,170
Additions	11,173	15,075	26,248
Impairment charges	-	(250)	(250)
Carrying amount at 30 June 2018	233,738	305,430	539,168
Consolidated 2017			
Carrying amount at 1 July 2016	209,277	252,983	462,260
Additions	15,122	38,806	53,928
Impairment charges	(1,834)	(1,184)	(3,018)
Carrying amount at 30 June 2017	222,565	290,605	513,170

	Goodwill	Franchise Rights & Distribution Agreements	Total
	\$'000	\$'000	\$'000
Consolidated 2018			
Automotive Retail	147,921	295,487	443,408
Refrigerated Logistics	78,762	-	78,762
Other Logistics	7,055	9,943	16,998
Carrying amount at 30 June 2018	233,738	305,430	539,168
Consolidated 2017			
Automotive Retail	136,748	280,662	417,410
Refrigerated Logistics	78,762	-	78,762
Other Logistics	7,055	9,943	16,998
Carrying amount at 30 June 2017	222,565	290,605	513,170

There are no intangible assets associated with the property segment.

Refer to note 12 for details on impairment.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018 – AUTOMOTIVE HOLDINGS GROUP LIMITED AND ITS CONTROLLED ENTITIES

7. Dividends

DECLARED AND PAID

	2018 \$'000	2017 \$'000
Dividends on ordinary shares:		
Final dividend for the year ended 30 June 2017 of 9.5 cents per fully paid share paid on 6 October 2017 (2017: 13.0 cents, paid on 5 October 2016)	31,504	43,111
Interim dividend for the half-year ended 31 December 2017 of 9.5 cents per fully paid share paid on 4 April 2018 (2017: 9.5 cents, paid on 5 April 2017)	31,504	31,504
	63,008	74,615

PROPOSED AND NOT RECOGNISED AS A LIABILITY

	2018 \$'000	2017 \$'000
Dividends on ordinary shares:		
Since year end, the Directors have recommended the payment of a fully franked final dividend of 6.8 cents per share (2017: 9.5 cents) to be paid on 9 October 2018 (2017: 6 October 2017)	22,550	31,504

8. Contributed equity

	Ordinary Shares	
	Shares	\$'000
Contributed equity at 1 July 2017	331,623,014	653,134
Contributed equity at 30 June 2018	331,623,014	653,134
Contributed equity at 1 July 2016	306,541,437	541,532
Institutional placement (\$4.52/ share)	19,911,505	90,000
Share purchase plan (\$4.52/ share)	5,170,072	23,362
Less transaction costs arising on share issue equity	-	(2,514)
Deferred tax credit recognised directly in equity	-	754
Contributed equity at 30 June 2017	331,623,014	653,134

9. Net tangible asset backing

	2018 Cents	2017 Cents
Net tangible asset backing per ordinary share	71.6	87.2

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018 – AUTOMOTIVE HOLDINGS GROUP LIMITED AND ITS CONTROLLED ENTITIES

10. Earnings per share

BASIC EARNINGS PER SHARE

	2018 cents	2017 cents
IFRS Earnings per share for profit attributable to the owners of the Company:		
Basic earnings per share	9.8	17.0
Non-IFRS Earnings per share for profit before unusual items* attributable to the owners of the Company:		
Basic earnings per share	22.5	26.7

RECONCILIATION OF EARNINGS USED IN CALCULATING EARNINGS PER SHARE

	2018 \$'000	2017 \$'000
<i>Basic Earnings Per Share</i>		
Profit attributable to the owners of the Company in calculating basic earnings per share	32,639	55,539
Loss attributable to the owners of the Company from unusual items*	42,121	31,752
Non-IFRS profit attributable to the owners of the Company before unusual items*	74,760	87,291

*Unusual items: costs and fees in relation to integration, acquisition and disposal related activities, profit/loss on restructure of assets and operations, impairment of assets and non-recurring Refrigerated Logistics costs post-HNA.

The Group has no instruments that have a dilutive effect on earnings per share.

11. Business combinations

During FY2018 AHG completed the following business combinations:

Acquisition Date	Name	Type	Location
3 July 2017	Carlins	Share purchase	Melbourne, VIC
30 November 2017	Hunter Group	Share purchase	Newcastle, NSW
1 March 2018	Auckland Motor Group	Certain assets and liabilities	Auckland, NZ
30 April 2018	Essendon Nissan/ Kia	Certain assets and liabilities	Essendon Fields, VIC

The business combinations contributed revenues of \$150.92 million and net profit before tax of \$2.12 million for the year ended 30 June 2018 from their dates of acquisition, before unusual items. It is expected that AHG would have reported \$6.56 billion in consolidated revenues and \$34.06 million consolidated net profit after tax attributable to members, for the year ended 30 June 2018, had the business combinations occurred at the beginning of the reporting period.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018 – AUTOMOTIVE HOLDINGS GROUP LIMITED AND ITS CONTROLLED ENTITIES

11. Business combinations (continued)

Details of the purchase consideration, the net assets acquired and goodwill and franchise right are as follows:

	Fair Value \$'000				Consolidated
	Carlins	Hunter Group	Auckland Motor Group	Essendon Nissan/ Kia	
% acquired	51%	100%	100%	100%	
Cash and cash equivalents	1,123	673	-	-	1,796
Vehicle inventories (net of bailment)	5,926	49	5,682	35	11,692
Parts inventories	-	466	197	346	1,009
Other current assets	2,144	1,637	16	74	3,871
Property, plant and equipment	257	353	188	983	1,781
Deferred tax assets/(liabilities)	435	205	(7)	-	633
	9,885	3,383	6,076	1,438	20,782
Trade and other payables	(3,457)	(1,318)	-	(41)	(4,816)
Employee entitlements	(1,451)	(381)	(385)	(377)	(2,594)
Other debt	(4,526)	-	(494)	-	(5,020)
	(9,434)	(1,699)	(879)	(418)	(12,430)
Net identifiable assets acquired	451	1,684	5,197	1,020	8,352
Less: non-controlling interests	(221)	-	-	-	(221)
Net assets attributable to owners of the company	230	1,684	5,197	1,020	8,131
Add: goodwill	3,636	2,928	2,602	1,392	10,558
Add: franchise rights	-	5,855	5,204	2,784	13,843
Net assets acquired	3,866	10,467	13,003	5,196	32,532
Cash consideration paid	3,866	10,467	13,003	5,196	32,532
Less: net cash acquired	(1,123)	(673)	-	-	(1,796)
Net cash outflow	2,743	9,794	13,003	5,196	30,736

i. Goodwill

The goodwill is attributable to the workforce, profitability of the acquired business and the synergistic opportunities it offers with AHG's existing automotive retail operations. It is only deductible for tax purposes upon any future sale of this business.

ii. Contingent consideration, contingent liabilities, non-controlling interests and acquisition costs

There is no contingent consideration associated with the acquisitions, nor any contingent liabilities. 49% of Carlins' shares are attributable to non-controlling interests holders.

Integration-related costs (technology, personnel, occupancy) and acquisition-related costs (stamp duty, professional services) of \$0.16 million (before tax) are included in the statement of profit or loss and other comprehensive income in the reporting year ended 30 June 2018.

iii. Information not disclosed as not yet available

The Group has reported provisional amounts for goodwill and other assets acquired from Carlins, Hunter Motor Group, Auckland Motor Group and Essendon Nissan and Kia. The amounts proportionally attributable to both goodwill and franchise rights are consistent with the Group's treatment of like amounts previously acquired.

iv. FY2017 Business Combination finalisation

Provisional acquisition accounting has been completed for the FY2017 acquisitions of Doncaster JLR, City Mazda, Daimler Trucks Laverton, Newcastle Audi/ Skoda and Essendon Ford/ Mitsubishi. This has resulted in an increase of \$1.91 million in intangible assets as a result of the harmonisation of provisioning policies, make good provisions and other adjustments.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018 – AUTOMOTIVE HOLDINGS GROUP LIMITED AND ITS CONTROLLED ENTITIES

12. Impairment of non-current assets

Impairment testing

The recoverable value of the Group's Property, Plant and Equipment and Intangible Assets are tested on an annual basis at both the cash generating unit (CGU) level and individual asset level where an impairment indicator exists.

The recoverable amounts of the Group's various CGUs are calculated using the value-in-use method, which reflects the present value of the future cash flows expected to be derived from the CGU. The future cash flow is based on the Board approved year 1 budget and then projections using a steady growth rate for subsequent years. This calculated recoverable amount is then compared with the carrying value of the assets of CGU.

Impairment charge – individual asset level

Impairment indicators at the individual asset level arose from reviews of post-HNA impacts and IT systems implementation in relation to the Refrigerated Logistics CGU in FY2018. The impairment amounted to \$4.75 million and \$26.43 million for leasehold improvements and IT assets respectively (2017: \$Nil), based on the estimated recoverable value of the assets being below their carrying values, and is included in impairment expense for FY2018.

Impairment indicators at the individual asset level also arose due to the closure of underperforming businesses in FY2018 in relation to the Automotive Retail CGU. The impairments amounted to \$2.94 million (2017: \$8.4 million) and \$0.25 million (2017: \$3.0 million) for leasehold improvements contained within Property, Plant and Equipment and Franchise Rights contained within Intangible Assets respectively. They were based on the estimated recoverable value of the assets being below their carrying values. The total of \$3.19 million is included in impairment expense for FY2018.

Total impairment expense for FY2018 is \$34.37 million (FY2017: \$18.71 million) (refer note 2).

Key assumptions used for value-in-use calculations

Arising from the value-in-use calculations across all of AHG's CGUs no impairments were recognised in the current financial year.

In respect of AHG's Refrigerated Logistics CGU, the recoverable value was marginally above its carrying value (2017: marginally above), and adverse movements in the key assumptions may lead to an impairment.

Recoverable value of the Refrigerated Logistics CGU has been calculated based on the following key assumptions:

- Growth rate 2.3%
- Discount rate (CGU specific) 10.0%

The growth rate is based on market estimates of the long-term industry-specific growth rate, being to the lower end of the 2% to 3% range historically applied by AHG in its value-in-use assessments. The year 1 approved budget has been based on assumed improvements in its operating and financial performance, taking into account the long term sustaining capital expenditure requirements.

The recoverable value of the Refrigerated Logistics CGU is sensitive to changes in the above assumptions of growth rate, discount rate and cash flows (performance net of capital expenditure).

Headroom as a % of carrying value is 1.2%. A 0.1% change in growth rate reduces head room to \$Nil, while a 0.25% change in discount rate and EBITDA margin would result in a \$5.6 million and \$16.3 million impairment, respectively.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018 – AUTOMOTIVE HOLDINGS GROUP LIMITED AND ITS CONTROLLED ENTITIES

13. Events after reporting date

(a) On 2 July 2018, AHG announced that HNA International confirmed to terminate the agreement announced on 23 November 2017 to acquire the Group's Refrigerated Logistics business. The Refrigerated Logistics business was classified and disclosed as a discontinued operation at 31 December 2017 half-year reporting. Based on the termination status of the transaction, the Group considers the business as a part of the continuing operations throughout this report.

(b) As at 30 June 2018, AHG was in the process of selling two blocks of land located in Hillcrest and Oxley, Queensland. The land is classified as held for sale as at 30 June 2018 (refer to note 4).

Except for those events detailed above, no other matter or circumstance has arisen since 30 June 2018 requiring disclosure that has significantly affected, or may significantly affect:

- The Group's operations in future financial years, or
- The result of those operations in future financial years, or
- The Group's state of affairs in future financial years.

ASX / MEDIA STATEMENT

24 August 2018

AHG FULL YEAR RESULTS

- Record Group revenue of \$6.47 billion (\$6.11b pcg)
- Operating¹ EBITDA of \$208.0 million (\$216.0m pcg)
- Operating¹ EBITDA margin 3.2% (3.5% pcg)
- Operating¹ NPAT of \$74.8 million (\$87.3m pcg)
- Operating¹ EPS 22.5 cents (26.7c pcg)
- Statutory NPAT of \$32.6 million (\$55.5m pcg)
- Statutory EPS 9.8 cents (17.0 cents pcg)
- Final dividend of 6.8 cents takes the full-year dividend to 16.3cps fully franked (19.0 pcg)

Automotive Holdings Group Limited (ASX: AHG) reports Operating¹ NPAT for the full year to 30 June 2018 of \$74.8 million (down 14.4% pcg), in line with the Company's trading update issued 14 May 2018. Automotive PBT was \$116.7 million (\$124.2m pcg); Refrigerated Logistics showed a loss of \$2.0 million (\$2.8m PBT pcg), and Other Logistics returned PBT of \$3.8 million (\$10.5m pcg).

Statutory NPAT was \$32.6 million, down 41.2% (pcg), primarily due to the lower segment Operating¹ contributions and one-off costs associated with the closure of underperforming businesses, the write-down of IT systems assets, M&A costs and other non-recurring charges.

The Board declared a final dividend of 6.8 cents per share, taking the full year payout to 16.3 cents fully franked. That is consistent with AHG's dividend policy of paying 65 to 75 percent of operating profit.

Automotive

Revenue from the Automotive division was up 7.2% to \$5.61 billion and we continued to grow our new car and truck market share, to circa 6.7% in Australia and circa 3% in New Zealand, leaving room for further expansion in both markets as value-driven opportunities arise. Used car revenue, through our dealerships and **easycar123**, also grew strongly.

Operating¹ EBITDA was down 2.9% to \$166.1 million, delivering an Operating¹ profit before tax of \$116.7 million, down 6.0% (pcg) primarily due to the impact of changes to finance and insurance commissions and margin compression driven by manufacturers.

Notably, both the Australian and New Zealand new vehicle markets remain close to record levels despite the recent softening of consumer demand in the new car market in Australia.

During the year in review the Franchised Automotive division suffered a \$29 million reduction to F&I commissions. While not unexpected, this was a very significant hit to earnings, offset to an extent by cost reduction initiatives and a one-off insurance income of \$12 million.

The effects of reduced insurance products and commissions coupled with relatively tight consumer lending have been felt industry-wide, particularly across passenger vehicle sales. An industry benchmark report by Deloitte (Mid-Year Market Snapshot, 10th August 2018) shows AHG continues to outperform the wider franchised dealership market in Australia across a range of key metrics, including Return on Sales, Total Gross Margin, Gross Per Unit (New) and F&I per Retail Unit.

Operating¹ – net of unusual items such as costs and fees in relation to integration, acquisition and disposal related activities, profit/loss on restructure of assets and operations, impairment of assets and non-recurring Refrigerated Logistics costs post-HNA.

Despite the challenging operating environment we have continued to invest both organically and by acquisition where we see value and future opportunity.

AHG's Franchised Automotive business integrated the acquisitions of five new dealerships in the Hunter Motor Group in NSW, two dealerships at Essendon Fields in Melbourne and two dealerships at Manukau in Auckland's southern suburbs. The business also opened the Greenfield development of the new Essendon Jaguar Land Rover dealership.

We have continued to invest in the **easyauto123** business, which opened new fixed price used car warehouses at Brooklyn in Melbourne and at Hendra in Brisbane. Revenue for this business unit grew to \$262 million (\$51 million pcg) incurring a \$7.4 million loss as we established the (now five) operating locations. We remain excited by the opportunity in the heavily fragmented used car market to create a national brand, both physically and digitally, and drive returns.

Refrigerated Logistics

AHG's Refrigerated Logistics division reported revenue of \$598.3 million (\$595.1m pcg) and increased Operating¹ EBITDA margins but Operating¹ PBT fell from \$2.8 million (pcg) to a loss of \$2.0 million primarily due to higher depreciation.

Second half revenue and earnings were significantly impacted by the disruption and uncertainty caused by the offer from HNA to buy the business and by the systems implementation program.

The critical components of the program (the implementation of the Transport Management System, Warehouse Management System and ERP) are now substantially complete. We now have an IT platform that enables a single view of operations, fleet and our customers. This combined with the largest network of refrigerated logistics assets in Australia gives us an opportunity to leverage this platform to drive earnings and deliver superior customer value.

Other Logistics

Revenue in Other Logistics was down 5.0% to \$262.5 million (\$276.2m pcg) and Operating¹ EBITDA of \$7.1 million was down from \$14.2 million (pcg).

KTM and Husqvarna earnings were significantly impacted, primarily by adverse foreign exchange movements and lower wholesale volumes, although the business grew its Australian market share for the combined brands.

The Company has restructured the operations of VSE Solutions and GTB to focus on clearly identified client requirements matched to its specialist workforce and modern facilities.

The AMCAP business was stable and invested in a new partnership venture to create a national specialist coatings division.

Outlook

The year in review has been very challenging for the Company and the franchised automotive sector generally but there are significant opportunities for growth.

As Australia's largest and most diversified retail automotive and logistics group we are well placed to adapt to the changes and leverage the opportunities.

Operating¹ – net of unusual items such as costs and fees in relation to integration, acquisition and disposal related activities, profit/loss on restructure of assets and operations, impairment of assets and non-recurring Refrigerated Logistics costs post-HNA.

The key factors include:

- Opportunities for further aggregation in the automotive sector where we see value;
- Potential medium-term upside from increased finance penetration in Automotive retail;
- Opportunity to continue to take cost out of the retail model by developing more multi-brand hubs and developing shared services;
- Recovery of private buyer demand in WA;
- Generating positive returns from our investment in **easyauto123**;
- Driving improved performance in RL; and
- Other diversification opportunities in the automotive sector.

We remain cautious about the short term outlook given the impact of falling house prices on consumer demand, further potential impact from flex commission changes, and the time taken for the market to recover margins eroded by the current discounting required by the industry to achieve some manufacturer targets.

We expect the effect of these short term pressures on our underlying Operating¹ NPAT will be largely mitigated by some of the abovementioned opportunities, the closure of underperforming businesses, further cost reduction initiatives and improvements in Refrigerated Logistics, Other Logistics and **easyauto123**.

ENDS

About AHG Automotive Holdings Group Limited (ASX: AHG) is a diversified automotive retailing and logistics group with operations in every Australian mainland state and in New Zealand. The Company is Australia's largest automotive retailer, with operations in Western Australia, New South Wales, Queensland and Victoria.

AHG's logistics businesses operate throughout Australia via subsidiaries Rand Transport, Harris Refrigerated Transport, Scott's Refrigerated Freightways and JAT Refrigerated Road Services (transport and cold storage), AMCAP (motor parts and industrial supplies distribution), VSE (vehicle storage and engineering), Genuine Truck Bodies (body building services to the truck industry), Higer Bus (bus and truck importation and distribution), and KTM Sportmotorcycles and HQVA (KTM and Husqvarna motorcycle importation and distribution in Australia and New Zealand).

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Operating¹ – net of unusual items such as costs and fees in relation to integration, acquisition and disposal related activities, profit/loss on restructure of assets and operations, impairment of assets and non-recurring Refrigerated Logistics costs post-HNA.



FY2018 Full Year Results

August 2018



AUTOMOTIVE HOLDINGS GROUP

Disclaimer



This presentation contains forward looking statements that are subject to risk factors associated with automotive retail and logistics businesses.

The Company believes that the expectations reflected in these statements are reasonable as at the date of this presentation but they may be affected by variables and changes in underlying assumptions which could cause actual results or trends to differ materially, including but not limited to: fiscal and regulatory developments, changes in accounting standards, economic and financial market conditions, price or currency fluctuations, actual demand, loss of market, industry competition, environmental risks, physical risks, non-completion of acquisitions or divestments, and project delay or advancement, approvals and cost estimates.

Readers are cautioned not to place undue reliance on any forward looking statements. Past performance cannot be relied on as a guide to future performance.

No representation is made or will be made that any forward looking statements will be achieved or will prove to be correct. We do not undertake to update or revise any forward looking statement, whether as a result of new information, future events or otherwise.

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The views expressed in this presentation may contain information that has been derived from publicly available sources that have not been independently verified. No representation or warranty is made as to the accuracy, completeness or reliability of the information.

References to "AHG" may be references to Automotive Holdings Group Limited or its subsidiaries. All references to dollars, cents or \$ in this presentation are to Australian currency, unless otherwise stated.

The Year in Review

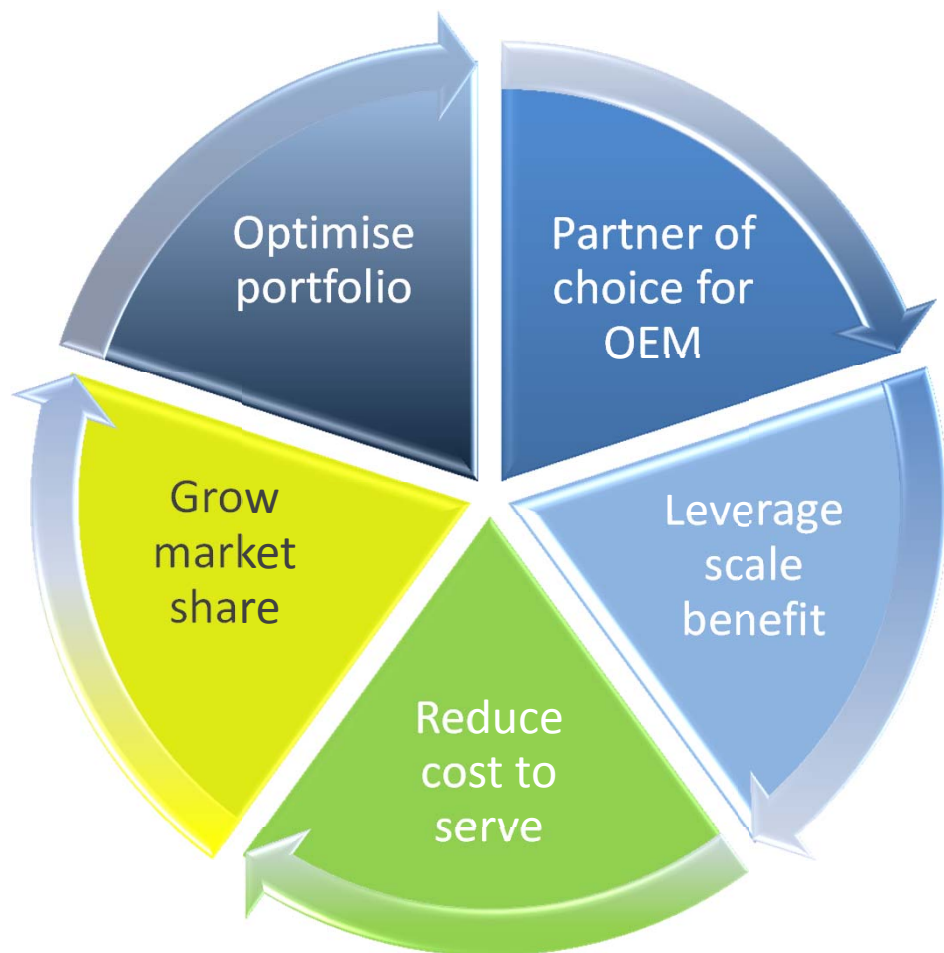


Continuing
Operating¹ NPAT
of \$74.8m, down
14.4% on PCP in line
with recent trading
update

- Record revenue of \$6.5 billion on Automotive market share growth, Trucks performance and **easyauto123** expansion
- Resilient Automotive result in a challenging market
- AHG outperforms broader Automotive market* despite industry headwinds
- Automotive EBIT down 3.7% despite F&I impact of \$29m partially offset by \$12m one-off gain
- Volumes strong but Automotive margin compression also driven by manufacturers and softening consumer demand
- Progress made against strategic objectives in Automotive (see next slide)
- WA private buyer market remains down but offers major upside
- Refrigerated Logistics impacted by HNA sale process and IT system implementation
- Other Logistics impacted by adverse FX on KTM/Husqvarna

*Deloitte market report – August 2018

Delivering against our strategic objectives



Partner of choice

Expand relationships with enhanced customer service and innovation

Leveraging scale

Established national franchised automotive and national truck structure to optimise scale benefit

Cost reduction

Heavy focus on cost reduction, productivity, and shared services opportunities

Grow our market share

Well positioned to continue market aggregation and expand used car platforms

Optimise portfolio

Portfolio review to optimise franchise coverage, business segments and strategic position

Financial Performance



Consolidated Financial Performance	FY2017 (\$m)	FY2018 (\$m)	% change
Operating¹ Performance			
Revenue	6,106.1	6,474.1	6.0%
EBITDA	216.0	208.0	(3.7%)
EBITDA %	3.5%	3.2%	
EBIT	169.0	155.5	(8.0%)
EBIT %	2.8%	2.4%	
Operating Net Profit after Tax	87.3	74.8	(14.4%)
Earnings Per Share (cps)	26.7	22.5	(18.7%)
Interest Cover (times)	4.3	3.6	
Statutory IFRS Performance			
Unusual items	(31.8)	(42.2)	
Statutory Net Profit after Tax	55.5	32.6	(41.2%)
Earnings Per Share (cps)	17.0	9.8	(42.4%)

Revenue movement against pcp

- Automotive up 7.2%
- RL broadly in line with pcp
- OL down

EBIT margin reductions

- Automotive impacted by F&I
- Automotive margin compression driven by manufacturers
- Investment in **easyauto123**
- KTM impacted by FX

Unusual items (pre-tax) of \$60.1m

- Discontinued Automotive operations
- Impairment of RL IT systems assets
- M&A costs and other non-recurring charges

Strong operating cashflow and balance sheet



Balance Sheet Gearing	30 June 2017	31 Dec 2017	30 June 2018
Total Borrowings	1,142.5	1,240.9	1,346.1
Cash & Cash Equivalents	(95.0)	(84.3)	(73.0)
Net Debt	1,047.5	1,202.0	1,273.1
Inventory Finance (Floorplan)	(788.7)	(857.4)	(989.1)
Net Debt – Excluding Floorplan Finance	258.7	344.6	283.9
Interest Cover (times)	4.3	4.0	3.6
<u>GEARING RATIO</u>			
Net Debt + Equity – Excluding Floorplan Finance	1,061.1	1,163.4	1,060.5
Net Debt / [Net Debt + Equity] – Excluding Floorplan Finance	24.4%	29.6%	26.8%

Strong Operating Cashflow

\$147.3m

(\$140.9m PCP)

Over \$30m Invested

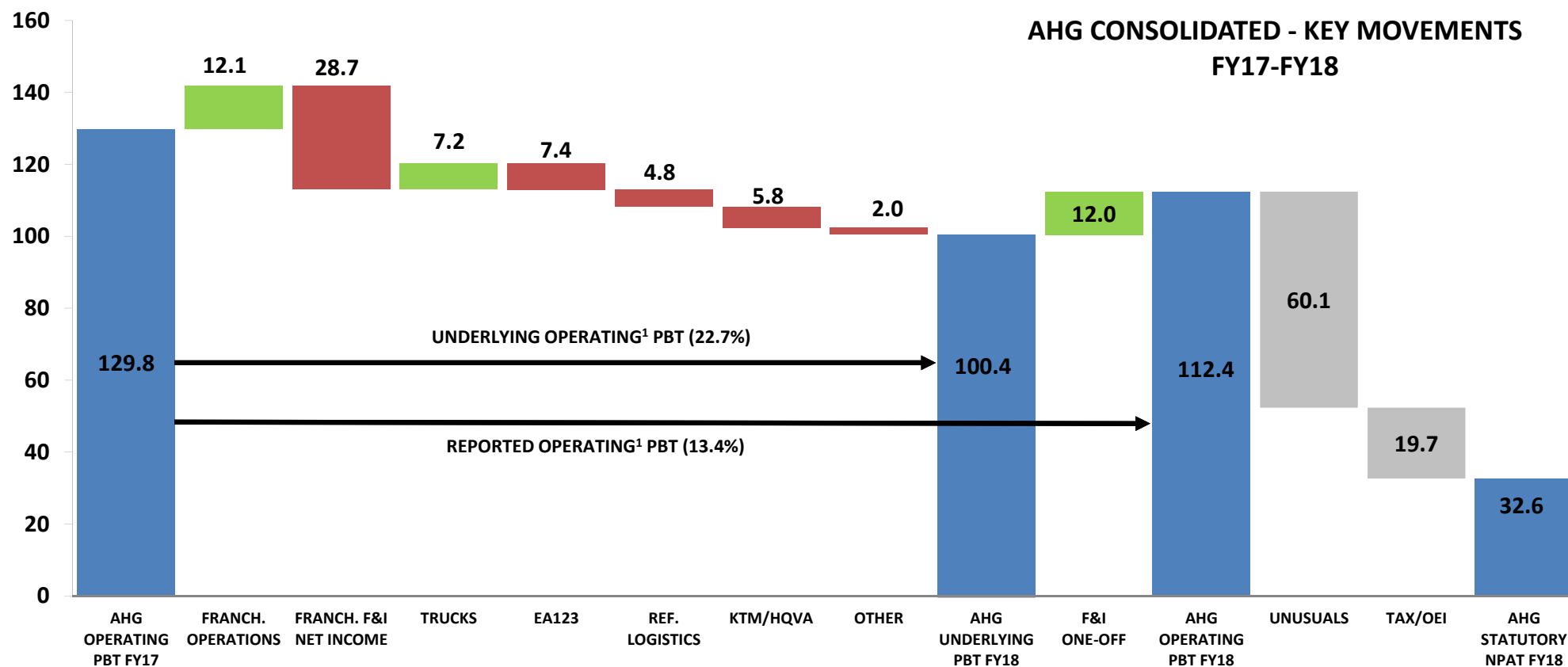
in Automotive Aggregation Strategy

H2 focus on improving working capital and reducing net debt (ex-floorplan)

Investment* in technology and fleet refresh largely complete

*Capital expenditure expected to reduce in FY2019 to circa \$30m

Financial Performance – Key Movements



Reconciliation of Statutory IFRS NPAT to Operating¹ NPAT



	FY2018 \$'000	FY2017 \$'000
Statutory IFRS Profit (net of tax) attributable to members	32,639	55,539
<u>Add back unusual items</u>		
Net costs relating to Refrigerated Logistics transformation	7,013	5,799
Costs relating to restructure of operations and discontinued operations	7,805	9,278
Impairment of non-current assets – IT, plant & equipment, goodwill and franchise rights	25,013	13,647
Costs relating to integration, acquisitions and MD transition	2,290	3,028
Operating¹ Non-IFRS Profit (net of tax) attributable to members	74,760	87,291

AUTOMOTIVE



Franchised Automotive



AHG represents 27 manufacturers, including all of the top 13* selling passenger brands in Australia.

The majority of the Group's dealerships are located within "retail hubs", creating a destination for buyers and generating efficiencies in shared services and fixed operations.

Opportunities exist for further acquisitions.

Current cost-down initiatives offer further opportunity to leverage scale.



Franchised Truck

Standalone division created April 2017.

Strong operating performance.

Significant synergies and opportunities realised by forming a national truck structure.

Strong long-term relationships with leading manufacturers.

Opportunities exist for further acquisitions.



Used Cars and Wholesale



Five fixed price used car warehouse locations operating.

Strong revenue and sales growth.

Strong sourcing channels to access used vehicle stock.

Offers fleet operators and leasing companies a national remarketing platform.

360 Finance is one of the leading vehicle finance brokers in Australia.

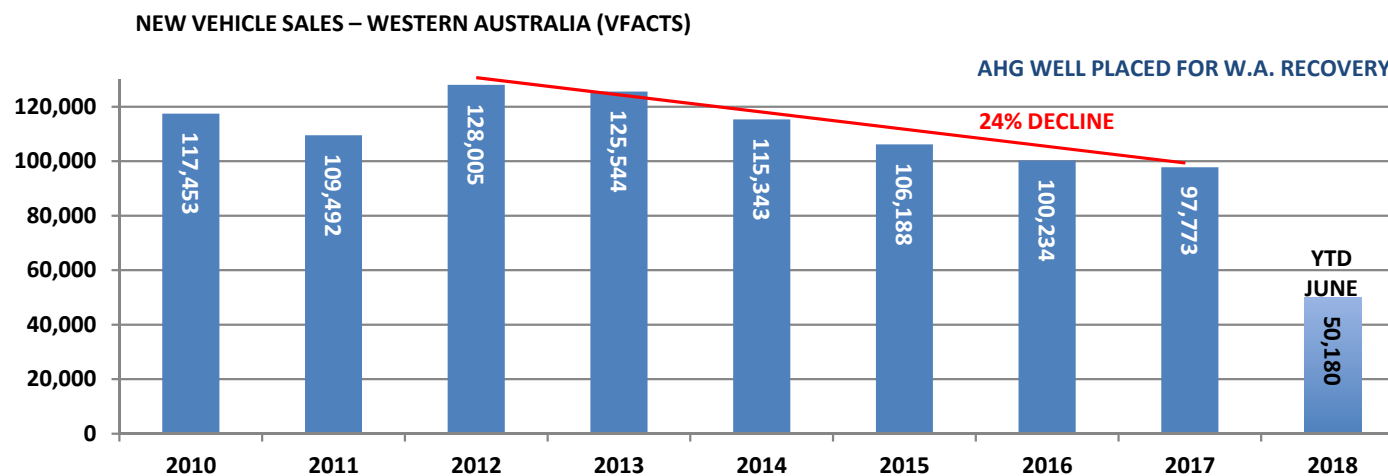
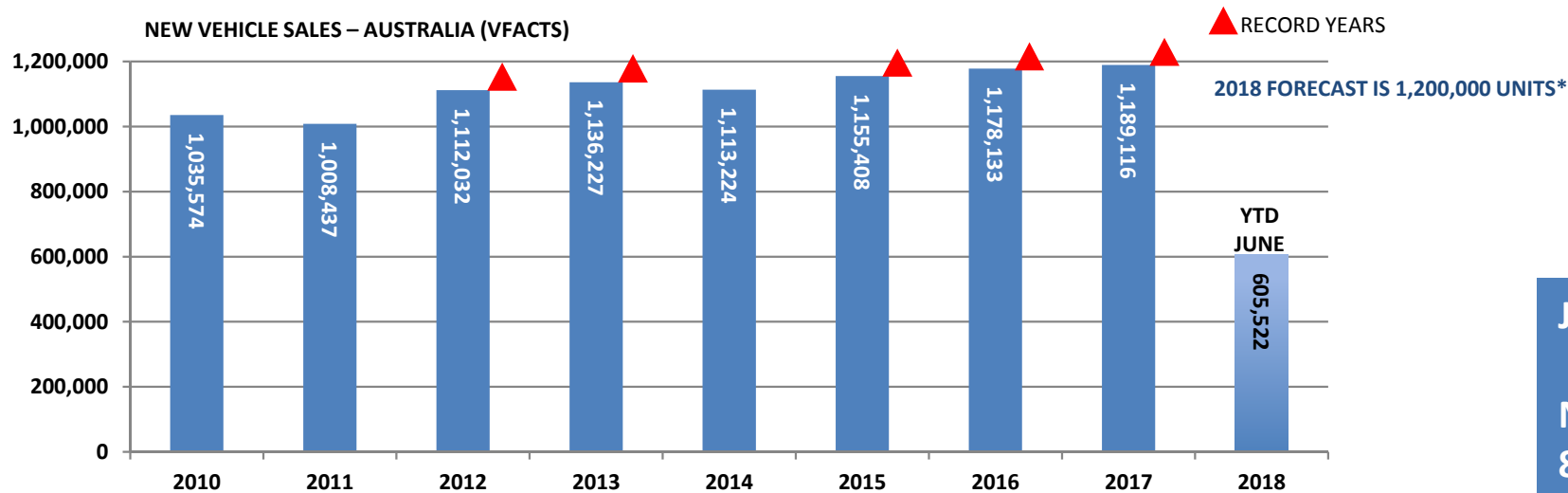
easyauto123

Carlins
EST. 1960
AUTOMOTIVE AUCTIONEERS

360finance



Australian New Car Market Data



July 2018:

National market
85,551 units
Down 7.8% MoM
Down 0.2% YoY

WA market
6,966 units
Down 8.1% MoM
Up 2.4% YoY

*AUTOTEAM AUSTRALIA CONSULTING

Australian New Car Market Data



VFACTS YTD JUNE 2018 - NATIONAL (EXCLUDES TRUCKS)

	Month		YTD		Variance +/- Vol. & %			
	2018	2017	2018	2017	MTH	YTD	MTH	YTD
Private	62,833	68,147	283,076	294,821	-5,314	-11,745	-7.8%	-4.0%
Business	51,244	52,042	249,530	239,433	-798	10,097	-1.5%	4.2%
Gov't	3,528	3,716	19,266	20,217	-188	-951	-5.1%	-4.7%
Rental	8,464	6,387	33,881	28,289	2,077	5,592	32.5%	19.8%

...the Western Australian private buyer market continued to decline despite more positive lead economic indicators.

AHG remains well placed to benefit from the recovery of the private buyer market in WA...

VFACTS YTD JUNE 2018 – WESTERN AUSTRALIA (EXCLUDES TRUCKS)

	Month		YTD		Variance +/- Vol. & %			
	2018	2017	2018	2017	MTH	YTD	MTH	YTD
Private	4,614	4,901	21,376	22,051	-287	-675	-5.9%	-3.1%
Business	4,356	4,028	21,808	19,625	328	2,183	8.1%	11.1%
Gov't	256	463	1,656	2,304	-207	-648	-44.7%	-28.1%
Rental	561	420	3,778	2,830	141	948	33.6%	33.5%

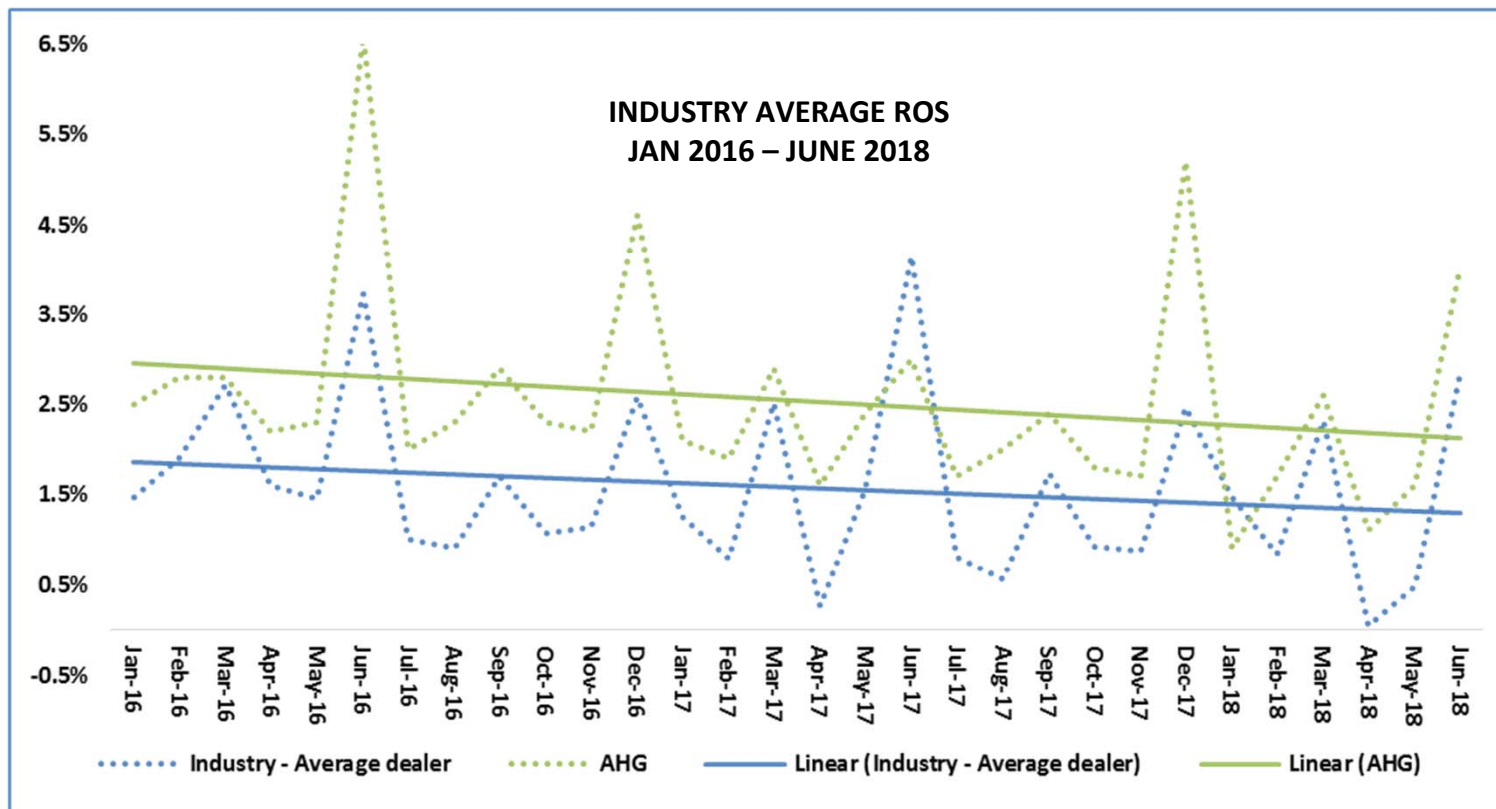
AHG Outperforms Industry Benchmarks



Despite the headline market numbers, return on sales for the average dealer has been declining since 2015.

AHG outperforms the broader market...

Source: Deloitte Market Study
August 2018



AHG outperforms the market in:

- Return On Sales
- Total Gross Margin
- New Gross Per Unit
- F&I Per Retail
- Gross Per Technician
- Service Labour Gross Profit

Automotive

Continued growth from acquisitions, portfolio rationalisation and expansion of used car business



Aug '17	Opened easyauto123 Brooklyn (Melbourne)
Oct '17	Opened Lander LDV Blacktown (Sydney)
Oct '17	Closed Beaudesert Suzuki (Brisbane)
Nov '17	Closed Allpike Citroen and Peugeot (Perth)
Nov '17	Closed Mornington Suzuki
Dec '17	Acquired Hunter Motor Group (Newcastle – five franchises)
Dec '17	Closed Doncaster Fiat and Alfa Romeo and replaced with Infiniti (Melbourne)
Feb '18	Opened easyauto123 Hendra (Brisbane)
Mar '18	Acquired Manukau Hyundai and Auckland Mitsubishi (NZ)
Apl '18	Opened Mazda Connect (Silverdale NZ)
May '18	Acquired Essendon Nissan and Essendon Kia (Melbourne)
Jun '18	Opened Essendon Jaguar Land Rover
Jun '18	Opened Daimler Trucks Laverton
Ongoing	Major redevelopment of Liverpool and Sutherland retail hubs (Sydney)
Ongoing	Major redevelopment of Osborne Park Nissan and Hyundai dealerships (Perth)

Automotive Operating¹ Performance



Operating ¹ Performance	FY2017 (\$m)	FY2018 (\$m)	% change
Revenue	5,234.5	5,612.9	7.2%
EBITDA	171.0	166.1	(2.9%)
EBITDA %	3.3%	3.0%	
EBIT	151.1	145.5	(3.7%)
EBIT %	2.9%	2.6%	
Profit Before Tax	124.2	116.7	(6.0%)

- Revenue growth driven by increased market share, Trucks performance and **easyauto123** expansion
- Automotive F&I (EBIT) impact of \$29m partially offset by \$12m one-off gain
- Automotive margin compression also driven by manufacturers and softening consumer demand
- \$7.4m **easyauto123** investment



Finance and Insurance Impacts

FY2017

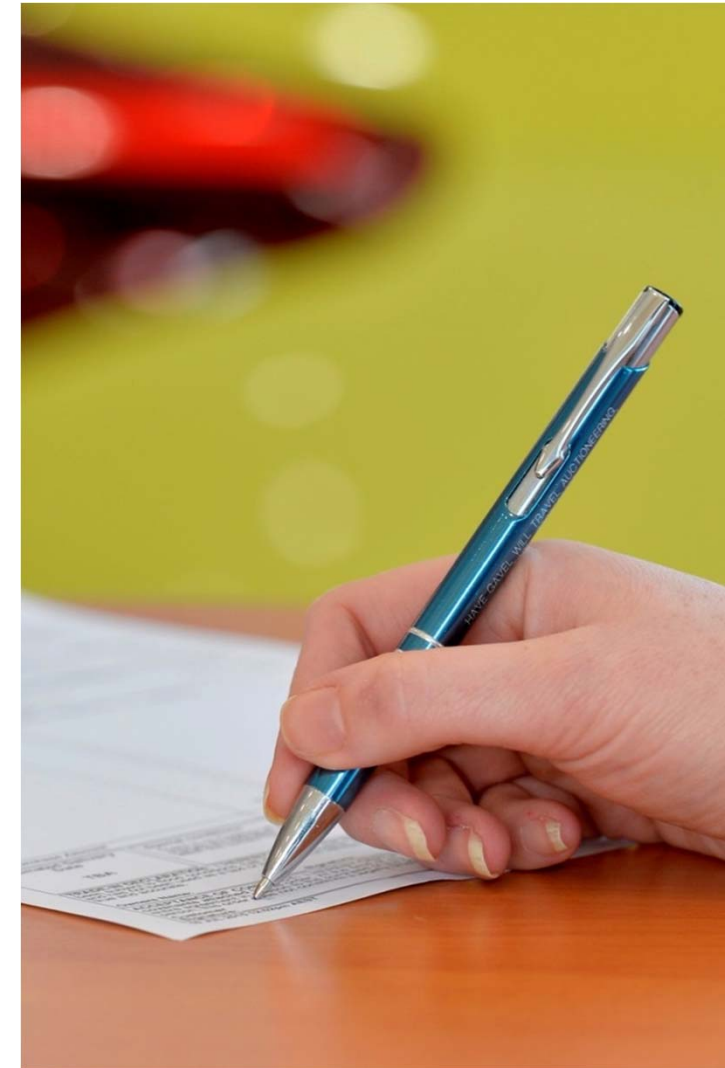
- Restricted lending impacts H2

FY2018

- \$29m impact in FA from reduced add-on insurance commissions and responsible lending restrictions
- Consumer sentiment down on Banking Royal Commission
- Finance penetration down to 34%
- >50% turnover in F&I Business Managers as remuneration models changed

FY2019 onwards

- Stabilised Business Manager churn, better adapted to new F&I
- Uncertainty around flex commission changes (Nov. 2018)
- Opportunity to improve penetration rates
- Introduction of new F&I products



Addressing Automotive Disruption

The opportunities for the Automotive dealer sector are numerous...

- *Ride sharing and car sharing*
- *Autonomous vehicles*
- *Electric and Hydrogen Fuel Cell Vehicles*
- *Mobility as a Service (MaaS)*
- *Consumer behaviour and tilt to online purchasing*

...AHG's scale and infrastructure enables us to continue to explore opportunities and to play an ongoing role in sales, service, warranty repairs and trade-in.



REFRIGERATED LOGISTICS



Australia's Largest Service Provider



Australia's largest temperature-controlled transport and cold storage business

- National distribution network
- ~ 600 prime movers
- ~ 1,260 refrigerated and curtain-side trailers
- ~ 500 rail containers
- ~ 4,000,000 kms covered weekly
- ~ 175,000 pallets storage



Refrigerated Logistics – Operating¹ Performance

Operating ¹ Performance	FY2017 (\$m)	FY2018 (\$m)	% change
Revenue	595.1	598.3	0.5%
EBITDA	35.1	37.7	7.6%
EBITDA %	5.9%	6.3%	
Profit Before Tax	2.8	(2.0)	(169.6%)

- H2 earnings disrupted by HNA sale process at both management and customer level
- Systems implementation program substantially complete
- Increased depreciation charge from investment in new facilities and equipment



Critical components of the implementation now substantially complete:

- Transport Management System
- Warehouse Management System
- ERP
- IT platform enables a single view of operations, fleet and our customers
- Largest network of refrigerated logistics assets in Australia
- Opportunity to leverage this platform to drive earnings and deliver superior customer value

Relentless operational focus to deliver return on investment and create optionality

OTHER LOGISTICS



FY2018 in review

- YOY revenue growth in Mining/Industrial business
- Stabilisation of truck parts business
- Launched national coatings business
- All significant 3PL contracts renewed
- Awarded five-year contract for first significant East Coast 3PL agreement
- ISO 9001 re-certification



KTM / HUSQVARNA

FY2018 in review

- Increased market share in a softer national market (Australia)
- New Zealand market share stable
- Stable dealer network with 111 Dealer points
- Strong growth in “Adventure” segment (+4% market share)
- Positive sales impact from “Adventure Rallye” events
- Both KTM and Husqvarna capturing international motorsports attention



GTB / VSE

FY2018 in review...

- Major contracts with national fleets
- Complementary to AHG Trucks business
- Restructured to focus on clearly identified client requirements
- Business matched to its specialist workforce and modern facilities



Other Logistics – Operating¹ Performance

Operating ¹ Performance	FY2017 (\$m)	FY2018 (\$m)	% change
Revenue	276.2	262.5	(5.0%)
EBITDA	14.2	7.1	(49.9%)
EBITDA %	5.1%	2.7%	
Profit Before Tax	10.5	3.8	(64.1%)

- KTM/HQVA impacted by adverse FX
- AMCAP business stable
- GTB/VSE restructured



Group Outlook



Near-term uncertainty in the broader automotive retail sector from F&I changes, tighter consumer credit and falling house prices.

Potential medium-term upside from increased finance penetration.

Cost-out opportunities in automotive retail.

Optimistic medium to longer term outlook based on AHG's scale and diverse business operations.

Opportunities for further aggregation in the automotive sector where we see value and as vendor expectations become more realistic.

Recovery of private buyer demand in WA.

Car affordability remains at attractive levels.

Further diversification opportunities in the automotive sector.

Generating returns from the investment in **easyauto123**.

Driving improved performance in RL and OL business units



AHG Scale Driving Shareholder Value



Ensure our existing businesses deliver	Focus on our people
<ul style="list-style-type: none">• Sales and marketing initiatives in Automotive• Continued focus on cost controls and margin improvement• Remuneration aligned with Shareholder interests	<ul style="list-style-type: none">• Continued investment in training and development• Experienced senior management teams across all divisions• HR strategy aligned to performance measurement, diversity, employee enablement and HR systems
Investment in facilities and technology	Concentrate on sustainable growth
<ul style="list-style-type: none">• Continued Greenfield developments where appropriate to establish new sites and increase franchise penetration• Property upgrades as justified• Core technology infrastructure investment to mitigate risk and enhance performance	<ul style="list-style-type: none">• Manage balance sheet capacity to ensure ability to fund growth• Focus on RL to realise business efficiencies• Apply AHG's proven auto dealership model to acquisitions and Greenfield sites• Ensure strategies create opportunities to enhance value to Shareholders



AUTOMOTIVE HOLDINGS GROUP