

MAY 2019 MARKET UPDATE

ARB CORPORATION LIMITED

Presented by: **Damon Page**
Chief Financial Officer

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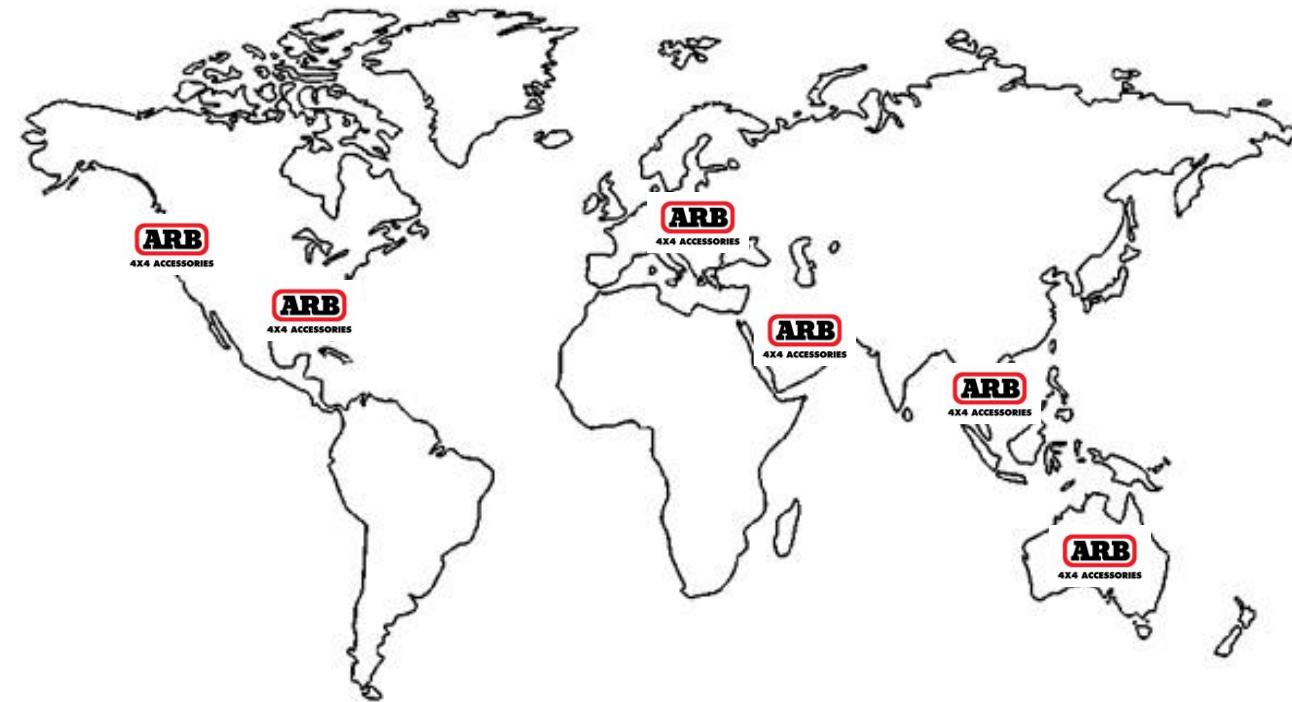
1. ARB Introduction

- The Company commenced operations in 1975.
- ARB listed on the Australian Securities Exchange in 1987.
- ARB is an ASX200 company with a market capitalisation of ~\$1.45 billion.
- ARB designs and manufactures automotive accessories for 4WD and light commercial vehicles which are sold across Australia and around the world.



- ARB has remained focused on its core business since its establishment.

2. Overview of Operations



- Annual sales of ~\$440m
- 1,600 employees worldwide
- Authorised distributors in all key international markets
- 70 engineers in Australia, Thailand and the USA
- Global bonded warehouse in Thailand close to completion

Global presence with operations located in all key regions:

- Manufacturing in Australia (Melbourne & Adelaide) and Thailand (Rayong)
- Sales, warehousing and fitting facilities across Australia
- Sales, marketing and distribution centres in Thailand (Rayong), USA (Seattle & Jacksonville), Czech Republic (Prague) and UAE (Dubai)

3. Financial Highlights: 1H FY2019

Sales Revenue of \$217.6m <i>Up 5.6%</i>	• Sales growth in all key parts of the business • Sales growth holding up in tougher trading conditions
Profit before Tax of \$37.5m <i>Up 5.1%</i>	• Growth broadly in line with sales revenue growth • Impacted by weaker Australian dollar ARB produces >50% of its manufactured product in Thailand where the Thai Baht has strengthened materially
Profit after Tax of \$27.3m <i>* Up 3.1%</i>	• Profit after Tax impacted by a higher proportion of Group profits generated in higher taxing jurisdictions * Actual recorded growth of 16.5% adjusted for one off provision for taxes reported in the prior year

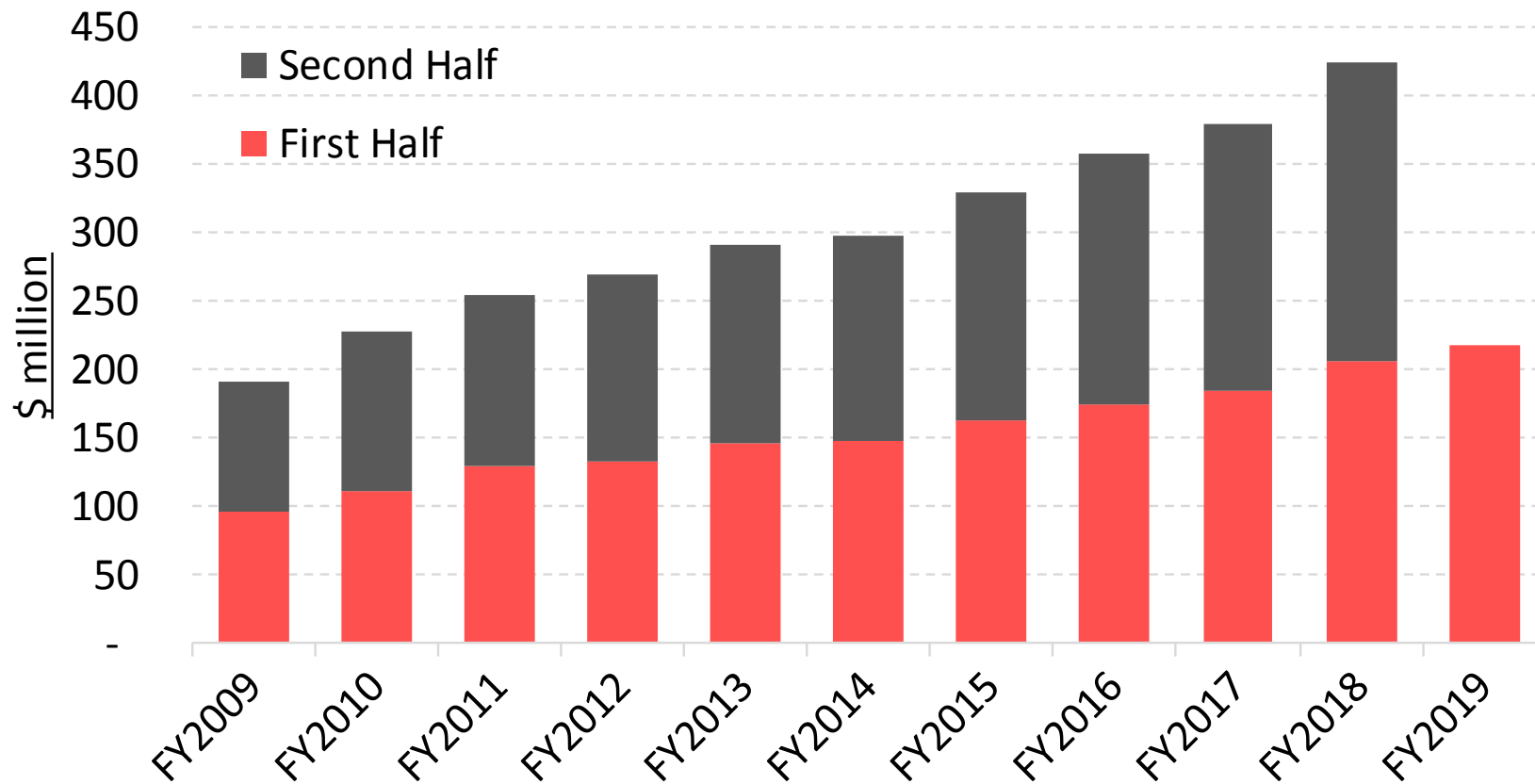
3. Financial Highlights: 1H FY2019

Operating Cash Flows of \$21.2m <i>Up 33.7%</i>	• Conversion to cash of Profit after Tax impacted by increased investment in inventory of \$17.9m
Net Debt of \$nil <i>Maintained</i>	• No net debt, consistent with June 2018 • Well placed to react to opportunities
Interim Dividend of 18.5 cps <i>Up 5.7%</i>	• Fully franked dividend • ~20% take up in the Dividend Reinvestment and Bonus Share Plans

4. Performance – Last 10 Years

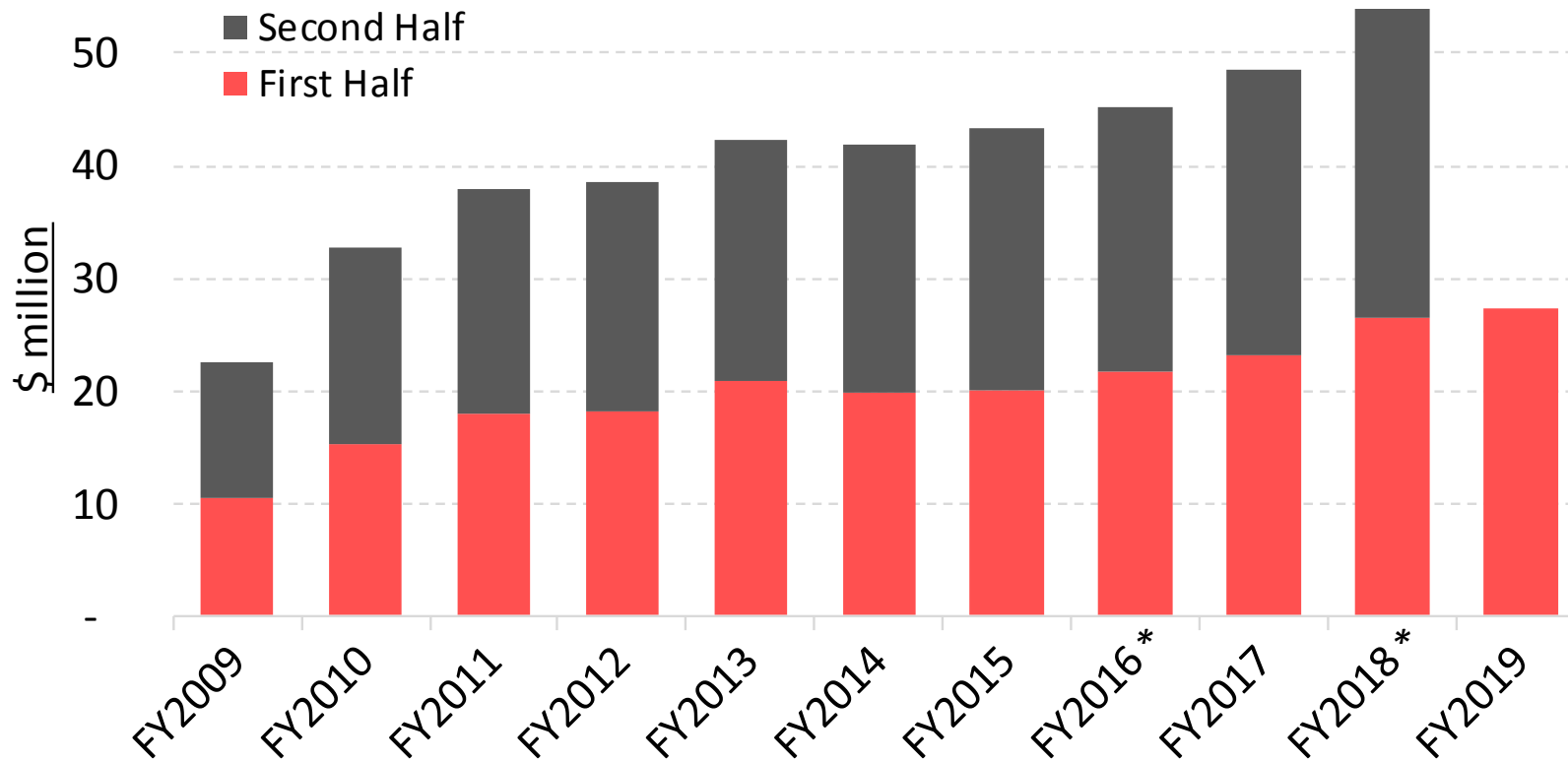
Sales Revenue:

10 Year CAGR: 9.5%



4. Performance – Last 10 Years

Profit after Tax: 10 Year CAGR: 10.6%

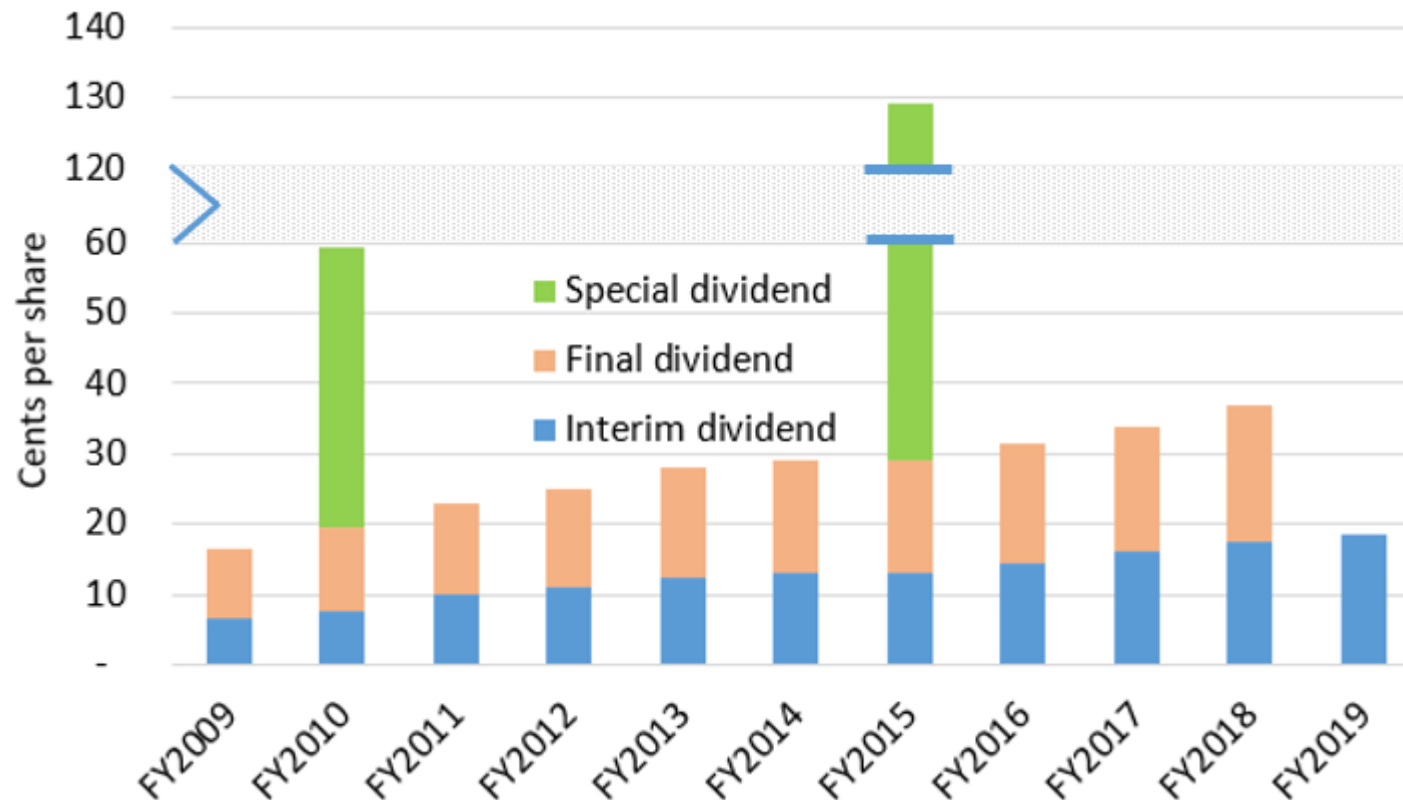


* Excluding property sale in FY2016 and multi year tax adjustment in FY2018.

4. Performance – Last 10 Years

Dividends per Share

- Dividends paid have grown steadily over the last 10 years.
- Special dividends were paid in FY2010 & FY2015.
- Dividend Reinvestment and Bonus Share Plans currently in operation.



4. Performance – Last 10 Years

Capital Expenditure

ARB has made significant capital investments over the last 10 years to increase its sales, distribution and manufacturing capacity.

CAPITAL EXPENDITURE (\$million)			
	<u>Land & Buildings</u>	<u>Plant & Equipment</u>	<u>TOTAL</u>
FY2009	0.1	3.6	3.7
FY2010	0.8	4.8	5.6
FY2011	3.9	5.6	9.5
FY2012	4.9	7.0	11.9
FY2013	7.0	8.0	15.0
FY2014	10.3	6.0	16.3
FY2015	32.8	13.7	46.5
FY2016	3.2	12.7	16.0
FY2017	10.6	9.7	20.4
FY2018	28.0	12.1	40.1
	<u>101.7</u>	<u>83.2</u>	

Includes:

Head office & manuf site, retail stores, manuf equipment

Manufacturing equipment

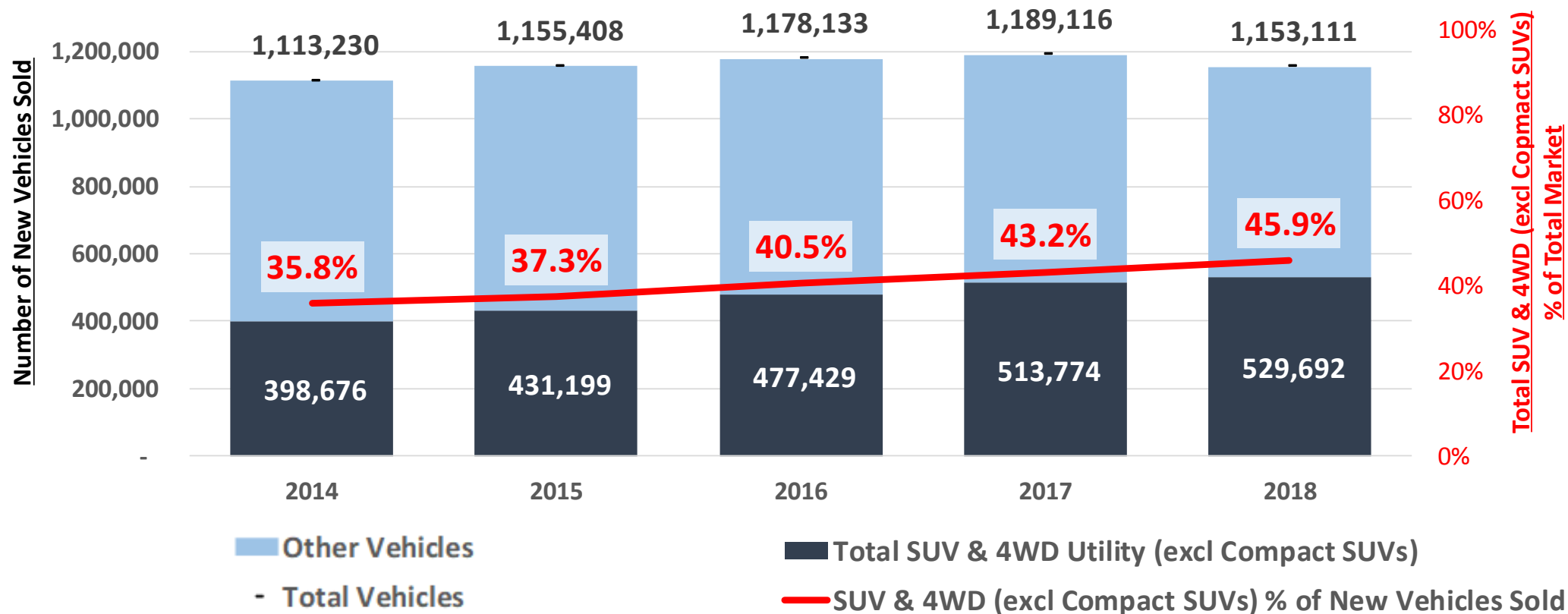
Land for Thai warehouse

Keysborough warehouse and retail stores

5. Australian New Vehicle Sales

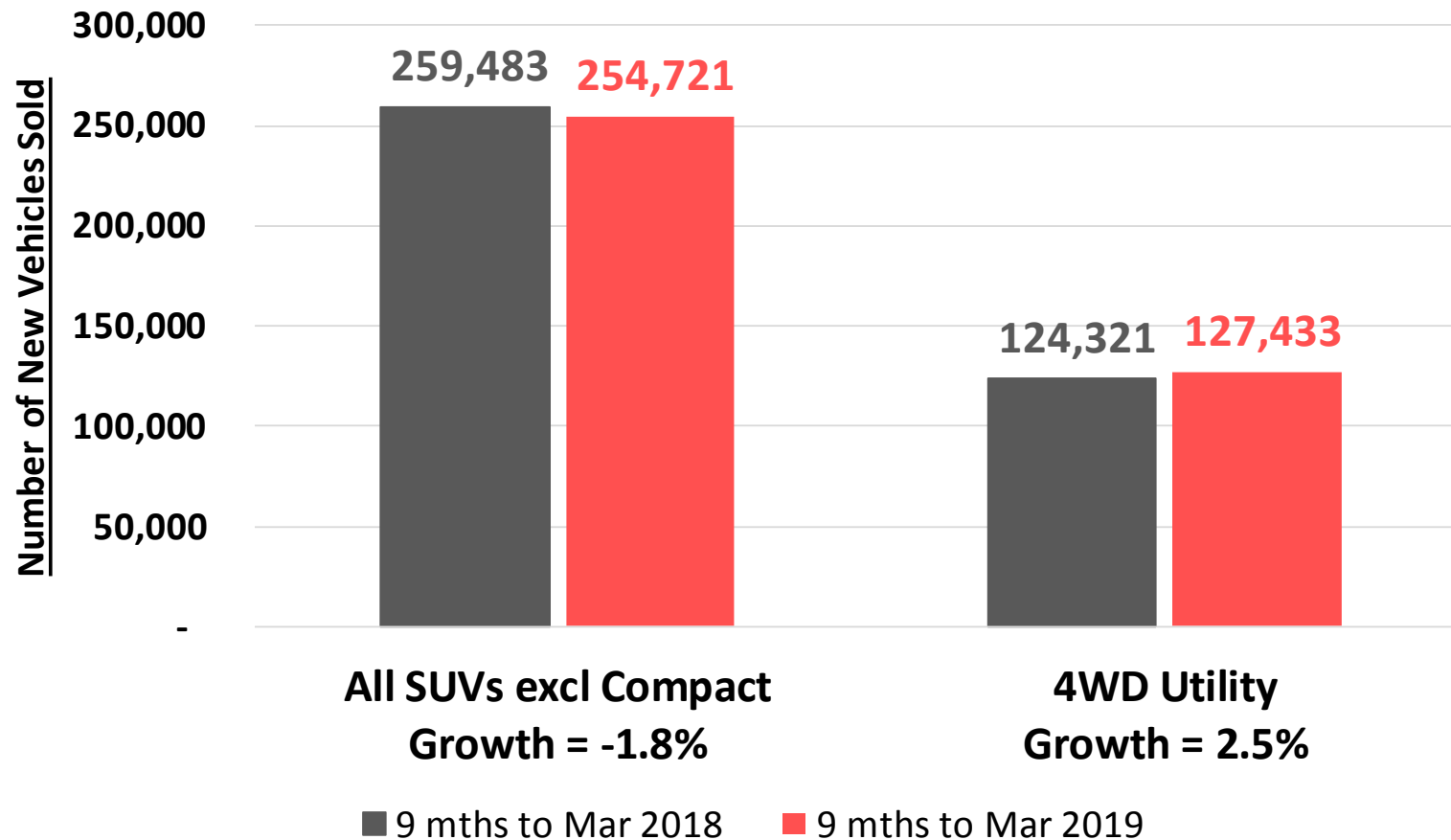
4WD Utilities and 4WD Sport Utilities (SUVs) have increased from 35.8% of new vehicles sold in 2014 to **45.9% of new vehicles sold in 2018**.

Nb: Compact SUVs are excluded from the SUV numbers on this slide and the next as they are not typically accessorised.



5. Australian New Vehicle Sales

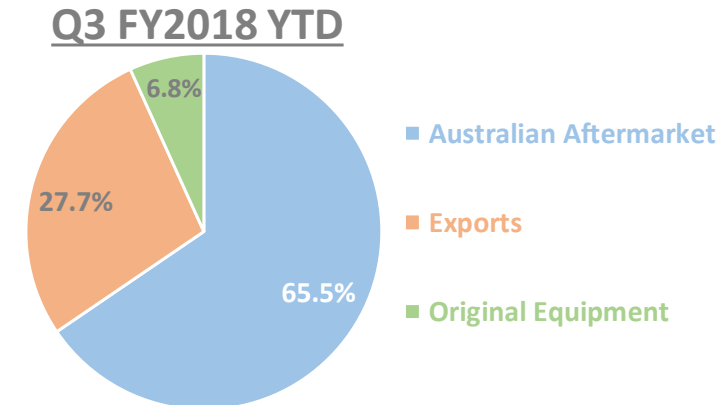
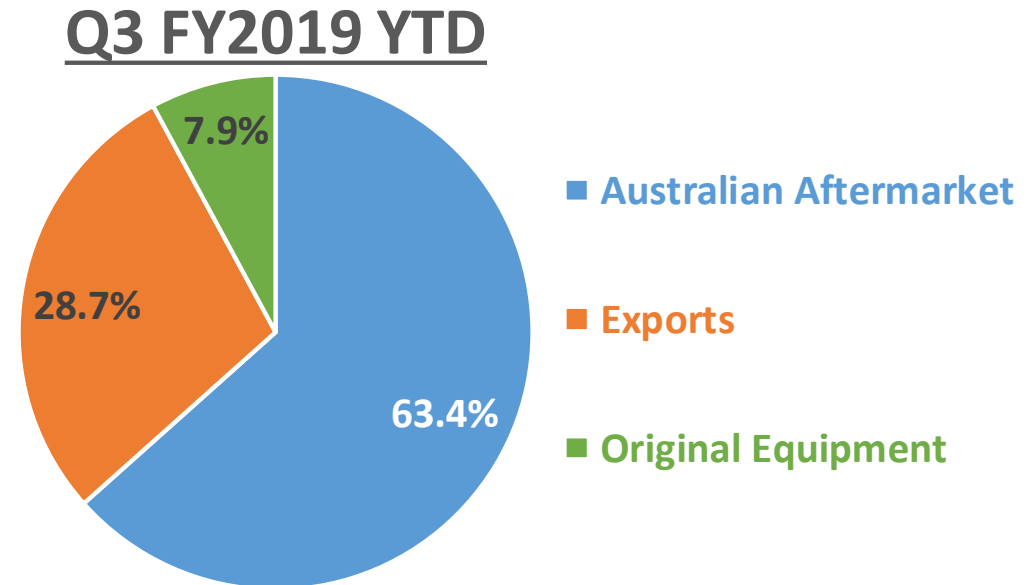
4WD categories most important to ARB: Financial YTD – 9 mths to March 2019



- ARB's largest groups of customers own Medium to Large SUVs and 4WD Utilities (typically diesel dual cabs).
- SUV growth is slightly negative & 4WD utilities growth is slightly positive – this compares with total new vehicle sales which is trending negative.

6. Sales by Market Segment: Q3 FY2019 YTD

- **Australian Aftermarket** **+2.2%**
(includes: ARB Aftermarket, SmartBar, Kingsley Enterprises, GoActive Outdoors)
Growth in all states except Qld
 - 63.4% of Group sales
 - **Export** **+9.2%**
Solid growth in all regions, partially assisted by weaker Australian dollar
 - 28.7% of Group sales
 - **Original Equipment** **+23.0%**
Strong growth with new contracts commenced
 - 7.9% of Group sales
- » **TOTAL SALES GROWTH** **+5.5%**



6a. Australian Aftermarket

Q3 YTD FY2019: Sales growth of 2.2%, represents 63.4% of total Company sales

- Moderate growth reflecting wider current Australian retail experience and some uncertainty in the economy.
- Western Australia, South Australia, Victoria & Tasmania all achieved above average growth whilst NSW was flat and Queensland is only marginally behind last year.
- Fleet sales are performing very strongly whilst retail sales and sales to stockists have achieved average growth. Sales to dealers are flat on last year.
- The ARB sales network includes 65 branded stores of which 25 are Company owned and 40 are independently owned.
- ARB also distributes through independent 4WD specialists, new vehicle dealers and fleet operators.
- ARB has established State Offices and warehouses in each state of Australia to efficiently service customers including national fleet operators.

6a. Australian Aftermarket

- GoActive Outdoors, Kingsley Enterprises and SmartBar are an integral part of the Company's domestic sales, servicing different segments of the Australian Aftermarket.
- The Company continues to roll out the new ARB store format.
- The new ARB store format has been embraced by independent store owners with significant investment confirming their confidence in the brand.
- Strong social media presence in Australia.
- Strong marketing initiatives in place:
 - Old Man Emu campaign
 - Catalogue campaign
 - Re-launch of the *Just Gotta Ask* campaign

6b. Export

Q3 YTD FY2019: Sales growth of 9.2%, represents 28.7% of total Company sales

- Export sales growth was achieved from Australia and from each of the international subsidiaries located in the USA, Europe, Asia and the Middle East.
- Reported sales growth was assisted by the weaker Australian dollar.
- Each of the international subsidiaries is now benefiting from strong and settled management teams.
- Engineering resources allocated to increase the product range & speed to market.
- ARB continues to invest actively in infrastructure, marketing and support for key export markets.
- Increasing tariff and non-tariff barriers to global trade are carefully monitored.
- Export regions are presenting new opportunities albeit economic conditions remain uncertain in some export markets.

6c. Original Equipment Manufacturers (OEMs)

Q3 YTD FY2019: Sales growth of 23.0%, represents 7.9% of total Company sales

- Strong growth through new OEM contracts, previously communicated.
- ARB develops products in partnership with the OEMs. These products typically carry the OEM brand.
- Manufacture of new OEM products in the Company's factories commenced during the year.
- OEM products contribute to factory recoveries albeit at lower margins.
- Two new OEM customers were added during the course of the year.
- New domestic and international OEM contracts to commence in the next financial year.
- The current order bank for OEM sales is strong and ahead of this time last year.
- ARB continues to pursue OEM opportunities overseas.

6c. Original Equipment

Original Equipment Manufacturers are heavily backing the SUV & 4x4 space

Toyota Hilux



"AWAKEN YOUR UNBREAKABLE"

Nissan NP300



"INNOVATION THAT EXCITES"

Ford Ranger Raptor



*"BREAKS EVERY RULE
RULES EVERY TERRAIN"*

Jeep Wrangler



"BORN TO BE WILD"

7. Product Development

- Product development is a core focus and the key to maintaining long term competitive advantage and sales growth.
- The R&D department includes a team of 45 development engineers, supported by 25 production engineers in both Australia and Thailand.
- The Company spent \$9.5m on R&D during FY2018, a 31% increase on FY2017.
- R&D expenditure represented 2.2% of total sales revenue.
- ARB's development team works closely with OEMs and develops products in partnership.
- ARB products now accommodate park assist sensors and radar and cameras used for adaptive cruise control, emergency braking and lane departure.
- A number of projects are underway developing new and unique products under the ARB and Old Emu brands.

7. Product Development

JL Wrangler

- ARB air freighted a left hand drive from the US to Australia to ensure timely product development.
- ARB's full range includes four bull bars, roof rack system, rocker rails, rear bar, suspension systems, air lockers and snorkel.



ARB JL Jeep on display at Easter Jeep Safari 2019 in Moab, Utah, USA

7. Product Development

Suzuki Jimny

- Popular smaller 4WD with strong heritage.
- Suzuki released its new model which retained the popular retro look of the previous model.
- ARB's range includes front bull bar, roof rack, rocker rails, suspension systems and air lockers.



7. Product Development



ARB Intensity V2

- Rebirth of the iconic driving light
- Incorporates the latest optic and LED technology.



ARB Classic Fridge Freezer II

- Remote display and control via the ARB LINX device or Smartphone with more functions on the horizon.
- Gun-metal fridge body and new colour scheme.



7. Product Development – Other Branding

SMARTBAR



Stealth Bar

A recyclable polyethylene polymer light weight alternative to traditional bull bars.

BUSHRANGER



Revo Winch

Features 4 stage oversize gearing & zero drag braking.



Night Hawk Driving Lights

Includes brightness control function and innovative cooling ducts.

THULE

Active with Kids

Expanded Thule range incorporating Active with Kids.



Thule Chariot

Multisport carrier
4 seasons, 4 activities, 1 carrier



Thule Glide 2

Jogging stroller
Designed for runners



Thule Urban Glide 2

All-terrain stroller
For active families on the go



Thule Sleek

City-stroller
City strolling in style



8. Production

- ARB continues to invest in new machinery including purchases of robot welders, laser cutters, brake presses and CNC lathes this year for both Australia & Thailand.
- Production is close to capacity at both sites.
- The key focus continues to be maintaining the highest quality possible whilst increasing manufacturing efficiencies.
- Production capacity will increase with the expected completion in the first half of the next financial year of ARB's new 20,000 sqm free-trade zoned global warehouse facility in Thailand.



9. Financial Position

- The Company has managed its investments in increased working capital and plant and equipment purchases through cash flows generated from operating activities.
- The Company maintained its position of no net debt at December 2018.
- The introduction of *AASB 16 Leases* will gross up the balance sheet at financial year end through the recognition of a liability and corresponding asset for existing property operating leases.
- The Company is well placed to take advantage of investment opportunities with a strong balance sheet.

10. Growth Strategy

Product Development

- Continuing to develop new and world leading products.

Sales & Distribution Network

- Expanding the Company's store network across Australia.
- Upgrading the presentation of stores across the network – both Company owned and privately owned stores in Australia.
- Developing the international distribution network.
- Increasing the efficiency of the global distribution network via the central global distribution warehouse in Thailand.

Investment

- Selectively acquiring complementary new products or businesses.
- Investing in more efficient production equipment.

11. Outlook

- ARB expects to establish 1 new ARB store between now and the end of the financial year with several more planned in FY2020.
- Prospects are encouraging for sales to Original Equipment manufacturers and Export sales, whilst domestic sales are expected to record lower growth in the current economic environment.
- The new global warehouse in Thailand will substantially increase warehousing and production capacity.
- The Board sees opportunities for growth in both the domestic and export markets, although we remain cautious given the instability and volatility of the current global economic environment.

Disclaimer

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