

29 November 2019

Autosports Group Limited
2019 Annual General Meeting
CEO Address

Ladies and Gentlemen

Thank you for your interest in Autosports Group and your attendance here today.

I would like to start today by thanking the Autosports Group team and my fellow board members for their support throughout the past twelve months.

FY2019 overview

FY2019 was challenging but we persevered despite a number of influences that were outside our control. These included sub-optimal market conditions, a federal election, reduced consumer confidence, stock delays, quarantine issues and regulatory reform. In response, we controlled our expenses and managed our stock to position us for a better FY2020.

In terms of financial results, the Group results were solid in the circumstances. Normalised revenue was positive at \$1.76bn (2018: \$1.75bn). Normalised EBITDA was \$51.1m, down 16% against the previous year (2018: \$61.0m).

We declared a final dividend of 3 cents per share bringing the total dividend for FY2019 to 5 cents per share.

Continued growth

Our business continues to grow with a focus on both greenfield projects and acquisitions. Both areas have strategic and operational advantages. The Group is the first automotive group to have three key luxury brands to be represented in the same state (Audi, Mercedes-Benz and BMW) and we are continuously working towards bringing new businesses on board.

In FY2019 we opened three greenfield sites including Canterbury MINI Garage and Gold Coast Maserati and Bentley dealerships.

Whilst market conditions have not been conducive to strong consumer demand, they have created an environment for well-priced acquisitions. We acquired an established collision repair business, Mosman Smash Repairs on the Northern Beaches in November 2018. Then there was the strategic acquisition of Sydney City Prestige and Auto Approve in August 2019. Sydney City Prestige is a luxury used car wholesale business that complements our existing luxury used car business Prestige Auto Traders. Auto Approve, which was acquired as part of this acquisition, is a finance brokerage firm that leverages the Group's existing Australian Credit Licence to offer finance and insurance products.

In Sydney's North Shore, the Group acquired the business and assets of Mercedes-Benz Hornsby with completion taking place in early September 2019. As mentioned above, we are delighted to be the first Australian automotive group to hold all three key luxury brands of Audi, BMW and Mercedes-Benz in the same state.

Most recently, we entered into an agreement to purchase the business operated by Trivett at Alexandria, comprising 6 luxury and super luxury automotive dealerships including Jaguar, Land Rover, Rolls-Royce, McLaren, Bentley and Aston Martin.

For FY20, the Trivett business is expected to contribute \$80 million in revenue and \$1.2 million in NPBT.

With the acquisition of Trivett Alexandria business comes the addition of five new brands to Autosports Group's portfolio. This really strengthens our bespoke brand offering in Australia and delivers on our focused strategy of luxury vehicles in East Coast metropolitan areas.

Our balance sheet tangible assets has improved with three property acquisitions in the last circa 18 months. Firstly, we bought the property that houses our Mercedes-Benz Macgregor dealership in Queensland and the adjoining property. More recently, we bought the Mercedes-Benz Hornsby land bringing our property portfolio to approximately \$31 million in value.

Our businesses operate in Queensland, New South Wales and Victoria from around 70 leased premises with a weighted average lease expiry (WALE) of 6.22 years. As a result, the Group’s leasehold profile will influence FY2020 statutory results due to the application of new leasing standard AASB16.

AASB16

Implementation of AASB16 Leases will change reported results, however will have no economic impact on the Group, its cashflows, debt covenants or shareholder value. The estimated impact, which is contingent on changes to lease portfolio in FY2020, is as follows.

Income statement	Impact on statutory accounts \$M
EBITDA	\$33 - \$37
NPBT	(\$2) - (\$3.5)
NPAT	(\$1.4) - (\$2.5)

Balance sheet	
Total assets increase	\$126m - \$133m
Total liability increase	\$140m - \$148m

Cash flow	
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No impact to net cashflows
 Increase in operating cashflows offset by increase in cash used in financing activities.

Adoption date and comparatives	
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- AASB16 will be adopted from 1 July 2019
- HY20 and FY20 Investor Presentations will include a bridge between the results under the new and old standards

Market Conditions

Over the first 4 months of the 2020FY difficult trading conditions have continued in the new car market which is trading down 8%. The total market has now fallen for 19 consecutive months.

The luxury vehicle market, which accounts for 85% of Autosports new vehicle revenue, has fared slightly better than the overall market growing by 2% in the period July to October 2019.

This growth vs pcp has been supported by the cycling of one-off factors in the 2019FY such as the implementation of the WLTP emission testing procedures and product delays from Europe. Mercedes-Benz and BMW have grown during the period and the declines in Audi have slowed as its important Q7 model returned to the market in late August.

With November still to close and the important December trading month still to run uncertainty remains in the area of new car revenue and OEM KPI bonus achievement.

Used vehicles, and our back-end revenue streams of service, parts and collision repair continue to trade as expected during the 2020FY. Our new Silverwater Collision Repair development is on track and is anticipated to open in February 2020.

The recent acquisitions of Sydney City Prestige and Mercedes-Benz Hornsby have been integrated into the business and have traded as expected.

The acquisition of the Alexandria Land Rover, Jaguar, Rolls-Royce, Bentley, Aston Martin and McLaren business is progressing well with settlement expected within the next weeks.

Overall, we remain cautiously optimistic that the improved conditions within the luxury new car market will continue.

On behalf of the Board and senior management I would like to take this opportunity to publicly thank our dedicated and incredibly hardworking employees for their contribution to our achievements over the last twelve months.

Thank you.
