

Operating Specialised Automotive Aftercare and Accessory Companies


























2018 FULL YEAR RESULTS PRESENTATION | 28 AUGUST 2018

AMA Group Overview

An ASX300 Company, AMA Group is the Australian leader in the automotive aftercare and accessories market

- Well-positioned for organic and inorganic growth opportunities, especially in Vehicle Panel Repair with close relationships with work providers
- Proven track record of successful business enhancement through targeted acquisitions and partnering with insurers to open exclusive “greenfield” sites backed by a long term contract with an attractive payback period
- The business model in Vehicle Panel Repair effectively provides an “annuity” income stream

ACAD					
	VEHICLE PANEL REPAIR	MANUFACTURING	DISTRIBUTION	REMANUFACTURING	PERFORMANCE & WORKSHOP
BRANDS	 Mr. Gloss <small>Victoria's Leading Prestige Smash Repairer</small>	 ECB <small>WORLD'S BEST ALLOY BULLBARS</small>	 KT ACCESSORIES <small>Connecting Through Innovation!</small>	 FLUIDRIVE <small>BETTER THAN NEW</small>	 ROG SYSTEMS <small>DIESEL 4WD PERFORMANCE UPGRADES FOR TOURING & TOWING</small>
	 BMB <small>PRESTIGE COLLISION REPAIRS</small>	 CUSTOM ALLOY <small>World's Leading Manufacturer of Truck Bullbars</small>	 AUSTRALIA Alianco <small>AUTO ELECTRICS MADE EASY</small>	 asnu <small>Transmission Products</small>	 DEERING AUTRONICS <small>'your auto electrical experts'</small>
	 REPAIR MANAGEMENT	 CSM	 qest@		
	 Shipstone <small>ACCIDENT REPAIR SPECIALISTS</small>	 UNEK4 <small>OFF ROAD ACCESSORIES</small>	 KT SOLAR		
	 HARVEY <small>PRESTIGE</small>	 AMA <small>ALLOY MOTOR ACCESSORIES</small>	 Dolium <small>Manufacturing Division of Automotive Products Ltd</small>		
	 RAPID <small>REPAIR PROCESS MANAGEMENT</small>	 4SG4X4			
	 RPM <small>REPAIR PROCESS MANAGEMENT</small>				
	 MICRA <small>ACCIDENT REPAIR CENTRE</small>				

June 2018 Full Year Results

	JUNE 18	JUNE 17 ³	CHANGE
Revenue – continuing operations : Reported (\$'000)	509,756	382,165	33.4%
EBITDA - continuing operations : Reported (\$'000)	43,633	37,205	17.3%
EBITDA - continuing operations : Normalised ¹ (\$'000)	52,156	41,072	27.0%
Basic EPS - continuing operations : Reported (cents)	2.88	3.32	(13.2)%
Basic EPS - continuing operations : Normalised ¹ (cents)	4.59	3.97	15.7%
Current ratio (times)	0.95	0.81	16.8%
Current ratio adjusted for non cash items (times)	1.02	0.91	12.1%
Gearing ratio	11.5%	5.5%	6.0%
Net Operating Cash Flows (\$'000)	24,474	12,987	88.5%
Cash Earnings (\$'000) ²	32,878	31,041	5.9%

AMA HAS DECLARED A FINAL DIVIDEND OF 2.0 CENTS PER SHARE



Notes:

1. Normalised excludes effect of various items which are detailed on Slide 3
2. Calculation of Cash Earnings is detailed on Slide 4
3. Prior comparative period – year ended 30 June 2017



**FY2018 RESULTS
EXCEEDED MARKET
GUIDANCE OF
NORMALISED EBITDA
IN EXCESS OF
\$48 MILLION**

Normalisation of EBITDA

	(\$'000)	June 18	June 17	June 16
EBITDA – Reported		43,633	37,205	24,672
Greenfield Start Ups		2,500	1,250	-
Business Acquisition expenses		1,363	677	916
Site Integrations		1,400	500	500
Employee Equity Plan expense		853	403	3,644
Redundancies		294	379	1,128
Blackstone Due Diligence costs		2,871	-	-
IT Roll Out		650	-	-
Gain on Acquisition of ASG		(2,108)	-	-
Procurement		550	-	-
Other		150	658	1,061
EBITDA – Normalised		52,156	41,072	31,291

GREENFIELD START UPS – NORMALISATIONS NOT RECOGNISED IN PRIOR PERIODS (BLACKSTONE, IT ROLLOUT AND PROCUREMENT)

EBITDA to Operating Cash Flow

	(\$'000)	June 18	June 17	June 16
EBITDA – Reported		43,633	37,205	24,672
Discontinued operation		32	-	(10)
Interest Paid		(786)	(170)	(207)
Deferred Income Amortisation		(7,453)	(5,487)	(2,981)
Equity Issued As Employment Condition		853	403	3,644
Other Non Cash Items		(3,402)	(910)	(750)
Cash Earnings (pre tax)		32,878	31,041	24,368
Income Tax Paid		(9,423)	(9,724)	(7,247)
Market investment incentive receipt (FY19 estimate \$30.9m)		-	-	23,000
Repayment of Paint Prebate of Acquired business		-	(5,433)	-
Normalisation of Working Capital for Acquired business		-	(1,981)	-
Other Working Capital Movement		1,019	(916)	(3,360)
Net Cash Flow From Operations		24,474	12,987	36,761

Investment Cash Flows

	(\$'000)	June 18	June 17	June 16
Capital Expenditure – Greenfields ¹		4,210	6,310	1,275
Capital Expenditure - Other (Maintenance) ²		6,816	5,676	7,629 ³
		11,026	11,986	8,904
Acquisition of Existing Businesses		23,590	6,851	31,185
Investment in Automotive Solutions Group Ltd		13,246	3,902	-
Other		1,455	(52)	(1,882)
Investment Cash Outflow		49,318	22,687	38,207
Repayment of Paint Prebate of Acquired business ⁴		-	5,433	-
Normalisation of Working Capital for Acquired business ⁵		-	1,981	-
Restated Investment Cash Outflow		49,318	30,101	38,207

Notes:

- 1 - Greenfields relates to capital expenditure on new facilities dedicated to a work provider supported by a long term contract.
- 2 - Other (Maintenance) relates to capital expenditure on existing facilities.
- 3 - The FY16 capex impacted by the abnormal expenditure associated with the reorganisation of facilities for the Manufacturing and Distribution divisions and the rebranding of the Woods Auto Shops.
- 4 - "Investing" outflow related to the payment of a liability assumed on acquisition of another business (and factored into acquisition price).
- 5 - "Investing" outflow related to the payment of excess trade liabilities assumed on acquisition of another business (and factored into acquisition price).

Free Cash Flow

The financial strategy of the Group is to fund:

Maintenance capital expenditure out of cash flow from operations

Dividends to AMA shareholders out of free cash flow

Acquisitions of “greenfields” and “brownfields” out of the remaining free cash flow

To date the Group has managed this, primarily by using the free cash flow and the first tranche of the market investment incentive.

	(\$'000)	June 18	June 17	June 16
Cash Earnings (pre tax)		32,878	31,041	24,368
Income Tax Paid		(9,423)	(9,724)	(7,247)
Other Working Capital Movement		1,019	(916)	(3,360)
Net Cash Flow From Operations (excluding “Investment Outflows”)		24,474	20,401	13,761
Maintenance Capital Expenditure		(6,816)	(5,676)	(7,629)
Free Cash Flow		17,658	14,725	6,132

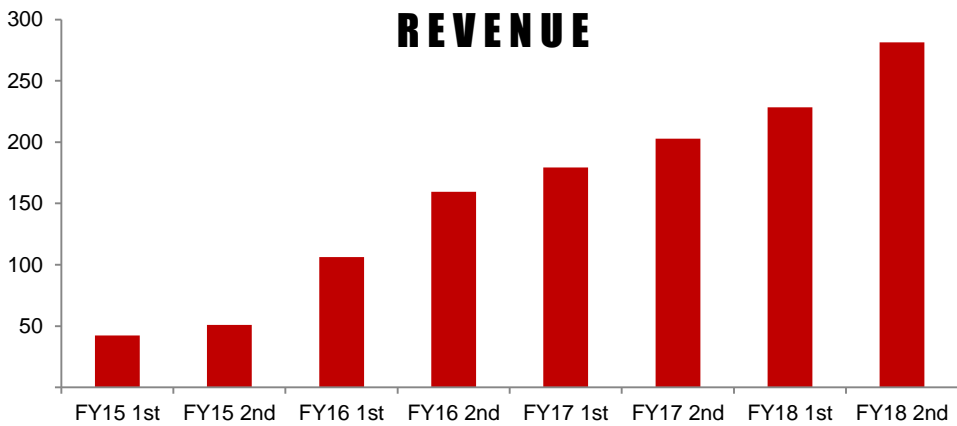


Notes:

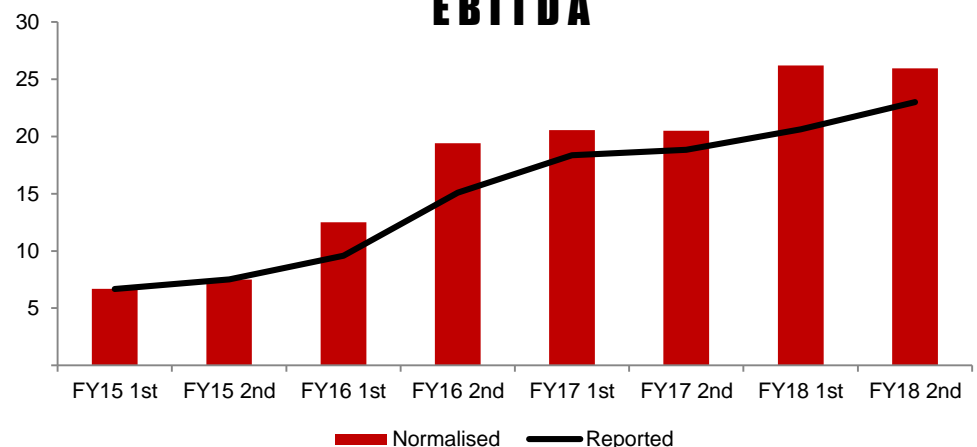
1 – Current Year Free Cash Flow significantly impacted by abnormal items such as the costs associated with the ASG Acquisition and the Blackstone Due Diligence.

History to Sustainable Earnings Growth

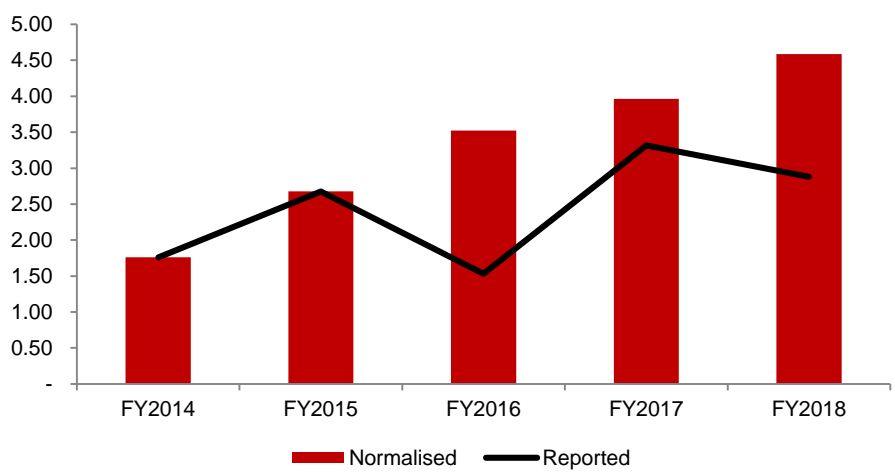
REVENUE



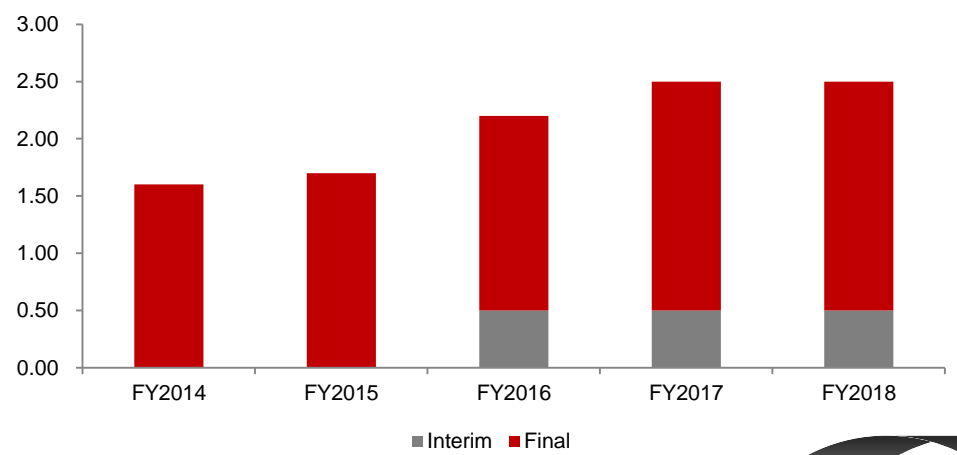
EBITDA



EARNINGS PER SHARE

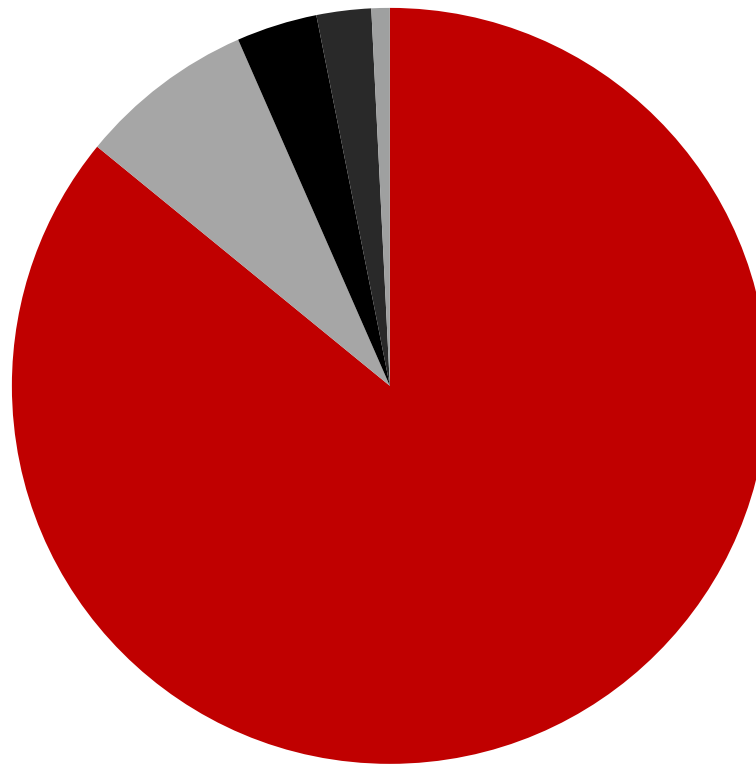


DIVIDENDS PER SHARE



Business Mix – Revenue by Division

PANEL NOW PROVIDES 85.8% OF REVENUE (2017: 86.3%)



■ Panel ■ Manufacturing ■ Distribution
■ Remanufacturing ■ Performance ■ Corporate

Vehicle Panel Repair

Integrated 30 new facilities, 26 acquisitions and 4 Greenfields opened in FY2018. (4 acquisitions settled July 2017)

- NSW being our main focus with annualised revenues going from \$22m in FY2018 to an estimated \$90m in FY2019
- Continued Prestige OEM focus with the addition of 2 new Mercedes approved facilities

Rolled out a single national quoting and bodyshop management software – iBodyshop

- Upgraded hardware as went.

Centralised all finance operations, HR operations, IT operations and fixed ops into the Gemini Queensland support centre

- Closed the Victoria finance hub
- Enabled accurate timely financial reporting comparing like for like.
- New HR director employed, now 1 contract of employment across the whole group, 1 pay structure. No grey areas...

Tendered and selected a new ERP (NetSuite from Oracle) for rollout in FY19

- One finance team one IT program equals accurate timely information

Aligned the panel operations under one unified National Operations Team

- Implemented a new very clear management structure from CEO to Centre manager
- Enables faster decision making
- Enables faster problem solving
- Early identification of issues

Despite extensive Blackstone due diligence Panel achieved stretched targets

Extensive pipeline of Acquisitions and Greenfields

AMA hits world recognition post the Blackstone deal

Evolving Vehicle Panel Repair Market

Small operations expected to decline

- Australia expected to follow the trajectory of US the market, where small panel repair shops have reduced by ~26% over the last decade
- US Multi-shop operators (MSOs) revenue share has increased from 9% to 28%, whilst small operators has fallen from 91% to 72%

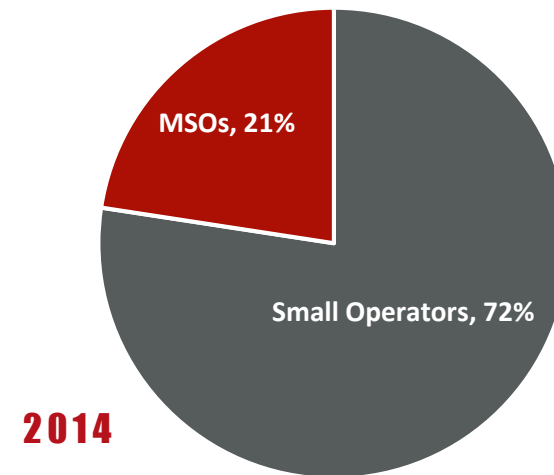
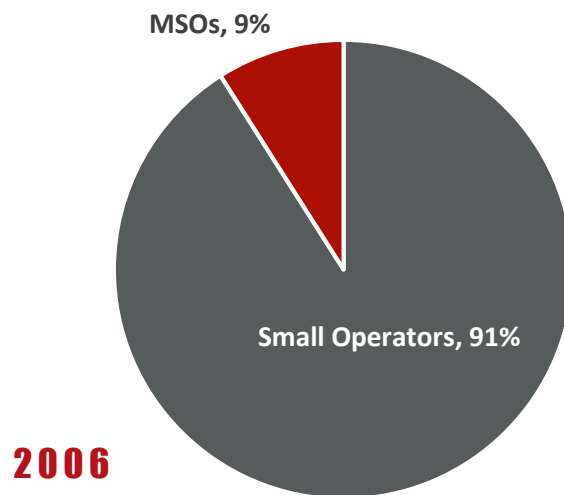
Significant opportunity for large Australian MSOs

- Australian MSOs have increased market share to approx.15% as of FY18
- Growth in market share is expected to continue, and is forecasted to reach 31% by FY21
- Opportunity for AMA Group to capture significantly larger share of panel repair market

Large and Fragmented Market

- Panel repair market is still fragmented, but rapid consolidation within the industry is expected to increase market share for large operators
- Higher revenues, lower costs make larger operations more sustainable
- Insurance industry shifting support towards larger players, by increasing the allocation of repair claims to MSOs

Composition of US market – MSOs experiencing growth



Vehicle Panel Repair

	Jun 18	Jun 17	Change ¹ (\$'000)	Change ¹ (%)
Sales	427,078	323,769	103,309	31.9
Gross Margin (\$'000) ²	247,769	190,750	57,020	29.9
Gross Margin (%)	58.0	58.9	(0.9)	(1.5)
EBITDA – Reported (\$'000)	39,058	34,025	5,033	14.8
EBITDA Margin – Reported (%)	9.2	10.5	(1.4)	(13.0)
EBITDA – normalised (\$'000)	44,627	36,057	8,570	23.8
EBITDA Margin – normalised (%)	10.5	11.1	(0.7)	(6.2)

National footprint with 114 sites across Australia

Principal consolidator In highly fragmented industry in Australia

“Roll out” of exclusive rapid / express shops increasing “annuity” revenue stream

Relationship continues with major insurers and prestige car manufacturers

Continuing to explore new ways to drive “cost to do business” down.

Acquisitions pipeline is enormous

AMA National Footprint of 114 Panel Repair Shops

Network – 30 June 2017	86
Acquired	26
Greenfields	5
Disposed	(3)
Network - Current	114

Four acquired shops and one greenfield added to the network post balance date



	June 18	June 17
Victoria	40	37
Queensland	24	19
Western Australia	10	10
New South Wales	22	7
Australian Capital Territory	7	6
South Australia	3	3
Tasmania	6	3
New Zealand	2	1
	114	86
Prestige	5	3
Traditional	74	58
Exclusive	32	22
Mechanical	3	3
	114	86

	Manufacturing			Distribution			Remanufacturing			Performance & Workshop		
	FY18	FY17	Change (%)	FY18	FY17	Change (%)	FY18	FY17	Change (%)	FY18	FY17	Change (%)
Sales	37,534	25,867	45.1%	17,743	15,294	16.0%	11,599	10,340	12.2%	3,901	-	-
Gross Margin (\$'000) ²	16,808	12,207	37.7%	5,811	4,513	28.8%	4,246	4,067	4.4%	1,377	-	-
Gross Margin (%)	44.80	47.2	-5.1%	33.3	29.5	12.9%	36.6	39.3	-6.9%	35.3	-	-
EBITDA (\$'000)	7,524	6,816	10.4%	1,539	480	220.6%	2,446	2,349	4.1%	137	-	-
EBITDA Margin (%)	20.1	26.40	-23.9%	8.8	3.1	183.9%	21.1	22.7	-7.0%	3.5	-	-
EBITDA - normalised (\$'000)	7,524	6,940	8.4%	1,539	830	85.4%	2,446	2,349	4.1%	137	-	-
EBITDA - normalised (%)	20.0	26.8	-25.4%	8.8	5.4	63.0%	21.1	22.7	-7.0%	3.5	-	-

ACAD Strategy

- Leading vertically integrated player in the automotive OEM, Fleet and aftermarket supply chain
- Key product and service focus on growing 4WD, SUV and Commercial Vehicle segments now representing 6 in 10 new vehicles being sold in Australia
- High technical value add and barrier to entry in Manufacturing and Remanufacturing divisions representing stable revenues and excellent margins in growing market
- Distribution and Workshop/Performance divisions have further gross margin improvement opportunities
- Outstanding leadership principles being leveraged across divisions with focus on high performance, operational excellence and financial management tools
- Significant future earnings upside for FY19 and FY20 from existing stable with further strategic acquisition opportunities
- Fragmented market – opportunity to utilise AMA’s expertise in consolidating large and fragmented markets

ACAD EBITDA

FY17 Normalised \$8.914m - FY18 Normalised \$10.09m - FY19 Forecast \$12.2 m

Update on ASG

Restructuring of ASG completed with the shift of six of the go-forward business units out of Fleet Alliance Pty Ltd and into separate entities as follows:

Distribution

One unit being integrated into the Automotive Electrical and 4x4 Accessories Division

Manufacturing

Three units into Vehicle Protection Equipment & Ute Accessories Division

Workshop

Two units into new fourth Workshop and Performance Products Division

The restructure and integration was successfully completed to facilitate improved controls, synergies, capacity and to strengthen their independent business identities

All four divisions have delivered positive results and the ACA Divisional support team have worked extremely hard to instil AMA Group's disciplines of strong business leadership principles, reporting mechanisms and improvement strategies into the new business units.

The Group is developing the teams' knowledge and abilities in each new business unit and are on track to achieve high performance and business excellence.

In restructuring the business and after assessing the position, the Group took the following actions; sold JDR Motorsports and closed Umhauers Geelong along with the removal of the board and closure of head office operations.

ASG Results

**HYFY18
Pre-acquisition
(\$4.8m)**

**H2FY18 Run
Rate \$1.7m**

**FY19 forecast
\$2.2m**

Strategy / Outlook

AMA HAS MULTIPLE OPPORTUNITIES TO CONTINUE ITS GROWTH BY BOTH ORGANIC AND ACQUISITION MEANS



Continue to lead the Panel Industry consolidation in Australia



New \$100m facility secured with NAB, \$40m increase on previous facility, solely for acquisition growth. No capital raising in the foreseeable future.



Progressively execute further “Greenfield” opportunities in Vehicle Panel Repair division working with our business partners



Expansion of our strategic partnership agreements with key customers and suppliers



Identify and execute strategic acquisitions in the Automotive Components and Accessories divisions



Manage operations to ensure AMA is on track to reach \$1 billion in revenue by FY2021

Operating Specialised Automotive Aftercare and Accessory Companies



Ray Malone, Executive Chairman, ray.malone@amagroupltd.com

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