

AMA GROUP

ASX Announcement

20 October 2023

1Q24 Quarterly Cash Flow and Activities Report

AMA Group Limited (ASX: AMA) (AMA Group, the Group), today provides its Appendix 4C Quarterly Cash Flow and Activities Report for the quarter ended 30 September 2023 (1Q24) (unaudited).

Financial highlights

Key Metrics - Quarter on Quarter		Units	1Q23	2Q23	3Q23	4Q23	1Q24
Collision Repair	Repair volume	'000	69.5	61.6	64.7	64.7	66.7
	Average repair price	\$	2,914	3,123	3,176	3,342	3,528
	Revenue	\$m	202.5	192.4	205.5	216.2	235.3
ACM Parts	Average daily parts sales	\$'000	204	228	249	255	278
	Average daily internal parts sales	\$'000	92	96	121	134	148
Group	Reported EBITDA (post AASB 16)	\$m	8.7	16.5	16.7	21.8	27.3
	Reported EBITDA (pre AASB 16)	\$m	(3.0)	5.8	5.7	10.2	15.5
	Operating cash flow (pre AASB 16)	\$m	(6.9)	(12.5)	(8.2)	11.7	(6.7)

Note: Collision Repair includes Vehicle Collision Repairs and Heavy Motor segments

- Successfully completed \$55 million fully underwritten equity raise, with \$51.7 million of net proceeds received by 30 September 2023 (\$0.3 million of further net proceeds to be received in 2Q24).
- \$71.4 million closing cash balance at 30 September 2023.
- Continued improvement quarterly EBITDA over the past five quarters.
- Negative operating cash flow of \$6.7 million for 1Q24 after including \$7.9 million in principal elements of lease payments. This result was in line with expectations and includes semi-annual interest payments of \$7.5 million and a non-recurring increase in working capital of \$10.8 million (refer page 5).
- Capital S.M.A.R.T negotiations were completed in August 2023. New contractual terms are operating as expected and Capital S.M.A.R.T delivered an operating result ahead of expectations in 1Q24.
- 1Q24 post-AASB 16 EBITDA of \$27.3 million tracking ahead of expectations, during a seasonally strong trading period, reflecting new pricing arrangements and improved repair mix. Should this outperformance persist and/or there be earlier than expected progress on the realisation of identified cost savings opportunities, the Group will revisit the current FY24 guidance range of \$86 – 96 million.
- Projecting positive total cash flows in FY24, including all lease payments and before net benefits of equity raising and debt repayment.
- September 2023 minimum EBITDA covenant achieved with significant headroom.

Operational highlights

- Group LTIFR remains low at 2.43 at 30 September 2023 (up from 2.07 at 30 June 2023). A significant improvement compared to LTIFR of 3.63 at 30 September 2022.
- Labour supply improved through 1Q24 with 83 net increase in Group headcount, taking group headcount to 3,367 at 30 September 2023.
- While 1Q24 repair volumes were down 4% on 1Q23, reflecting network consolidation and higher severity repairs, vehicle repair revenues were up 19%, reflecting repair mix and improved pricing.
- Network optimisation initiatives well underway to transition the Capital S.M.A.R.T operating model to enable a full spectrum of drivable repairs at the majority of locations and drive operating cost savings.
- AMA Collision progressing several site expansions, and hibernated site re-openings to increase repair capacity by over 2,500 repairs per annum. The hibernated Dandenong Victoria site re-opened in 1Q24.
- Heavy Motor business continues to deliver strong revenues and free cash flows. New Wales site in Kilburn South Australia is now operational, providing significant additional capacity and approximately \$3.0m uplift in annualised revenue.
- ACM Parts maintained growth in Parallel and Aftermarket Parts revenues with average daily parts sales up 36% and average daily parts sales to AMA Group sites up 62% compared to 1Q23.

AMA Group Limited

Level 13, 484 St Kilda Road, Melbourne, VIC 3004 ABN 50 113 883 560
+61 3 7066 5022 info@amagroupltd.com amagroupltd.com

Business update

Key Metrics - Quarter on Quarter	Units	1Q23	2Q23	3Q23	4Q23	1Q24
Collision Repair						
Repair volume	'000	69.5	61.6	64.7	64.7	66.7
Average repair price	\$	2,914	3,123	3,176	3,342	3,528
Revenue	\$m	202.5	192.4	205.5	216.2	235.3
ACM Parts						
Average daily parts sales	\$'000	204	228	249	255	278
Average daily internal parts sales	\$'000	92	96	121	134	148
Labour						
Average headcount	#	3,372	3,253	3,215	3,267	3,343
Apprentices (end of quarter)	#	341	334	345	373	431
Group						
Revenue	\$m	218.6	207.6	216.9	226.4	248.0
Reported EBITDA (post AASB 16)	\$m	8.7	16.5	16.7	21.8	27.3
AASB-16 adjustments	\$m	(11.7)	(10.7)	(11.0)	(11.6)	(11.8)
Reported EBITDA (pre AASB 16)	\$m	(3.0)	5.8	5.7	10.2	15.5
Non-cash items in P&L	\$m	(6.1)	(8.6)	(4.1)	(3.8)	(1.5)
Net interest payments	\$m	(4.4)	0.5	(7.0)	5.8	(8.0)
Tax payments	\$m	15.3	0.0	(0.2)	0.0	(0.1)
Impaired lease payments / make goods	\$m	(3.1)	(4.0)	(2.2)	(3.9)	(1.1)
ACM inventory	\$m	(4.9)	(4.7)	2.8	2.3	(0.7)
Other / working capital	\$m	(0.7)	(1.5)	(3.2)	1.1	(10.8)
Operating cash flow (pre AASB 16)	\$m	(6.9)	(12.5)	(8.2)	11.7	(6.7)
Principal lease elements	\$m	9.4	8.9	7.6	7.7	7.9
Operating cash flow (post AASB 16)	\$m	2.6	(3.8)	(0.6)	19.4	1.2

Note: ACM Parts daily sales figures exclude consumables sales and brokered sales.

During 1Q24, the Group focussed on embedding operational initiatives, and laying the foundations for FY24, including an equity raising which provides the pathway to refinancing through FY24.

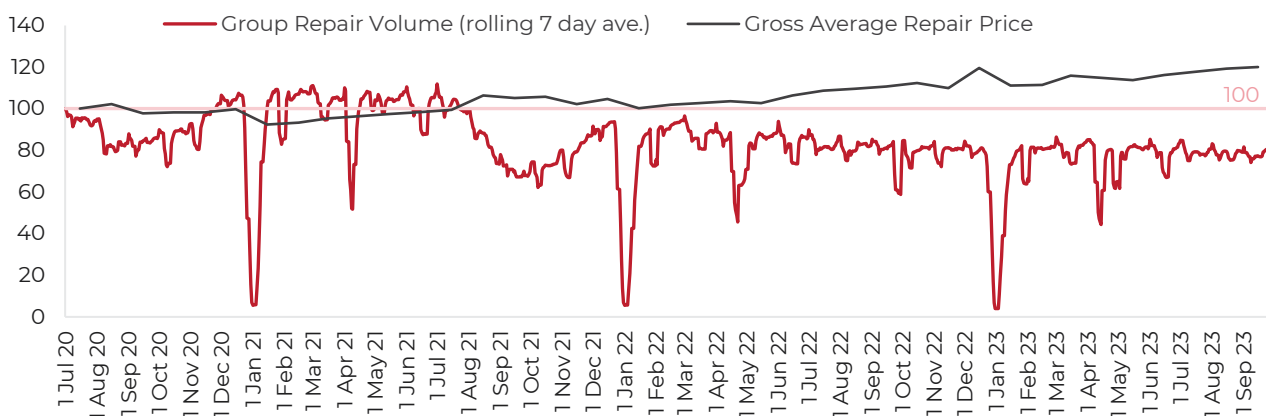
In September, AMA Group successfully completed a \$55.0 million equity raising including a fully underwritten institutional placement and a fully underwritten 1 for 2.15 pro rata accelerated non-renounceable entitlement offer. Funds raised will be applied to the principal repayment of \$35.0 million of existing senior bank debt and provide liquidity and working capital which will be deployed in pursuit of the Group's strategy. The raising provides an improved liquidity position with pro forma FY24 net senior leverage decreasing to 1.7x to 2.2x and net total leverage reducing to 2.8x to 3.5x (based on FY24 pre-AASB 16 guidance range). Execution of refinancing of residual debt facilities is targeted for FY24 with preparations well advanced.

Ongoing targeted recruitment activities saw a net increase of 83 team members during the quarter (the second consecutive quarter of strong headcount increases). The total number of apprentices employed across the network was 431, up from 373 at 30 June 2023. Following a successful recruitment campaign in the Philippines, over 100 employment offers will be made shortly. A further 64 international team members remain in the pipeline awaiting visa and relocation. Despite these results, the Group continues to experience historically high levels of employee turnover which remains a key priority to reduce further to improve productivity and throughput.

AMA Group's frontline leaders are key to the success of the Group. The focus on developing these leaders continues, with the FY24 Frontline Leaders Program, a tailored leadership course, which commenced in July 2023 and continues into 2H24. Approximately 300 leaders are participating in this series, which includes a program for new leaders and those who have not yet completed the course, and a second program which extends on the first for those who participated in the FY23 series. This program is unique in the Australian collision repair industry and provides a clear point of difference for attracting and retaining aspiring leaders looking to further their careers.

During the quarter, the Group continued its commitment to delivering the highest quality service and experience to vehicle owners and insurer customers. Two additional AMA Group facilities became I-CAR Gold certified during 1Q24. The Group now has a total of 12 I-CAR Gold sites. Further, the Group has introduced the "Power to Platinum" program which recognises those technicians who are experts in their trade and have achieved Platinum technician status with I-CAR. This program both recognises those who have achieved the status and encourages others to participate in the program.

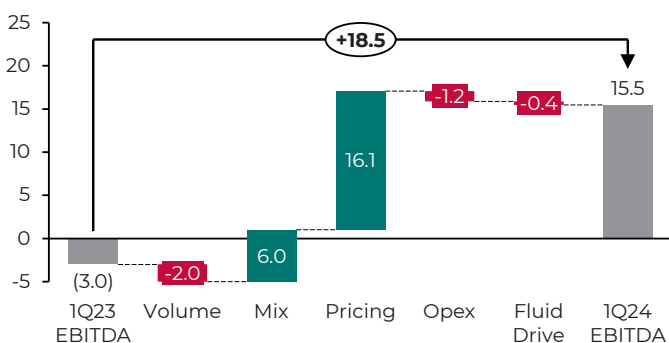
AMA Group Repair Volumes vs. Average Repair Cost rebased to 100: 1 July 2020 – 30 September 2023



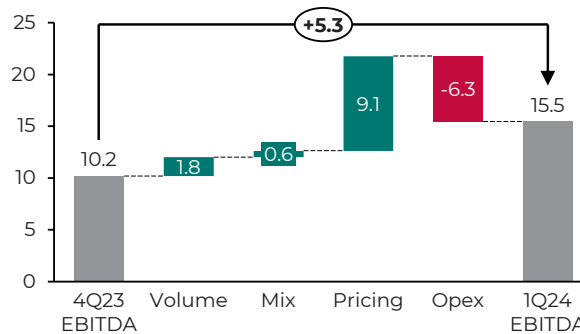
Gross Average Repair Price is volume weighted for Capital S.M.A.R.T and AMA Collision.
Source: AMA Group data.

1Q24 volumes were up 3% on 4Q23, and down 4% on 1Q23 comparable period reflecting network consolidation and increasing severity of repairs over the past 12 months (noting vehicle repair revenue up 19% on 1Q23). Having now stabilised the network configuration, aligning it to profitable volume opportunities, the vehicle repair operations continue to run at approximately 85% of capacity, with improved labour availability continuing to represent a growth opportunity.

EBITDA (pre-AASB 16) – 1Q24 vs. 1Q23



EBITDA (pre-AASB 16) – 1Q24 vs. 4Q23



Capital S.M.A.R.T

In August 2023, AMA Group advised the conclusion of negotiations for new pricing for Capital S.M.A.R.T. under the Motor Repair Services Agreement with Suncorp. The new pricing applies to all repairs booked from 1 July 2023 with a clear annual re-pricing mechanism. The arrangements include transitional support while AMA Group implements several operational initiatives throughout FY24, which are planned to improve efficiency and profitability of Capital S.M.A.R.T. As transitional support payments cease at the end of FY24, the loss of those benefits is expected to be offset by the benefits realised from these operational initiatives including transitioning site capability to enable a full spectrum of drivable repairs at the majority of Capital S.M.A.R.T locations (Project SHIFT) and increasing the use of non-OEM parts to reduce costs.

During the quarter Capital S.M.A.R.T launched Project SHIFT, with good team engagement and early results. The team is on track to deliver a full transition by February 2024. Capital S.M.A.R.T operating performance was strong with sustained strong volumes and operating performance ahead of expectations. Additional training is focused on the new commercial framework and the pricing of repairs under that framework.

AMA Collision

AMA Collision delivered a strong quarterly result, in line with expectations. Revenues were broadly in line with the 1Q23 corresponding period, despite a 15% reduction in volumes following network rationalisation activities in FY23, reflecting a combination of repair mix and improved pricing.

AMA Collision is undertaking several projects focused on expanding and enhancing the network.

- The transition of three teams from the Ashmore, Southport and Nerang sites in Queensland into the new AMA Collision Arundel site was completed in August 2023 with the official opening event in October 2023. This 5,000m² site showcases the new AMA Collision branding and customer experience.
- The team at RMA Hallam, Victoria transferred into the previously hibernated RMA site in Dandenong in September. The Dandenong site is a much larger, state of the art facility, and is expected to result in increased capacity in line with additional team member recruitment.
- In Townsville, Queensland, the soil has been turned for a greenfield facility which will combine two older facilities into one new AMA Collision facility and will deliver the new customer experience as showcased at AMA Collision Arundel. This new facility has more than double the combined capacity of the two existing sites and will service growing demand in the area.
- Fit out will soon commence for a new prestige site in Gosford, New South Wales. This site will be branded AMA Prestige and replaces the existing Harris & Adams facility. The site is approximately double the size of the existing facility and is expected to be operational in 3Q24.
- Plans are underway to reopen the hibernated Craig Hall site in the Australian Capital Territory in 3Q24, with recruitment plans well underway. Vacant positions are already being filled and a full complement of team members is expected by the end of 3Q24.

Heavy Motor

The Heavy Motor business unit delivered strong revenues through the quarter (up 19% on 1Q23), despite disruptions in the South Australian operations as the All Transport team completed the transition into the new Wales branded facility in Kilburn. This larger site is expected to provide expanded repair capacity and FY24 earnings growth.

ACM Parts

ACM has continued to deliver consistent growth in daily parts sales following the investment in inventory in FY23. Average daily parts sales in 1Q24 (excluding consumables and brokered sales) are up 36% compared to 1Q23 with average daily parts sales to AMA Group repair sites up 62%.

ACM Parts' Parallel parts import program continues to perform well with average daily sales up by 75% compared with 1Q23. The Aftermarket parts program was launched in August 2023 with sales increasing throughout the quarter in line with expectations.

Board and Management Changes

As previously announced, on 1 September 2023, after nearly five years on the Board, Anthony Day retired as Chair and Non-Executive Director of AMA Group, while Paul Ruiz retired as Chair of the Audit and Risk Committee and Non-Executive Director, after three years.

Independent Non-Executive Director, Caroline Waldron, stepped into the role of Chair of the Board of AMA Group. Independent Non-Executive Director, Talbot Babineau was appointed Deputy Chair. Simon Moore became Chair of the Audit and Risk Committee. Kyle Loades is continuing in his role as Chair of the People Committee. The Board has commenced a search for a new Non-Executive Director to Chair the Audit and Risk Committee, as it seeks to ensure a fit-for-purpose Board which will support the Group as it pursues the opportunities that lay ahead. The Board is also undertaking a process to ensure structured engagement with industry experts to support its decision making and complement its strong corporate governance practices.

As previously announced, Carl Bizon will retire as Executive Director and Chief Executive Officer at the Group's 2023 Annual General Meeting on 23 November 2023. The Board is continuing the Chief Executive Officer search, with internal and external candidates continuing to be part of the selection process. With a stable and well-established management team in place, and guidance from the Board, the operational teams have continued to deliver pleasing results for the business during this process.

The Board is also undertaking a review of the remuneration structure for both Board and Management to enhance alignment with shareholders.

Summary of cash position

AMA Group ended 1Q24 with a cash balance of \$71.4 million and unused available finance facilities (undrawn bank guarantees) of \$0.7 million, including \$51.7m of net equity raising proceeds received by 30 September 2023 (\$0.3 million of further net proceeds to be received in 2Q24).

The Group saw negative operating cash flows of \$6.7 million during the quarter after including \$7.9 million in principal elements of leases (presented as part of financing cash flows). The operating cash flow for the quarter includes the impacts of semi-annual interest payments on senior debt and convertible bonds of \$7.5 million and a non-recurring increase in working capital of \$10.8 million, driven by:

- one-off catch up payments to key suppliers who provided extended trading terms during FY23 (approximately \$4.0 million);
- increase in work-in-progress / debtors, up from record low results in June 2023, which is timing related and expected to reverse through the balance of FY24 (approximately \$4.5 million); and
- impacts of restrictions to credit terms from other suppliers (approximately \$2.0 million). The cumulative cash impacts of reduced supplier trading terms (estimated at approximately \$5.0 million including FY23 impacts) are expected to reverse in future as AMA Group trading performance continues to improve.

The Group spent \$2.5 million on property, plant, and equipment (PP&E) during the quarter, including \$1.5 million invested into the new Wales site in Kilburn South Australia and consolidated AMA Collision site in Arundel Queensland. Make-good expenditure of approximately \$0.4 million is reflected in operating cash flows.

AMA Group continues to tightly manage spending with a further review of overhead costs expected to deliver approximately \$5.0 million in annualised savings by the end of FY24. Whilst the full benefit of these cost savings is expected to be realised in FY25, they provide some further potential upside opportunity to FY24 guidance that the Group will continue to monitor.

FY24 guidance

AMA Group maintains FY24 guidance of \$86 - \$96 million normalised post-AASB 16 EBITDA (\$39 - \$49 million normalised pre-AASB 16 EBITDA). Should operational outperformance in 1Q24 persist and/or there be earlier than expected progress on the realisation of identified cost savings opportunities, the Group will revisit the current FY24 guidance range.

Other than these matters there were no other material developments or material changes in business activities during 1Q24.

This announcement has been authorised by the Board of AMA Group Limited.

ENDS.

Investors and Media:

Alexandra Holston, Director Investor Relations and Corporate Affairs

E: alexandra.holston@amagroupltd.com M: +61 418 312 837

Appendix 4C
Quarterly cash flow report for entities
subject to Listing Rule 4.7B

Name of entity

AMA GROUP LIMITED

ABN

50 113 883 560

Quarter ended
("current quarter")

30-Sep-23

Consolidated statement of cash flows

		Current Quarter	Year to date
		\$A'000	(3 months)
		\$A'000	\$A'000
1	Cash flows from operating activities		
1.1	Receipts from customers (inclusive of GST)	276,142	276,142
1.2	Payments to suppliers and employees (inclusive of GST)	(261,312)	(261,312)
	(a) research and development	0	0
	(b) product manufacturing and operating costs	(156,427)	(156,427)
	(c) advertising and marketing	(328)	(328)
	(d) leased assets	(6,879)	(6,879)
	(e) staff costs	(89,802)	(89,802)
	(f) administration and corporate costs	(7,875)	(7,875)
1.3	Dividends received (see note 3)	0	0
1.4	Interest received	125	125
1.5	Interest and other costs of finance paid	(13,248)	(13,248)
	Interest elements of lease payments and debt interest		
1.6	Income taxes paid	(122)	(122)
1.7	Government grants and tax incentives	0	0
1.8	Other (provide details if material)	(382)	(382)
	Make good of leased premises		
1.9	Net cash from / (used in) operating activities	1,203	1,203
2	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	0	0
	(b) businesses	0	0
	(c) property, plant and equipment	(2,539)	(2,539)
	(d) investments	0	0
	(e) intellectual property	0	0
	(f) other non-current assets	(24)	(24)
2.2	Proceeds from disposal of:	0	0
	(a) entities	0	0
	(b) businesses	0	0
	(c) property, plant and equipment	56	56
	(d) investments	0	0
	(e) intellectual property	0	0
	(f) other non-current assets	0	0
2.3	Cash flows from loans to other entities	0	0
2.4	Dividends received (see note 3)	0	0
2.5	Other (provide details if material)	0	0
2.6	Net cash from / (used in) investing activities	(2,507)	(2,507)
3	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	54,569	54,569
3.2	Proceeds from issue of convertible debt securities	0	0
3.3	Proceeds from exercise of options	0	0
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(2,851)	(2,851)
3.5	Proceeds from borrowings	0	0
3.6	Repayment of borrowings	0	0
3.7	Transaction costs related to loans and borrowings	0	0
3.8	Dividends paid	0	0
3.9	Other (provide details if material)	(7,869)	(7,869)
	Principal elements of lease payments		
3.10	Net cash from / (used in) financing activities	43,849	43,849
4	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	28,874	28,874
4.2	Net cash from / (used in) operating activities (item 1.9 above)	1,203	1,203
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2,507)	(2,507)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	43,849	43,849
4.5	Effect of movement in exchange rates on cash held	2	2
4.6	Cash and cash equivalents at end of period	71,421	71,421
5	Reconciliation of cash and cash equivalents	Current quarter	Previous quarter
at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts		\$A'000	(Q4 of FY23)
		\$A'000	\$A'000
5.1	Bank balances	71,421	28,874
5.2	Call deposits	0	0
5.3	Bank overdrafts	0	0
5.4	Other (provide details)	0	0
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	71,421	28,874

6	Payments to related parties of the entity and their associates	Current quarter
		\$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	0
6.2	Aggregate amount of payments to related parties and their associates included in item 2	0
	<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>	

7 Financing facilities

Note: the term "facility" includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity.

- 7.1 Loan facilities
- 7.2 Credit standby arrangements
- 7.3 Other (please specify) CONVERTIBLE NOTES
- 7.4 **Total financing facilities**

Total facility amount at quarter end	Amount drawn at quarter end
\$A'000	\$A'000
182,500	181,763
50,000	50,000
232,500	231,763

7.5 Unused financing facilities available at quarter end

Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

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Facility	Lender	Interest Rate	Maturity Date	Secured
182,500	Australia and New Zealand Banking Group Limited National Australia Bank Limited Bank of China Limited Bendigo and Adelaide Bank Limited First Commercial Bank Perpetual Corporate Trust Limited ACF The Metrics Credit Partners Diversified Australian Senior Loan Fund Westpac Banking Corporate	BBSY + 415bps*	5 years (October 2024) \$35m due for repayment by end of December 2023	Secured
50,000	Various - Notes listed on SGX-ST	4%pa Coupon	5.5 years (March 2027)	Unsecured

* Margin relates to period for which revised covenant structure in place (until September 2024), after which margin reverts to being determined pursuant to a sliding scale with reference to Net Senior Leverage Ratio first tested in Sep-24 (Max Margin: 365bps; Min Margin: 225bps). AMA Group incurs an additional 150bps margin until Sep-24 which is capitalised into the loan balance every six months. \$1,066,000 was capitalised into the loan balance in January 2023 and \$1,211,000 in July 2023, increasing the facility to \$184,777,000.

8 Estimated cash available for future operating activities

- 8.1 Net cash from / (used in) operating activities (item 1.9)
- 8.2 Cash and cash equivalents at quarter end (item 4.6)
- 8.3 Unused finance facilities available at quarter end (item 7.5)
- 8.4 Total available funding (item 8.2 + item 8.3)

\$A'000
1,203
71,421
737
72,158

8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)

Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.

- 8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:

8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?
Answer: N/A

8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?
Answer: N/A

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?
Answer: N/A

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

N/A

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date:20 October 2023.....

Authorised by:The AMA Group Board of Directors.....

(Name of body or officer authorising release – see note 4)

Notes

- 1 This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
- 2 If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 107: *Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
- 3 Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
- 4 If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
- 5 If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.