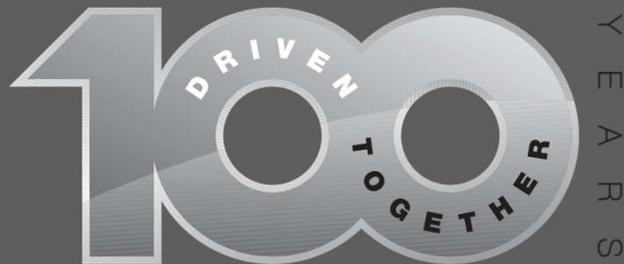


# Creating Australia's leading automotive group

Proposed merger of A.P. Eagers Limited and Automotive Holdings Group Limited

5 April 2019



# Disclaimer

This presentation has been prepared by A.P. Eagers Limited ACN 009 680 013 (**APE**) in relation to its proposed off-market takeover offer (**Offer**) to acquire all of the ordinary shares in Automotive Holdings Group Limited ACN 111 470 038 (**AHG**) not already owned by APE (**AHG Shares**) in accordance with Chapter 6 of the *Corporations Act 2001* (Cth) (**Corporations Act**).

This presentation does not constitute an offer or invitation in any jurisdiction anywhere, or to any person to whom, such an offer would be unlawful. This presentation is not intended as an offer, invitation, solicitation or recommendation with respect to the purchase or sale of any security in the United States or to any person to whom it is unlawful to make such an offer or solicitation. The securities that may be included in any offering have not been, and will not be, registered under the US Securities Act.

## Summary information

The information in this presentation is of a general nature and does not purport to be complete nor does it contain all of the information that a holder of AHG Shares, or any other recipient of this presentation, may require in evaluating the Offer, or that would be required in a prospectus prepared in accordance with the requirements of the Corporations Act. This presentation should be read in conjunction with APE's bidder's statement and other periodic and continuous disclosure announcements lodged with the ASX by APE and AHG, which are available at [www.asx.com.au](http://www.asx.com.au).

Certain market and industry data used in connection with this presentation may have been obtained or derived from research, surveys or studies conducted by third parties, including industry or general publications. APE has not independently verified any such market or industry data provided by third parties or industry or general publications.

## Disclaimer as to AHG and Merged Group information

The information on AHG, its subsidiaries and AHG Shares contained in this presentation has been prepared by APE using publicly available information. None of the information in this presentation concerning the business and the assets and liabilities, financial position and performance, profits and losses and prospects of AHG and its subsidiaries has been independently verified. Therefore, there remains uncertainty associated with the information disclosed in this presentation relating to AHG, its subsidiaries and AHG Shares. APE does not make any representation or warranty, express or implied, as to the accuracy or completeness of the information.

The information on the merged group (comprising APE and its subsidiaries and AHG and its subsidiaries if the Offer is successful) contained in this presentation, to the extent that it incorporates or reflects information on AHG and/or its subsidiaries, has also been prepared using publicly available information only. Accordingly, such information is also subject to the foregoing disclaimer.

This presentation does not, and should not be relied upon as, a promise, representation, warranty or guarantee as to the future performance of the merged group or APE.

## Forward looking statements

This presentation may contain forward-looking statements, forecasts and estimates, including anticipated future performance of APE and the market in which it operates. Forward-looking statements are based on certain key expectations and assumptions of known and unknown risks, uncertainties and other factors, which are deemed reasonable when made but may or may not prove correct. Actual events are difficult to predict and may depend upon factors beyond APE's control. Therefore, actual results may turn out to be materially different from any future results, performance or achievements express or implied by the forward-looking statements. Forward-looking statements only speak as of the date of this document and no representations are made as to the accuracy or fairness of such forward-looking statements. Refer to the key risks slide of this presentation for a summary of certain general, and transaction-specific risk factors that may affect APE or the merged group. Each recipient of this presentation should consider the forward looking statements contained in this presentation in light of those disclosures. Except as required by law or regulation (including the ASX Listing Rules), APE disclaims any obligation to update any forward-looking statements, to reflect any change in APE's expectations with regard thereto, or any change in events, conditions or circumstances on which the statements are based. Indications of, and guidance or outlook on, future earnings or financial position or performance are also forward looking statements. Neither APE nor its directors or management gives any assurance that the any guidance or outlook on future earnings or financial position or performance of APE or merged group will be achieved.

## Non-IFRS information

APE's results are reported under International Financial Reporting Standards (**IFRS**). However, this presentation includes certain financial information that are non-IFRS financial measures for the purposes of providing a more comprehensive understanding of the performance of APE. These non-IFRS financial measures include pro forma FY18 underlying profit before tax adjusted to remove impact of unusual items, pro forma market capitalisation, pro forma enterprise value, total shareholder returns, anticipated synergies, national new motor vehicle sales market share and dealership and brand representation figures and other measures which provide useful information for measuring the underlying performance of APE. Such non-IFRS information is unaudited, however the numbers have been extracted from audited or reviewed financial statements.



# Transaction summary

all-scrip offer by off-market bid for all of the shares in AHG not already owned by APE

## proposed transaction

- All-scrip offer of 1 APE share for every 3.8 AHG shares owned
- No minimum acceptance threshold; subject to conditions, summarised in the Appendix
- Likelihood of competing proposal emerging is low due to APE's 28.84% interest in AHG

## implied value

- Implied valuation reflects the relative market values of APE and AHG

Basis of assessing implied value and market value <sup>1</sup>	Market value of an AHG share <sup>1</sup>	Implied value per AHG share represented by the offer consideration <sup>1</sup>	Implied premium <sup>1</sup>
closing price on 4 April 2019	\$1.780	\$1.916	7.63%
based on the two day VWAP <sup>1</sup>	\$1.792	\$1.916	6.91%
based on the 10 day VWAP	\$1.759	\$1.927	9.57%
based on the 30 day VWAP	\$1.933	\$1.953	1.06%
based on the 120 day VWAP	\$1.757	\$1.828	4.02%

<sup>1</sup> VWAP, market value of an AHG share, implied value per AHG share represented by the offer consideration and implied premium have been calculated in accordance with the methodology outlined in the Appendix.

# Transaction summary (cont.)

all-scrip offer by off-market bid for all of the shares in AHG not already owned by APE

## commercial rationale

- Greater geographical and brand portfolio diversification
- Anticipated pre-tax synergies estimated to be \$13.5 million per annum, available if full ownership achieved
- Larger, more flexible balance sheet

## financial impact

Merged group financials (on the basis that APE acquires 100% of AHG):

- Underlying unaudited pro forma FY18 profit before tax<sup>2</sup> of \$203.0 million (excluding synergies)
- Pro forma enterprise value<sup>2</sup> of \$2.42 billion; pro forma market capitalisation<sup>2</sup> of \$1.84 billion
- Pro forma unaudited FY18 earnings per share<sup>3</sup> of 56.3 cents per share<sup>4</sup>

<sup>2</sup> Pro forma FY18 profit before tax, pro forma enterprise value and pro forma market capitalisation have been calculated in accordance with the methodology outlined in the Appendix.

<sup>3</sup> Pro forma unaudited FY18 earnings per share has been calculated based on underlying unaudited pro forma profit attributable to owners of the merged group of \$142.59 million and total number of APE Shares on issues following completion of the Offer of 253,412,105.

<sup>4</sup> The historical financial performance of APE or AHG is no assurance or indicator of future financial performance of the merged group.

# Rationale

## compelling commercial rationale

AP Eagers Limited (APE) is the largest shareholder in Automotive Holdings Group Limited (AHG).

APE is a leader in the automotive retail industry with proven management expertise that has delivered a consistent record of profit, dividend and EPS growth.

In the context of AHG's declining performance, the combined group is expected to be better placed to pursue growth opportunities through greater geographical diversification, enhanced brand portfolio diversification and a larger, more flexible balance sheet.

APE has a clear growth strategy, stable management team and proven track record.

APE is offering fellow AHG shareholders the opportunity to participate in the expected benefits of combining the two companies.

# Merger to create long term value

## portfolio

Exposure to motor vehicle retailing in all Australian States and Territories (other than the ACT<sup>5</sup>).

## brands

242 new car dealership locations in Australia and New Zealand.  
68 new truck and bus dealership locations in Australia.  
33 car brands<sup>6</sup> & 12 truck and bus brands<sup>6</sup>.

## synergies

Anticipated pre-tax synergies of \$13.5m. Further corporate and operational synergies not yet quantified.

## scale

Larger, more flexible balance sheet.  
Scale benefits in relation to key input costs.

## expertise

Extensive auto retail experience of the APE board and management.  
APE track record of profit, EPS and dividend growth.

## strategy

APE & AHG shareholders to share in the expected benefits of applying APE's growth strategy.

<sup>5</sup> Australian Capital Territory

<sup>6</sup> Brands as defined by FCAI, VFACTS National Report – New Vehicle Sales, December 2018

# Combined portfolio

greater geographical diversification



The merged group will have exposure to motor vehicle retailing markets in all Australian States and Territories (other than the ACT), representing approximately 11.9%<sup>7</sup> of the Australian new vehicle sales market for the 12 months ended 31 December 2018.

<sup>7</sup> As at 31 December 2018. Calculated based on APE's new vehicle market share of 5.2% (as stated in APE's FY18 results presentation) and AHG's new vehicle market share of circa 6.7% (as stated in AHG's 1H19 results announcement). Dealerships refers to the number of new vehicle dealership locations. Dealerships for Toyota and Volkswagen have been calculated by reference to prime market areas (PMAs) rather than new vehicle sales locations within PMAs.

# Brand diversification

top 10 brands presented below represent 74.8% of all new vehicle sales in Australia in 2018<sup>8</sup>



<sup>8</sup> FCAI, VFACTS National Report – New Vehicle Sales, December 2018 (YTD)  
Dealerships refers to the number of new vehicle dealership locations in Australia. Dealerships for Toyota and Volkswagen have been calculated by reference to PMAs rather than new vehicle sales locations within PMAs.

# Annual pre-tax cost synergies

subject to 100% acquisition and full operational review

anticipated synergies  
**\$13.5M**



**?**  
synergies not yet quantified post operational review

economies of scale  
input costs

best practice systems and processes  
procurement, customer service, HR, property

operational review  
overhead cost reduction, non-core and underperforming businesses, enhanced partner value extraction via scale and engagement with key stakeholder groups

removing duplication of costs  
head office, board, senior executives, technology, audit, compliance and corporate services and costs associated with operating as a listed company on the ASX

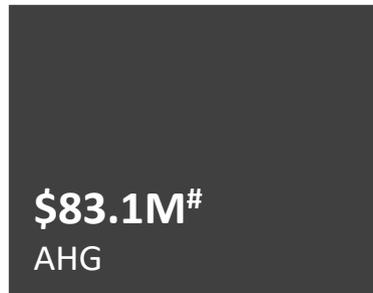
The potential anticipated synergies are based on estimates by APE and assumes that APE is able to acquire 100% of AHG and AHG is delisted. APE has not discussed its analysis of achievable synergies with the AHG Board or management and does not yet have available to it (based on the publicly available information) sufficient information to develop a detailed integration plan to achieve the synergies. The extent and timing of the benefit of the potential synergies is currently uncertain and will depend on, amongst other things, whether or not APE is able to acquire 100% of AHG and the results of the operational review that APE intends to conduct following the conclusion of the offer. The full benefit of the potential synergies would not be available if APE acquires less than 100% of AHG.

# Merged group financials

enhanced scale and financial strength to pursue growth

**\$203.0M**

pro forma FY18 profit before tax<sup>9</sup>



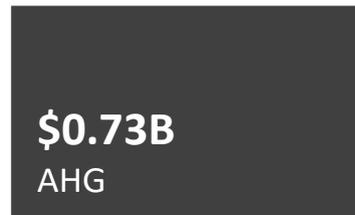
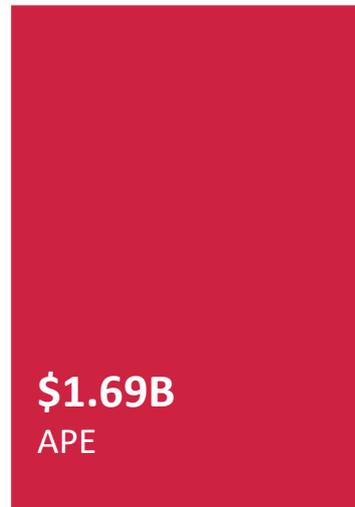
**\$1.84B**

pro forma market cap<sup>9</sup>



**\$2.42B**

pro forma enterprise value<sup>9</sup>



**242**



new car dealerships in Australia and New Zealand

**68**



truck and bus dealerships in Australia

<sup>#</sup> APE's share of AHG's pro forma FY18 profit before tax would be \$24.0M based on APE's existing 28.84% interest in AHG.

<sup>9</sup> Pro forma FY18 profit before tax, pro forma enterprise value and pro forma market capitalisation have been calculated in accordance with the methodology outlined in the Appendix. Dealerships for Toyota and Volkswagen have been calculated by reference to PMAs rather than new vehicle sales locations within PMAs.

# APE's experience

Board have a combined 174 years of automotive retail expertise<sup>10</sup> and a combined ownership interest in APE of 38.9%



**Timothy Crommelin**  
BCom, FSIA, FSLE  
Chairman of the Board,  
Member of Audit, Risk &  
Remuneration Committee

Independent, non-executive  
Director since February 2011.

Chairman of Morgans Holdings  
(Australia) Limited.

Director of Senex Energy Ltd  
(appointed October 2010).

Member of the University of  
Queensland Senate.

Director, Australian Cancer  
Research Foundation.

Broad knowledge of corporate  
finance, risk management and  
acquisitions and over 40 years'  
experience in the stockbroking  
and property industry.



**Martin Ward**  
BSc (Hons), FAICD  
Managing Director, Chief  
Executive Officer

23 years of experience in the  
automotive retail industry.

Managing Director since March  
2006.

Chief Executive Officer since  
January 2006, having joined the  
company in July 2005.

Motor vehicle dealer.

Director of Australian  
Automotive Dealer Association  
Limited (appointed January  
2014).

Formerly the Chief Executive  
Officer of Ford Motor  
Company's Sydney Retail Joint  
Venture.



**Nicholas Politis**  
BCom  
Director

54 years of experience in the  
automotive retail industry.

Non-executive Director since  
May 2000.

Motor vehicle dealer.

Executive Chairman of WFM  
Motors Pty Ltd, A.P. Eagers  
Limited's largest shareholder,  
and Director of a substantial  
number of other proprietary  
limited companies.



**Daniel Ryan**  
BEC, MBus, FAICD  
Director

19 years of experience in the  
automotive retail industry.

Non-executive Director since  
January 2010.

Director and Chief Executive  
Officer of WFM Motors Pty Ltd,  
A.P. Eagers Limited's largest  
shareholder, and Director of a  
substantial number of other  
proprietary limited companies.

Significant management  
experience in automotive,  
transport, manufacturing and  
retail industries.



**David Cowper**  
BCom, FCA  
Director, Chairman of  
Audit, Risk &  
Remuneration Committee

36 years of experience in the  
automotive retail industry.

Independent, non-executive  
Director since July 2012.

Chartered accountant, with  
more than 38 years in the  
profession.

Former partner of Horwath  
Chartered Accountants and  
Deloitte Touche Tohmatsu,  
specialising in the provision of  
audit, financial and taxation  
services to public and large  
private companies in the motor  
industry.

Substantial industry knowledge,  
having been chairman of  
Horwath's motor industry  
specialisation unit for six years.



**Marcus Birrell**  
Director, Member of Audit,  
Risk & Remuneration  
Committee

39 years of experience in the  
automotive retail industry.

Non-executive Director since  
July 2016.

Former Director of Australian  
Automotive Dealer Association  
Limited.

39 years automotive retail  
experience at manufacturer,  
financier and/or retail level.

Formerly the Chairman of Birrell  
Motors Group for 21 years until  
the business was acquired by  
A.P. Eagers Limited in March  
2016.



**Sophie Moore**  
BBus, CA, FFin  
Director, Chief Financial  
Officer

3 years of experience in the  
automotive retail industry.

Executive Director since March  
2017.

Chief Financial Officer since  
August 2015.

Chartered accountant, having  
previously held senior finance  
roles with  
PricewaterhouseCoopers and  
Flight Centre Travel Group  
Limited.

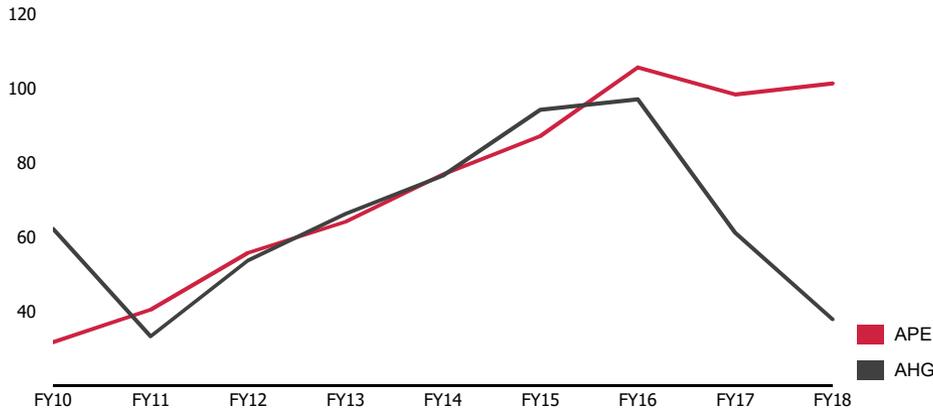
In her executive capacity as  
Chief Financial Officer, Sophie is  
responsible for the group's  
accounting, taxation, internal  
audit and treasury functions.

<sup>10</sup> Time spent as a Director of A.P. Eagers Limited has not, in itself, been regarded as experience in the automotive retail industry for these purposes.

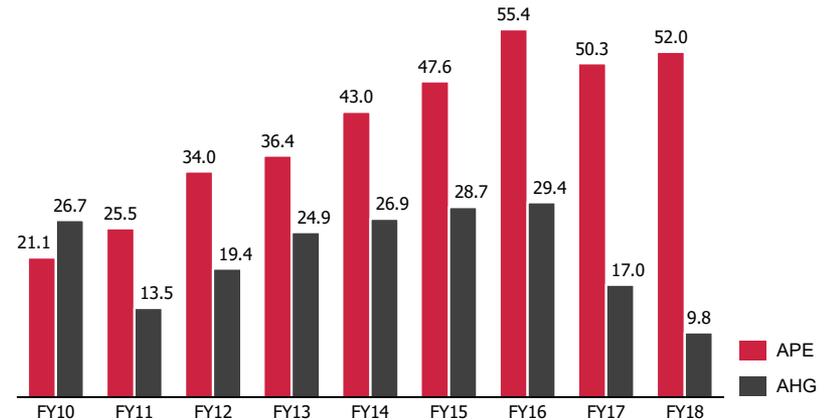
# APE's proven track record

consistent record of profit, dividend and EPS growth<sup>11</sup>

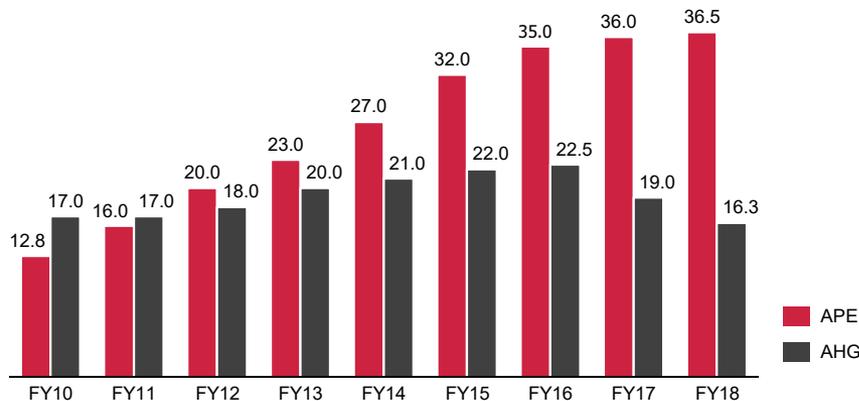
Net profit after tax (\$M)



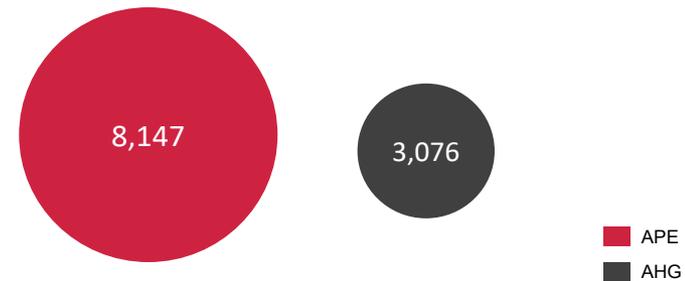
Earnings per share (cents per share)



Full year dividend (cents per share)



10 year total shareholder return<sup>12</sup> on \$1,000 investment valued at 4 April 2019 (\$)



<sup>11</sup> Sources for net profit after tax, earnings per share (basic) and full year dividend have been outlined in the Appendix.

<sup>12</sup> Based on \$1,000 invested in APE shares and \$1,000 invested in AHG shares on 4 April 2009, an APE share price of \$7.28 and an AHG share price of \$1.78, being the closing price on 4 April 2019. APE total shareholder return includes the final dividend paid in respect of FY18 of \$0.22 per share on the basis that APE shares were trading ex-dividend at 4 April 2019. Assumes no reinvestment of dividends paid. Figures represent total gain on investment excluding initial \$1,000 investment.

# APE's growth strategy

APE's future growth strategy includes:

- significant investment in an omni-channel retail approach to satisfy changing customer preferences;
- leveraging its large and flexible portfolio of owned and leased properties to bring rationalisation and expansion opportunities;
- capitalising on its distribution presence in the motor vehicle industry and extensive funding relationships to increase penetration of automotive and mobility finance;
- redefining its workforce to better match changing customer shopping behaviour and deliver a more sustainable and productive cost base;
- supporting innovation by its manufacturing partners to introduce ACE (autonomous connected and electric) vehicles and other emerging products and services; and
- disciplined use of its larger, more flexible balance sheet to invest in future industry evolution and consolidation opportunities.

# Appendix

# Conditions

The offer is subject to the following conditions which are set out in full in the bidder's statement<sup>13</sup>:

- all regulatory approval being received;
- no regulatory action occurring which may adversely affect the offer;
- no prescribed occurrences (as listed in section 652C Corporations Act) in respect of AHG;
- no material acquisitions, disposals or significant events being undertaken by AHG;
- no material adverse changes occurring in respect of AHG;
- neither the S&P/ASX 200 nor the All Ordinaries Index falling below 85% of the level of that index on the day the transaction is announced for three consecutive trading days; and
- any third party which could terminate a material contract with AHG as a result of the merger, consenting to the merger or stating an intention not to exercise its rights in that regard.

<sup>13</sup> The bidder's statement is expected to be lodged with ASIC and sent to AHG and the ASX on or about the date of this presentation.

# Risk areas

The key risks are outlined in full in the bidder's statement<sup>14</sup> and include:

- **Evolving market and industry conditions** - operations may be impacted by changes in the market for new and used automotive vehicles, related parts and servicing requirements and other ancillary products and services
- **Economic conditions** - operating and financial performance is sensitive to the current state of, and future changes to, general economic conditions overall as well as any of the markets in which it operates
- **Relationship with manufacturers** - no guarantee that relationships with manufacturers will continue or if they do continue, that these relationships will be successful
- **Regulatory compliance**
- **Competition** - financial performance could be affected if, for example, new manufacturers enter the market (especially if they successfully introduce a different distribution or sales model to the traditional dealership model) or if substitutes for new motor vehicle (for example, car sharing or ride sharing) become more attractive.
- **Impairment of goodwill** - where an asset's value is deemed to be less than its carrying value, a non-cash impairment charge in the profit or loss account may need to be recognised
- **Insurance and liability**
- **Ability to service and refinance debt**
- **Integration**
- **Termination of material agreements** - material agreements to which AHG is a party may be subject to review or termination upon a change of control as a consequence of the offer

<sup>14</sup> The bidder's statement is expected to be lodged with ASIC and sent to AHG and the ASX on or about the date of this presentation.

# Definitions

- **Dealerships**

means the number of new vehicle dealership locations in Australia and New Zealand. Dealerships for Toyota and Volkswagen have been calculated by reference to prime market areas (PMAs) rather than new vehicle sales locations within PMAs.

- **Earnings per share (EPS)**

means reported basic earnings per share as disclosed in the annual financial report, of each of APE and AHG for the relevant Financial Year (or subsequent Financial Year where the comparative figures have been restated) and released to the ASX by each APE and AHG.

- **Financial year or FY**

means when used in relation to APE and the merged group, the Financial Year ended on 31 December; and when used in relation to AHG, the Financial Year ended on 30 June.

- **Full year dividends**

means all dividends paid in respect of the relevant financial year as disclosed in the annual financial report and released to the ASX by each of APE and AHG.

- **Implied premium**

is calculated by subtracting the market value of an AHG share from the implied value per AHG share represented by the offer consideration, divided by the implied value per AHG share represented by the offer consideration and expressed as a percentage to two decimal places.

- **Implied value per AHG share represented by the offer consideration**

is calculated by applying a 1 to 3.8 ratio to the APE shares comprised in the offer consideration when the value of those APE shares is assessed on the basis set out in the first column of the implied value table on slide 3.

- **Market value of an AHG share**

means the market value of an AHG share when assessed on the basis of the VWAP periods reflected within the first column of the implied value table on slide 3.

- **Net profit after tax**

means the reported net profit after tax as disclosed in the annual financial report of APE and AHG for the relevant Financial Year (or subsequent Financial Year where the comparative figures have been restated) and released to the ASX by each APE and AHG.

- **Pro forma FY18 profit before tax**

is calculated based on financial information related to APE's audited financial report for the full year ended 31 December 2018 and financial information relating to AHG has been sourced from its audited financial report for the full year ended 30 June 2018 and its reviewed financial results for the half year ended 31 December 2017 and the half year ended 31 December 2018. The reported financial information has been adjusted to eliminate the AHG dividend income received by APE during the 12 months ended 31 December 2018 (\$13.9 million) and the removal of AHG unusual items recognised during the period (\$322.3 million) as disclosed in the financial reports for these periods released to the ASX.

# Definitions

- **Pro forma market capitalisation**

is based on the market capitalisation of APE as at 4 April 2019 of \$1.39 billion and a valuation of AHG Shares not currently owned by APE of \$452.1 million, being the number of AHG shares not owned by APE divided by 3.8 (which reflects the offer consideration) and valued at the closing price of \$7.28 per APE share on 4 April 2019.

- **Pro forma enterprise value**

is based on the pro forma market capitalisation, plus the pro forma FY18 net debt excluding bailment financing of the merged group, being \$578.1 million. The merged group pro forma FY18 net debt is based on the combination of pro forma FY18 net debt for APE and AHG, excluding bailment financing and any anticipated transaction costs relating to the offer.

- **VWAP**

means the volume weighted average price of a security, calculated as the cumulative value traded on the ASX and CHI-X divided by cumulative volume traded on the ASX and CHI-X. VWAPs have been rounded to the third decimal place.