

A.P. Eagers

Broker Presentation

Thursday 10 March 2011

A.P. Eagers / Adtrans Post Merger



- **98** year old automotive retail group founded in **1913**
- **53** years as a listed public company – dividend paid every year
- Post acquisition A.P. Eagers will own more than **70** acres of prime real estate with land and buildings of **\$321m**
- Represents all **10** of the top **10** selling vehicle brands in Australia and **31** car brands in total along with **12** truck / bus brands
- **97** dealership locations in Qld, NT, NSW, Vic and SA
- **2,900** employees

A.P. Eagers / Adtrans Post Merger

AP EAGERS

Represents 10 of the top 10 selling vehicle brands in Australia



HOLDEN



SUBARU



A.P. Eagers / Adtrans Post Merger

AP EAGERS

As well as 21 others, representing 31 vehicle brands in total



A.P. Eagers / Adtrans Post Merger

AP EAGERS

Representing 12 truck and bus brands



IVECO



A.P. Eagers / Adtrans Post Merger



	ADG Annually:	APE Annually:	Combined Annually:
Total Cars Sold	16,000	49,000	65,000
New Cars Sold	6,500	32,000	38,500
Used Cars Sold	7,500	17,000	24,500
New / Used Trucks	2,200	0	2,200
Retail Finance Contracts	\$126m	\$300m	\$426m
Vehicle Servicing	\$32m	\$121m	\$153m
Parts Sales	\$90m	\$240m	\$330m

Annual Turnover \$2.4 Billion

Representing only 3.7% of Franchised Retail Industry based on VFACTS 2010

Operational Highlights for 2010



Substantial earnings accretive growth utilising only limited new equity (6% of capital).

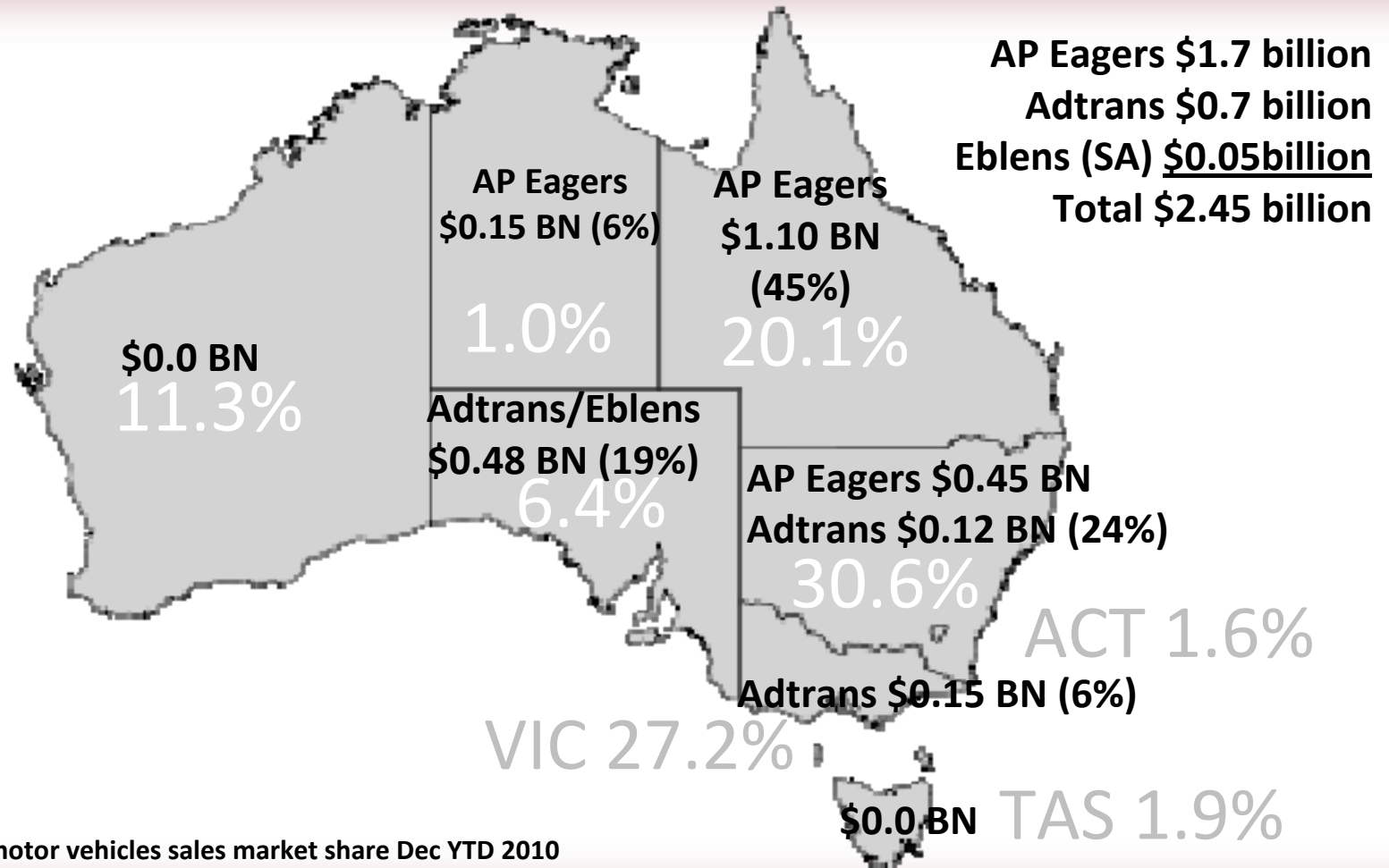
- Caloundra City Auto – Qld April 2010
- Adtrans Group – SA (Cars), Vic & NSW (Trucks) October 2010
- Sydney Truck Centre NSW (Western Star/MAN) October 2010
- Eblens Subaru March 2011

Geographical Spread Change (based on turnover)

	2010*	2011	2010	2011
<u>Qld</u>	65%	45%	Cars 100%	88%
<u>NSW/ACT</u>	27%	24%	Trucks 0%	12%
<u>NT</u>	9%	6%		
<u>VIC/TAS</u>	0%	6%	Based on APE \$1.7bn / ADG \$0.7bn Plus Eblens \$0.05bn – Total \$2.45bn	
<u>SA</u>	0%	19%		
<u>WA</u>	0%	0%		

* 2010 %'s do not include Adtrans

AP Eagers / Adtrans Post Merger



Profitability and New Vehicle Stock Availability

	2007	2008	2009	2010	2011
Jan – June (1 st Half) Industry Profitability	V. Good & Increasing	Stable	Recovering	Solid, still Stimulus driven	Forecast, Solid
Jan – June (1 st Half) Industry Vehicle Stock	Lots, but manageable	Lots and increasing, alarming levels by June	Decreasing fast, some short supply by June	Correct stock levels, but creeping upwards by June	Forecast, correct stock levels.
June – Dec (2 nd Half) Industry Profitability	V. Good & Increasing	Disastrous	Utopia, Stimulus driven	Solid, Stimulus over	
June – Dec (2 nd Half) Industry Vehicle Stock	Lots, but manageable	Lots, slowly decreasing at the expense of profit	Very limited stock industry-wide, freeing up by year end	Relatively high stock for some Mfr's reducing to normal by year end.	

When vehicle stock is in line with “natural demand” then the industry structure produces a good return on invested capital.

- **New car market volume effects**

- Hail damage in Victoria and W.A – early 2010
- Increased vehicle inventory and over-supply in some areas.
- Heavy trucks sector experienced only a very modest recovery.

- **Queensland economy lagging**

- Business confidence below other states.
- Tourism industry struggling.
- Property markets slow to recover.
- Increased non labour input costs - rates, land tax, insurance.
- Planning processes and infrastructure costs unfavourable compared to other States
- Mortgage delinquencies increased from lowest to highest by State.

Financial Highlights (Full Year 2010 vs 2009)



1. Solid margins, in a more cautious retail market

- » NPBT/Sales 2.6% vs 3.0%.
- » EBITDA/Sales 4.0% vs 4.6%.

but compare well with history and industry.

2. Substantial earnings accretive growth achieved with limited new equity issued (6% of capital).

- Caloundra City Auto - QLD
- Adtrans Group - S.A (Cars), Vic & NSW (Trucks)
- Sydney Truck Centre (Western Star/MAN) - NSW

Group Financial Results

Underlying Trading Performance



Margins reduced from record levels due to a return to a more normal level of vehicle inventory, a generally more cautious retail customer environment, and weakness in the S.E. Queensland market.

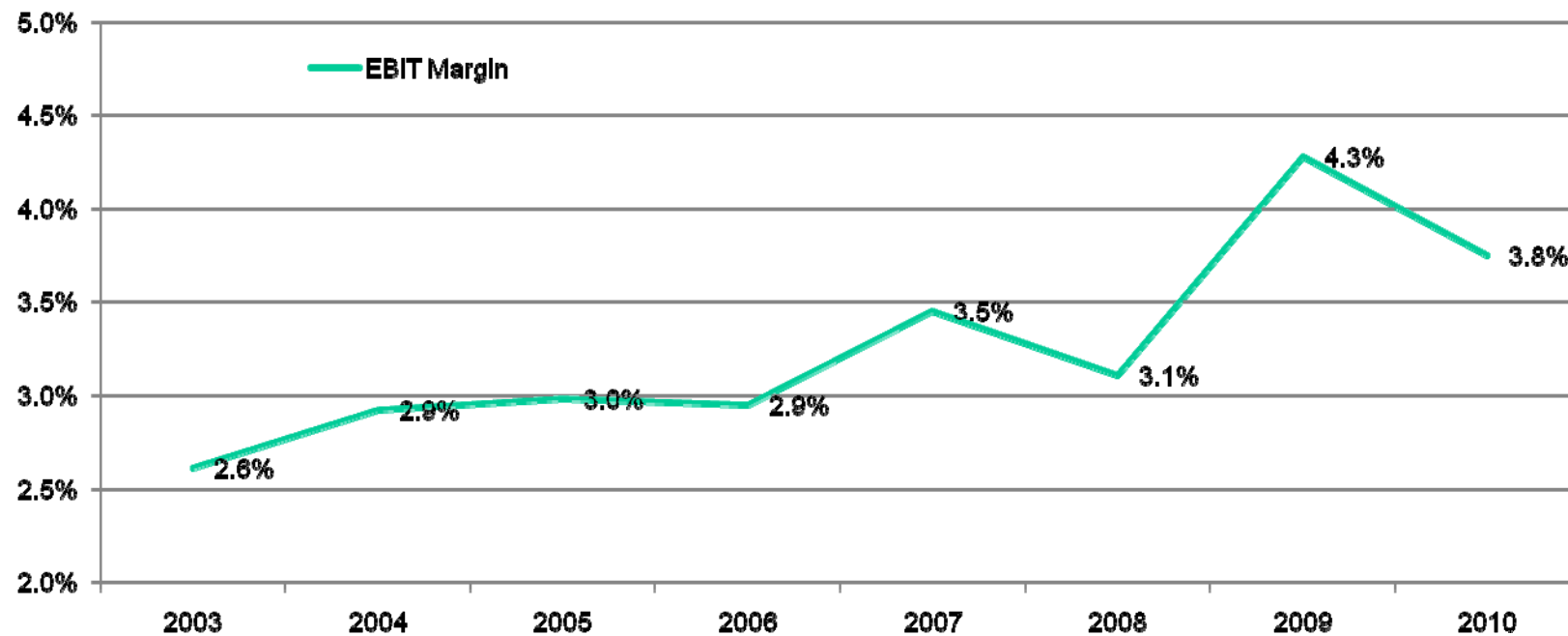
Underlying Trading Performance

	FY 2010 \$m	Change
Revenue	1,811	+9%
EBITDA	74.5	-2%
EBIT	67.9	-5%
NPBT	46.8	-7%
NPAT	32.6	-7%
EBITDA/Sales	4.0%	-13%
EBIT/Sales	3.8%	-12%
NPBT/Sales	2.6%	-13%

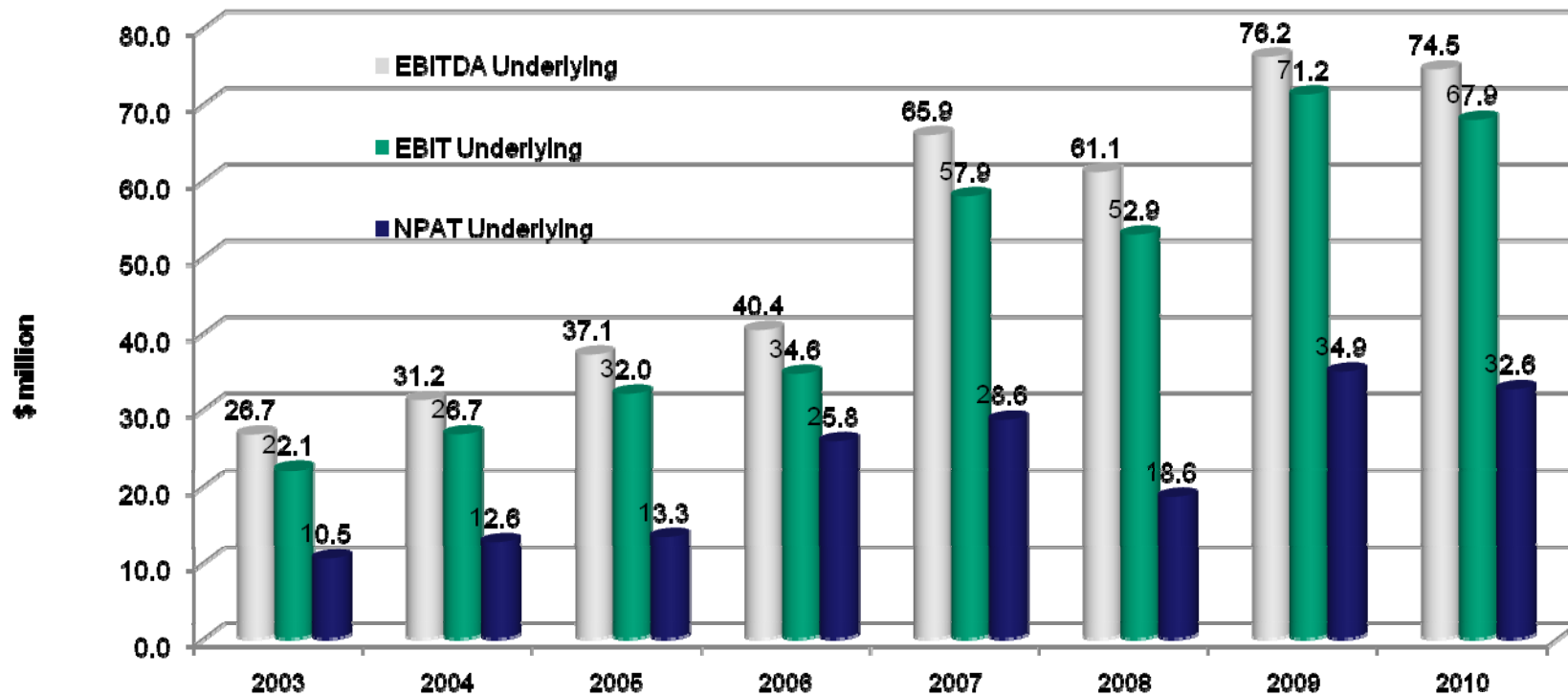
Ongoing margin improvement trend - albeit below record 2009 levels.



EBIT (Trading) Margin

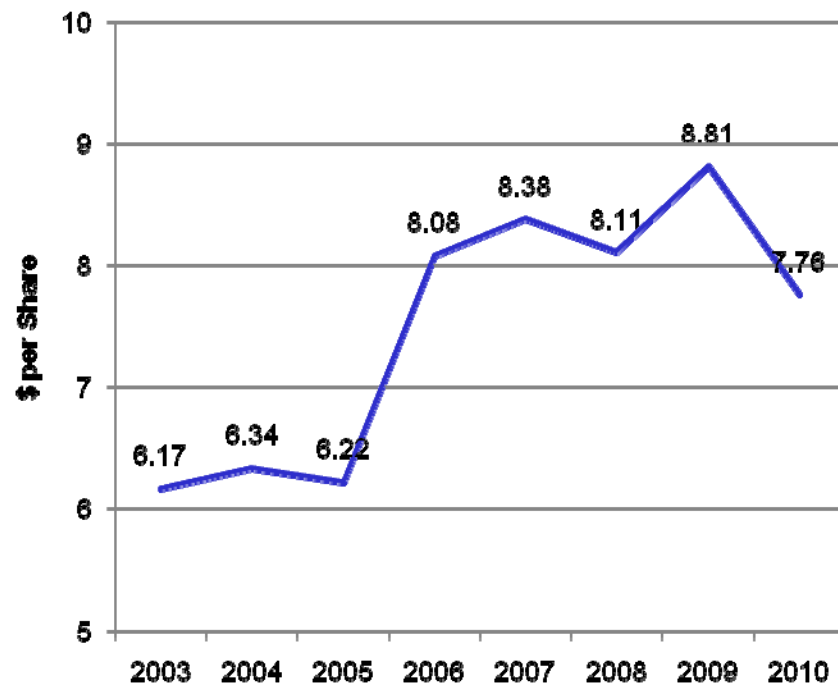


Financial Trends

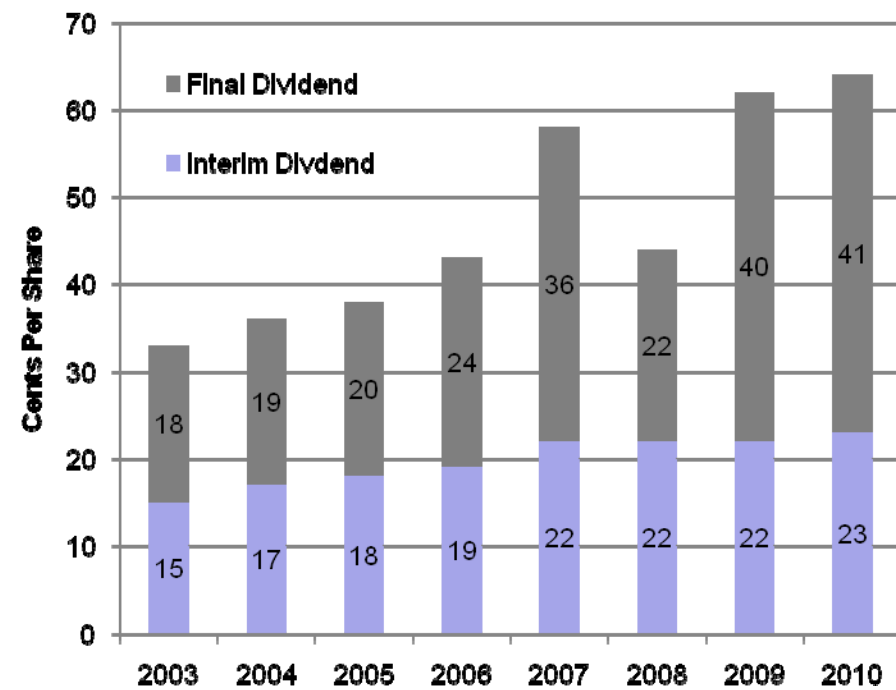


Financial Trends

Net Tangible Assets



Dividend



Group Balance Sheet - Summary



- Acquisitions of Caloundra City Auto, Adtrans and Sydney Truck Centre.
- Takeover of Adtrans eliminated the previous equity accounted investment.
- Use of cash reserves, debt and equity (6% of issued capital) for growth.

	FY10 \$m	Change (\$m)	Change
CA-CL (excl. held for sale)	71.9	18.9	+37%
Investments	2.7	(24.2)	-90%
PP&E (incl. held for sale)	355.9	32.8	+10%
Intangibles	116.2	48.7	+72%
Non Current Borrowings	166.3	51.1	+44%
Net Assets	360.2	29.6	+9%

Borrowings

- Cash and debt used for earning accretive acquisitions.
- Inventories have adjusted to more normal levels.
- Adtrans \$74.5m of car and truck bailment.

	Dec 10 \$m	Dec 09 \$m
Cash	0.2	18.9
Current - Bailment & O'draft	243.6	170.9
N/Current (Bank Debt)	166.3	115.2
Total Borrowing	409.9	286.1
Total Gearing (D/D+E) - net of cash	53.2%	46.4%
Gearing – excl.bailment, cash (D/D+E)	32.0%	22.6%
Interest Cover (EBITDA/Borrowing Cost)	3.5 times	3.6 times

Bailment (floorplan) finance: industry specific, cost effective finance, secured directly to vehicle inventory, and linked to retail finance offering.

Group Cash Flow - Summary



- Higher tax payments (\$13.5m) due to 2009 profitability.
- Growth investments of \$43.6 m.
- Dividend paid in 2010 of 63 cents (2009 44 cents).

	FY2010 \$m	FY2009 \$m
Cash from operations	31.1	65.2
PP&E Acq./Disp	(1.3)	11.8
Business Acq./Disp.	(43.6)	(0.2)
Net proceeds from borrowings	25.0	(40.6) Repayment
Share buy back	(5.0)	(4.0)
Dividends (net DRP)	(18.8)	(12.1)
Dividend – former ADG s'holders	(9.1)	-
Inc/(Dec) in Cash	(21.7)	20.1

Franchise Automotive Retail Segment



- Whole of Adtrans included in Franchise Auto segment.
- Margin/Return lower due to more cautious trading environment and higher interest costs.
- 2010 RONA not comparable due to inclusion of Adtrans net assets but only 2.3 months of consolidated earnings. Excluding Adtrans and business acquisition costs = 21.0%.

	FY2010 \$m	FY2009 \$m
Revenue	1761.5	1,606.6
Profit before tax	40.7	48.4
Total Assets	596.3	404.2
Total Liabilities	392.6	258.5
Net Assets	203.7	145.7
PBT/Revenue	2.3%	3.0%
RONA (after tax)	14.0%	24.0%

Property Segment



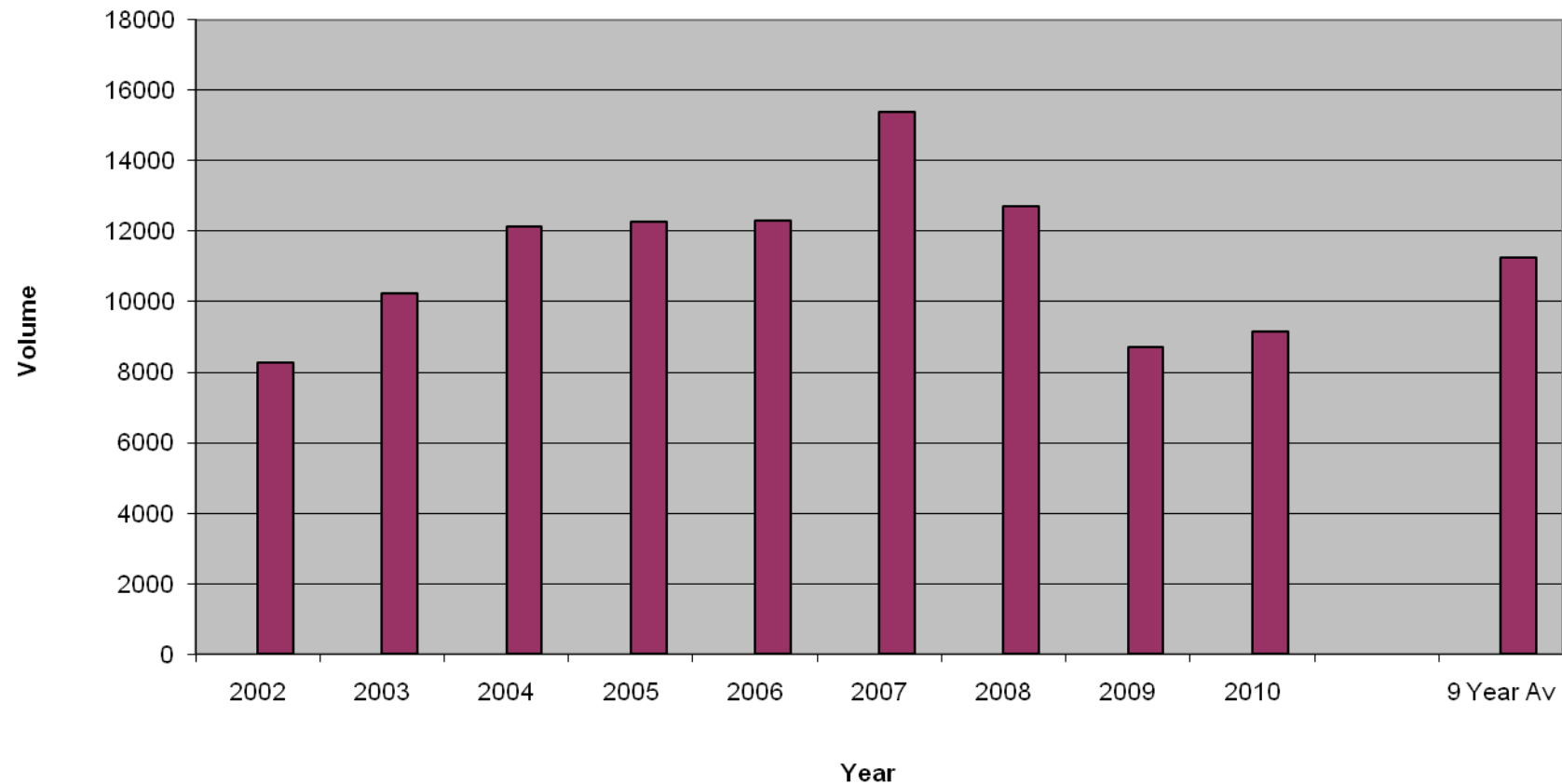
- Lower property related debt and interest costs.
- Adtrans property assets included in Auto Franchise segment in 2010.
- Property valuation problematic for specific use assets in fragmented/confused market with virtually no directly relevant sales evidence.

	FY2010 \$m	FY2009 \$m
Rental Income	28.2	29.4
Profit before tax	10.5	9.8
Revaluation surplus/(deficit) (b/tax)	(6.1)	(8.5)
Total Assets	300.5	327.3
Total Liabilities	146.5	146.5
Net Assets	154.0	180.9
RONA Trading (a/tax)	4.6%	3.8%
RONA incl. revaluations	2.0%	0.5%

Adtrans

- Heavy duty truck industry remains subdued.
- Acquired Western Star, Man, Foton and Dennis Eagle (Nov 2010)
- Other truck opportunities pending
- Eblens added to Adtrans SA car division (March 2011)
- Integration benefits to flow through during 2011 and 2012.

National Heavy Commercial Sales - 2002 to 2010 (15,001 kgs GVM and over)



Adtrans 2011 EPS



- 27% of ADG's PAT results were already in APE results due to equity accounting
- 73% of ADG is therefore additional earnings
- Acquisition funding via approximately \$50m (cash and debt) and \$22m in AP Eagers shares (equity)
- Forecast EPS accretion of 8 cents per share

IH 2011

- Priority, secure value from 2010 acquisitions
- Maintain and improve core dealership results

2H 2011 and Beyond

- No shortage of growth opportunities
- Evaluation and decisions critical to maximise EPS