

A.P. Eagers

**Broker Briefing
19 April 2011**

- **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 **12** of the top **12** 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 Volume Car Brands



Represents 12 of the top 12 selling volume car brands in Australia



A.P. Eagers Luxury Car Brands

AP EAGERS

Represents 8 of the top 9 selling luxury car brands in Australia



A.P. Eagers Truck and Bus Brands

AP EAGERS

Representing 12 truck and bus brands



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).

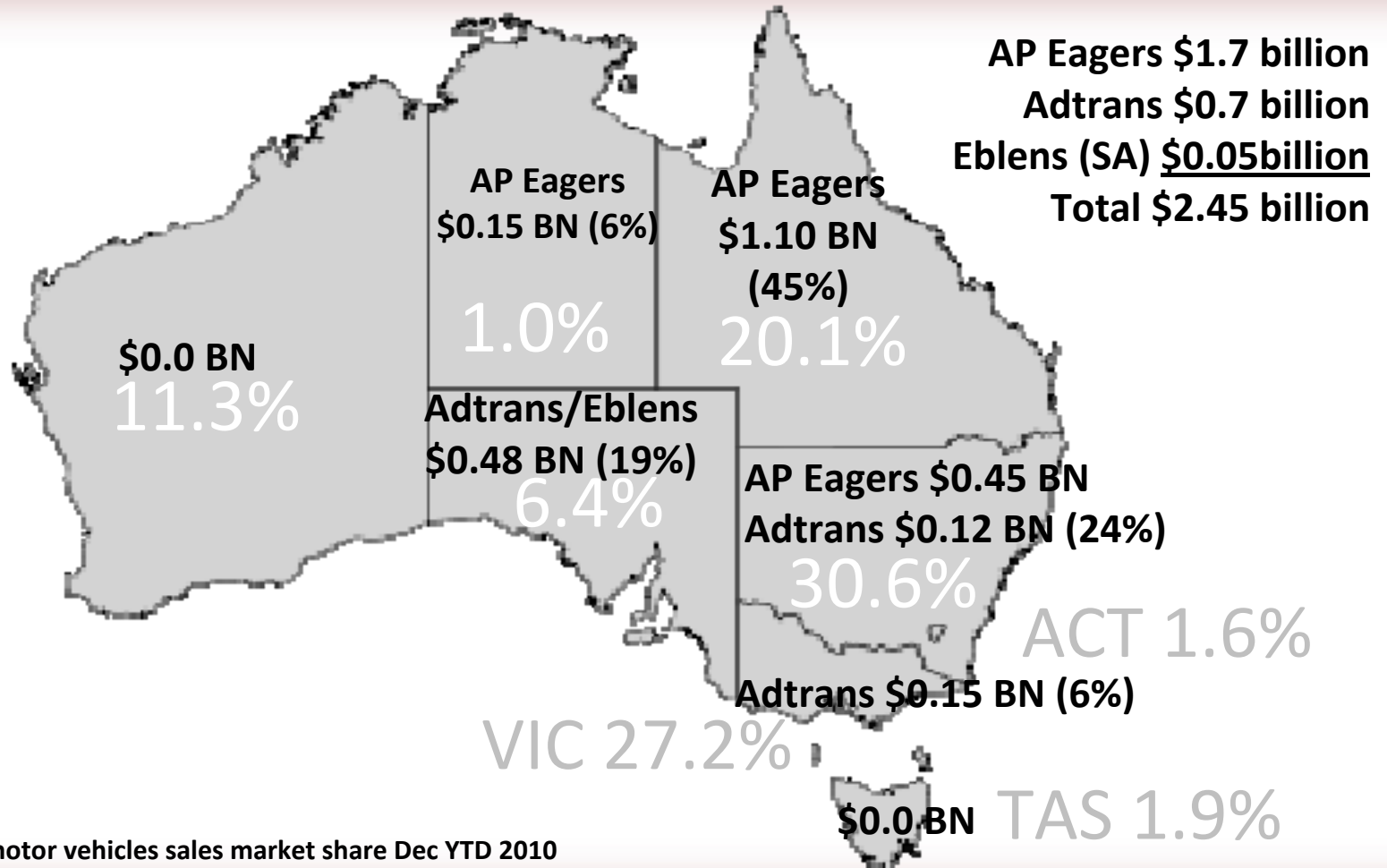
- Caloundra City Auto – Qld April 2010
- Adtrans Group – SA (Cars), Vic & NSW (Trucks) October 2010
- Sydney Truck Centre NSW (Western Star/MAN) October 2010
- Eblens Subaru March 2011

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

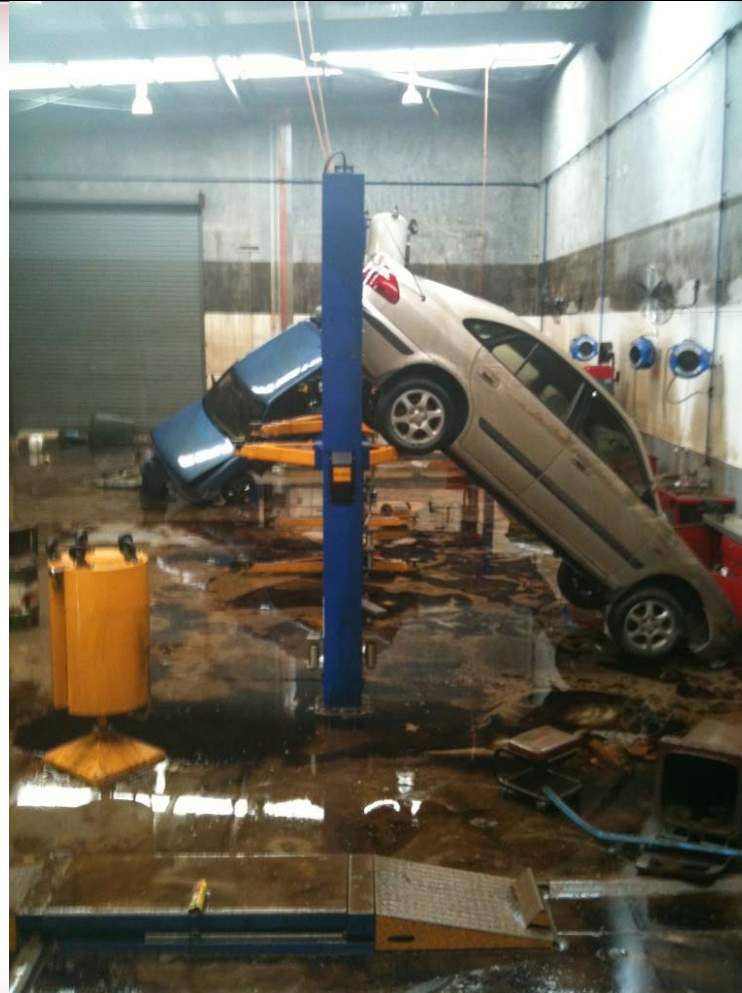
AP Eagers / Adtrans



Shaded %'s = New motor vehicles sales market share Dec YTD 2010

Queensland Floods

AP EAGERS



Queensland Floods/Cyclone



- Damage and disruption to riverside operations
- Physical damage and business interruption covered by insurance
- AP Eagers donated flood relief support vehicles to charities and the Reconstruction Authority (Gov.)
- Qld vehicle sales bounced back in March but still trailing the nation YTD
- Impact after insurance recovery neutral

Japanese Earthquake Issues

- Car manufacturing plants mostly okay
- Parts supply disrupted
- Some power constraints
- Lack of certainty on parts supply resolutions

Japanese Earthquake Impact



- 40% of imported vehicles come from Japan
- Greater than 50% of vehicle sales in Australia are Japanese brands
- We are being informed that supply of Japanese product could be impacted by up to 50% over a three to six month period
- All Japanese brands are affected
- Product and time frames vary due to circumstances
- At April 19th, AP Eagers expects ups and downs by month, but a neutral affect on calendar year 2011 results

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.

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.

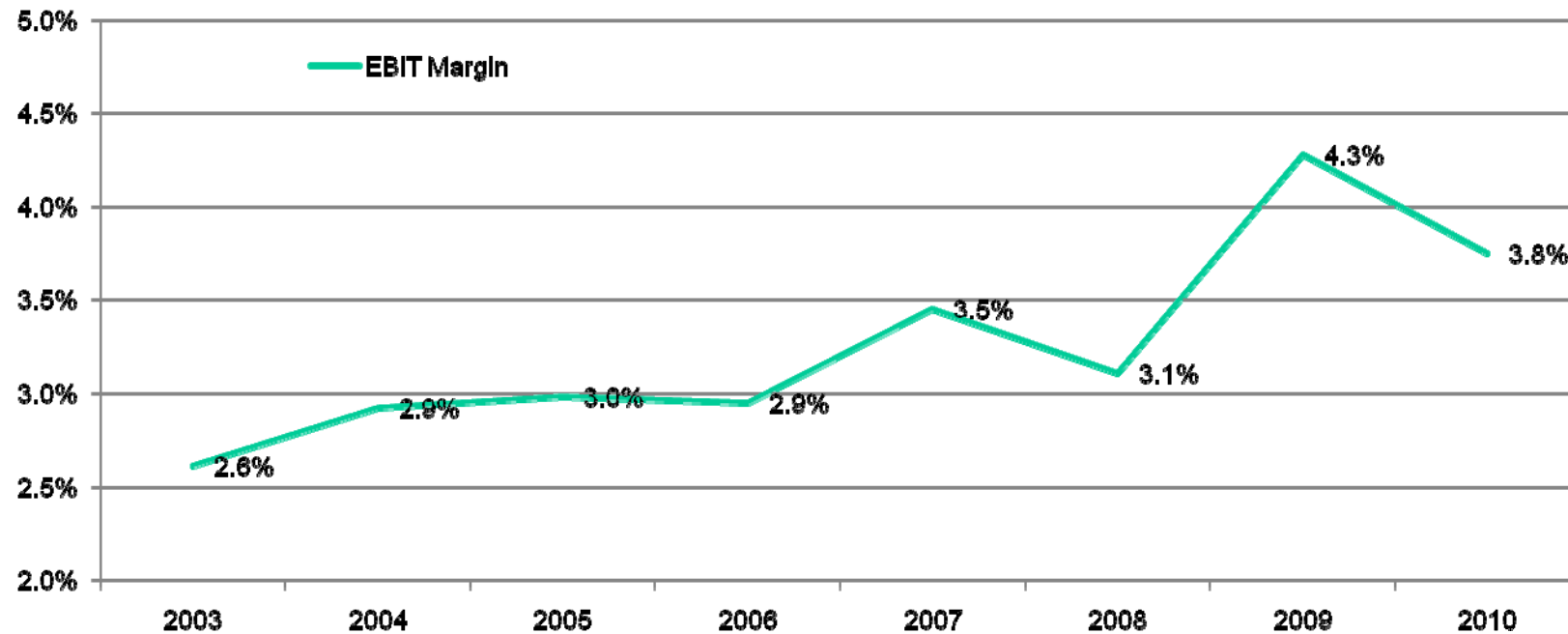
Underlying Trading Performance

| | 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% |

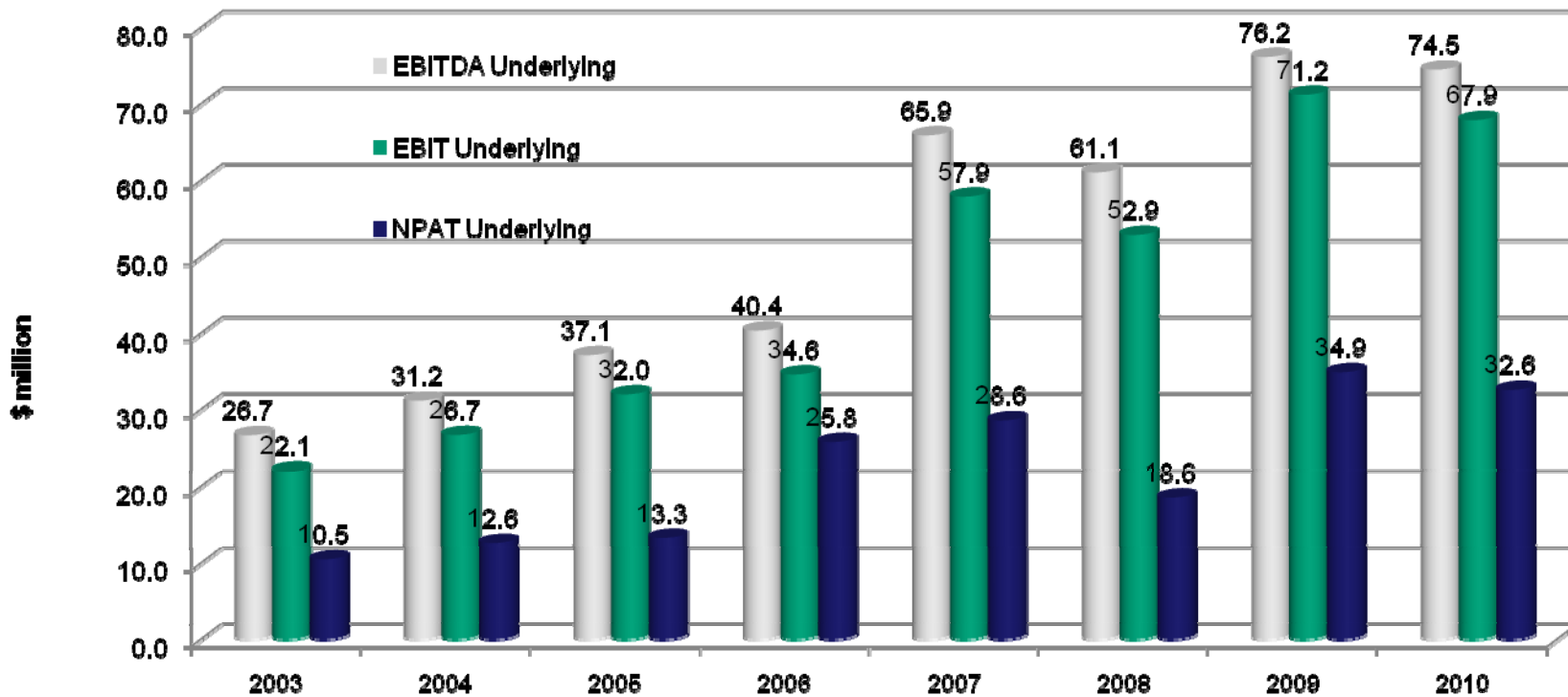
Ongoing margin improvement trend - albeit below record 2009 levels.



EBIT (Trading) Margin

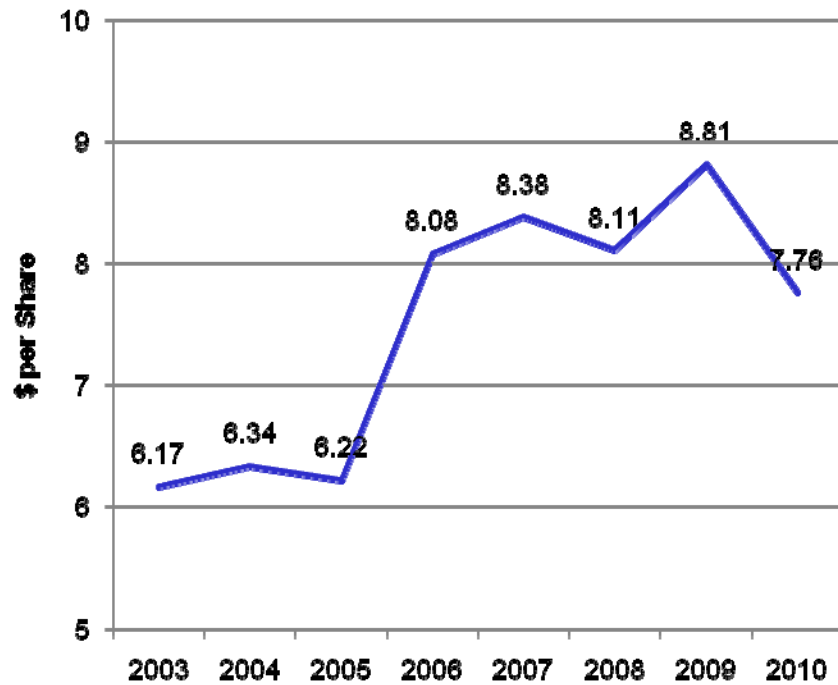


Financial Trends

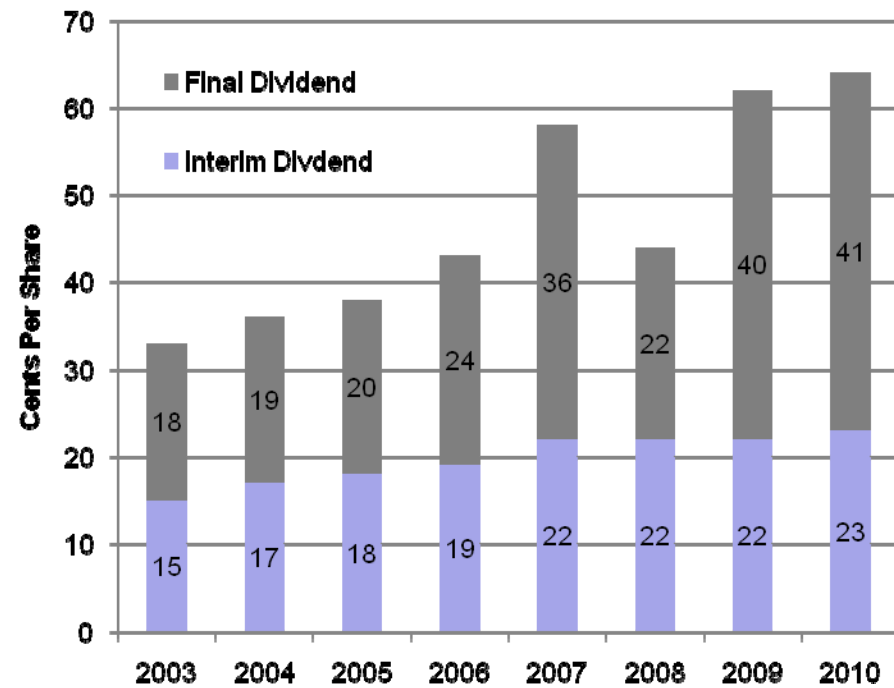


Financial Trends

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

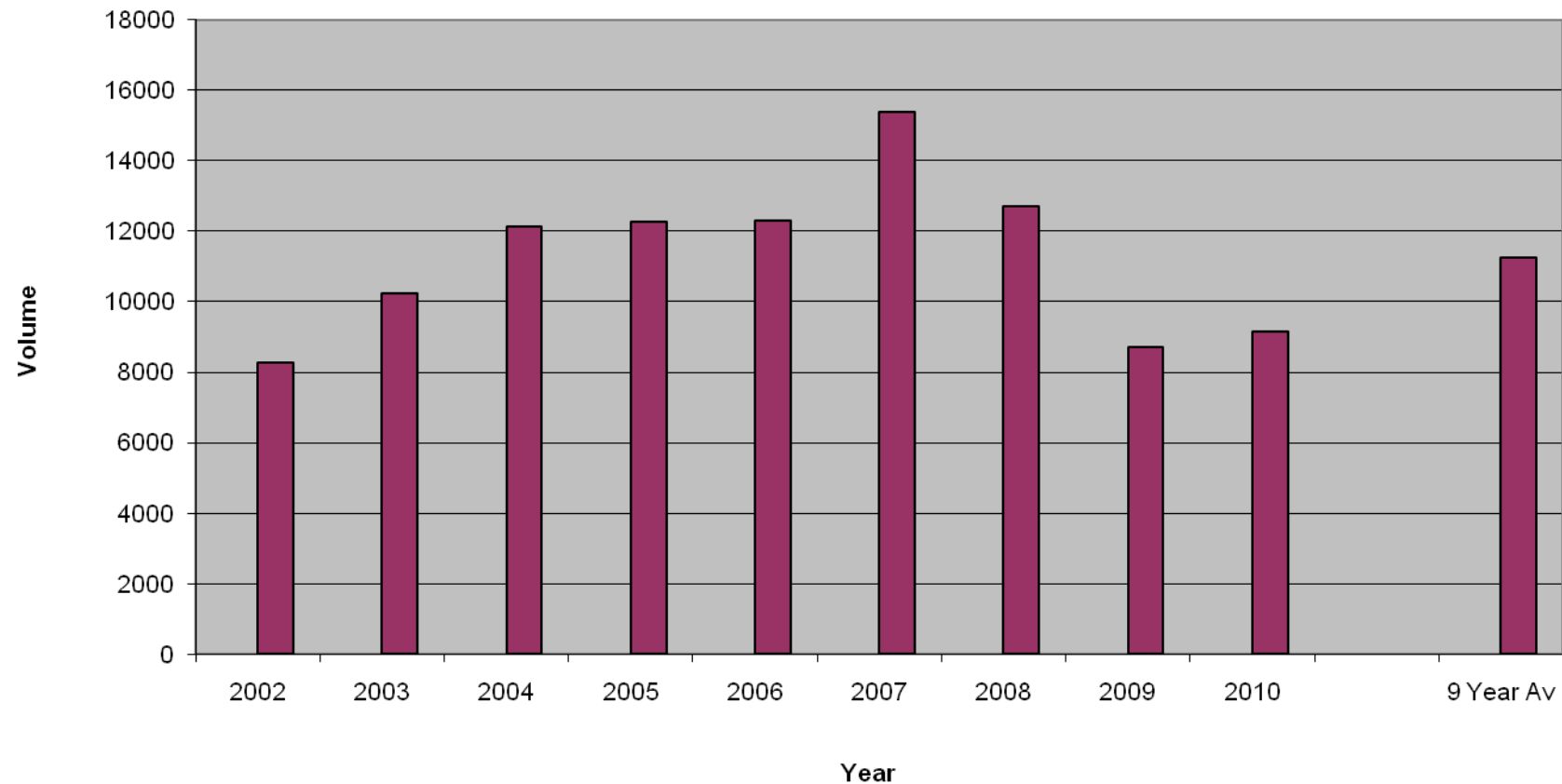


- Lower property related debt and interest costs.
- Adtrans property assets included in Auto Franchise segment in 2010.
- Property valuation problematic for specific use assets in fragmented/confused market with virtually no directly relevant sales evidence.

| | 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% |

- 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