



## Chairman's Address Annual General Meeting Wednesday 18 May 2011

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Ladies and gentlemen,

### **Record Dividend**

At our Annual General Meeting last year I was delighted to report a record dividend of 62 cents per share. This year gives me the pleasure of reporting an even higher dividend of 64 cents per share for 2010.

This continues our history of having paid a dividend every year since listing as a public company in 1957.

It is also our ninth record dividend in the past ten years.

### **2010 Results**

The retail market in 2010 was positive, but it was a more difficult market than in 2009 which had been fuelled by the federal government's investment allowance stimulus measures.

This was reflected in our results, with our 2010 Net Profit Before Tax of \$45.3 million being our second highest results on record, behind the government stimulated result of 2009.

Our CEO, Martin Ward, will elaborate on our 2010 results during his address.

### **Adtrans Group**

12 months ago, I said we would take advantage of opportunities that meet our diversification needs and provide an expectation of earnings accretive growth for shareholders.

In satisfaction of those criteria, we acquired the remaining 73% of the ASX-listed Adtrans Group that we did not already own. Adtrans is the premier car retailer in South Australia, with truck and bus dealerships in South Australia, Victoria and New South Wales.

### **Geographic Diversification**

Geographic diversification has been a key plank in our growth strategy.

At the beginning of 2005, 100% of our revenue was derived in Queensland. Although further growth has been achieved in our home state, particularly expansion into both the Gold and Sunshine Coasts, our interstate acquisitions reduced our reliance on Queensland to 65% by the start of 2010.

Following the Adtrans acquisition, we started 2011 with Queensland representing 45% of our business, New South Wales 24%, South Australia 19%, Victoria 6% and Northern Territory 6%.

Without ignoring further growth in Queensland, geographical diversification in other states will continue over the coming years. This will further reduce the impact of regional issues such as Queensland's recent floods.

### **Queensland Floods**

Although the January floods in south-east Queensland caused some damage and disruption to our local operations, the affected businesses were up and running within days of the event.

Importantly, both physical damage and business interruption were covered by our insurance programme, and we expect a neutral financial impact after insurance.

In the 48 hours before the flood waters hit Brisbane, our staff safely relocated more than 1,000 group vehicles out of harms way, all at a time when many were unsure how the floods would impact their own families and homes.

It is in times of unexpected crises that one's true character shines through, and we are very proud of all our staff and the way they rose to the challenge.

On behalf of my fellow directors, I would like to take this opportunity to thank management and staff for their professionalism and commitment in preparing for the floods on minimal notice and then dealing with the aftermath.

As a company, we have donated 12 cars to various charities to assist with flood relief efforts and support our flood-affected communities.

### **Japan Tsunami & Earthquake**

In his address, Martin will also comment on the impact of Japan's recent tsunami and earthquake on our operations.

### **Focus for 2011**

Moving forward, we will continue to take advantage of growth opportunities that meet our strategic and investment criteria, particularly opportunities that assist with our diversification goals and show earnings accretive potential.

However, our primary focus in 2011 is to continue to improve the performance of our existing business units, including the transition and integration of the sizable Adtrans operations into our dealership stable.

We look forward to continuing shareholder support as we move towards our centenary year in 2013.

I now invite our Chief Executive Officer, Martin Ward, to report on our 2010 results and comment on the coming year.

Thank you.



**CEO's Address  
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Thank you, Ben.

Good morning, ladies and gentlemen.

2010 can best be summed up as “a very good year” for A.P. Eagers.

I've reported previously that 2009 was an unusual year for car retailers as the industry had short supply for most of the year, whilst the federal government's stimulus initiatives created great demand in a compressed time frame.

This created financial utopia with lower operating costs and higher gross margins, but was never expected to be sustained after the stimulus ended at 31<sup>st</sup> December 2009. This brings me back to 2010.

2010 was the company's second best profit before tax result of \$45.3 million and the second best earnings per share result of 105.3 cents, both of which were achieved in what could best be described as a “normal market” whereas the previous year could never be described as normal. Topping off the 2010 performance was the record dividend payment of 64 cents per share.

From an operational perspective, we were able to relocate Eagers Holden to its new refurbished home at Windsor and Eagers Mitsubishi and Metro Ford to their newly created homes at Newstead.

Strategically, the company remained focused on its growth objectives and completed the acquisitions of both Caloundra City Autos on the Sunshine Coast and the Adtrans publicly listed company, both of which will assist in earnings growth for 2011.

As a guide only, it is also worth noting that for every acquisition made a significant amount of work often takes place on six or more that never see the light of day and 2010 was no exception.

So considering the financial, operational and strategic achievements in 2010, we believe it justifies the tag of “a very good year”.

Adtrans

The Chairman made comment on our geographic diversification which has changed with the Adtrans acquisition. Our strategy has involved both geographic and product diversification, and Adtrans has also provided a broadening of our product range to include trucks and buses.

Since announcing the Adtrans acquisition in August, we have overseen further growth in Adtrans' operations from seven to ten car brands and from eight to 12 truck and bus brands.

In total, our A.P. Eagers group now represents 31 car brands and 12 truck and bus brands across 97 dealership locations in five states and territories.

The Adtrans purchase is A.P. Eagers' single largest acquisition and with operations in three states, 800 people, a truck and bus division and a previous public company structure it is important that the transition and integration are managed carefully.

Currently the tough external market conditions for the truck and bus industry is impacting the early results from the Adtrans group, however A.P. Eagers believes the fundamentals are solid and greater performance and opportunities exist into 2012.

### Moving on to 2011

#### *Queensland Floods*

Starting with the Queensland floods, I would like to personally thank and acknowledge Keith Thornton, our General Manager for Queensland & the Northern Territory, who unfortunately cannot join us today as he is in Darwin with one of our manufacturers, and I would also like to acknowledge Stephen Best, our CFO, who is here today.

I was on overseas leave at the time of the floods and whilst in touch by phone, Keith and Steve led the decision-making process which resulted in reduced physical damage and in particular reduced operating down time.

Whilst we sustained damage, the individual movement of more than 1,000 cars in 48 hours reduced the damage considerably and earned high praise from our financiers and insurers.

Upon full settlement of our insurance claim the financial impact of the Queensland floods will be neutral for the company.

All of our Dealership Principals and employees in the flood affected areas deserve the highest praise for their dedication to protect our and your assets and avert a significant disaster for the company.

### First Four Months Results

The first four months of 2011 have produced a record financial result for the A.P. Eagers Group, which has been achieved due to our 2010 acquisition growth. Our like for like performance has matched last year's result with our two acquisitions, Caloundra City Autos and the Adtrans Group, putting our group up 11% operationally. Caloundra City, which has performed well, was purchased in mid-April 2010 and therefore from here onwards will reflect like for like performance, and Adtrans whilst EPS positive has been weaker than anticipated due to the tougher than expected truck and bus market. In addition to this 11% lift operationally, a one-off profit before tax of \$1.7 million has been taken into account following the sale of a business asset in March this year.

### The Japanese Earthquake and Tsunami

Firstly, we are deeply saddened by the huge loss of life and misery this has caused the Japanese people.

A.P. Eagers is working closely with our seven Japanese partners to minimise the disruption to our customers.

To date there has been limited impact on our business. However, 50% of all motor vehicles sold in Australia are from Japanese manufacturers and some vehicles in some product categories will be in short supply over the coming months. This is expected to create ups and downs in our monthly financial results, but at this stage we anticipate a neutral or limited impact on our 2011 calendar year results from this disaster.

## CarsGuide Joint Venture (News Limited and Car Industry Retailers)

As previously reported, we have teamed up with a consortium of dealers to create a credible competitor to Carsales.com.au.

The proposed JV of 50% News Ltd, the world's largest media organisation, bringing significant cash and media muscle, combined with Australia's leading car retailers also bringing significant cash, inventory and substantial industry influence is expected to be legally consummated by the half year and fully operational in the second half.

A.P. Eagers will own 7.5% of the venture as an investment and therefore, whilst extremely excited about the venture's medium and long term prospects, it is expected to have limited impact on the financial performance of A.P. Eagers during 2011 and 2012.

### The Outlook

As already mentioned, the near term outlook could have some ups and downs by brand due to supply issues. However, any short term issues are expected to be fully recovered later in the calendar year as vehicle supply returns to normal.

Whilst pleased with the early results of 2011, there is room to improve our performance in both like for like business operations as well as our newly acquired businesses and we will work tirelessly to achieve these improvements.

Further acquisitions to continue our growth are constantly available. However, we will only expand when these opportunities meet our strategic and investment criteria.

My thanks go out to the entire A.P. Eagers team - they are the best in the business.

Thank you.