



**Chairman's Address  
Annual General Meeting  
Wednesday 20 May 2015**

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Good morning, ladies and gentlemen.

**Record Results**

As reported in our Annual Report, 2014 was another record year for A.P. Eagers.

Our net profit before tax of \$102.8 million was 19% above the previous record achieved in 2013; and our earnings per share of 43 cents also bettered the previous record by 18%.

The year was highlighted by increases in our used car profitability and related finance and insurance income, improved operational performance in New South Wales and contributions from recent acquisitions - a record year for us despite an economic environment which saw a 2% decline in Australia's new motor vehicle sales during 2014.

**Record Dividend**

To our long-term shareholders, my next statement might seem very repetitive, but I am sure shareholders will never tire of hearing it. Last year's dividend was another record - our 13<sup>th</sup> record dividend in the past 14 years.

At 27 cents per share, our 2014 dividend exceeded our previous best by 17%, and maintains our history of having paid a dividend every year since listing on the stock exchange in 1957.

Our rising profitability and dividends, year after year, reflect a culture of management and staff continually striving for improvement. On achieving record results, they back up the next year looking for ways to reach new heights. This is a credit to Martin and his team.

**Diversification Strategy**

Management's ability to lift the performance of existing businesses each year has been complemented by the company's growth through diversification and acquisition.

Last year at this meeting, Martin commented on our growth pattern, which is "grow, consolidate, pause, grow, consolidate, pause". 2014 was very much a year of growth.

During the year, we purchased the sizable Ian Boettcher Motors and Craig Black Group. The process of consolidating these businesses into existing operations is well underway and continues our track record of delivering Earnings Per Share growth through acquisition to benefit shareholders.

Our disciplined approach to identifying opportunities and negotiating and executing transactions has been crucial to the success of our diversification strategy.

Whilst we expect to see further opportunities for the acquisition of core and associated businesses, growth needs to be at a sustainable pace and we will maintain our disciplined approach in parallel with efforts to enhance existing operations and processes.

In relation to Automotive Holdings Group, we remain pleased with our strategic investment, which continues to provide exposure to the West Australian market in an industry we know and understand.

## **Board**

On behalf of shareholders, I take this opportunity to thank my fellow directors for their hard work and enthusiasm. Their dedication and ability to act quickly and decisively in this evolving industry allow A.P. Eagers to continually outperform for the benefit of all shareholders.

## **Management and Staff**

On behalf of the board and shareholders, I thank our Chief Executive Officer, Martin Ward, his very dedicated senior management team and all our operational and administrative staff. Each year they look for ways to improve the business and have again delivered record results. Their efforts to continually raise the bar while successfully balancing the needs of all key stakeholders are very much appreciated.

I now ask Martin to present his report on 2014 and comment on the year ahead.

Thank you.

Tim Crommelin  
Chairman



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Thank you, Tim.

Good morning, ladies and gentlemen.

**Record Result**

As Tim mentioned, 2014 was another record. This is now four record years in a row with profit after tax up 142% in 4 years. After accounting for some share issues to fund the growth, basic earnings per share is up an impressive 104% and dividends are up 111% over these last 4 years.

All credit for this goes to 3,500 outstanding A.P. Eagers team members that consistently day-in day-out deliver outstanding customer service while balancing the needs of our partners, our shareholders and our community and their own needs as employees.

We are now in our 10<sup>th</sup> year of measuring our employee engagement and I am delighted to report our employee engagement score reached another all-time high in 2014. This record employee engagement is as important as the record Earnings Per Share and dividend as one helps to create the others.

**Last Year's Transactions**

2014 was one of the busiest years within our small corporate team at Head Office. It was a big year for both buying assets and selling assets, with a total of \$186 million of transactions.

Starting with our acquisitions, we spent \$85 million dollars buying growth assets. This included Ian Boettcher Motors, the Craig Black Group and \$38 million dollars of additional Automotive Holdings Group shares.

By contrast, we sold \$8.5 million of business assets through the sale of Mitsubishi in Newstead and our 20% stake in MTAI. We also sold 6 properties with a combined sale price of \$93 million albeit we received only \$39 million in cash during 2014. The remaining \$54 million in cash will be received in coming years with the biggest amount of \$20 million to arrive in March 2016.

Each one of these transactions, whether we were the buyer or the seller, played a critical role in last year's record result and this year's expected record result.

A necessary outcome of these property sales is the relocation of Austral Honda, Austral Volkswagen, Brisbane City Jaguar, Austral Land Rover and Austral Volvo and eventually Southside Toyota's workshop. These moves will produce superior outcomes for all stakeholders; however it is prudent to note they create an enormous workload during the building programs and the corresponding relocations. There is a lot of work occurring now and over the next 2 to 3 years to maximise the benefits for all.

We have also committed to a large centrally-located parts warehouse facility in Eagle Farm. This facility, which is currently being fitted out with the latest parts handling technology, will further strengthen the competitive position of our south-east Queensland parts business.

Let me touch on our dealership acquisitions. The Ian Boettcher business in Ipswich, which includes Mazda, Nissan, VW, Suzuki and Proton, is performing above expectations and I would like to acknowledge everybody in the business for making the ownership transition so smooth and for lifting the business to new heights.

We also acquired the Craig Black Group, located in south-west and central Queensland, in October last year. During the later stages of the acquisition process, it was clear that regional Queensland economic conditions were tightening and I can confirm that during the first seven months of ownership, economic conditions in this region further deteriorated. Despite this, we still believe this acquisition is the right purchase for the group and will deliver great value to shareholders over the medium to long term. Due to a significant reduction in mining and gas development activity within the region, the associated budget rental car business is struggling.

Again, despite the macro and micro conditions in the area, I would like to acknowledge the professionalism of staff during a seamless transition and their dedication to the legendary “Black’s” customer service levels.

We film all new businesses to the group to show the rest of the company’s employees at our “A.P. Eagers Today” employee engagements sessions. Let’s have a quick look at the Black Group. [*show video*]

A common theme during this AGM address is “employee engagement” and I hope it is coming through strongly. When I arrived at A.P. Eagers 10 years ago, we relied purely on manufacturer training programs. We are, after all, franchise holders of global brands, ie. Toyota, Ford, Mazda, BMW, Audi, etc, and the manufacturers offer great training. However, A.P. Eagers has now complemented the manufacturer training with a **Future Leaders Program**, a **General Leadership Program**, a **Financial Awareness Program**, a **Managing Workplace Behaviour Program**, an **F&I Academy**, a **Car Care Academy**, a **Carzoos Academy** and a range of specifically tailored individual training.

Diversity is also an area where we intend to take a leadership position within Automotive Retail. Our diversity objectives are outlined on page 20 of the annual report and cover all areas of diversity, not just gender. Michael Raywood, our Group Human Resources Manager, is here today and can provide more details on each one of our objectives to those interested after the meeting.

Specifically, earlier this year we launched “Accelerate” – supporting women to champion change within A.P. Eagers. Without detailing the whole program, one of the three overarching aims is “to increase the readiness and pipeline of female talent ready to move into more senior roles”. For this program we have partnered with an external organisation called “Inklings Women” and I would like to show you a quick video highlighting the program. [*show video*]

## **Update and Outlook**

Our first four months' trading in 2015 has seen weaker results in trucks but very strong results in cars. Our top line revenue is up 17%, helped by the Ian Boettcher and Black Group acquisitions, neither of which were in the A.P. Eagers group this time last year. Pleasingly though, this growth is 12% from acquisitions and 5% from existing like-for-like businesses.

Five weeks ago we announced that we expected a very positive record underlying first half profit before tax range of \$54 to \$58 million. This \$8 to \$12 million half year gain above last year's \$46 million (itself a record at the time) represents a 17 to 26% increase. As May and June represent the two biggest trading months of the year, it is difficult at this stage for us to revise this already strong forecast. We are however feeling very positive that last week's federal government budget was great for small businesses and great for consumer confidence in general, and we hope that this will flow through into our retail outlets over the next six weeks.

### **Future Growth**

In line with our past performance and clearly communicated strategy, A.P. Eagers is working on a number of acquisition opportunities that we would hope to announce later this year.

Our organic growth plans for Carzoos are progressing well with expansion likely towards the end of 2015 and beginning of 2016. Shareholders should expect to hear a lot more about Carzoos at next year's AGM.

### **Team Effort**

Once again I am privileged to deliver and present this outstanding result to you as shareholders and yet it is our world class executives, operators and team members who produce the goods. My thanks go to them.

Before I sign off I encourage any shareholder who would like to give a small charitable donation to support my annual CEO Sleepout by going to [www.ceosleepout.org.au/ceos/qld-ceos/martin-ward-ap-eagers-limited-2015](http://www.ceosleepout.org.au/ceos/qld-ceos/martin-ward-ap-eagers-limited-2015)

Thank you.

Martin Ward  
Chief Executive Officer