autosports group

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ASX announcement

Chairman’s address

My name is James Evans, and it is with great privilege as Chair of Autosports Group Limited, to welcome you to our 2023 Annual General Meeting.

I would like to acknowledge the Traditional Custodians of the land on which we meet today, the Gadigal and Wangal people of the Eora Nation. We pay our respect to their elders past, present and emerging and extend that respect to all Aboriginal and Torres Strait Islander peoples present today.

FY2023 was a pleasing year in terms of financial performance and strategic growth. Our revenue increased by 26% compared to last year and our normalised net profit before tax[1] increased year on year by 33%. Our business continued to deliver its growth strategy with several strategic acquisitions, including entering the New Zealand market.

Our business achieved this result within an operating environment impacted by inflationary pressures and rising interest rates. However, despite these conditions, consumer demand for new vehicles remained strong demonstrated by the growth in customer orders compared to the prior year.

We have also seen growth in the electric vehicle space as our industry is adapting to a marked shift in both the supply of, and demand for, hybrid and electric vehicles. We are confident our business is well positioned to respond to this trend as the brands Autosports Group represents are delivering an impressive range of high-end hybrid and electric vehicles to market.

We saw an overall improvement in the supply of new vehicles compared to the supply chain constraints we experienced last year. This helped us deliver more vehicles to our customers, supporting our profit result. Similarly, our parts and service divisions have also fully recovered from the impact of the pandemic-related lockdowns in prior years.

At the start of the 2023 financial year, an important highlight was our expansion into the New Zealand market when we acquired Auckland City BMW Group. We continued that growth trajectory by acquiring Motorline and Gold Cost BMW and MINI businesses in Queensland in February 2023. We also opened Ringwood BMW in Victoria which is our latest greenfield site.

Our property portfolio also grew with the purchase of 570 Wickham Street and 10 Light Street in Fortitude Valley, which is one of our key retail sites and home to our Audi, Lamborghini, Bentley and Maserati dealerships in Brisbane.

[1] Normalised NPBT excludes property impairment, acquisition and restructure costs and acquisition amortisation.

Our dedication to growing the scale of our business and the solid performance of our management team have supported the FY23 financial result, delivering a positive outcome for shareholders. As such, the Board declared a final dividend of 10 cents per share which was paid recently on 15 November 2023. Overall, the total dividend for the 2023 financial year was 19 cents per share.

Now moving to board matters.

During the financial year, we experienced some changes to our executive team.

My fellow director and co-founder of Autosports Group, Mr Ian Pagent, retired from his executive position with the company. Importantly, Ian remains on the Board of Directors as a Non-Executive Director where we continue to benefit from the depth of Ian's industry experience, knowledge of the business and longstanding business relationships.

We also welcomed Brent Polites to the executive leadership team in the new role of Head of Franchised Automotive.

At this meeting, my fellow director, Mr Robert Quant, stands for re-election as an independent non-executive director. Robert is the Chair of our Audit & Risk Committee and brings to the role a wealth of experience and knowledge in professional accounting, advisory and executive leadership roles with Grant Thornton. Our Board, with Robert Quant abstaining, supports Robert's re-election.

In closing, I would like to sincerely thank our people, our brand partners and our shareholders for their continued support and commitment.

I would now like to hand over to the CEO of Autosports Group, Mr Nick Pagent to present his CEO's address.

Thank you.

CEO's address

Thank you, James, and good morning fellow shareholders.

I would like to start today by acknowledging and thanking the shareholders of Autosports Group; you are at the centre of every decision we make, we respect the investment alternatives that you have and are grateful you remain invested in Autosports Group.

Today I will provide a recap our 2023 financial results, update you with the progress we have made in line with our strategic vision and provide an update on the trading environment for this year.

Before we delve into this, I would like to acknowledge the outstanding contribution made by the team at Autosports Group throughout the year. We have assembled a fantastic team of committed professionals. We are all justifiably proud of the result last year but equally excited to share with you some of the progress we are making in a year.

FY23 results

The group delivered a record result in FY23 with a normalised[2] NPBT of $115.7m. Our core business was strong and we were successful in incorporating the new businesses of Auckland City and East Auckland BMW and MINI, Rolls-Royce Motor Cars Auckland, the Motorline and Gold Coast BMW and MINI businesses as well as the opening of the greenfield Ringwood BMW business; expanding our presence in this brand to nine locations across the Eastern seaboard of Australia and for the first time, entering the New Zealand market.

[2] Normalised NPBT excludes property impairment, acquisition and restructure costs and acquisition amortisation.

Driving the record NPBT result was a 26% increase in revenue driven by strong customer demand and improved stock availability from the OEMs. Pleasingly, the back end of the business performed extremely well pushed along by strong covid-era delivery volumes coming back for service and increasing penetrations in Service Plans, locking in forward revenue streams. Importantly, these two factors will continue to drive strong parts and service revenue growth in the coming periods.

We were also successful in the execution of our property strategy with the settlement of the Fortitude Valley property in Queensland. This acquisition secures our future in this strategically important retail location and allows further investment in the site to access additional retail opportunities.

These strong financial results have allowed Autosports Group to increase our full year, fully franked dividend to 19 cents per share, up 19% on last year.

Update on strategy

Our corporate strategy remains consistent. It can be simply expressed as representing the world's great automotive luxury and prestige brands, from the best locations across Australia and New Zealand. This is a deliberate strategy; we see this as the most resilient consumer segment in retail automotive which offers the best margin potential. It has allowed us to build a corporate skill set and market position that gives us a competitive advantage in Australia and New Zealand.

As the future for the industry and economy looks more challenging in the year ahead, I am confident our decision to concentrate on the luxury end of the market will be rewarded.

FY24 H1 Trading update

Trading conditions in the luxury automotive market remain strong. The overall new vehicle market is predicted to finish the calendar year at record levels exceeding 1.2 million new vehicle deliveries. Within this market, the prestige and luxury market has grown 27% on a calendar year-to-date basis.

These strong prestige and luxury vehicle market volumes have been driven by resilient demand and growing customer orderwrite. Luxury customer demand has shown no signs of abating during the first five months of FY24. Supplementing this demand has been a significant improvement in vehicle supply and logistics allowing for a mild reduction in ASG's deep customer orderbanks.

As a result, ASG is able to forecast H1 FY24 revenue growth of approximately 23-25%.

Pleasingly, this growth in revenue will flow through to both Gross Profit and EBITDA as the business has been able to deliver strong Gross Profit and EBITDA margins as vehicle supply normalises.

Normalised[3] NPBT for the period has been impacted by increasing interest costs. These interest costs have been primarily impacted by rising interest rates over the last 12 months. They have also been impacted by increases in our vehicle stockholding as revenue grew.

Notwithstanding the increases in interest costs to approximately $20m[4] for H1 24FY, it is anticipated that ASG will deliver an H1 24FY normalised NPBT of approximately $50-52 million.

As we move forward to H2 24FY the outlook remains largely the same:

- A continuation of a resilient prestige and luxury vehicle market.
- Vehicle supply to be consistent.
- Consistent growth in the highest margin component of our business as the back-end operations benefit from strong prior period deliveries and increased service plan penetrations.

[3] Normalised NPBT excludes property impairment, acquisition and restructure costs and acquisition amortisation.

[4] Interest costs of $20m exclusive of AASB 16 interest.

Within this marketplace ASG continues to see opportunity to continue its growth through acquisition of complementary prestige and luxury dealership businesses. Our target remains to grow by approximately $250m in revenue per annum via acquisitions.

<u>Close</u>

Finally, I would like to thank the entire team at Autosports Group, our Board, OEM and financing partners and all our shareholders for their support over the past twelve months. We have made significant progress with our strategy to strengthen and diversify our business and we remain confident that our corporate strategy with its focus on the luxury consumer remains superior.

Thank you.

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This announcement was authorised for release by Autosports Group's Board of Directors.