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# ANNUAL GENERAL MEETING

COMPANY PRESENTATION

15 OCTOBER 2020



# CHAIRMAN'S INTRODUCTION

BOARD OF DIRECTORS



Welcome to our shareholders, business partners and guests.

## Board of Directors:

Roger Brown	Non-executive Chairman of the Board
Andrew Brown	Managing Director
Adrian Fitzpatrick	Non-executive Director
John Forsyth	Non-executive Director
Robert Fraser	Non-executive Director
Karen Phin	Non-executive Director
Andrew Stott	Non-executive Director

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# CHAIRMAN'S INTRODUCTION



## PRESENTERS

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### **Roger Brown**      **Non-executive Chairman of the Board**

Roger has been the non-executive Chairman of ARB since 2016. He was previously the Executive Chairman of ARB from the time it listed in 1987 through to 2016 and the Managing Director from 1987 to 2012.

Prior to that Roger was the Managing Director of ARB Engineering Pty Ltd, the private company from which ARB Corporation Ltd was formed, for 10 years.

### **Damon Page**      **Chief Financial Officer & Company Secretary**

Damon joined ARB as the Chief Financial Officer in 2014 and assumed the role of Company Secretary in 2019.

He was previously the General Manager Finance Executive for a large manufacturing and exporting agribusiness with \$2.9 billion turnover. Prior to that he was an Account Director at Deloitte.

Damon has extensive experience dealing with Boards and their committees, shareholders, executive management teams and other key internal and external stakeholders.

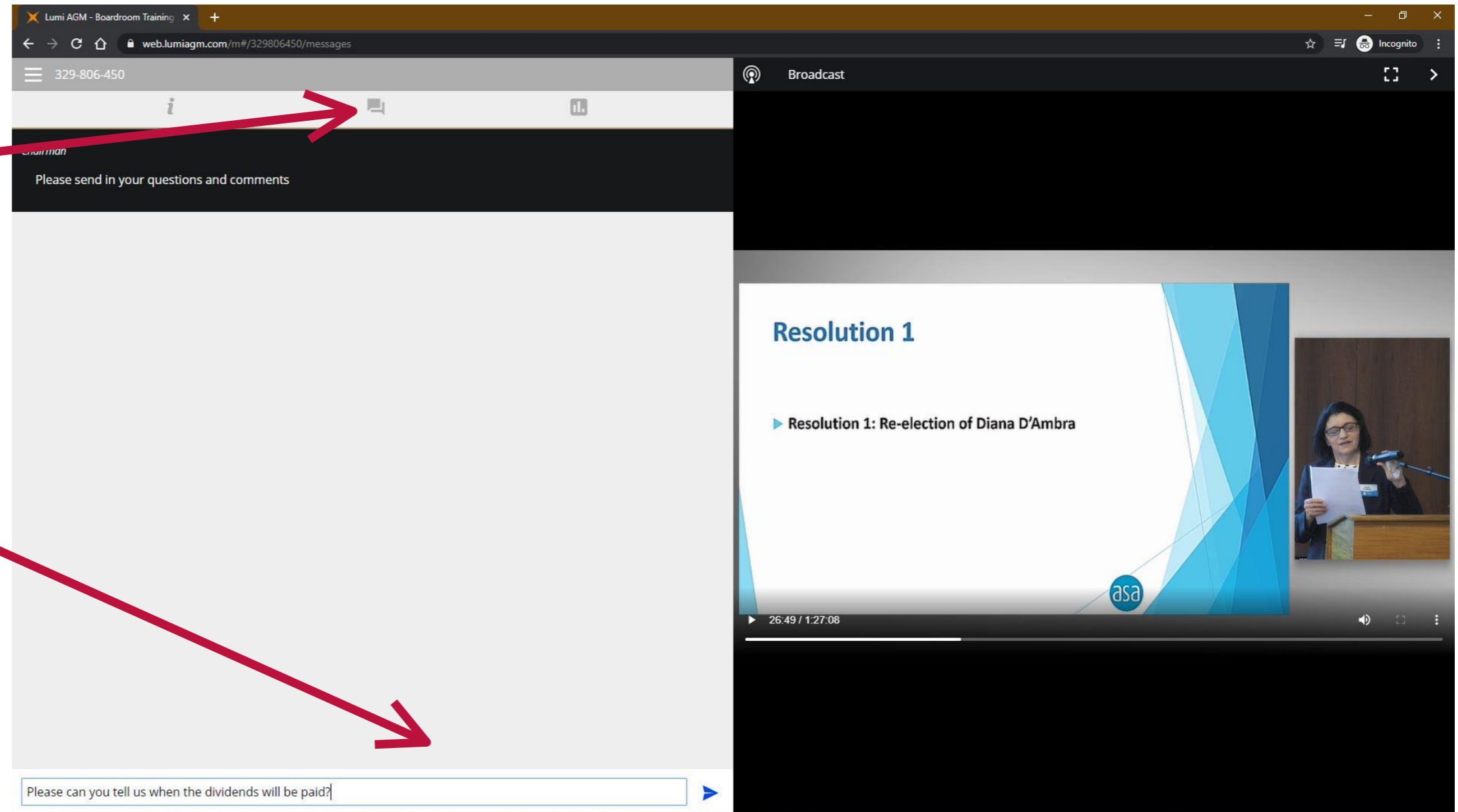
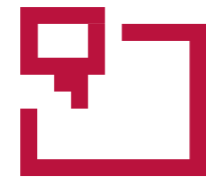
### **Lachlan McCann**      **Chief Operating Officer**

Lachlan commenced at ARB in 2002 in Export Sales & Business Development. He served as Managing Director for ARB's Thailand business for four years and is currently responsible for global sales and marketing, warehousing and distribution, products and services and information technology.

Lachlan has a strong sales and business development background and has overseen the development of all international operations. In June 2019, Lachlan McCann was appointed Chief Operating Officer.

# ONLINE ATTENDEES – QUESTION PROCESS

- When the Question function is available, the Q&A icon will appear at the top of the app.

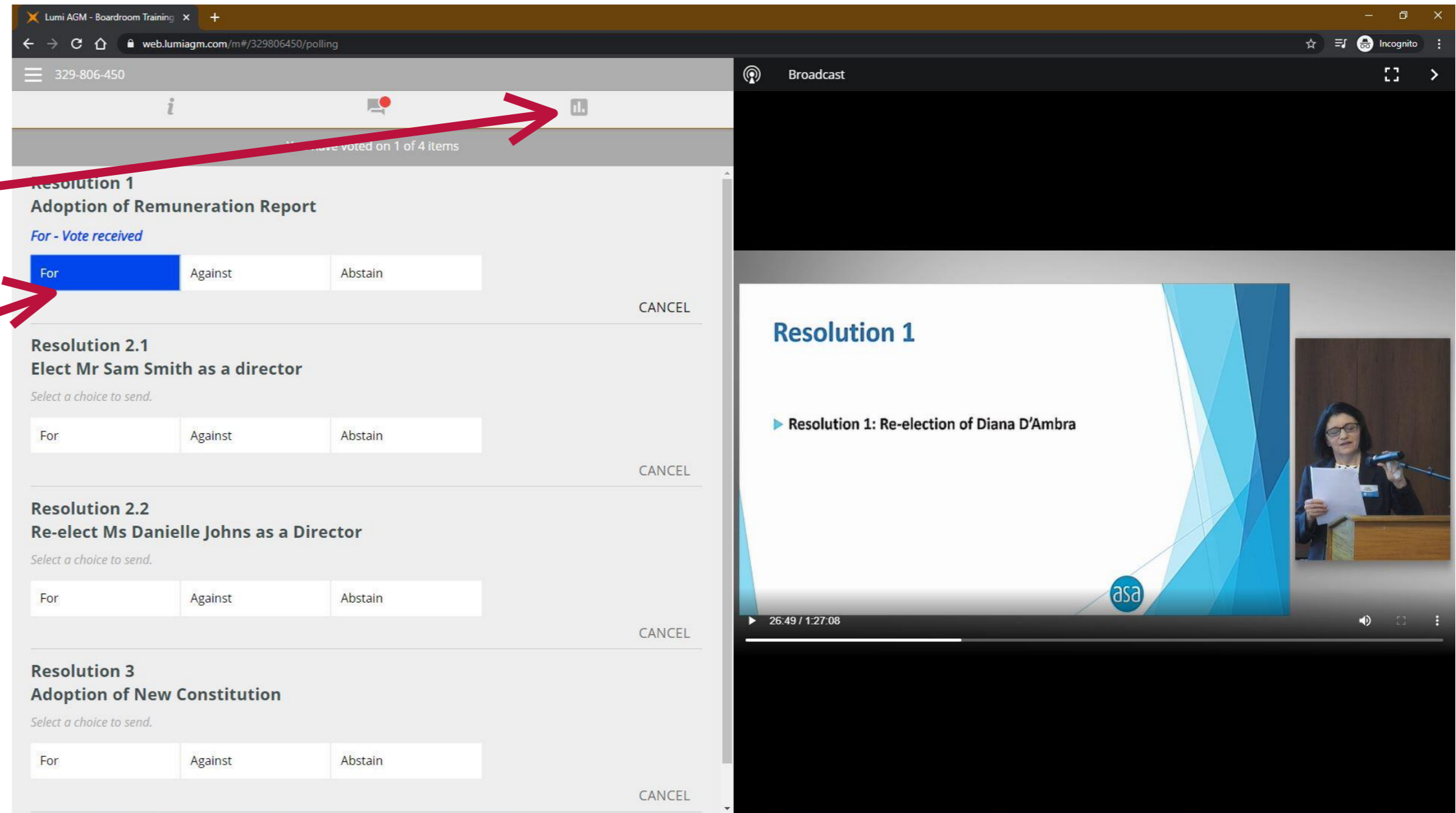


- To send in a question, simply click in the 'Ask a question' box, type your question and press the send arrow.
- Your question will be sent immediately for review.

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# ONLINE ATTENDEES – VOTING PROCESS

- When the poll is open, the vote will be accessible by selecting the voting icon at the top of the screen.



The screenshot shows a web browser window with the URL [web.lumiagm.com/m#/329806450/polling](http://web.lumiagm.com/m#/329806450/polling). The interface displays a list of resolutions for voting. The first resolution, "Resolution 1: Adoption of Remuneration Report", has a "For" button highlighted in blue, indicating a vote has been received. Below it are "Against" and "Abstain" buttons. A "CANCEL" button is visible to the right of each resolution. A red arrow points from the "For" button to a voting icon at the top of the screen. Another red arrow points from the "For" button to the "For" button itself. To the right of the voting interface is a video feed showing a woman speaking at a podium. The video player has a progress bar at the bottom showing 26:49 / 1:27:08.

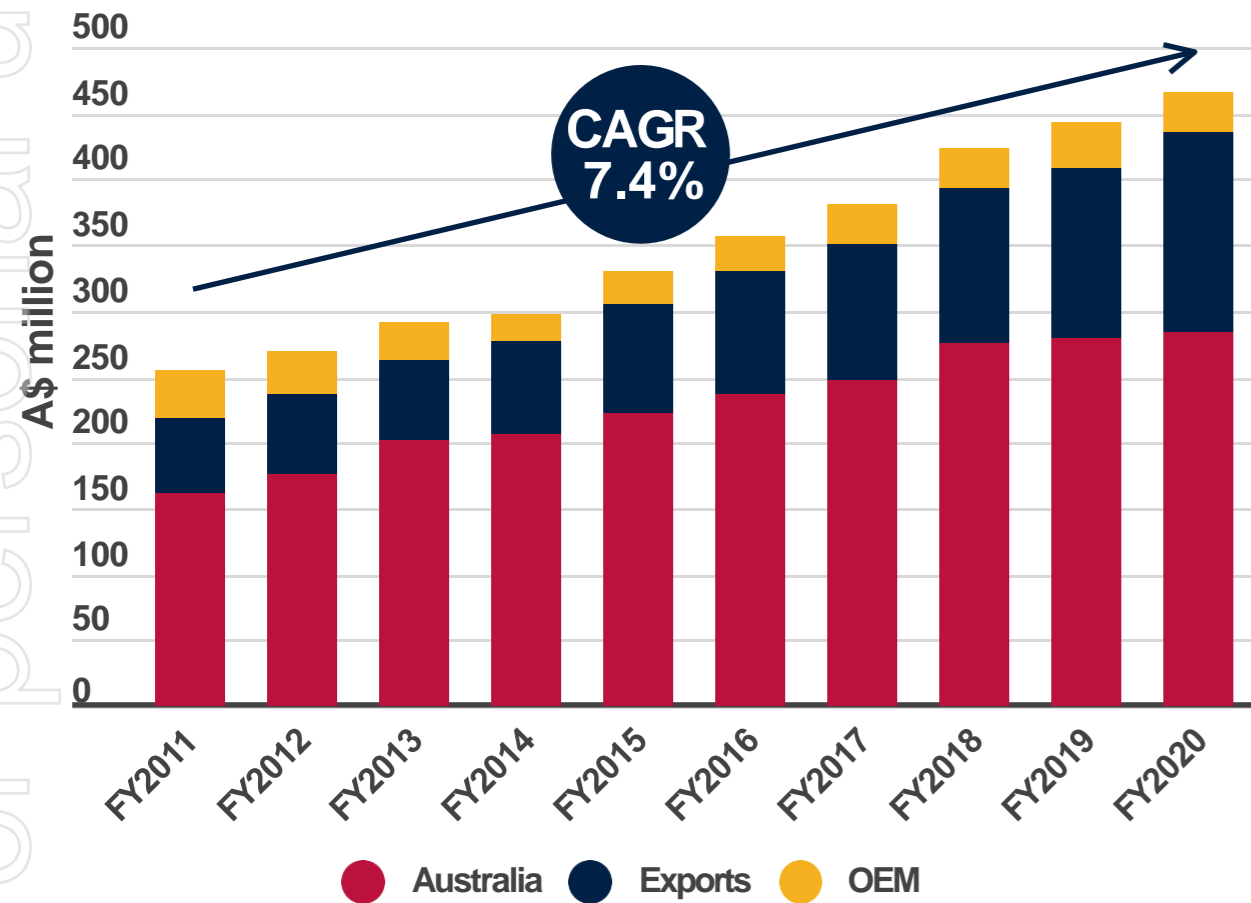
- To vote, simply select the direction in which you would like to cast your vote and the selected option will change colour.
- There is no submit or send button, your selection is automatically recorded.

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# FY2020 FINANCIAL HIGHLIGHTS

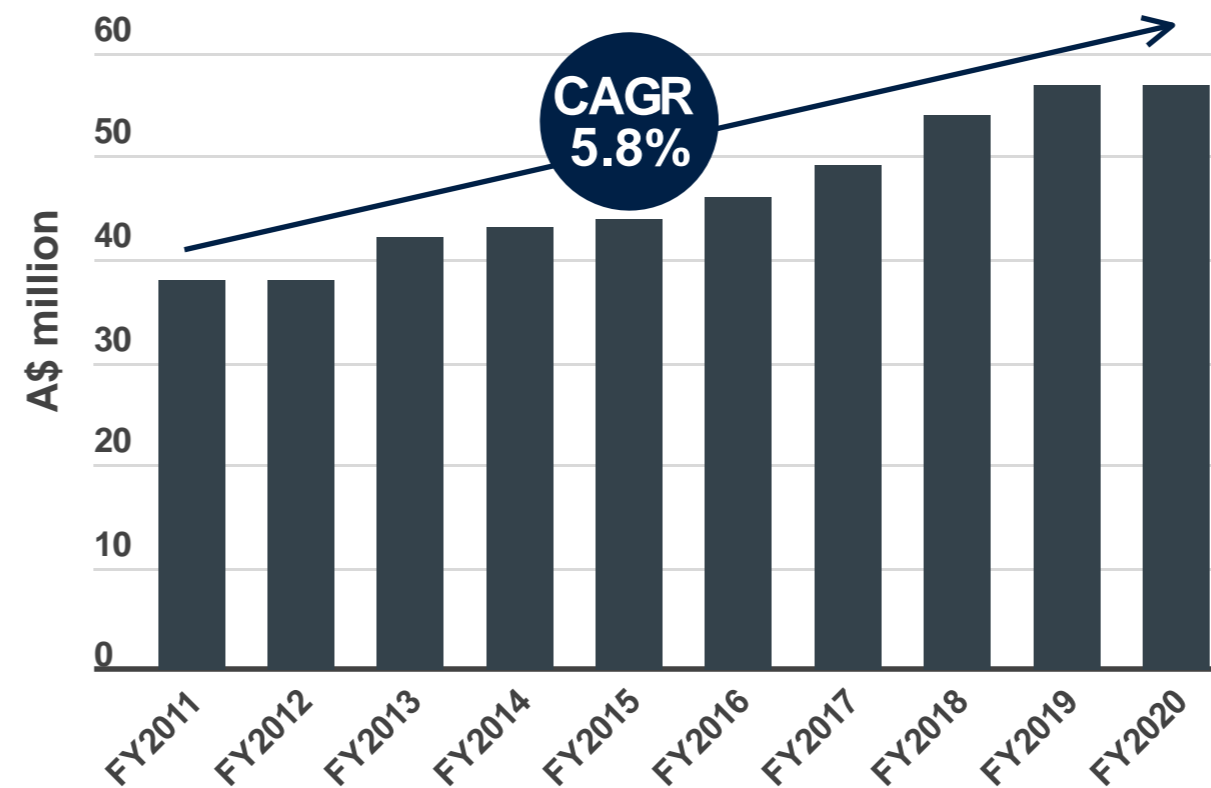
## FY2020 Sales Revenue

**A\$465.4M** 4.8%

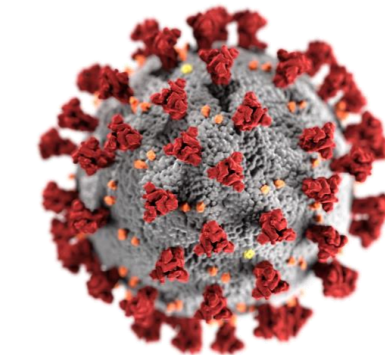


## FY2020 Net Profit After Tax

**A\$57.3M** 0.3%



## Impact of COVID-19



- Sales revenue grew by 4.8% in 2019/20
- Ten year compound growth rate of 7.4%
- Marginal growth in the Australian Aftermarket
- Strong growth in Export markets
- Sales to Original Equipment Manufacturers declined
- Decline in new vehicle sales was less impactful this year

- Profit After Tax was up 0.3% in 2019/20
- Ten year compound growth rate of 5.8%
- FY2020 was impacted by the weaker Australian dollar, specifically against the Thai Baht, but has since improved during the first half of FY2021.
- Contributions from businesses acquired this year
- Not practical to quantify the impact of COVID-19

- Significant initial impact on customer orders
- Rebound in customer orders from late May 2020
- Government subsidies including JobKeeper
- Liquidity and cost control measures
- Government restrictions, incl currently in Victoria
- Uncertainty around macro economic environment



# FY2020 FINANCIAL HIGHLIGHTS



**\$91.2M**

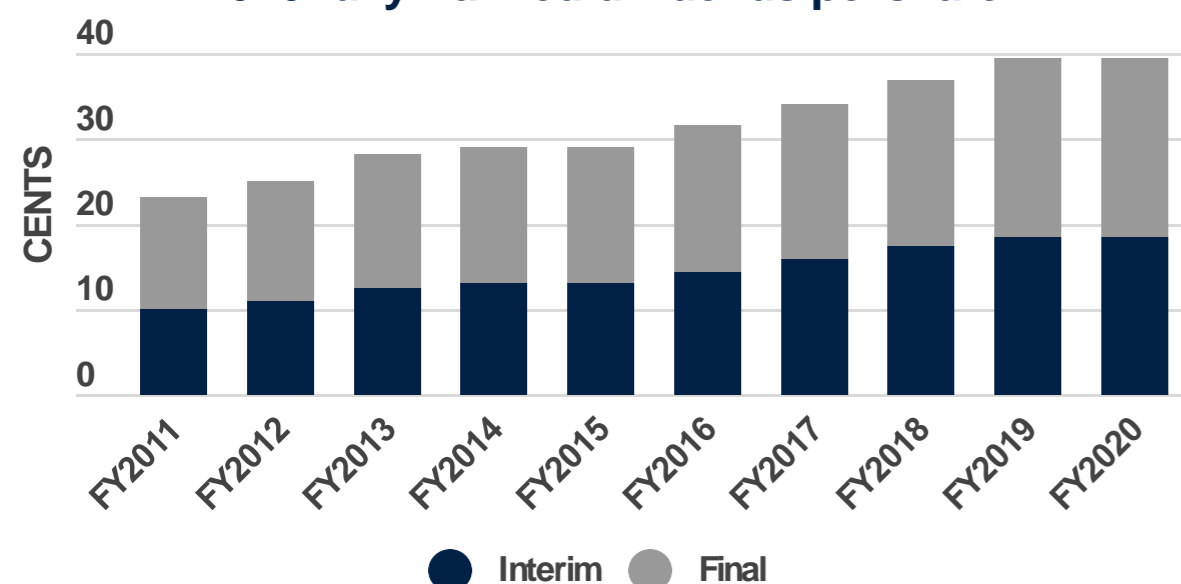
Cash flows from operations

## FY2020 Cash flows from operations

- Cash flow from operations of \$91.2m, an increase of \$41.2m
- Working capital management
  - Decline in inventories
  - Customer credit management
- Strong operating cash flows funded business acquisitions and capital expenditure

**39.5cps**

FY2020 fully franked dividends per share



## FY2020 Dividends per share

- Fully franked dividends of 39.5 cps - consistent with last year
- Interim dividend deferred to be paid concurrently with the final dividend on 23 October 2020
- Dividend payout ratio of 55%
- The graph excludes the Special Dividend of \$1.00 per share paid in 2015

**\$41.6M**

Net Cash

## FY2020 Cash position

- Cash of \$41.6m at financial year end, an increase of \$33.1m
- No debt, consistent with June 2019
- Further access to committed, unutilised debt facilities of \$56m
- A strong balance sheet ensures the Company is well placed to take advantage of investment opportunities
- Underwriting of DRP and BSP preserves strong cash position

# SALES BY CATEGORY

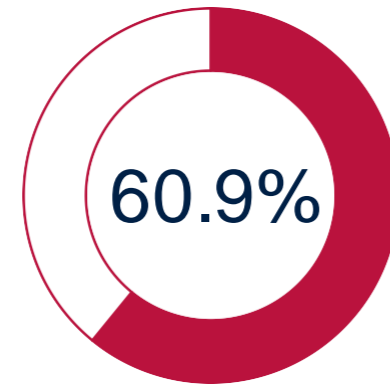
FY2020 Financial Results



## Proportion of Group Sales

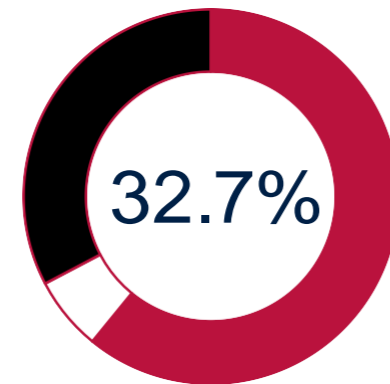
### Australian Aftermarket

Sales to the Australian Aftermarket grew by a modest 1.4% representing 60.9% of ARB Group's sales.



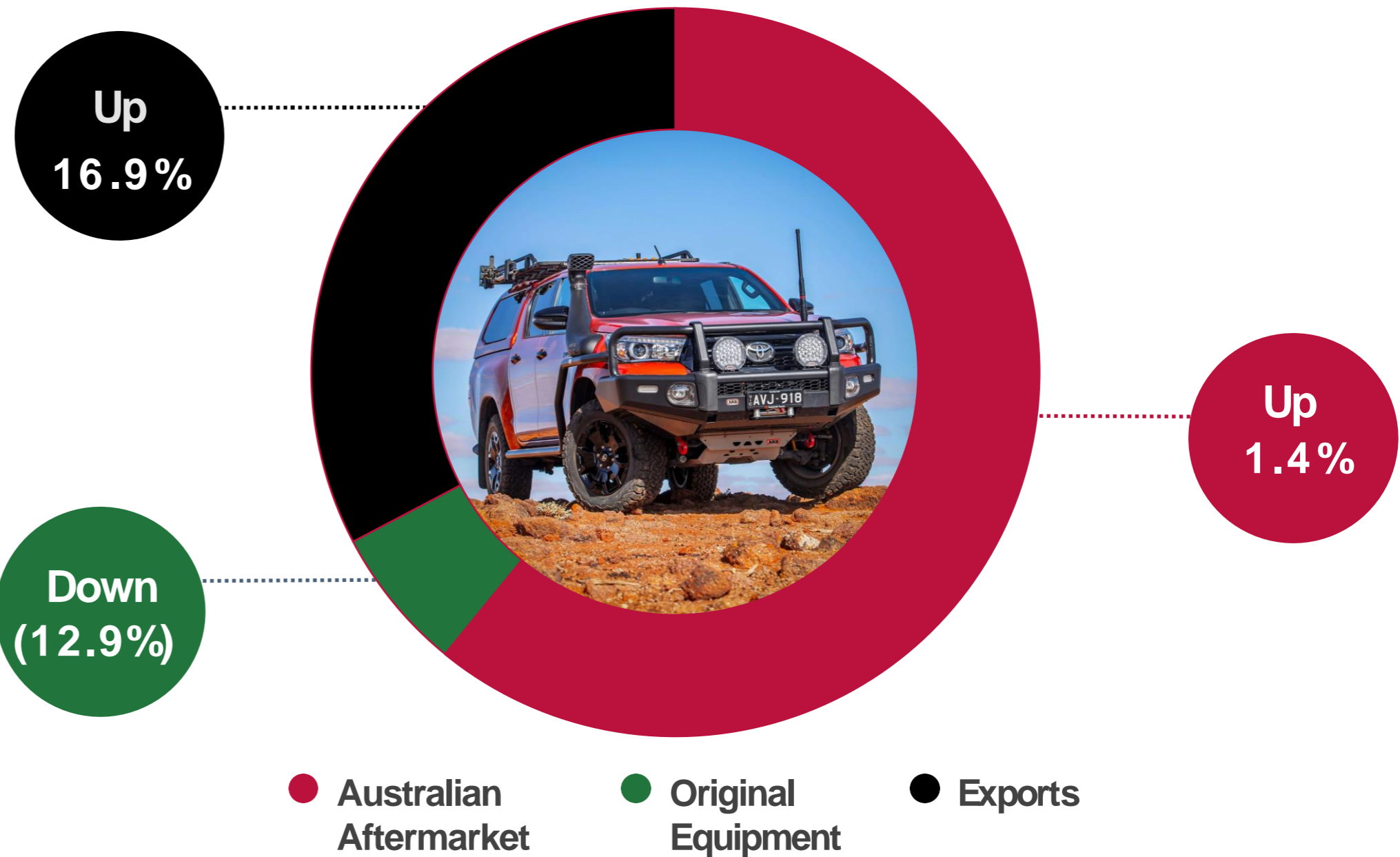
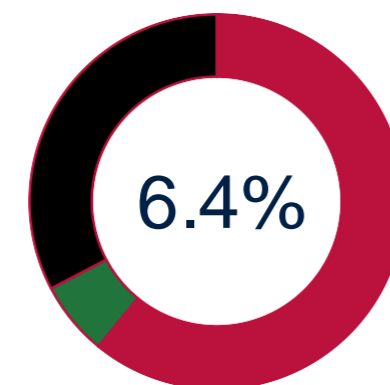
### Exports

Export sales grew by 16.9% and now represent 32.7% of ARB Group's sales.



### Original Equipment

Sales to Original Equipment Manufacturers declined by 12.9% for the year and represent 6.4% of ARB Group's sales.



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# AUSTRALIAN NEW VEHICLE SALES



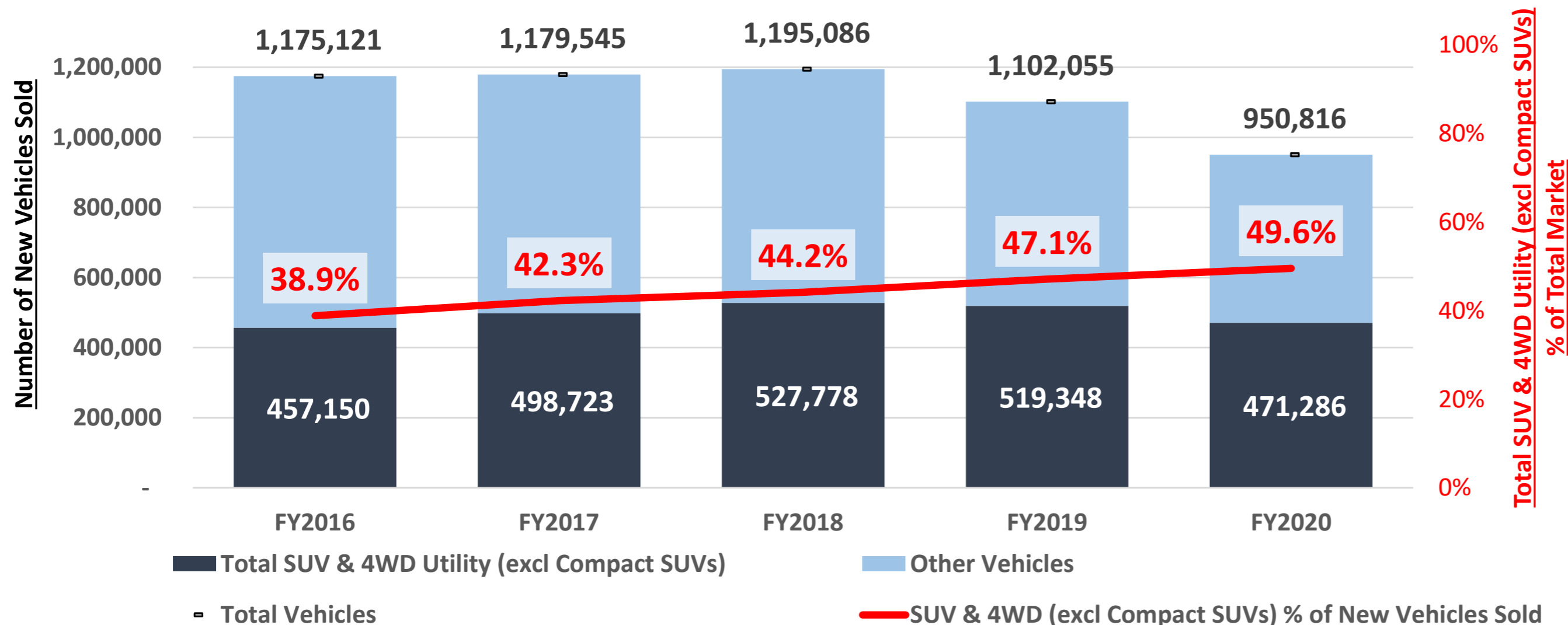
ARB supplies an extensive range of accessories for both new and used 4WDs.

Used 4WDs remain an important part of ARB's customer base.

ARB's target categories are medium & large Sport Utility Vehicles (SUVs) and 4WD utilities (not compact SUVs which are rarely accessorised).

New vehicle sales are important to ARB. In the last financial year:

- Total new vehicle sales declined by 13.7% to 950,816
- ARB's target vehicles declined by 9.3% to 471,286
- ARB's target vehicles now represent 49.6% of all new vehicles sold



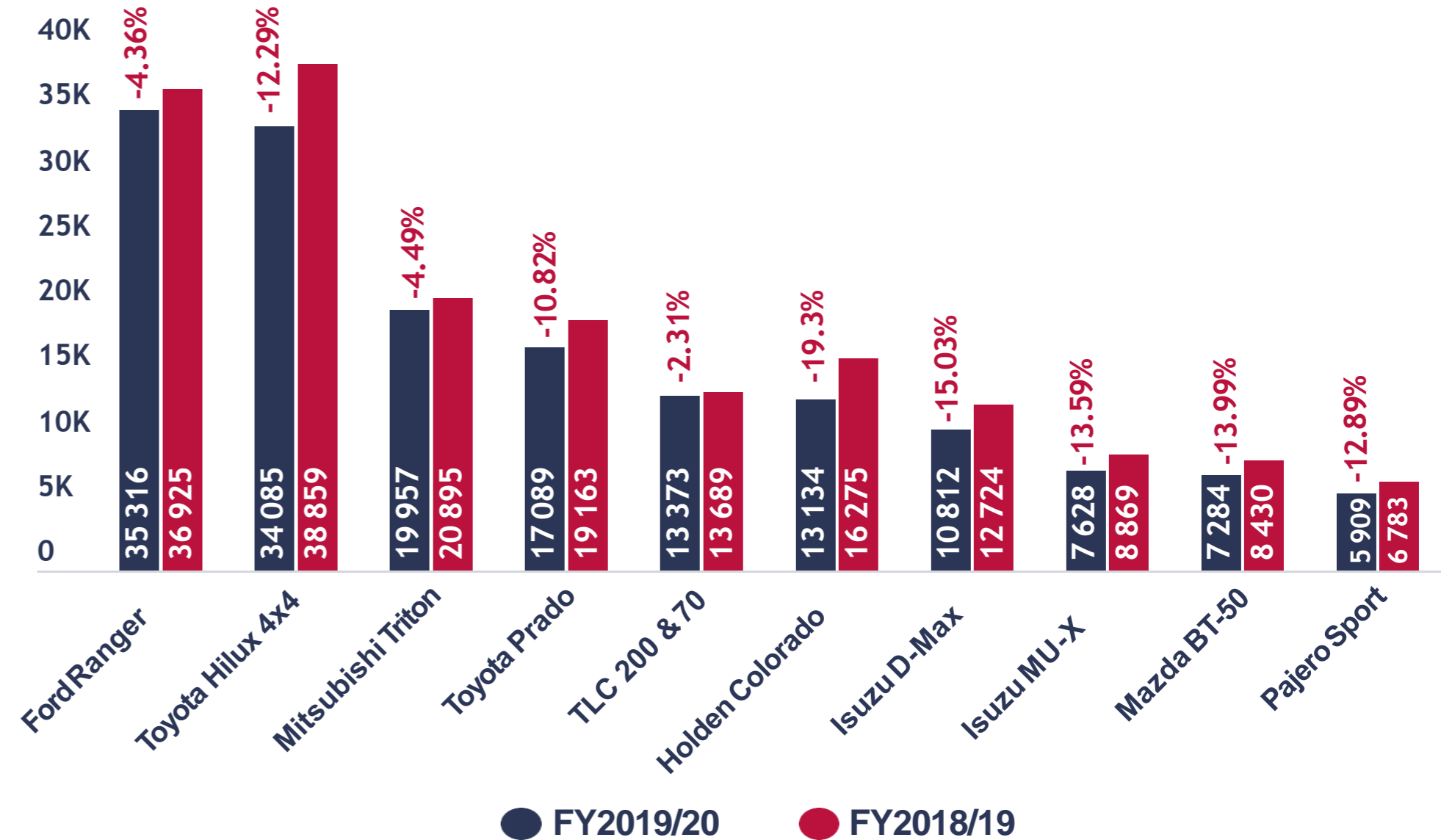
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# AUSTRALIAN NEW VEHICLE SALES

Important new model updates from the major vehicle manufacturers are pending and will aid in recovery



FY2019/2020 TOP 10 TARGET VEHICLE SALES



Sales of ARB's key target vehicles declined across the board in FY2020, a factor of COVID-19 supply delays and pending releases of new models and face change updates.

The Australian Government's recently announced budget measure that companies can immediately expense assets used or installed by 30 June 2022 may be available to ARB's corporate customer base.

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# AUSTRALIAN AFTERMARKET



## Modest sales increase of 1.4% (60.9% of total Company sales) for the year.

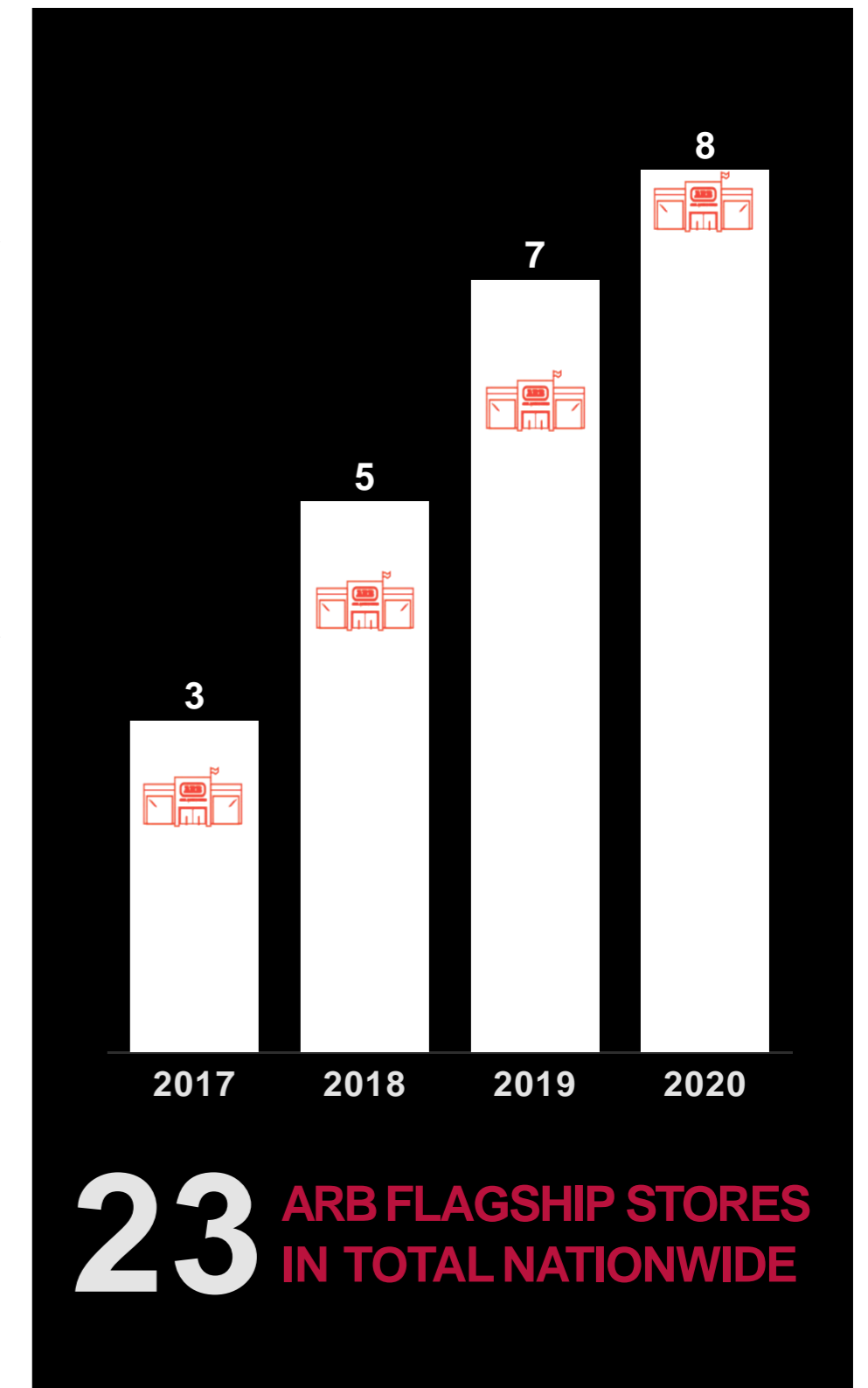
- Flat result achieved across all sales channels: Corporate ARB Stores, Licensed ARB Stores and Stockists. Dealer sales were negatively impacted in line with new vehicle sales.
- Western Australia and South Australia performed well, both with healthy revenue increases. Victoria, Queensland and New South Wales were affected by a combination of new vehicle sales and declining revenues in April and May 2020 due to COVID-19.
- The ARB network currently consists of 67 stores of which 27 are company owned. Since prior reporting, the number of ARB stores has grown by one with a new store in Windsor, New South Wales.
- ARB is well positioned in the Australian Aftermarket to service increased demand as a result of the expected higher levels of domestic tourism. From mid-May 2020 domestic order intake has been well above normal levels with the exception of COVID-19 restricted Melbourne. Invoicing has lagged order intake as manufacturing and supply chains react to the change in demand.
- ARB's domestic subsidiaries Kingsley, Smartbar and GoActive all achieved good growth in the financial year. GoActive, representing THULE products in Australia, has seen very high growth as a result of changes in consumer demand during COVID-19.



# AUSTRALIAN AFTERMARKET



## 8 STORES UPGRADED TO ARB FLAGSHIP STORES NATIONWIDE IN 2020

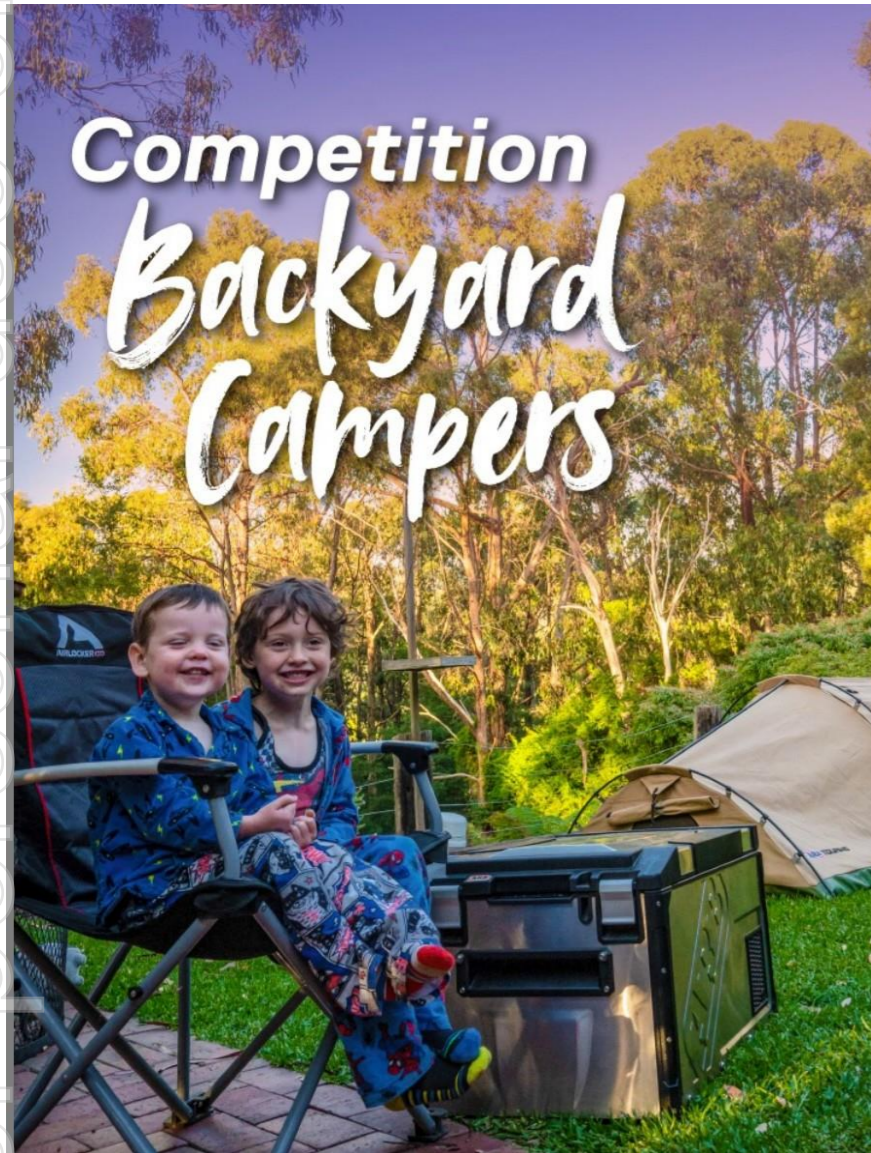




# AUSTRALIAN AFTERMARKET - MARKETING



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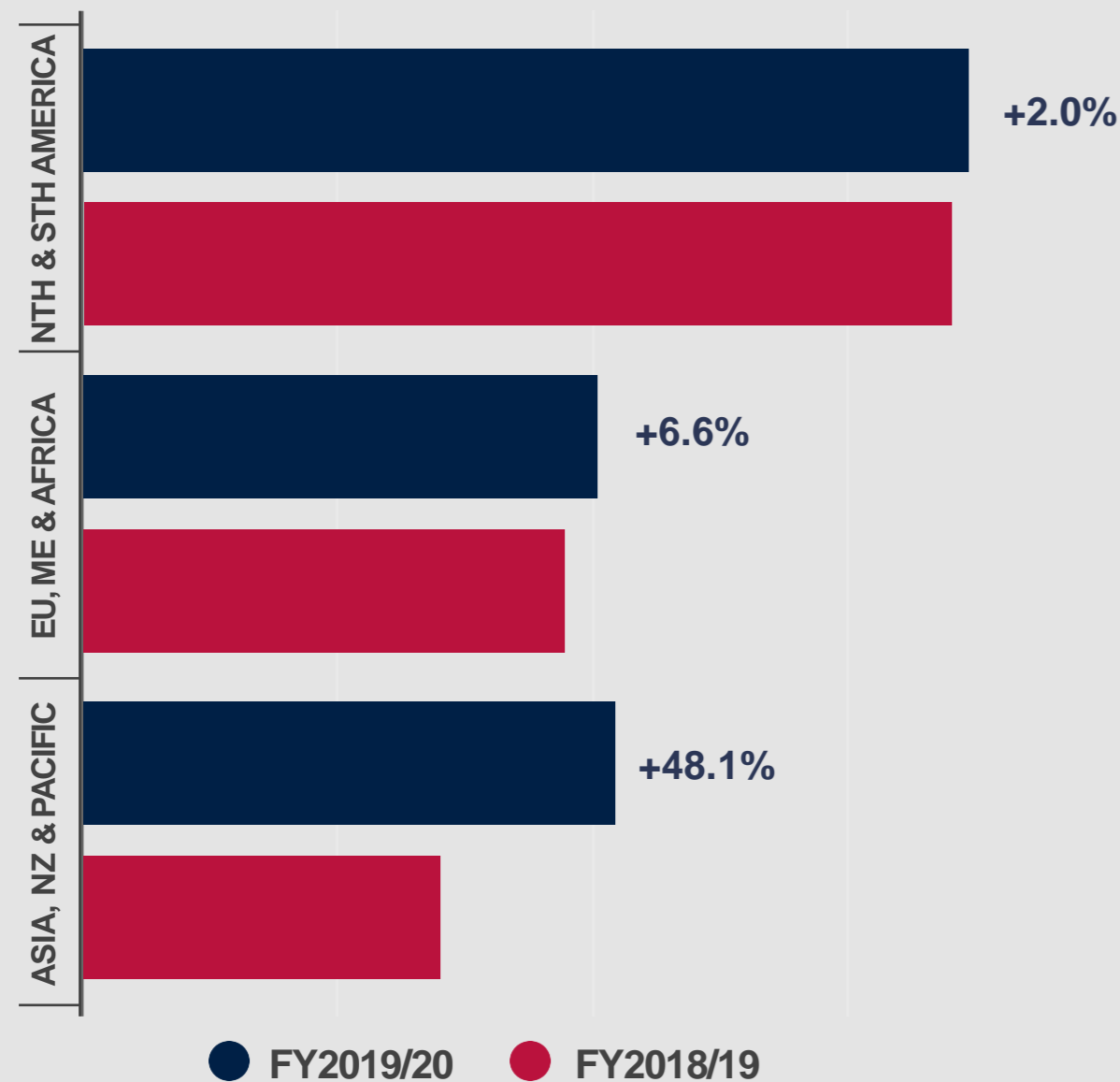
- Light hearted view of the staycation
- Prepare today for travel tomorrow
- ARB customer engagement during lock-down

- Marketing to inspire post-COVID-19 domestic travel
- Australian 4WD dream destinations
- The gear you need for destination travel

- Do It Yourself home installation product videos
- COVID-19 home projects
- Contactless home delivery
- Contactless store pick-up



## ARB EXPORT SALES BY REGION



### Export sales increased by a healthy 16.9% aided by two acquisitions in New Zealand.

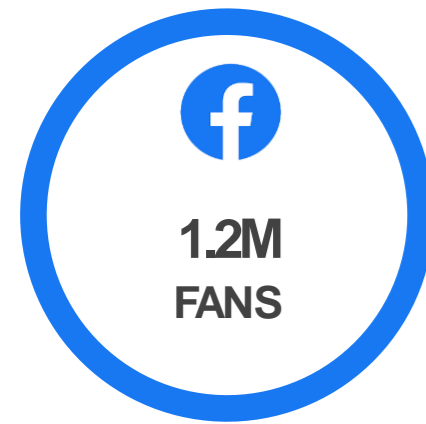
- Sales in the Americas were trending well into the last quarter of the fiscal year, typically the busiest in the US. COVID-19 impacted sales from mid-March 2020 and struggled to recover due to inventory.
- Similarly, in Europe, the Middle East and Africa the sales results did not reflect the performance in the three quarters leading into COVID-19. Pleasingly the Company's investments in its Middle East operations are reflecting in stronger brand recognition and more consistent sales.
- Asian countries impacted earliest by COVID-19 also rebounded earlier and provided a lead indicator to the recovery of sales in other export markets. ARB's acquisitions of Beaut Utes and Proform Plastics in New Zealand had a significant positive impact on the export result.
- ARB's global Corporate sales, marketing and distribution infrastructure has provided great stability to the business through COVID-19 and put the Company in a strong position to rebound from this disruption.



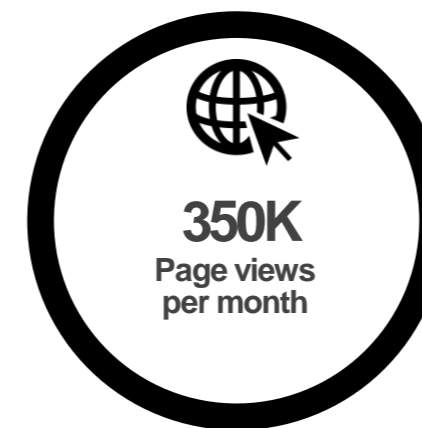
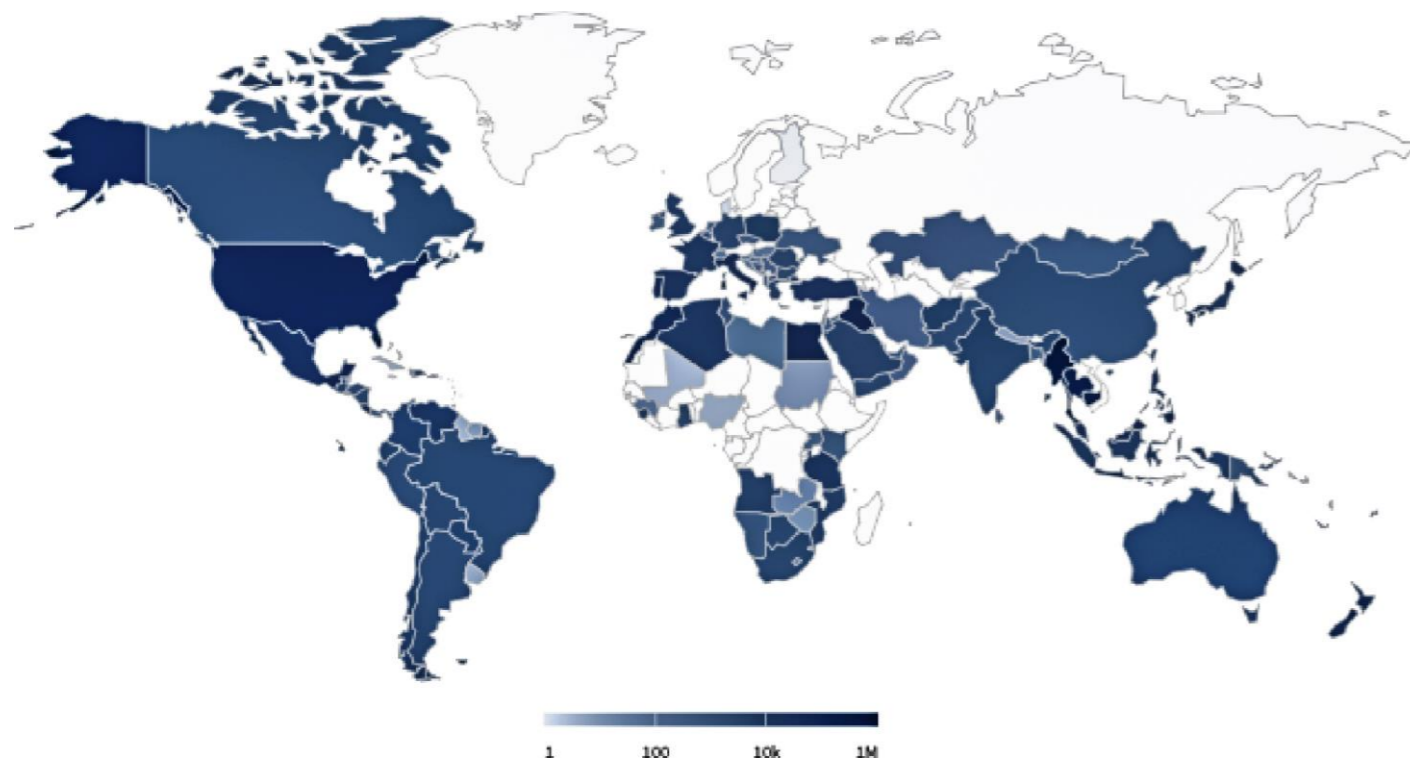


# EXPORTS - MARKETING

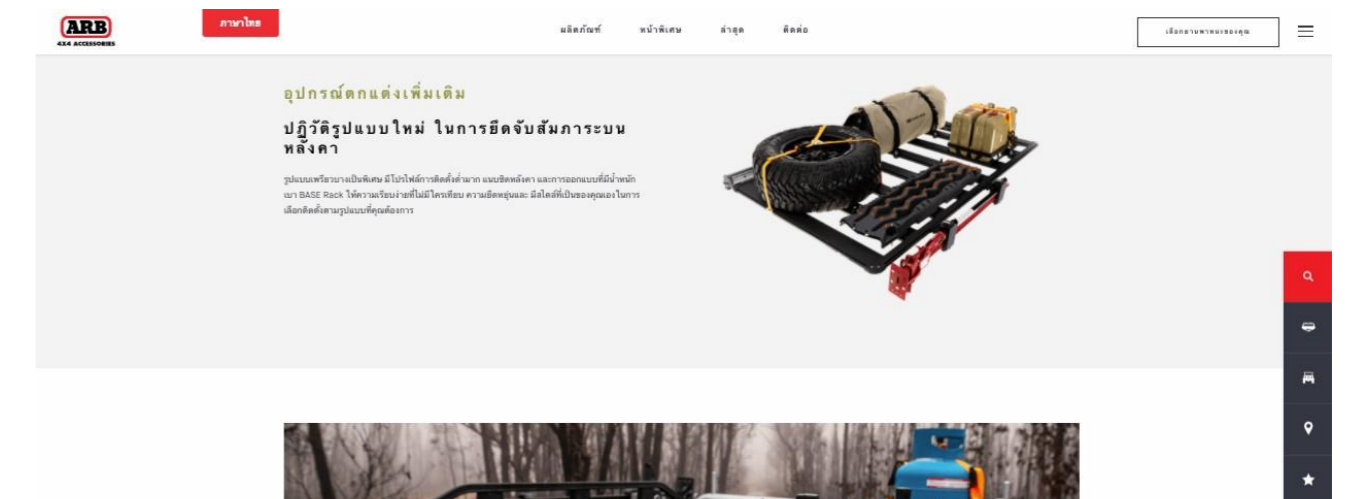
FY2020 Digital & Social Update



Fans > Country



ARB websites are now available in 4 languages



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# EXPORTS - NEW ZEALAND



## Acquisition of Beaut Utes and Proform Plastics

- The acquisition of Beaut Utes in September 2019 provides ARB with a strong distribution base through wholesale, retail and dealer channel in both the North and South Islands of New Zealand. Integrating ARB's sales and marketing strengths through existing and new distribution channels is expected to provide strong growth opportunities in coming years.
- The acquisition of Proform Plastics in March 2020 extends ARB's manufacturing capabilities to include ABS plastic extrusion and thermoforming. This will provide new product opportunities to the ARB Group in addition to access to Proform's extensive global customer base.
- The integration of both businesses in to the ARB Group is proceeding smoothly. A strong focus on growing ARB's brand and product awareness in New Zealand is proving successful. Additionally, education and awareness of Proform's proprietary products through ARB's global distribution has also shown early signs of success.



ARB now employs 186 staff members in New Zealand across four branches (Hamilton x 2, Auckland, Christchurch).

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# ORIGINAL EQUIPMENT MANUFACTURERS



## Sales decline of 12.9% (6.4% of total Company sales) for the year.

- At present, ARB's Original Equipment Manufacturers (OEMs) business is focused on the Australian market and as such is reliant on Australian new vehicle sales.
- Declining new vehicle sales and to a lesser extent the timing of new model vehicle changes resulted in ARB's weaker OEM result.
- ARB's efforts to extend its OEM business into overseas markets continues.
- A stable Australian dollar against the Thai Baht (where much of ARB's OEM product is manufactured) slowed previously declining margins.
- As global OEMs seek higher revenue from declining vehicle sales, ARB is well placed to grow as a strategic supplier to the OEMs.
- ARB supplies the Genuine Bull Bar for the recently released Isuzu D-Max and Mazda BT-50. The D-Max is carryover business while the BT-50 is new business.
- ARB is progressing its development of the co-branded Ford Ranger bull bar for the US market. Compliance obligations on US based OEMs for safety critical parts have increased complexity, however joint engineering investments reflect positively for launch in 2021.
- PRO-FORM Plastics holds a number of OEM contracts. ARB will look to support PRO-FORM to maintain and grow its OEM business.
- ARB has good visibility to the OEMs transition to electric power as it relates to aftermarket accessories.



# PRODUCT DEVELOPMENT

2020/2021 Product Roadmap



## TOYOTA



FACELIFT HILUX

## ISUZU



D-MAX 2020

## MAZDA



BT-50

## FORD



BRONCO

**ARB's engineering department remains busy designing vehicle specific accessories for the expected increase in new model releases.**

**For any new model ARB needs to design:**

- Fabricated products: 12 x unique product designs
- Suspension: 14 x unique product designs
- Mechanical: 4 new product designs
- Canopy / Lid / Bed Liner (pick-up specific): 12 unique product designs
- Other: 6 unique product designs

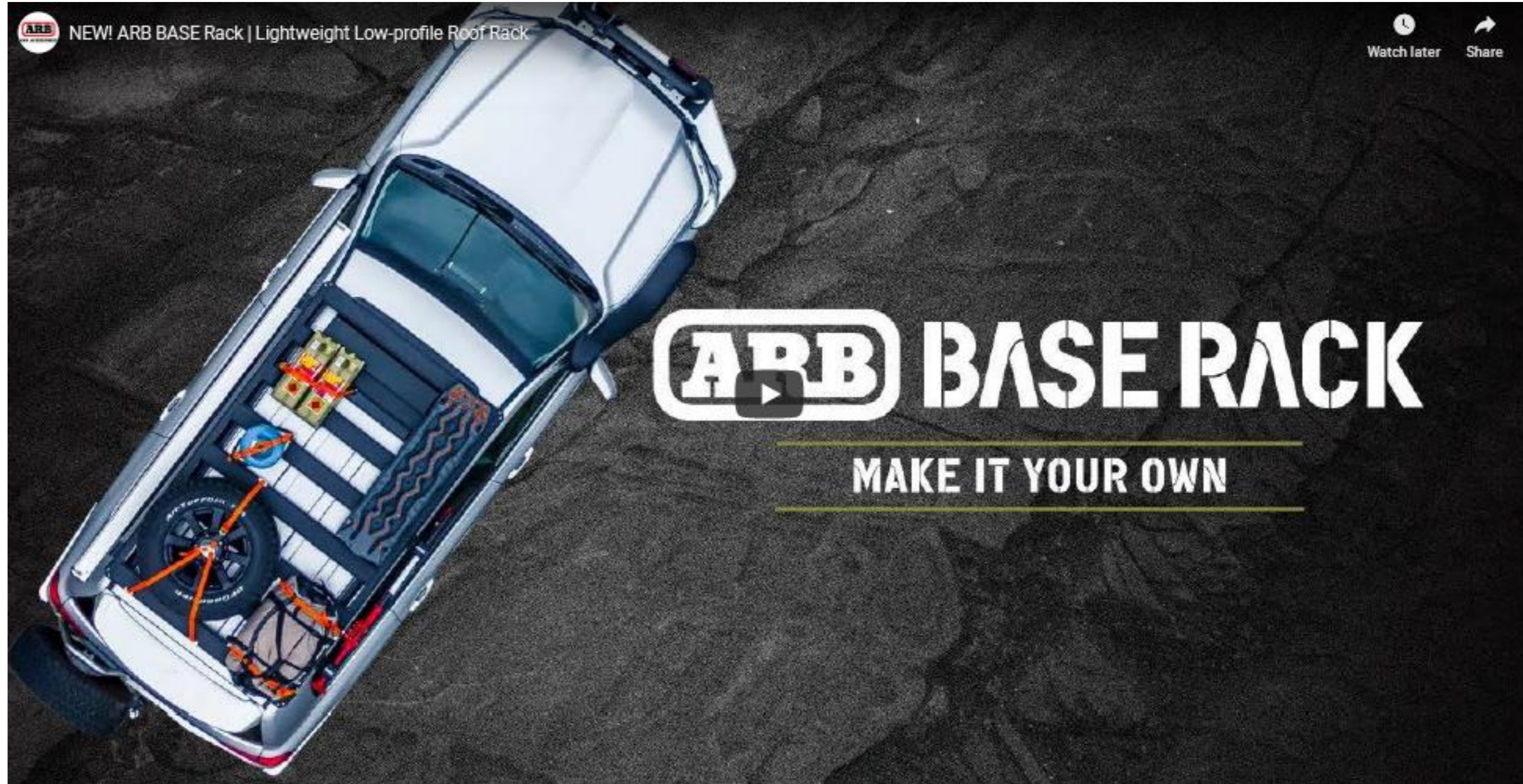


# ARB BASE RACK

MAKE IT YOUR OWN



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# PRODUCTION

Continued investment in plant and equipment



**BRAKE PRESS UPGRADES**



**BP-51 SHOCK ABSORBER LATHE**



**FIBRE OPTIC LASER MACHINE**



**BASE RACK ROBOT CELL**

One of ARB's competitive advantages is its ownership and expertise of proprietary manufacturing. The factories in Australia, Thailand and New Zealand worked hard to balance lower output through the early months of COVID-19 and then subsequently ramp up production as demand rebounded.

ARB proudly continues to invest in and grow its Australian manufacturing in both Melbourne and South Australia. New state of the art fabrication machinery was added to the plant in the last financial year as well as a number of machining centres to support ARB's growth in mechanical products.

Significant investments in Japanese built precision machines, predominantly to support the expansion of the BP-51 shock absorber, were purchased last financial year. Additionally, ARB invested in robotic welding technology to ensure the highest quality finish of the new BASE roof rack.

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**In the Company's market update released to Australian Securities Exchange on 7 October 2020, ARB announced:**

- *"Unaudited sales revenue growth of 17.7% for the first quarter to 30 September 2020 compared with the previous corresponding period."*
- *"Based on preliminary, unaudited management accounts, ARB's profit before tax for the quarter is \$29.7 million, excluding non-recurring government benefits of \$9.7 million related to the quarter."*
- *"The Board of ARB does not believe that the Company's first quarter performance should be used as an indicator of the likely full year result which remains far too uncertain to predict."*
- *"While the short to medium term outlook for the Company is positive, the future economic environment remains very uncertain and no guidance can be given for the remainder of the financial year."*
- *"The level of outstanding orders remains high and work is being done to overcome logistical difficulties and to increase production to reduce the order bank and better service customers."*

The Board is confident that ARB is well positioned to achieve long term success.

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