



ARB CORPORATION LTD

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Dear Shareholder,

ARB Corporation Limited (“**ARB**” or the “**Company**”) generated sales revenue of \$361.7 million for the half year ended 31 December 2024 (“**1H FY2025**”), up 5.9% compared with the previous corresponding period.

Reported profit before tax and profit after tax for 1H FY2025 was \$70.3 million and \$51.0 million respectively, representing a decrease of 0.7% and 0.6% respectively over the previous corresponding period.

Profit before tax and profit after tax for 1H FY2025 excluding non-operating items (see notes 1 to 3 below) declined 4.5% and 4.6% respectively.

The half year results are summarised below:

Six months ended	31 Dec 24 \$'000	31 Dec 23 \$'000	Change
Sales revenue	361,727	341,545	5.9%
Other revenue	4,940	1,143	
Total revenue	366,667	342,688	7.0%
Profit before tax	70,312	70,819	(0.7%)
Tax expense	(19,360)	(19,552)	
Profit after tax	50,952	51,267	(0.6%)
Add back:			
Gain on sale of property after tax ¹	(1,662)	-	
Transaction costs ²	1,214	-	
Truckman adjustments ³	-	1,671	
Profit after tax excl adjustments ^{1 2 3}	50,504	52,938	(4.6%)
Earnings per share (cents)	61.68	62.41	(1.2%)
Earnings per share excl adjustments (cents) ^{1 2 3}	61.14	64.44	(5.1%)
Interim dividend (cents per share)	34.00	32.00	6.3%
Franking	100%	100%	

- (1) Represents the after-tax profit generated on the sale of a retail property (profit before tax of \$2,374,000).
- (2) Represents ARB’s after-tax transaction costs relating to the acquisition of two retail stores and its increased investment in its US based associate, ORW USA, Inc., and ARB’s equity accounted share of ORW’s transaction costs for the acquisition of the 4WP business (transaction costs before tax of \$1,281,000).
- (3) Represents the payment expensed for the prospective earnout of the Truckman business (before and after tax).

The Board has declared an interim dividend of 34.0 cents per share, fully franked at a 30% tax rate. The interim dividend will be paid on 17 April 2025 and the Record Date will be 3 April 2025.

The ARB Dividend Reinvestment Plan and Bonus Share Plan (the “**Plans**”) will be in operation for the interim dividend to assist with the funding of ARB’s ongoing expansion programme. Information about the Plans can be found on the Company’s website at: <http://www.arb.com.au/about/investor-relations>. Investors wishing to make or change an election to participate in the Plans can do so online via the Computershare Investor Centre website at: www.computershare.com.au/easyupdate/arb or by phoning Computershare on 1300 850 505.

HIGHLIGHTS OF THE HALF YEAR ENDED 31 DECEMBER 2024

Sales

The Company's sales revenue for 1H FY2025 of \$361.7 million was up 5.9% compared with the previous corresponding period.

A summary of sales category performance for the period is as follows:

Customer Category	Percentage of Sales		Sales Growth
	6 months to Dec 2024	6 months to Dec 2023	
Australian Aftermarket	57.2%	59.5%	1.9%
Exports	34.7%	31.8%	15.4%
Original Equipment	8.1%	8.7%	(1.3%)
	100.0%	100.0%	5.9%

The Board is pleased with the performance of the Australian Aftermarket which grew by 1.9% despite declining new vehicle sales and inflationary pressure constraining consumer discretionary spending.

The Australian Aftermarket achieved growth in all Australian states except Victoria. The growth in Aftermarket sales includes the exciting addition of MITS Alloy, an aluminium canopy manufacturing and assembly business to the group in October 2024 and the addition of ARB Toowoomba in July 2024 (previously an ARB independent store customer). MITS Alloy is in the early stages of integration to the ARB business and did not contribute materially to the H1 FY2025 performance. Sales growth achieved in other areas of the Australian Aftermarket was offset by sales declines in Go Active, the THULE distributor, which was impacted by weak consumer demand in this market segment.

Pleasingly, ARB's Australian retail store sales grew by 5.6% in 1H FY2025, excluding the addition of ARB Toowoomba's sales which was acquired on 1 July 2024. Sales to fleet customers continued to grow in 1H FY2025, while sales to dealers and stockists remained relatively stable as ARB's strong inventory position and ability to supply product at short notice enabled stockists to reduce their inventory.

The Australian Aftermarket customer order book reduced during the half reflecting shorter lead times for new vehicles delivered to consumers, ARB's improved fitting operations and independent stockists reducing their inventory holdings as noted above.

The Australian Aftermarket performance was pleasing given the challenges posed by the material decline in new vehicle sales for core ARB models during 1H FY2025 compared with 1H FY2024, e.g. sales of Toyota Hilux 4x4 down 23%, Ford Ranger 4x4 down 21% and Isuzu D-Max 4x4 down 21%. ARB is well placed to service these models with a full range of accessories.

Despite the market conditions, ARB's daily order intake remains consistent with last year. Furthermore, the recent release of the new and overdue Toyota Prado model and strong new vehicle sales of the Ford Everest (up 61% on last year) provide ARB with a strong platform into 2H FY2025.

One of the highlights of the half-year result was the performance of ARB's Exports which recorded a 15.4% uplift in sales compared with the previous corresponding period. In particular, sales to US customers grew 18.7%. ARB's aftermarket product sales to its US associate, Off Road Warehouse ("ORW") including 4 Wheel Parts ("4WP"), are growing consistently month-on-month. The strong increase in US sales also includes sales of ARB branded accessories to Toyota USA for its new Trailhunter platform, ex-factory, as previously announced. Other international markets grew by 13.9% with only the UK experiencing flat performance due to restricted supply of the Toyota Hilux into the UK market.

Sales to original equipment manufacturers ("OEM") decreased slightly by 1.3% compared with the same period last year, following 40% growth achieved in FY2024. New contracts with OEMs are in place and will support modest year-on-year sales growth expected in 2H FY2025.

Distribution

The Company distributes through its market leading ARB store network in Australia, to retail customers, ARB stockists, new vehicle dealers and various fleet operators. There are currently 75 ARB stores in Australia, one more store than this time last year, of which 32 are Company owned.

The Company's flagship store roadmap continues to accelerate. ARB recently transitioned two Company owned stores to the flagship format in Kilsyth, Victoria (December 2024) and Bundaberg, Queensland (September 2024) and opened a new flagship store in Mornington, Victoria (September 2024). Construction for the conversion of a further three independently owned locations was completed in Warrnambool, Victoria and Newcastle and Penrith, NSW. Development is well progressed for a further five new independent retail stores in 2H FY2025 and seven existing stores converting to the flagship format in FY2026.

ARB's partnership with Ford via the Ford License Accessory ("FLA") programme continues to strengthen with direct FLA sales via ARB owned stores achieving strong growth compared with last year. The FLA programme provides consumers with the option of purchasing select ARB products directly from Ford dealers with a Ford extended 5-year accessory warranty. The programme essentially extends ARB's network to include all of Ford's distribution network across Australia.

Products

ARB's excellence in product development provides a strategic and long-term competitive advantage. The Company's continued focus on the engineering and development of new products continues to provide a point of difference to market.

ARB launched several significant new products during 1H FY2025, including the brushless compressor, an upgraded range extension to one of ARB's global category leaders. Additional product launches included the Stealth Bar for Toyota's LC70, a range of accessories for Toyota's recently released Prado 250, ARB's Slimline 100 battery and enhancements to Altitude Electronic Rooftop Tent and Earth Camper. The Company continues to expand the application of existing products to new vehicle models, successfully delivering capable and feature packed products.

Further products from long-term development projects are planned for release throughout 2025. Shareholders can learn more about ARB's new product releases via the Company's website at: <https://www.arb.com.au/latest/news-and-releases/>.

Strategic Investments

The 1H FY2025 period was one of the most significant in the Company's history, with a number of strategic investments in both the USA and Australia to position ARB for long-term growth and underpin its future success.

USA

On 9 September 2024, ARB announced that ORW, ARB's associate company in the USA, had entered into an Asset Purchase Agreement to acquire 4WP which included 42 retail stores in the USA. The acquisition was finalised on 18 October 2024 for a provisional amount of A\$44.9 million (US\$30.0 million). To facilitate ORW's funding for the acquisition, ARB increased its ownership interest in ORW from 30% to 50% for \$25.0 million (US\$16.7 million) and provided a loan to ORW of \$11.2 million (US\$7.5 million).

Combined with ORW's existing 11 store presence, the significantly expanded ORW / 4WP retail network of 53 stores and associated e-commerce site provide ARB with a major opportunity for long-term brand and sales growth across the USA.

The other major shareholder in ORW is Greg Adler. Greg's family founded 4WP in the 1960s. Greg has spent the majority of his working life in the business including over two decades as CEO of 4WP.

ARB's reported net profit after tax in 1H FY2025 included equity accounted losses from its US associates of A\$1.5 million.

ORB's management team have acted swiftly to combine and restructure the ORW / 4WP operations to realise the long-term growth opportunities from this strategic investment. In January 2025, the first month of trading unimpeded by transition costs, ORW achieved a profit and management is cautiously optimistic about the ongoing performance of the business.

ARB continues to equity account its investment in ORW.

Aftermarket

During the half year, ARB expanded its Company owned Aftermarket footprint by purchasing retail stores in Toowoomba, Queensland (July 2024) and Christchurch, New Zealand (October 2024). ARB also purchased MITS Alloy, an aluminium canopy manufacturing and assembly business in Newcastle, NSW (October 2024). The high-quality MITS Alloy aluminium canopy fills a gap in the Company's product range and complements the premium ARB brand.

Financial

Reported profit before and after tax in 1H FY2025 was \$70.3 million and \$51.0 million respectively, representing a decrease of 0.7% and 0.6% respectively over the previous corresponding period. The Company's pre and post-tax operating profit, excluding the non-operating items detailed in notes 1 to 3 on page 1, declined by 4.5% and 4.6% respectively.

ARB maintained a healthy gross profit margin despite a weaker Australian dollar and persistently high inflation across the globe.

During the period, the Company continued to invest in its people to facilitate future growth. Employee expenses increased by 18% during 1H FY2025, reflecting recent business acquisitions, additional engineering resources in Australia and the USA, the establishment of a new distribution centre in Texas, USA, a new in-house team developing ARB's soon to be released e-commerce site, additional corporate staff and market adjustments in key areas. These additional costs reflect the Company's confidence in its future growth path.

Cash provided by operating activities was \$45.9 million compared with \$71.6 million in the previous corresponding period. The half year operating cash flow included the impact of a \$38.1 million increase in inventory resulting primarily from the weaker Australian dollar (with significant purchases denominated in US dollars), ARB's expanded product range (including the ramp up of Earth Camper), the new Toyota US contract and the acquisitions of MITS Alloy and two retail stores.

The Company invested \$23.7 million in property, plant and equipment, \$37.5 million in its US based associate ORW and \$13.3 million in the three Australian Aftermarket businesses noted previously.

The Company maintains a strong balance sheet with a cash balance of \$22.8 million as at 31 December 2024 and no debt.

THE FUTURE

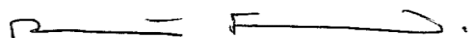
The Australian and world economies remain challenging. Nonetheless, the Company's order book remains healthy relative to historical averages and daily sales order intake remains close to historical highs despite declines in new vehicle supply and reduced consumer discretionary spending.

ARB continues to invest for future long-term growth, pursuing opportunities to build its product range by developing and releasing new products, increase its distribution partners and sales channels, expand its store network and invest in its people. The Board sees long-term growth opportunities in both Australia and export markets and is excited by the prospects for its major US expansion strategy.

The Company's outlook remains positive with ongoing healthy demand for ARB's products, new vehicle model releases around the world, healthy gross profits despite relatively high inflation and new products recently and soon to be released to market.

ARB is well positioned to achieve long-term success with strong brands around the world, loyal customers, very capable senior management and staff, a strong balance sheet and growth strategies in place.

Yours faithfully,



Robert Fraser
Chairman

18 February 2025