

**AMAGROUP**

## **ASX Announcement**

9 April 2020

### **Market Update**

#### **Suncorp Motor Repair Service Agreement**

AMA Group Limited (ASX: AMA) is pleased to announce it has completed the annual planning process with Suncorp, establishing revised terms for the motor repair partnership with Capital SMART. The plan delivers AMA increased average repair pricing and volume increases reflecting a change in the mix of repairs to be pathed through the Capital SMART network. This result is in line with expectations released at the time of the acquisition in October 2019.

Both Suncorp and AMA Group acknowledge that there are additional costs associated with repairing today's modern vehicle fleet safely, including the increasing costs of new technologies such as Advanced Driver-Assistance Systems (ADAS), and these costs need to be and are captured in the new pricing models.

CEO, Andy Hopkins said: "I am pleased with the outcome for both Suncorp and the AMA Group. The result strengthens our long-standing relationship and recommended repairer status with Suncorp." He added that: "the revised terms and volume commitments show Suncorp and AMA Group working together to ensure customers receive high quality repairs and service as well as delivering ongoing shareholder value."

#### **Q3 Trading Update, Covid-19 Impact and FY20 Guidance**

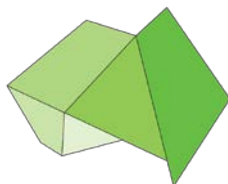
As shared with the market at the time of the H1 results announcement, the Group has traded strongly through Q3 FY20. The normalisation of weather conditions and increased focus on our key drivers and initiatives has seen both repair volumes and operating margins improve from H1 FY20 and based on Q3 FY20 results, the Group performed in line with achieving FY20 earnings guidance provided to market on February 26, 2020.

During March, there has been a significant escalation of measures taken by the Australian and New Zealand Governments to prevent the spread of COVID-19. AMA Group is supportive of both Government's efforts and is also taking proactive measures to ensure the safety of our employees and customers at all times.

One of the more immediate impacts of the Government initiatives is a reduction in kilometres travelled, both locally and interstate, and consequently a reduction in vehicle repair volume. Given the pipeline of vehicles awaiting repair, this reduction in volumes hasn't impacted Q3 FY20 but it is only just starting to be seen in the repair volume activity at our sites. This effect is expected to increase as the Government imposes additional measures to limit social interaction.

As a consequence of the increasing uncertainty surrounding the duration and scale of the impact of COVID-19 on the operations of the AMA Group, the Company feels it is prudent to withdraw the FY20 guidance issued on February 26, 2020.

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To address this reduction in repair volume, we have taken a number of proactive steps to reduce operating costs and preserve capital. Importantly, detailed plans have been developed to manage volume capacity to ensure optimal productivity, efficiencies and customer service is maintained. All non-essential capital expenditures have been put on hold. We are in the process of negotiating reduced rental obligations with our landlords and the business has deferred all acquisition activity during this period.

On 23 March 2020, the NZ Government implemented a month-long national lock down and as a result our operations in New Zealand have temporarily closed for this period. We are continuing to monitor developments in this region.

We welcome both the NZ and Australian Government's employee retention programs and are pursuing these to support employee salary costs throughout the business.

### **Financing**

The Company has sufficient financial resources at its disposal; however, we chose to engage our Lenders early in this COVID-19 crisis to ensure the Company has access to additional liquidity necessary to allow it to withstand a potential period of extended operational disruption caused by COVID-19. Our Lenders remain supportive and have agreed to repurpose our existing facilities to increase our working capital facility by another \$35m, waive covenant testing to December 31, 2020 and provide a more favourable covenant testing regime for the balance of FY21. These measures ensure the Company is well funded to support the business during an extended period of significant disruption.

CEO, Andy Hopkins said "I am pleased to have the support of our Bankers to ensure the Company remains resilient to the challenges it is facing and, with strong financial resources, a committed management team and employees we will navigate the business through these uncertain times."

He added that "this event is unprecedented. But as the leader in the automotive repair and aftercare market and with a supportive Board we are well positioned to meet market demand and capitalise on opportunities when conditions stabilise for the long term benefit of our employees, customers, shareholders and all our stakeholders."

*This announcement has been approved by the Directors of AMA.*

### **For further information:**

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