



ARB CORPORATION LTD

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ASX ANNOUNCEMENT

16 February 2021

CHAIRMAN'S LETTER TO SHAREHOLDERS

Please find attached a letter from the Chairman to all Shareholders.

This announcement was approved for release by the Company Secretary.

Yours Sincerely,

A handwritten signature in black ink, appearing to read 'Damon Page', written in a cursive style.

Damon Page
Company Secretary

For personal use only

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Dear Shareholder,

The Directors of ARB Corporation Limited (“**ARB**” or the “**Company**”) are pleased to report that the Company achieved a profit after tax of \$54.0 million for the half year ended 31 December 2020. This represents an increase of 113.5% compared with the prior corresponding period.

Profit before tax of \$72.1 million in the half year was at the top end of the Company’s earnings guidance released to ASX on 12 January 2021, representing a 109.6% increase on the December 2019 half year.

Sales for the half year were \$284 million, an increase of 21.6% over the prior corresponding period.

The half year results are summarised below:

Six months ended	31 Dec 20 \$'000	31 Dec 19 \$'000	Change
Sales revenue	283,921	233,396	21.6%
Other revenue	1,098	743	
Total revenue	285,019	234,139	
Profit before Tax	72,083	34,388	109.6%
Tax expense	(18,081)	(9,095)	
Profit after Tax	54,002	25,293	113.5%
Earnings per Share (cents)	67.32	31.71	
Interim Dividend (cents per share)	29.00	18.50	56.8%
Franking	100%	100%	

The Board has declared an interim fully franked dividend of 29.0 cents per share compared with 18.5 cents per share fully franked last year. The interim dividend payout ratio of 43% is well below ARB’s historical payout ratio of between 53% and 58% over the last five years. The Board has decided to reduce the dividend payout ratio to enable the Company to increase investment in its business for future growth.

This decision also reflects the one-off government assistance provided during the period which has supported ARB’s ability to invest heavily in its future expansion. ARB’s investment includes significant research and development, store expansion, major capital expenditure and new manufacturing equipment, all of which are vitally important to increasing manufacturing capacity, facilitating export growth and supporting employment in Australia.

The interim dividend will be paid on 23 April 2021 and the Record Date will be 9 April 2021. 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 TO 31 DECEMBER 2020

COVID-19

The Company experienced a pleasing recovery during the financial half year ended 31 December 2020 from the worst of the COVID-19 impacts encountered during the final quarter of the previous financial year. The recovery can be attributed to satisfying pent up demand created during the early lockdown periods, an increased trend towards local touring in many countries and the impact of governments' financial stimulus on consumer demand and confidence.

It is still not feasible to quantify the historic or current impact of COVID-19 and associated government enforced preventative measures on the overall results of ARB as the effects, both positive and negative, and measures undertaken to manage the impact of COVID-19 are interrelated and very difficult to measure in isolation.

Sales

Sales for the period grew by 21.6% over the previous corresponding period with growth achieved across all regions of the business.

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

Customer Category	Percentage of Sales		Sales Growth
	6 months to Dec 2020	6 months to Dec 2019	
Australian Aftermarket	58.1%	62.0%	14.0%
Exports	34.7%	30.9%	36.7%
Original Equipment	7.2%	7.1%	22.6%
	100.0%	100.0%	21.6%

Sales to the Australian aftermarket grew by a respectable 14.0%. Sales growth was above average in New South Wales, Queensland, Western Australia and Tasmania, slightly below average in South Australia and relatively flat in Victoria which was impacted by a prolonged COVID-19 related shutdown during the first half of the financial year. The sales growth was achieved despite a decline of 3.4% in sales of new vehicles in ARB's target market, including medium to large SUVs and four-wheel drive utilities.

Export sales grew strongly by 36.7% and represented more than a third of the Company's total sales. Growth was achieved from all export sales and distribution operations in Australia, the USA, the Czech Republic, the UAE, Thailand and New Zealand. The Board is pleased with the contributions made by each of the two businesses acquired in New Zealand last year.

Sales to original equipment manufacturers increased 22.6% over the period, rebounding from the 12.9% decline reported in the prior financial year. The increase was achieved despite continued declines in the number of new vehicles sold and is attributable to new contracts with original equipment customers which are expected to continue through 2021.

Sales growth in all customer categories was impacted by global supply chain issues in the half and this situation will continue to be the case in the foreseeable future.

Distribution

In the Australian aftermarket, the Company distributes through its market leading ARB store network, to retail customers, ARB stockists, new vehicle dealers and various fleet operators. Currently, there are 69 ARB stores in Australia, of which 29 are Company owned. This compares with 66 stores at this time last year.

Two new Company owned stores were opened in late 2020 in Gosford, New South Wales and in Edwardstown, South Australia, and one new independently owned store was opened in March 2020 in Windsor, New South Wales. The Company expects two additional ARB stores to open during 2021.

The Company recently built a new flagship store in Seven Hills, New South Wales, and has commenced building a new flagship store in Wangara, Western Australia, to relocate nearby existing stores. Land has been acquired in Albury, New South Wales and in Alice Springs, Northern Territory, to relocate existing stores into larger flagship stores. Other independently owned stores will be upgraded over the next 12 to 18 months.

Products and Production

ARB regards product development as fundamental to maintaining the Company's long-term competitive advantage. The Company maintained its engineering and development of new products and applications throughout the COVID-19 disruptions. The Company's engineering resources are working on a number of long-term product development projects, some of which will be released to market during 2021.

ARB's new BASE roof rack, boasting a low mounting profile, lightweight design and greater flexibility to personalise the set-up, was successfully launched during the half year and has been very well received in the domestic and international markets.

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/>.

Financial

ARB's growth in profit after tax achieved during the first half of the financial year comfortably exceeded sales growth and was driven by increased sales demand, cost containment, improved efficiencies and a stronger Australian dollar, particularly against the Thai baht. On the downside, the result was impacted by constrained global supply chains, subsequent stock availability and cost pressures on commodities and shipping.

Net cash provided by operating activities of \$58.1 million approximated the profit after tax generated of \$54.0 million during the half year. The Company retained a cash balance of \$84.3 million at the financial half year end, an increase of \$42.7 million from the June 2020 financial year end.

The Company paid a fully franked dividend of 39.5 cents per share on 23 October 2020. This comprised the fully franked interim dividend of 18.5 cents per share, originally scheduled for payment in April 2020 but deferred in response to the outbreak of COVID-19, and the fully franked final dividend of 21.0 cents per share. The ARB Dividend Reinvestment Plan and the ARB Bonus Share Plan were fully underwritten for the combined dividend to preserve cash for future expansion opportunities as they arise.

THE FUTURE

The Company maintains a positive short-term outlook based on a strong customer order book and a return to growth in new car sales in Australia over the past few months.

The Company's first half performance should not be used as an indicator for the second half of the financial year given continued uncertainty around COVID-19 related restrictions and trading conditions more generally and the inclusion of non-recurring government benefits received during the first half. The

Board also remains cautious of uncertainty in the current global economic environment and cannot provide guidance on the full year outlook.

In the longer term, ARB remains positive with growth plans in place, both in Australia and in export markets, including new products and geographic expansion.

With strong brands around the world, very capable senior management and staff, a strong balance sheet and growth strategies in place, the Board believes ARB is well positioned to achieve on-going success.

The Board would like to thank all ARB staff worldwide for their efforts during the COVID-19 period under very stressful and challenging conditions.

Yours faithfully,



Roger Brown
Chairman

16 February 2021