



4X4 ACCESSORIES

1H FY2023 RESULTS PRESENTATION



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& Company Secretary

21 February 2023

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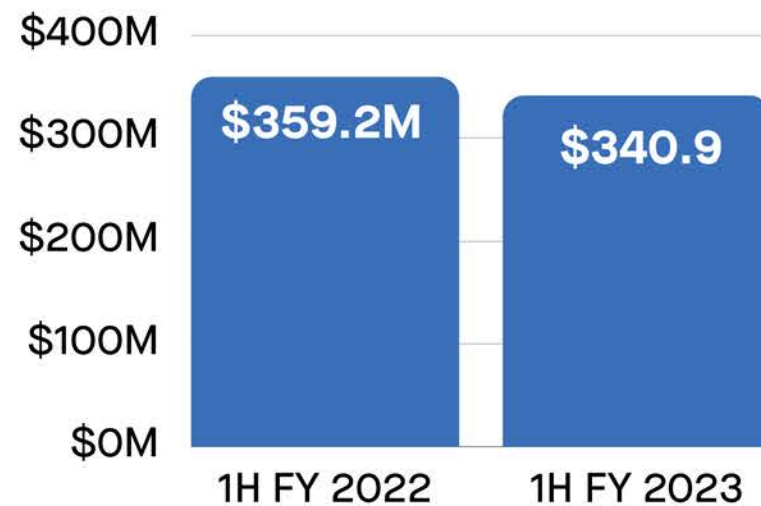


FINANCIAL RESULTS: 1H FY2023

SALES & PROFITS



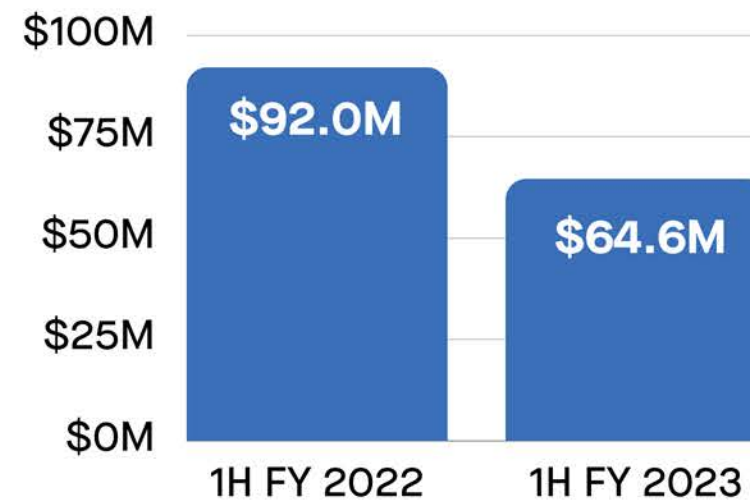
SALES REVENUE
\$340.9M



- Sales improvement in 2Q compared with the 10% decline reported for 1Q.
- Mixed domestic and export market results.
- Vehicle availability continues to constrain sales in Australia and UK but is improving.



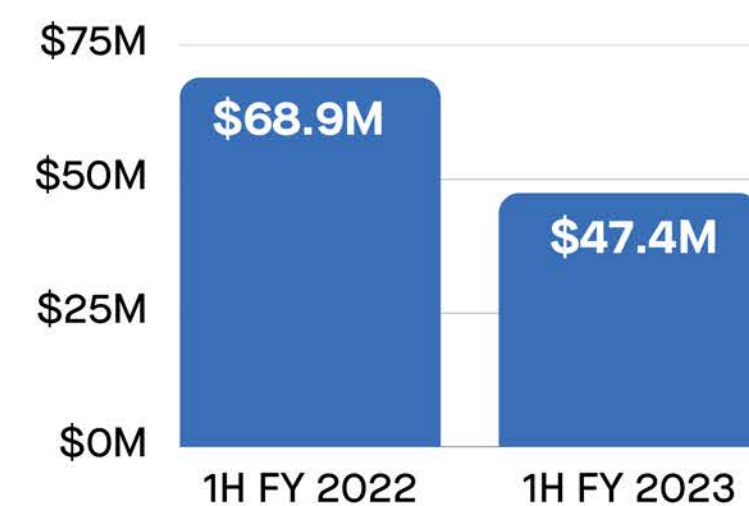
NET PROFIT BEFORE TAX
\$64.6M



- Profit before tax at 19.0% of sales revenue.
- Results affected by sales revenue decline, fixed cost base and inflationary pressures.
- Sales price increases lagging cost inflation but taking effect.



NET PROFIT AFTER TAX
\$47.4M

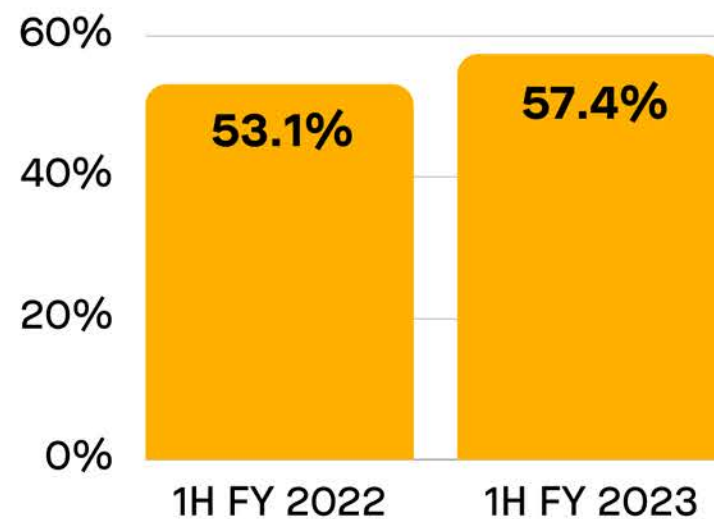


- Increase in effective tax rate due to profits generated in higher taxing jurisdictions.
- Earnings per share of 57.9 cents, down 31.4% on 1H FY2021.

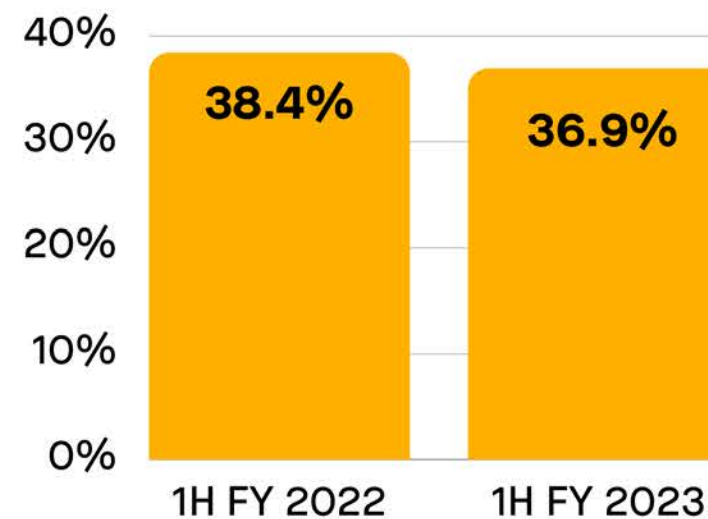
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FINANCIAL RESULTS: 1H FY2023

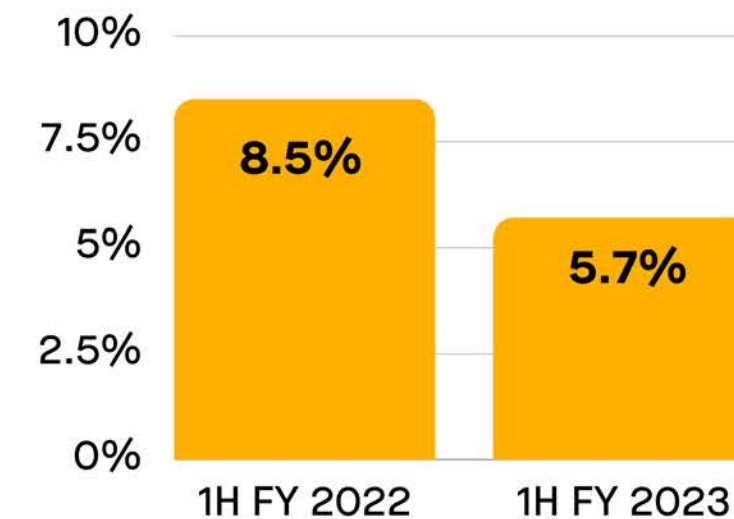
GROUP SALES BY CHANNEL



- Growth achieved in challenging environment.
- Fitting resources remain a key constraint.
- Vehicle availability and scheduling remain challenging.



- Decline in export sales growth following sustained high growth.
- Consumer demand in export markets remains healthy.
- Wholesale customers selling through higher inventory holdings.
- Changes in US distribution channels remain concerning, but create opportunities.



- Boosted by initial order quantities in 1H FY2022.
- Sales in 2H FY2023 are projected to be in line with the previous corresponding period - returning to growth in FY2024.
- No reduction in contracts to OEMs supplied by ARB.

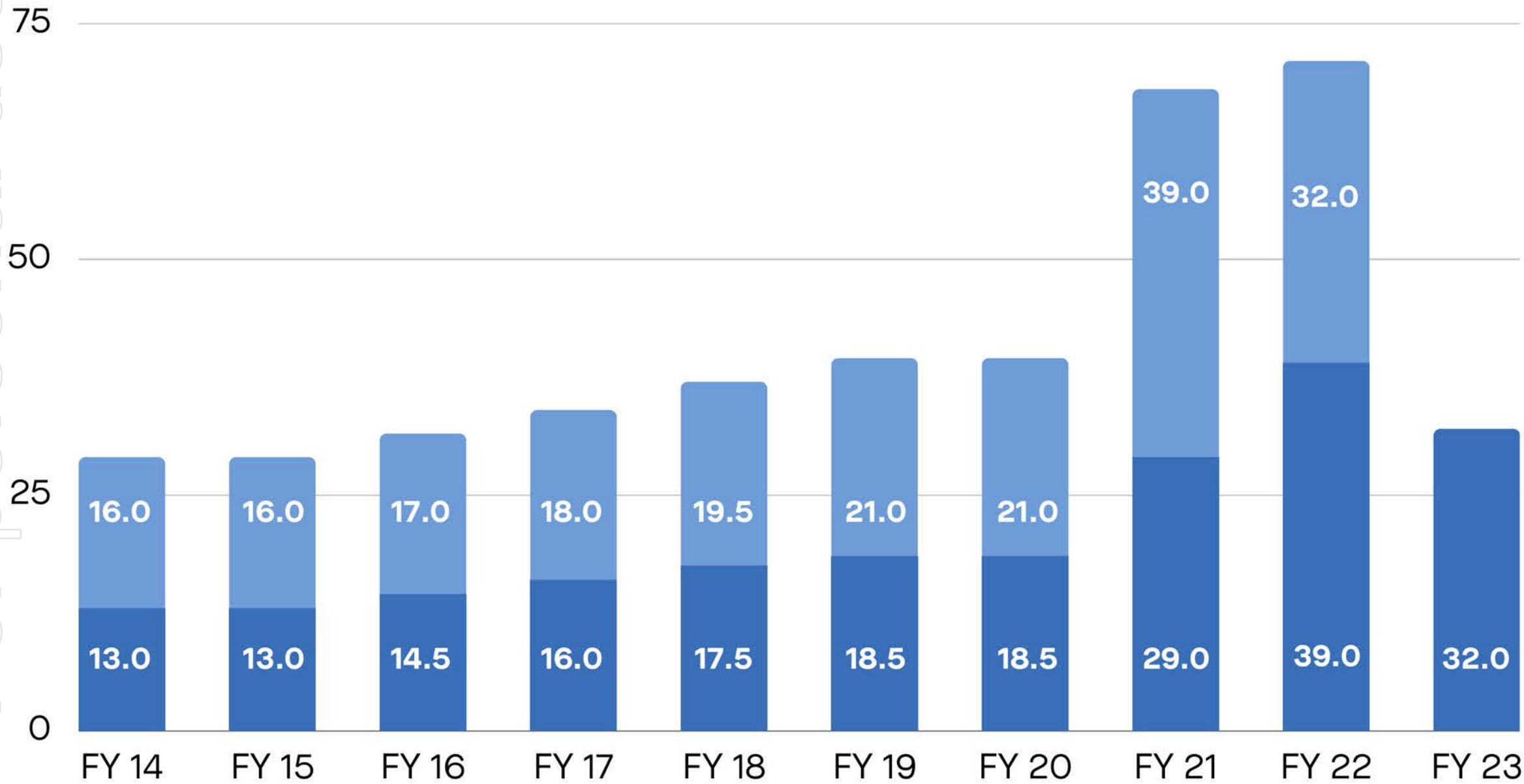
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FINANCIAL RESULTS: 1H FY2023

DIVIDENDS

Dividends (Fully Franked @ 30% tax rate)

■ Interim Dividend ■ Final Dividend



• excludes special dividend of 100 cents in FY2015

1H FY 2023
INTERIM DIVIDEND

32 CPS

DIVIDEND PAYOUT RATIO

55.0%

KEY DATES FOR INTERIM DIVIDEND

RECORD DATE:
6 APR 23

PAYMENT DATE:
21 APR 23

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FINANCIAL RESULTS: 1H FY2023

PROFIT AND LOSS STATEMENT

| A\$000s | 1H 2023 | % sales | 1H 2022 | % sales | Change \$ | Change % | Comments |
|---|----------------|------------|----------------|------------|-----------------|----------------|--|
| Sales & other revenue | 342,377 | | 360,663 | | (18,286) | (5.1%) | |
| Reversal of Truckman consideration | 13,673 | | - | | 13,673 | 100.0% | Refer to following slide |
| TOTAL REVENUE | 356,050 | | 360,663 | | (4,613) | (1.3%) | |
| Materials and consumables used | (159,572) | 47% | (151,891) | 42% | (7,681) | (5.1%) | Inflationary impact, lagging price increases, lower factory recoveries |
| Employee expenses | (74,437) | 22% | (73,611) | 20% | (826) | (1.1%) | Personnel management; tight control of labour costs |
| Depreciation and amortisation expense | (12,610) | 4% | (12,525) | 3% | (85) | (0.7%) | |
| Advertising expense | (3,622) | 1% | (3,120) | 1% | (502) | (16.1%) | Increased advertising to drive sales |
| Distribution expense | (8,828) | 3% | (9,562) | 3% | 734 | 7.7% | Volume driven reduction; shipping rates declining |
| Finance expense | (956) | 0% | (1,073) | 0% | 117 | 10.9% | |
| Occupancy expense | (7,304) | 2% | (7,569) | 2% | 265 | 3.5% | |
| Maintenance expense | (2,981) | 1% | (3,252) | 1% | 271 | 8.3% | |
| Impairment loss on Truckman goodwill | (13,407) | 4% | - | 0% | (13,407) | 100.0% | Refer to following slide |
| Other expenses | (7,684) | 2% | (6,074) | 2% | (1,610) | (26.5%) | Increased travel post COVID and increased insurance premium costs |
| PROFIT BEFORE INCOME TAX EXPENSE | 64,649 | 19% | 91,986 | 26% | (27,337) | (29.7%) | Decline in profit margin driven by sales margins |

GROSS MARGIN

Materials and consumables used increased from 42% of net sales value to 47%.

Inflationary pressure on the Company's cost base moderated throughout 2Q FY2023 with freight and steel costs retreating towards more historical levels.

Currently working through higher costed inventories with peak freight and steel prices incurred during CY2022.

Sales price increases filtering through the customer order book and improving margins.

FINANCIAL RESULTS: 1H FY2023



TRUCKMAN ACQUISITION ADJUSTMENTS

The acquisition of Truckman in March 2021 included a deferred contingent consideration component of \$13.2M (present valued at time of acquisition) depending on the EBITDA achieved during the three years following completion.

The pricing mechanism mitigated ARB's purchase price against performance down to 25% below the existing trading levels and provided the vendor with upside of up to 25% above the existing trading levels.

ARB provided for the contingent consideration at completion based on Truckman achieving the maximum target EBITDA during the three years following acquisition, i.e., achieving 25% EBITDA above existing levels.

However, new vehicle supply / registrations of Truckman target vehicles in the UK are down 30% in 1H FY2023 which has materially affected the performance of Truckman.

In accordance with accounting standards, ARB has therefore:

- written back to profit the full amount of the deferred consideration of \$13.7 million (current present value) which the Board believes is unlikely to be paid based on recent trading performance; and
- booked an impairment of goodwill charge of \$13.4 million (leaving goodwill in relation to Truckman of \$12.6 million as at 31 December 2022).

Truckman remains profitable and cash flow positive and these adjustments were both non-cash items.

Truckman is actively pursuing sales in the supply constrained market. The Company is tightly managing its costs and is well placed to service anticipated increased sales levels as new vehicle supply returns to the market.

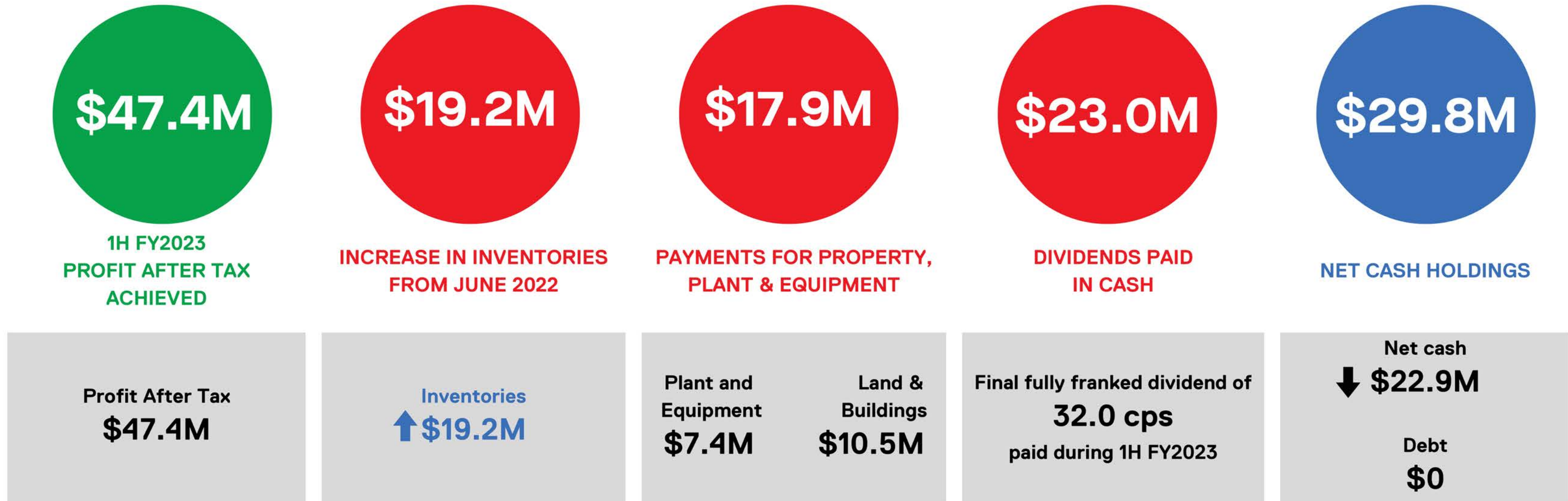
Significantly, the new Ford Ranger model will be released to market in the second quarter of calendar 2023 and the VW Amarok will return to the market in the second half of calendar 2023.

Key initiatives:

- Original Truckman executive team still managing the business
- Key expatriate ARB manager now in place
- Introduction of ARB products to the Truckman lineup.

FINANCIAL RESULTS: 1H FY2023

CASH FLOWS



- Inventories grew from \$224M at June 2022 to \$243M at December 2022.
- Key drivers of the increase: purchase of raw materials to shore up manufacture, new product introductions, strong order book, inflationary impact (freight and steel ahead of general inflation rate).
- Management is reviewing and actively managing inventory levels with supply chains now normalising.

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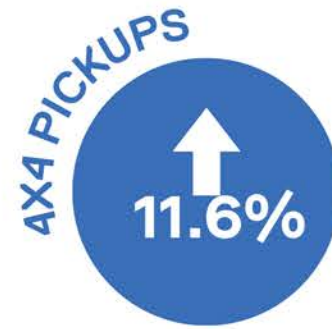
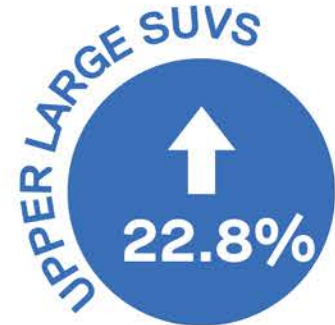
Vehicles & Sales



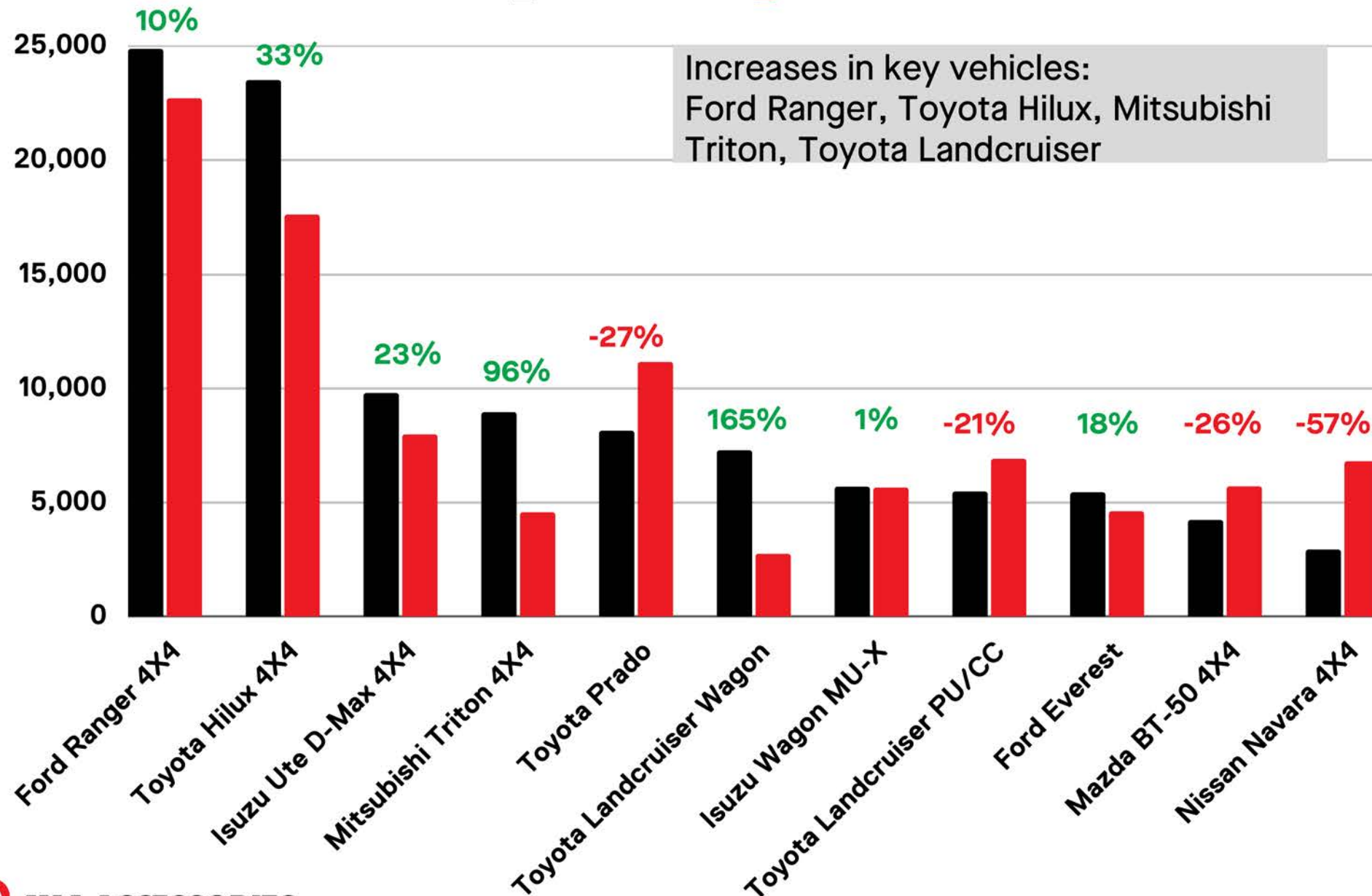
VEHICLE SALES

AUSTRALIAN NEW VEHICLE SALES

FORD RANGER



■ 1H FY2023 ■ 1H FY2022



TOYOTA LC300

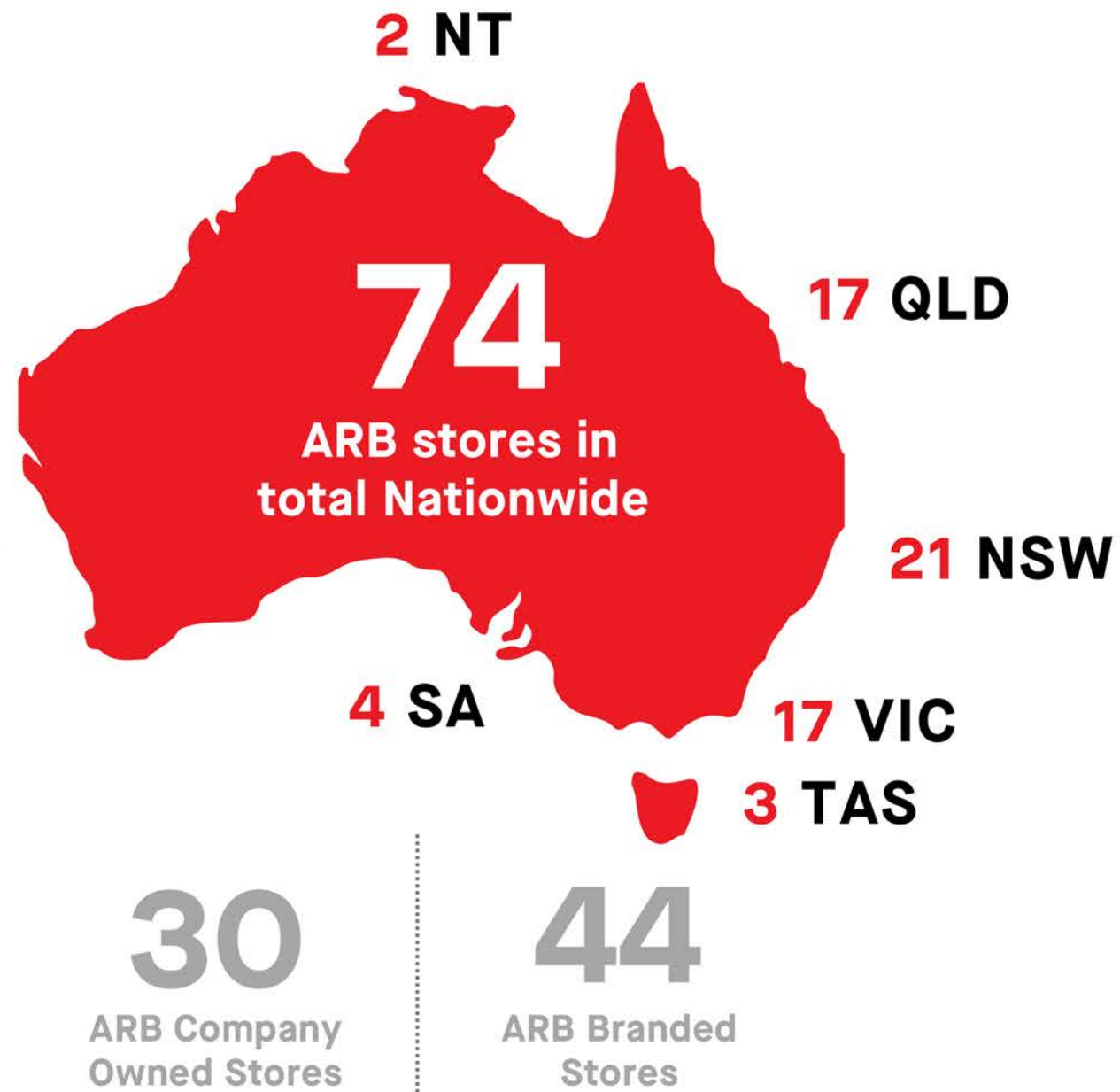


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AUSTRALIAN AFTERMARKET

RETAIL STORES

Australian Aftermarket sales **grew by 2.7%** to **\$196 million** and represented **57.4%** of total sales

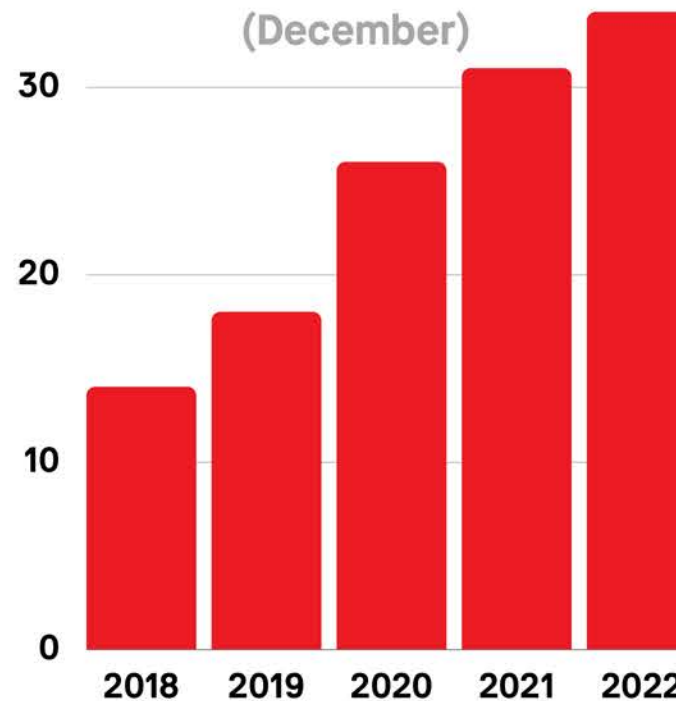


New sites acquired, corporate stores in planning stage:

- Mornington, VIC
- Albury, NSW
- Bundaberg, QLD
- Launceston, TAS.

A new site in Osborne Park, WA, is currently under construction.

ARB Flagship stores in Australia (December)



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Committed customer order book unchanged from beginning of period.

STORE RENOVATION

ARB COOPERS PLAINS



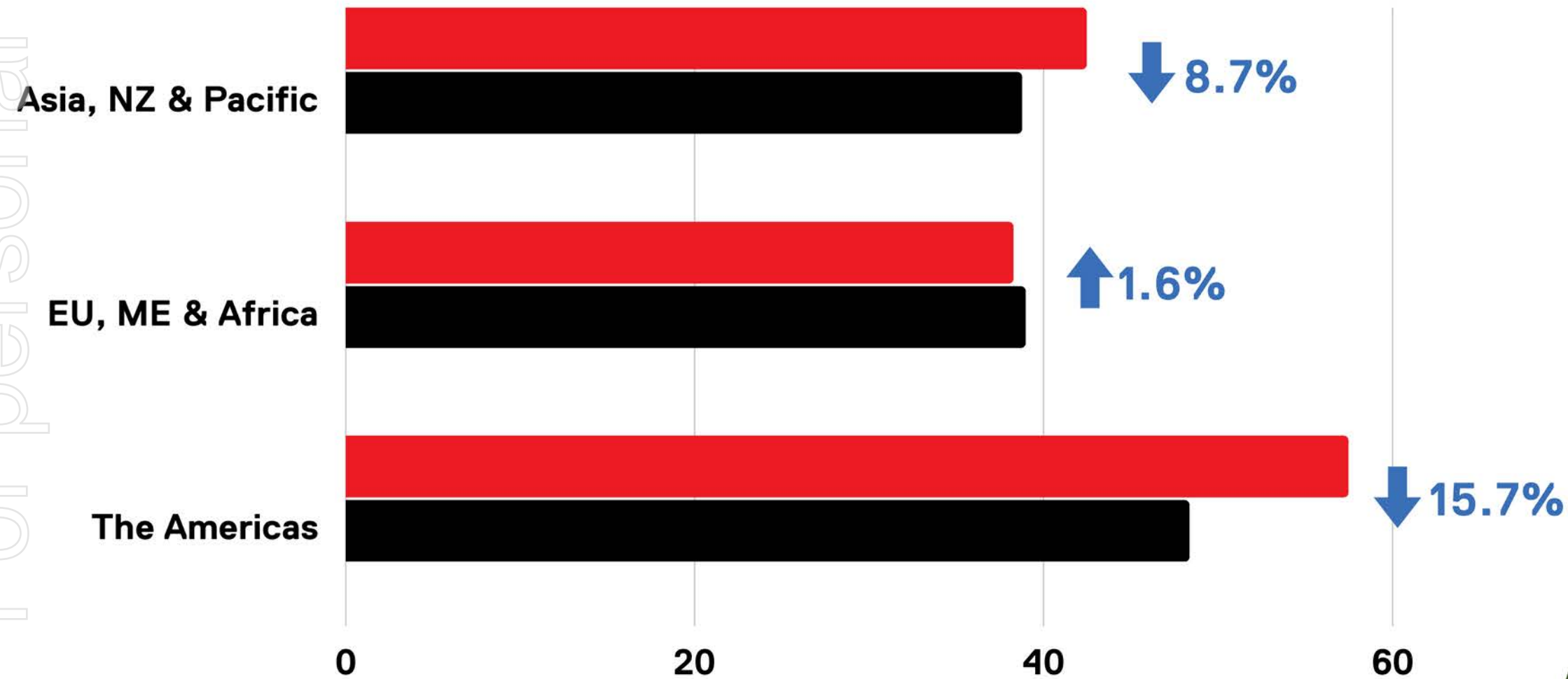
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EXPORTS

Export sales **declined by 8.8%** to \$126 million and represented 36.9% of total sales

ARB EXPORT SALES BY REGION (A\$ millions)

■ 1H FY2022 ■ 1H FY2023



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ORIGINAL EQUIPMENT MANUFACTURERS

OEM sales decreased by 36.9% to \$19 million and represented 5.7% of total sales



Australian Business

- Result follows prior guidance on OEM revenue decline.
- OEM inventory overstocks have affected 1H result.
- 2H result expected to be in line with the previous corresponding period.
- Sales growth is projected to return in FY2024.



Global

- ARB continues to win strategically important new OEM contracts off-shore.
- Successful in driving ARB brand use on OEM programs.
- Further partner and product announcements scheduled for 2H.



RIVIAN



ISUZU



TOYOTA

INTENSITY IQ LAUNCH



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USA UPDATE

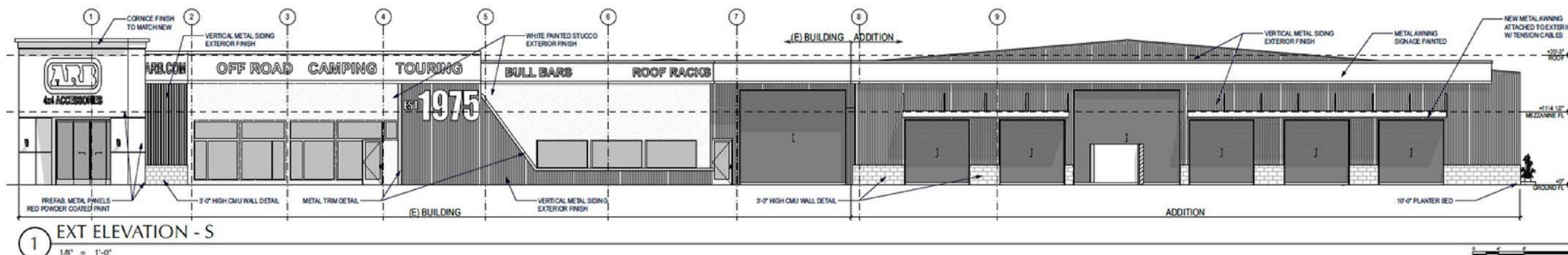


ARB predominantly sells into the 4x4 wholesale market in the USA. Unlike Australia, the wholesale distribution network is fragmented and lacks a strong National aftermarket retailer.

The sale and subsequent restructure of a number of key accounts in the USA, including 4 Wheel Parts, continue to affect ARB USA's business performance.

Key initiatives:

- Launch of a direct to consumer eCommerce site in the USA within 2023.
- Previously reported, the Dallas, Texas Distribution center is being commissioned and will provide great access to Texas, Central USA and Mexico.
- ARB product sales through both Ford and Toyota North America continue to grow.
- ARB has acquired a site in Seattle, Washington, to establish a pilot retail store. The store is planned to open in early 2024.



FORD RELATIONSHIP



AUSTRALIA

- The Ford Licensed Accessories by ARB program (FLA) has been running since October 2021.
- The Ford website promotes and offers an extensive range of ARB products with a 5-year warranty (ARB offers a 3-year warranty).
- FLA program has been very well received by Ford dealers and retail customers in Australia.
- National sales hubs Nationally have been developed to support online ordering.

USA

- Ford Motor Company in the USA and ARB continue to develop both product line-up and improving access through Ford's multiple channel distribution.
- Ford and ARB have been working on a comprehensive product line-up for the new model Ranger due for USA release in 2H CY23.
- Long-term partnership that will continue to develop over time.

REST OF WORLD

- Ford Europe has launched the FLA programme and has become an important customer in Europe.
- FLA has rolled out to New Zealand and has been well received.
- Preparations are advanced to roll out FLA through Asia and South Africa.

OPERATIONS



NEW ZEALAND DEVELOPMENT

EXPANSION 5,000 sqm

Plans finalised. On-site retail showroom and fitting.
Consolidation of the Beaut Utes and Proform businesses.



ENGINEERING CENTRE

BUILDING 1,000 sqm

State-of-the-art facilities completed on budget and on time, housing c.100 engineers on the Corporate Head Office site located in Melbourne, Australia.



THAILAND 4TH FACTORY (5TH SITE)

ORA 4 land area 60,000 sqm **Manufacturing** 33,250 sqm

Completed on budget and on time. Consolidation of the manufacturing sites and commissioning of new machinery in 2023 now underway.

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CURRENT FOCUS



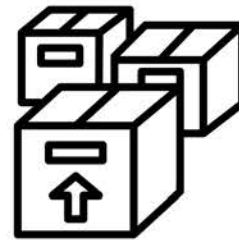
Continued expansion of the ARB Flagship store program. All new stores and existing store upgrades



On-going improvements in Australian fitting capacity to reduce customer lead-times



Continued development of USA distribution channels, including B2C eCommerce and ARB Flagship store trial



Inventory efficiency



Continual development of ARB business in emerging markets



Developing the ARB brand message in global markets.



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OUTLOOK

The Company maintains a positive short-term outlook based on its continuing strong customer order book, which is in line with order levels throughout 2022.

ARB is focused on supporting export markets and pursuing various market opportunities, whilst managing input costs and global supply chain pressures.

The Board believes ARB remains well positioned to achieve long term success through:



New product development with a number of new and innovative products to be released in 2H FY2023



Expansion of the Australian Aftermarket through new and upgraded retail stores and stockists



Strategic partnerships with key Original Equipment customers in Australia and internationally



Increased distribution and manufacturing capacity to accommodate future growth



A well-balanced management team with a blend of long-term ARB and experienced external executives



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have a great day

