

Dear Shareholder,

The Board of ARB Corporation Limited ("**ARB**" or the "**Company**") reports that the Company generated sales revenue of \$340.9 million for the half year ended 31 December 2022 ("**1H FY2023**"), down 5.1% compared with the previous corresponding period.

Profit before tax of \$64.6 million for 1H FY2023 declined 29.7% compared with the previous corresponding period. The sales and profit figures are as reported in the market update released to ASX on 6 February 2023.

The profit result reflects a reduction in gross profits from lower sales revenue and the impact of escalating costs on both the cost of the products sold and the Company's operating cost base.

Net profit after tax of \$47.4 million for 1H FY2023 was achieved, down 31.2% compared with the previous corresponding period.

The half year results are summarised below:

Six months ended	31 Dec 22 \$'000	31 Dec 21 \$'000	Change
<b>Sales revenue</b>	<b>340,873</b>	<b>359,179</b>	<b>(5.1%)</b>
Other revenue (1)	15,177	1,484	
<b>Total revenue</b>	<b>356,050</b>	<b>360,663</b>	
<b>Profit before Tax</b>	<b>64,649</b>	<b>91,986</b>	<b>(29.7%)</b>
Tax expense	(17,228)	(23,075)	
<b>Profit after Tax</b>	<b>47,421</b>	<b>68,911</b>	<b>(31.2%)</b>
<b>Earnings per Share (cents)</b>	<b>57.90</b>	<b>84.46</b>	<b>(31.4%)</b>
<b>Interim Dividend (cents per share)</b>	<b>32.00</b>	<b>39.00</b>	<b>(17.9%)</b>
Franking	100%	100%	

- (1) Other revenue includes a non-cash gain of \$13.7 million from the write back to profit of deferred contingent consideration for the Truckman acquisition in March 2021. This gain is essentially offset by a \$13.4 million non-cash impairment expense of the acquired Truckman goodwill. Refer to the Financial section below for further explanation.

The Board has declared an interim dividend of 32 cents per share, fully franked at a 30% tax rate. The interim dividend will be paid on 21 April 2023 and the Record Date will be 6 April 2023. 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](http://www.computershare.com.au/easyupdate/arb) or by phoning Computershare on 1300 850 505.

## HIGHLIGHTS OF THE HALF YEAR TO 31 DECEMBER 2022

### Sales

The Company's sales revenue for 1H FY2023 declined by 5.1% compared with the previous corresponding period. However, pleasingly the second quarter of 1H FY2023 was slightly ahead of the corresponding quarter in 1H FY2022, an improvement on the 10% decline in the first quarter reported at the Company's 2022 Annual General Meeting ("**AGM**").

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

Customer Category	Percentage of Sales		Sales Growth
	6 months to Dec 2022	6 months to Dec 2021	
Australian Aftermarket	57.4%	53.1%	2.7%
Exports	36.9%	38.4%	(8.8%)
Original Equipment	5.7%	8.5%	(36.9%)
	100.0%	100.0%	(5.1%)

Sales to the Australian aftermarket grew by 2.7%. Sales growth was achieved in all Australian states, except NSW which was flat on the prior comparable period. Australian Aftermarket sales were impacted by a decline in the GoActive subsidiary's sales of Thule branded accessories during the half year, coming off the back of significant growth in the bike carrying market experienced during the peak of COVID.

ARB's aftermarket sales growth rate was below the growth in new vehicle supply of ARB's key target vehicles (large SUVs, 4WDs and 4WD utilities), reflecting challenges encountered in fitting resource constraints and motor vehicle availability to ARB. Growing new vehicle sales, continuing strong customer orders and improvement in recruitment opportunities provides a positive outlook to the aftermarket category.

Export sales declined by 8.8%, primarily impacted by challenging market dynamics in the key North American market, the cessation of sales into Russia and depressed new vehicle supply into the United Kingdom.

The sale and subsequent restructure of the Company's major US customer, 4 Wheel Parts, has further fragmented the US aftermarket. ARB is implementing a number of longer-term initiatives to support stronger sales in the USA from 2H FY2023, including the launch of a direct to customer eCommerce site in the USA and the establishment of a pilot retail store in Seattle, Washington.

Sales to original equipment manufacturers ("**OEM**") decreased by 36.9% over the period, as expected and advised to shareholders at the AGM. The decline is attributable to the timing of OEM contracts, stocking up for new vehicle model launches in the comparative period and car availability. Sales to OEMs in 2H FY2023 are projected to be in line with the previous corresponding period before returning to growth in FY2024.

### 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 74 ARB stores in Australia, up from 72 stores at this time last year, of which 30 are Company owned.

Two new independently owned stores opened during the last 12 months located in Melton, Victoria, and Rutherford, NSW. Both stores have been fitted out in ARB's flagship style and demonstrate the independent distributors' continuing confidence to invest in the ARB brand.

The Company has commenced construction of a new flagship store for relocation of the store in Osborne Park, WA. In addition, new sites have been acquired for corporate store relocations in Albury, NSW, Bundaberg, QLD, and Launceston, TAS. A site has also been acquired for the establishment of a new corporately owned store in Mornington, VIC.

The Ford License Accessory (“FLA”) programme commenced in October 2021 and provides customers with the option of purchasing selected ARB products directly from Ford dealers with a 5-year accessory warranty. The FLA programme has been well received by Ford dealers and retail customers in Australia. It has been extended to the new model Ranger and Everest vehicles and is supported by both Ford and ARB’s distribution networks. The FLA programme has now commenced in New Zealand with plans well advanced for Asia and South Africa. Ford Europe has also launched a range of accessory packages under the FLA programme, further strengthening the global reach of this initiative. Ford is becoming a very important customer in Europe.

## Products

Product development is a key element to maintaining the Company’s long-term competitive advantage. The Company continues to focus on the engineering and development of new products and applications with engineering resources working on several long-term product development projects, some of which will be released to market during 2023.

ARB’s engineering team has focused on developing accessories for the Ford Ranger and Everest models with the release of over 160 new ARB products for these two new models. These products were developed in conjunction with Ford’s engineering team in Australia and are now approved Ford License Accessories. A range of products is currently being developed for the new Ford Ranger Raptor model.

ARB has launched a full range of accessories for the Landcruiser 300 Series and an expanded range of accessories for the Toyota Hilux, Isuzu D-MAX and the updated Toyota LC79 models. During the half year, the Company also released the new IQ driving light, the first of a range of lights with variable light patterns to suit varying driving conditions.

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/>.

Construction of the new engineering and development centre on the head office location in Kilsyth, VIC, was completed on schedule in October 2022. This centre consolidates the Australian engineering teams and provides new offices and enhanced facilities for product development and other projects.

## Production

The Company recently completed the construction of a 33,250 square metre factory in Thailand at the Rayong industrial estate where ARB’s existing manufacturing operations are located. This new site will facilitate the efficient consolidation of some of the operations currently located in the Company’s other three Thai factories and the manufacture and assembly of new product lines to be released later in 2023.

## Financial

ARB achieved profit before tax of \$64.6m, a decline of 29.7% compared with the previous corresponding period. The decrease in profit was in line with previous guidance and reflects lower gross profit due to the 5.1% decline in sales revenue and inflationary pressures on the cost of goods sold and operating expenses. The Company expects sales margins to improve, with recent sales price increases cycling through ARB’s continuing high customer order book and inflationary pressures moderating, particularly in relation to freight and steel costs to a lesser extent.

The reported profit includes two non-cash adjustments relating to the Truckman acquisition completed in March 2021. As previously advised, Truckman’s trading result declined during 1H 2023 due to constrained new vehicle supply (down approximately 30%) and the general economic environment in the UK.

In accordance with accounting standards, ARB has written back to profit the full amount of the deferred contingent consideration of \$13.7 million which the Board believes is unlikely to be paid based on recent trading performance. Based on the revised projected cash flows, an impairment of goodwill of \$13.4 million was also booked. These adjustments were both non-cash items.

The Company recorded a net profit after tax of \$47.4 million in 1H FY2023 compared with \$68.9 million in the previous corresponding period. Net cash provided by operating activities was \$24.0 million compared to \$28.6 million in the previous corresponding period.

The Company maintained a strong balance sheet, with a cash balance of \$29.8 million as at 31 December 2022. Whilst this was a reduction from the Company's June 2022 financial year end cash balance, it primarily reflects: expansionary capital purchases of property, plant and equipment during the half year of net \$17.9 million; cash dividends paid to shareholders in October 2022 of \$23.0 million; and an increase in inventories of \$19.2 million to facilitate growth and fitting schedules in a challenging supply chain environment. Management is reviewing and actively managing inventory levels with supply chains now normalising.

## THE FUTURE

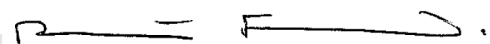
The Company maintains a positive short-term outlook based on a strong customer order book, as well as new and innovative products that will be released to market during 2023.

Notwithstanding the uncertainty in the current global economic environment, ARB continues to develop and pursue its exciting long term growth opportunities, including further growth in Australia and in export markets, improved distribution and increased manufacturing capacity, new and upgraded retail stores and stockists, ongoing development and introduction of new products and strategic partnerships with key OEM customers in Australia and internationally.

The Board has conscientiously executed a transition plan to maintain a well-balanced management team with a blend of long-term ARB and experienced external executives, including the appointment of Lachlan McCann as Chief Executive Officer in July 2022.

The Directors believe ARB is well positioned to achieve on-going 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

21 February 2023