31 October 2023

# Peter Warren Automotive Holdings Limited

# 2023 AGM Address to Shareholders by Chairman and CEO

Peter Warren Automotive Holdings Limited's (ASX: PWR) 2023 Annual General Meeting (**AGM**) will be held today at 10.30am AEDT at the offices of Gilbert & Tobin, Level 35 Tower Two, International Towers Sydney, 200 Barangaroo Avenue, Barangaroo NSW 2000.

The addresses to shareholders from the Chairman and Chief Executive Officer which will be delivered at the AGM are attached for release to the market.

-ENDS-

This announcement was authorised for release by the Board of Peter Warren Automotive Holdings Limited.

**About Peter Warren**

Peter Warren is an Automotive Dealership group with a rich heritage that has been operating in Australia for over 60 years. The Company operates 80+ franchise operations and represents more than 27 OEMs across the Volume, Prestige and Luxury segments. Peter Warren operates across the eastern seaboard under various banners including Peter Warren Automotive, Frizelle Sunshine Automotive, Sydney North Shore Automotive, Mercedes-Benz North Shore, Macarthur Automotive, Penfold Motor Group, Bathurst Toyota and Volkswagen and Euro Collision Centre.

Further information can be found on the Company's website www.pwah.com.au/ or by contacting:

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# FY23 Annual General Meeting

# 31 October 2023

## Chairman's Address – John Ingram

Good morning ladies and gentlemen, I am delighted to welcome you all and thank you for joining us at the 2023 Annual General Meeting of Peter Warren Automotive Holdings Limited.

The Group delivered a solid result for the 2023 financial year enabling us to pay a total dividend of 22.0 cents per share, in line with the prior year.

Peter Warren operates in an industry which has experienced a number of challenges including supply volatility, cost inflation, increasing interest rates and changes in products. Our team has met these challenges head-on and executed against our strategic pillars, with good progress made during the year.

The strength of our relationships with suppliers and customers continues to be a key success factor for the Group. We represent a wide range of brands and we generate income from a number of diverse revenue streams. The Group's strategy is to grow via both organic means and through acquisition to achieve further scale benefits and consolidate our market position on the eastern seaboard of Australia.

Shortly after the year end, the Group achieved a major strategic milestone, investing in Australia's market leader, Toyota. We completed the acquisition of a majority share in three dealerships in New South Wales, being the Toyota dealership at Warwick Farm and the Toyota and Volkswagen dealerships in Bathurst, for a total consideration of $45 million.

The Volkswagen and Toyota operations are well-run dealerships, and we are delighted to welcome their 100+ employees to the Peter Warren group. This acquisition will deliver significant value to shareholders and will be immediately EPS accretive after funding costs. It also provides further opportunity for expansion in a highly fragmented market.

Since our Company was founded over 60 years ago, its success has been underpinned by our team members, who now number over 2,000. Our heritage as a family-owned and operated business continues to provide a strong cultural foundation, and we remain committed to the safety and wellbeing of our people and customers.

I'd like to thank the Peter Warren team for their hard work and passion during a very busy year. I'd also like to take this opportunity to thank my fellow Directors for their dedication and commitment to the Company.

Victor Cuthell, our Chief Financial Officer, has completed a successful first year with the Group and I would like to especially thank him and our CEO Mark Weaver for their continued leadership. The business has come a long way since becoming a listed company and we are successfully delivering on the growth plans we set out at the time, both via organic and inorganic means.

Finally, I would like to thank all of our shareholders for your ongoing support and confidence in our path ahead.

I will now invite our CEO, Mark Weaver, to address the meeting and to give us an overview of the operations of the company, outline our progress against our primary strategic pillars and provide an update on current trading.

Following Mark's address, we will deal with the formal business of the meeting.

## Chief Executive Officer's Address – Mark Weaver

Thank you, John, and I would like to add my welcome to this year's Annual General Meeting.

As many of you would be aware, Peter Warren has been operating in Australia for over six decades, and we have expanded our footprint, building a reputation amongst customers, OEMs and the broader automotive industry as a trusted dealership group, establishing a thriving network of over 80 dealerships on the eastern seaboard of Australia.

**FY23 Financial Highlights**

As outlined in the Company's full year results announcement on 22 August, we were pleased to deliver a solid result. I would describe the period as one which demonstrated the diversity of our revenue streams and one which also validated our position as a dealer of choice for both our customers and the OEMs we represent. It also demonstrated our sustainable income streams despite some external factors influencing our ability to deliver vehicles.

Our total revenue for FY23 came in at a record $2.07 billion, up 21% on FY22 ($1.71 billion) remembering that this incorporates the added performance of the Penfold acquisition, which was acquired in the comparative period. During FY23, we have demonstrated a proactive approach to driving revenue, with double digit growth in all key revenue streams.

Underlying EBITDA[1] grew by over $10 million or 8%, representing a solid outcome in a period in which we absorbed a modest contraction in gross margin and the impact of cost inflation.

Our Profit Before Tax was marginally ahead of our expectations for the period at $81.9 million. This was down around 7% on the prior comparative period as we, like many of our peers, were faced with rising interest costs, but we were pleased with this overall outcome.

Statutory Net Profit After Tax was consistent with the result from the prior year, equating to Earnings Per Share of 32.8 cents. We paid an 11.0 cent per share fully franked dividend for the period, in the weeks after our announcement, bringing our FY23 total dividend to 22.0 cents. This is in line with the prior period's total dividend and is testament to our focus on delivering returns for our shareholders.

[1] Underlying result excludes acquisition related expenses (FY23: $0.8 million; FY22: $2.3 million) and flood recovery costs (FY23: Nil; FY22: $5.1m)

We remain focused on delivering on our acquisition strategy and have the capacity to act when value-enhancing opportunities arise. At 4%, our net debt to property value, a key measure of our ability to acquire businesses, closed in a strong position and our net debt to EBITDA is a positive signal of a strong capital management strategy.

**FY23 Operating Highlights and FY24 Outlook**

Our highlights page for FY23, draws on some key themes in the current climate.

Firstly, we are not immune to the higher cost environment and we continue to focus on strong inventory management and cost reduction measures to offset rising costs.

We are encouraged by our increasing penetration and growth in Parts and Service. This has come on the back of investment in our processes and technologies to ensure we can maximise our throughput on a 'per order' basis as well as through efficiencies achieved as we scale our operations.

At the same time, we continue developing our digital offering and building upon our "out of dealership" capability, allowing our assets to work for us while the physical sites are closed.

We have invested in technology to enhance our current revenues and provide our customers with 24/7 access to our products and services. This provides us with cost efficiencies and greater centralisation. Our goal is to provide a consistent customer experience through all of our sales channels: in person, online, self-service, call centre and chat capabilities.

Our order book remains very strong and continues to provide a buffer against gross margin contraction in new cars, as inventory supply improves. We anticipate a slow and steady unwind of that order bank going forward.

The Group has actively pursued our growth pillars throughout the year and our management team work tirelessly on our organic growth as we focus on strengthening our digital capabilities, embracing the adoption of new energy vehicles and engaging with our suppliers in the shifting supply dynamics. I am delighted with the strength of this team and our collaborative approach to embracing these catalyst events that are changing the nature of the automotive industry both in Australia and globally.

We expect growth from a range of capabilities including consumer focused initiatives, technology-based solutions, cost reduction programs, cost-recovery measures and an improving vehicle supply. Our group is well placed to take advantage of this market and continue to act as a consolidator of dealerships. We also have the capital management plan to execute acquisitions when required.

We continue to adopt a disciplined approach to the evaluation of acquisition opportunities, as demonstrated by the Toyota and Volkswagen dealerships after year end. This has been a significant milestone for us, and we're delighted to welcome Australia's market leader into our stable of brands and we look forward to pursuing further opportunities.

Our industry will continue to change and evolve, as will our customer's expectations. I expect the rate of change to increase further and our ability to remain resilient and adapt is vital to our success. This truly is an exciting time for our business, our partners, our people and our customers.

On the right-hand side on this slide there is some commentary on our FY24 Outlook.

During FY23 we experienced improvement in new vehicle supply in some brands, which has been a factor in driving our revenue increase of around 21%, alongside growth in Parts and Service as we embrace new technologies and achieve scale economies in these operations. Challenges related to inconsistency of supply, port congestion and product mix remain and, while these are easing, they still hamper the accurate prediction of delivery schedules.

In the ten weeks since our update in August, we continued to experience a reasonable performance in an environment that is certainly tougher than 12 months ago.

New vehicle supply has increased across most of the brands, albeit inconsistently, leading to higher volumes of vehicles delivered to our customers. This supported a continuation of the revenue growth we experienced in FY23.

Our customers have benefited from increased vehicle availability. However, increased inventory has also brought limited pressure on new car margins in some pockets as dealers manage stock and aim to match customer demand. This is not across the board and appears limited to certain brands and models.

From a demand perspective, interest rates are impacting consumers with new vehicle orders marginally below the peaks at this time last year.

As outlined in August, we expect an increase in interest costs due to elevated interest rates and inventory levels. We continue to focus on inventory and cost management, with significant cost reduction programs continuing across our business.

These external factors are somewhat cushioned by the strength of our order bank, and by our other revenue streams including a strong parts and service business, which continue to grow.

As FY24 progresses we will continue to monitor and manage these external factors to maximise the trading outcome of the business.

Our recent acquisitions are contributing to our revenue growth as those brands have enjoyed a period of strong supply. These dealerships are operating well, are largely integrated into our operating model and performing to our expectations.

We also envisage FY24 will see further growth in supply of New Energy Vehicles with a new wave of products coming to market. Our focus is on supporting our OEM partners as these models are supplied and we have a vast range of New Energy Vehicles in our current model line-up, to service the needs of our wide ranging consumer base.

This range is expected to increase by 90% in the coming 12 months, which will see our offering extend to 90+ models and I'd like to emphasise we have strong representation in each of the volume, prestige and luxury segments. Peter Warren is well positioned for this second wave and we expect the early market leaders will be naturally diluted as the supply lag improves across a wider group of OEM's.

Many of our facilities are NEV ready and we continue our focus on opportunities arising from complementary consumer products and adoption of new revenue streams through strategic partnerships linked to this growth.

In closing then, I am confident the Group is well placed to take advantage of both organic and strategic acquisition opportunities that arise as the market conditions change. I'd like to thank our team for their dedication and determination to keep delivering in this changing environment and I'd also like to thank our business partners and investors for their continued support during this period.

Thank you.

John, thank you, I will hand back to you now.