14 June 2022

Market Announcements Office
ASX Limited

General Meeting

Acquisition of ACT Dealership Group

Attached are the following documents for the General Meeting set by Eagers Automotive Ltd (ASX:APE) for 15 July 2022:

1. Chairman's letter to shareholders
2. Instructions on attending and voting
3. Notice of Meeting which includes:
    a. Online Meeting Guide
    b. Voting Form
    c. Independent Expert's Report

These documents are given to the ASX under listing rule 3.17.

For more information:

Keith Thornton
Chief Executive Officer
(07) 3608 7110

Jon Snowball
Domestique Consulting
0477 946 068

Authorised for release by the Board.

APE

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

14 June 2022

Letter to Shareholders

Eagers Automotive Limited - General Meeting

Dear Shareholders,

You are invited to participate in a general meeting to be held on Friday, 15 July 2022 at 10.00 am (Qld time). It will be held as a hybrid meeting, giving shareholders an opportunity to attend either online or in person.

The notice of meeting and explanatory notes and further details are provided on the company's website at www.eagersautomotive.com.au under the *Shareholders* tab. I urge you to read their contents carefully.

Purpose of meeting

Shareholder approval is being sought for an acquisition of a portfolio of automotive dealerships, and associated properties, located in the Australian Capital Territory. Those dealerships comprise a portfolio of brands including Toyota, Volkswagen, Jeep, Ford, Lexus, Subaru, Volvo, Mitsubishi and GMSV.

The sellers are entities associated with, or controlled by, Mr Nick Politis. Mr Politis is a director of the company and has a substantial holding.

Acquisition is fair and reasonable

An independent expert, engaged by the company, has provided a report which examines the acquisition to assist non-associated shareholders with their assessment of the merits of the acquisition, and their decision whether to approve it. The independent expert has concluded that the acquisition is both **fair and reasonable** to shareholders who are not associated with the sellers. A copy of that report is included with the notice of meeting for your consideration.

Directors' interest in the proposed acquisition

Mr Nick Politis, a director of the company, is also a director of each of the sellers and has indirect control of each of them. In addition, Mr Daniel Ryan, a director of the company, is also a director of each of the sellers. Mr Ryan does not have a direct or indirect interest in the sellers.

Due to their relationship with the sellers, neither Mr Politis nor Mr Ryan are making any recommendation to shareholders on the proposed acquisition.

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Recommendation and voting intentions of your directors

All directors, other than Mr Politis and Mr Ryan, recommend that shareholders vote **in favour** of the resolution to approve the acquisition, and intend to vote all their shares (and shares they control) in favour of the resolution.

Attending the general meeting

Information on how to attend and participate in the meeting is set out in the notice of meeting.

On behalf of the Board, I thank you for your consideration of the resolution.

Tim Crommelin
Chairman
Eagers Automotive Limited

ABN 87 009 680 013

Need assistance?

Phone:
1300 850 505 (within Australia)
+61 3 9415 4000 (outside Australia)

Online:
www.investorcentre.com/contact

APE

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
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Eagers Automotive Limited General Meeting

The Eagers Automotive Limited General Meeting will be held on Friday, 15 July 2022 at 10:00 am (Qld time). You are encouraged to participate in the meeting using the following options:

MAKE YOUR VOTE COUNT

To lodge a proxy, vote directly or access the Notice of Meeting and other meeting documentation visit
www.investorvote.com.au and use the below information:

Control Number: 999999

SRN/HIN: I9999999999

PIN: 99999

For Intermediary Online subscribers (custodians) go to www.intermediaryonline.com

For your proxy appointment to be effective it must be received by 10:00 am (Qld time) Wednesday, 13 July 2022.

ATTENDING THE MEETING VIRTUALLY

To watch the webcast, ask questions and vote on the day of the meeting, please visit:
https://meetnow.global/MV6SUWR

For instructions refer to the online user guide www.computershare.com.au/virtualmeetingguide

ATTENDING THE MEETING IN PERSON

The meeting will be held at:
Morgans Stockbroking, Level 29, 123 Eagle Street, Brisbane, Queensland.

You may elect to receive meeting-related documents, or request a particular one, in electronic or physical form. To do so, contact Computershare.

Eagers Automotive Limited
ABN 87 009 680 013

Notice of General Meeting

A General Meeting of Eagers Automotive Limited (**Company**) will be held on **Friday, 15 July 2022 at 10.00 am (Qld time)**.

It will be held as a hybrid meeting, thereby giving shareholders an opportunity to attend either online or in person.

Shareholders are invited to attend the meeting online at https://meetnow.global/MV6SUWR. Shareholders may do this electronically by using a compatible web browser on their computer, tablet or smartphone.

Attending the meeting online will provide shareholders with the ability to participate in the proceedings of the meeting, ask questions and cast votes in real time. Alternatively, shareholders may choose to attend in person at the offices of Morgans Stockbroking, Level 29, 123 Eagle Street, Brisbane, Queensland.

Further instructions on how to access the meeting online are set out in the Online Meeting Guide included as an **Annexure** to this Notice of General Meeting.

BUSINESS OF GENERAL MEETING

1. Approval of Acquisition

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

That approval be given for the purposes of Chapter 2E of the Corporations Act, ASX Listing Rule 10.1 and all other purposes for the Company (or its Related Bodies Corporate) to acquire the Dealerships and the Properties on the terms and conditions summarised in the Explanatory Notes.

ADDITIONAL INFORMATION

Independent Expert's Report

Shareholders should consider the Independent Expert's Report included as an **Annexure** to this Notice of General Meeting. The Independent Expert has considered that the Acquisition is **fair and reasonable** to Shareholders not associated with the Vendors.

Voting Exclusion

The Company will disregard any votes cast in favour of the Resolution by or on behalf of:

- the Vendors and any other person who will obtain a material benefit as a result of the Acquisition (other than a benefit solely by reason of being a Shareholder); or
- any of their associates.

However, this does not apply to a vote cast in favour of the Resolution by:

- a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way;
- the Chair of the General Meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or
- a Shareholder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided that the following conditions are met:
  - the beneficiary provides written confirmation to the Shareholder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
  - the Shareholder votes on the Resolution in accordance with directions given by the beneficiary to the Shareholder to vote in that way.

In addition to the above, certain related parties of the Company (and their associates) are prohibited from voting on the Resolution (in any capacity) in accordance with section 224 of the Corporations Act, unless they are voting as a directed proxy on behalf of a Shareholder who is entitled to vote.

By Order of the Board
14 June 2022

Denis Stark

Denis Stark
Company Secretary

VOTING

1. Poll

In accordance with Article 40 of the Company's constitution, the Chair intends to call a poll in respect of the Resolution. The results of the voting on the Resolution will be announced to the ASX promptly after the General Meeting.

2. Entitlement to Vote

You will be eligible to vote at the General Meeting if you are a registered holder of ordinary shares in the Company as at 7.00 pm (Qld time) on 13 July 2022. A Shareholder who is entitled to attend and vote at the General Meeting may do so by:

- attending the meeting in person;
- casting a direct vote prior to the General Meeting or an online vote during the General Meeting; or
- appointing a proxy or representative to vote on their behalf.

3. Direct Voting

In accordance with Article 37(b) of the Company's constitution, the Board has determined that Shareholders entitled to attend and vote at the General Meeting may do so without attending the General Meeting or appointing a proxy. Voting in this manner is referred to as 'direct voting'.

Direct Voting prior to the General Meeting

If you do not attend the General Meeting either in person or online, you may cast a direct vote prior to the General Meeting by following the instructions set out in the **enclosed** Voting Form. Direct votes must be lodged at least 48 hours before the General Meeting commences (i.e. no later than 10.00 am (Qld time) on 13 July 2022).

Voting during to the General Meeting

Shareholders attending the General Meeting online or in person may cast a vote during the General Meeting in real time. Details of how to attend and vote at the General Meeting online are set out in the Online Meeting Guide.

4. Proxies and Representatives

If you are a Shareholder entitled to attend and vote at the General Meeting, you may appoint a proxy to attend and vote on your behalf. You may direct the proxy how to vote.

To appoint a proxy, you must follow the instructions set out in the Voting Form. Proxy appointments must be received at least 48 hours before the General Meeting commences (ie. no later than 10.00 am (Qld time) on 13 July 2022). If a proxy is appointed by a Shareholder under power of attorney, the original or a certified copy of the power of attorney must also be received by the Company's share registry at least 48 hours before the General Meeting commences.

If you are entitled to cast two or more votes, you may appoint either one or two proxies. To appoint a second proxy, follow the instructions on the Voting Form. A proxy may be an individual or a body corporate but need not be a Shareholder of the Company.

A body corporate that is a Shareholder, or that has been appointed as a proxy, is entitled to appoint any person to act as its representative at the General Meeting. The body corporate or representative must provide a 'certificate of appointment of corporate representative' prior to the representative's admission to the General Meeting confirming its authority to act as the body corporate's representative. The Company's share registry can provide a form of the certificate on request.

5. Undirected Proxies

An undirected proxy may be voted as the proxy chooses. The Chair intends to vote all available proxies in favour of the Resolution.

SHARE REGISTRY'S CONTACT DETAILS

Lodge votes by mail, fax or online:

Mail: Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Fax: (within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

Online: https://meetnow.global/MV6SUWR

Intermediary Online Subscribers: www.intermediaryonline.com

All enquiries:

Phone: (within Australia) 1300 850 505
(outside Australia) +61 3 9415 4000

EXPLANATORY NOTES

These Explanatory Notes are included in, and form part of, the Notice of General Meeting dated 14 June 2022.

ACQUISITION OVERVIEW

On 30 March 2022, the Company announced that it had agreed to acquire a portfolio of dealerships and associated properties located in Canberra, Australian Capital Territory (the **Acquisition**). The Dealership group comprises a balanced portfolio of brands including Toyota, Volkswagen, Jeep, Ford, Lexus, Subaru, Volvo, Mitsubishi and GMSV situated in Belconnen, Fyshwick, Phillip and Gungahlin. The Dealerships operate across 10 Crown leasehold properties and three commercially leased sites.

The Dealership group's core business is consistent with the Company's current core business of operating a diversified portfolio of automotive brands. The Acquisition is expected to provide additional scale to, and increase the geographic footprint of, the Company's existing business as well as providing opportunities for future growth.

The Company is seeking Shareholder approval for the purposes of Chapter 2E of the Corporations Act, ASX Listing Rule 10.1 and all other purposes in respect of the Acquisition. Shareholder approval is required for the Acquisition as the Vendors are entities associated with, or controlled by, Mr Nick Politis. Mr Politis is a Director and has a Substantial Holding.

ABOUT EAGERS AUTOMOTIVE LIMITED

Eagers Automotive Limited is Australia's oldest listed automotive retail group with over 109 years of automotive retail experience.

Founded in 1913, the Company has a proud history of being at the forefront of the automotive retail industry. The transformational merger with Automotive Holdings Group Limited in 2019 created a unique geographic scale and breadth of brand representation which has enabled Eagers Automotive to become one of the leading automotive retail groups in Australia and New Zealand.

Through the Next100 Strategy, the Company is well positioned to capitalise on the ongoing changes in the automotive retail industry. By providing innovative, customer centric solutions to business partners, on a lower and more sustainable cost base, the Company will be best positioned to lead industry transformation and consolidation while striving to always remain a preferred partner for OEMS.

Eagers Automotive currently represents in excess of 35 new vehicle car and truck brands across both Australia and New Zealand, with approximately 7,500 employees.

ABOUT THE DEALERSHIP GROUP

The Dealership group's core business is the ownership and management of authorised motor vehicle dealerships, providing full service facilities covering new motor vehicle sales, used motor vehicle sales, servicing, spare parts and the facilitation of allied consumer finance.

The Dealership group was first established in 1988 following the acquisition of the Canberra Toyota businesses from York Motors. Since then, the Dealership group has expanded into a large-scale operation representing nine brands across 13 locations, with in excess of 400 employees.

The Dealership group comprises a balanced portfolio of brands including Toyota, Volkswagen, Jeep, Ford, Lexus, Subaru, Volvo, Mitsubishi and GMSV situated in Belconnen, Fyshwick, Phillip and Gungahlin.

SUMMARY OF THE ACQUISITION

Pursuant to the Acquisition, the Company (or its Related Bodies Corporate) will acquire the Dealerships and the Properties from the Vendors, being:

- N G P Investments (No 2) Pty Ltd;
- Southsub Pty Ltd;
- Janrule Pty Limited;
- Belconnen Automotive Pty Limited;
- JR Car Rentals Pty Ltd; and
- JRBA Services Pty Limited.

The Vendors are each associated with, or controlled by, Mr Nick Politis. Mr Politis is a Director and has a Substantial Holding in the Company.

A summary of the material terms of the Acquisition is set out below.

Material Terms of the Acquisition

Material Term	Description
Summary	Pursuant to the Acquisition, the Company (or its Related Bodies Corporate) will acquire: ▪ the assets and business of the Dealerships; and ▪ the Properties.
Purchase Price	Approximately $193 million, subject to customary post-completion adjustments apportioned as follows: ▪ the goodwill, assets and business of the Dealerships - $83 million; and ▪ the Properties - $110 million.
Conditions Precedent	Completion of the Acquisition is subject to a number of conditions precedents. As at the date of the Notice of General Meeting, the following conditions precedent remain outstanding: ▪ the Acquisition being approved by Shareholders for the purposes of Chapter 2E of the Corporations Act and ASX Listing Rule 10.1; ▪ the Company (or its Related Bodies Corporate) having obtained all necessary licences required to operate the Dealerships (including motor vehicle dealer or motor vehicle repairer licences, as applicable); ▪ each Manufacturer consenting to the Acquisition (either unconditionally or on conditions satisfactory to the Company, acting reasonably) and entering into a new dealer agreement with the Company (or its Related Bodies Corporate) on terms satisfactory to the Company; ▪ the lessor and each mortgagee of the Leased Properties consenting to the assignment of the relevant lease to the Company (or its Related Bodies Corporate); and ▪ there being no material adverse change affecting the Dealerships, or the financial or trading position or prospects of the Dealerships.
Completion	Completion is expected to take place on or about 31 July 2022. Completion of the acquisition of the Dealerships and the purchase of the Properties is inter-conditional.
Properties	The Dealerships operate from the following locations:

Location	Dealership	Area
1 Josephson Street	Canberra Toyota	Belconnen
2-10 Josephson Street	Gerald Slaven Volkswagen, Ford, Jeep & GMSV	Belconnen
3 Josephson Street	Belconnen Cheaper Cars	Belconnen
8 Wignall Place*	Storage & Pre Delivery Facility	Belconnen
44 Wollongong Street & 114-116 Gladstone Street	Toyota & Parts Warehouse	Fyshwick
112 Gladstone Street	Storage	Fyshwick
Unit 3, 34 Ipswich Street	Capital Subaru	Fyshwick
142 Melrose Drive	Subaru Canberra	Phililp
152 Melrose Drive	Volvo Cars Canberra & Phillip Mitsubishi	Phililp
160-162 Melrose Drive	Canberra Toyota & Lexus of Canberra	Phililp
29 Botany Street	Gerald Slaven Ford	Phililp
Unit 2 / 4 O'Brien Place *	Toyota Service	Gungahlin

<table>
<tr><th>Material Term</th><th>Description</th></tr>
<tr><td></td><td><table><tr><td>Terminal Circuit *</td><td>Redspot Car Rentals</td><td>Canberra Airport</td></tr></table>
Note: Locations marked (*) are commercially leased sites and will not be acquired as part of the Acquisition. The existing commercial leases will be transferred to the Company (or its Related Bodies Corporate), subject to necessary consents as noted above.</td></tr>
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Costs of the Acquisition

The Company expects to incur transaction costs of approximately $6.6 million in connection with the Acquisition, predominately comprising taxes and stamp duty, valuation costs, legal and other professional fees (including the costs associated with the preparation of the Independent Expert's Report).

These costs will be paid to parties unrelated to the Vendors.

Funding the Acquisition

The Company has cash reserves and substantial available facilities with both Syndicate and Captive financing partners. The Company expects to fund 100% of the Purchase Price and stamp duty through these existing facilities and cash reserves. The balance of the associated Acquisition costs will be paid from the Company's available cash reserves.

The acquisition of new vehicle inventory and eligible demonstrator and used vehicle inventory held by the Dealerships on the date of completion will be funded through bailment financing arrangements (as is customary for the automotive retail industry).

Anticipated Financial Impact of the Acquisition

The acquisition of the assets and business of the Dealerships, and the Properties, are anticipated to be accretive for the 2022 financial year, and result in an uplift in the Company's statutory profit before tax of $15 million net of borrowing costs, and 4.1 cents per share accretion (on a full financial year equivalent basis).

Timetable for Completion of the Acquisition

The Company anticipates completion of the Acquisition will be in accordance with the following timetable:

Event	Date
Notice of General Meeting dispatched to Shareholders	14 June 2022
General Meeting to approve the Acquisition	15 July 2022
Completion of Acquisition	On or about 31 July 2022

The above dates are indicative only, and are subject to change.

ADVANTAGES, DISADVANTAGES AND RISKS OF THE ACQUISITION

Advantages

Benefits to the Company from the Acquisition are anticipated to include the following:

- An expansion of the Company’s national automotive retail presence into the Australian Capital Territory (where it currently has no representation).
- An opportunity to access the Company’s scale and geographic diversity in order to capture synergies and cost savings and to leverage the Company's technologies to drive improvements in productivity.
- The portfolio of brands to be acquired pursuant to the Acquisition provides a balanced representation within the Australian Capital Territory and is complementary to the Company’s existing portfolio across Australia and New Zealand.
- The opportunity to acquire the Properties associated with the Dealerships is consistent with the Company’s Next100 Strategy and will provide the Company with greater control over future business expansion or consolidation activities.
- The Acquisition provides a platform to expand the Company’s parallel businesses into the Australian Capital Territory, including easyauto123.
- The Acquisition is anticipated to be earnings per share accretive on a full year basis.
- The Company will have the ability to further develop and improve the Properties in a manner to enhance their utility for the Company’s business over time and benefit from any increase in market value of the Properties over time.

Disadvantages

Disadvantages for the Company from the Anticipated could include the following:

- The timing of the Acquisition coincides with a time where market conditions for the automotive retail industry and commercial property are strong.
- The Company will borrow up to 100% of the Purchase Price (and association acquisition costs) from external financier(s) and provide security over the Dealership assets and Properties for the Company's obligations with respect to the borrowings.
- Transaction costs of approximately $6.6 million, predominantly comprising of stamp duty, will be incurred in relation to the Acquisition. These costs would, however, be payable irrespective of whether the Acquisition involved a related party.

Potential Risks Associated with the Acquisition

While not an exhaustive list, the following potential risk factors may arise from the Acquisition:

- An inability to successfully integrate the Dealerships into the Company's existing operations may create additional costs, and have a negative impact on the financial return for the Company.
- The automotive retail industry may be adversely impacted by supply chain disruptions associated with the impacts of COVID-19 and other external factors, which may create a sustained period of short supply for new vehicles.
- The value of each Property may be impacted by a number of factors affecting the Australian property market. A downturn in the value of the Properties may have a negative impact on the financial return for the Company.

INDEPENDENT EXPERT'S REPORT

The Independent Expert has prepared the Independent Expert's Report, a copy of which is included as an **Annexure** to the Notice of General Meeting, which sets out an independent examination of the Acquisition, to assist non-associated Shareholders assess the merits of, and to decide whether to approve, the Resolution. The Independent Expert has concluded that the Acquisition is **fair and reasonable** to Shareholders not associated with the Vendors.

Shareholders are urged to carefully consider the Independent Expert's Report, including the assumptions, qualifications and disclaimers on which the Independent Expert's conclusions are based.

ASX LISTING RULE 10.1

ASX Listing Rule 10.1 provides that a listed company must not acquire or agree to acquire, a substantial asset from, or dispose of or agree to dispose of, a substantial asset to:

- a related party;
- a child entity;
- a person who is, or was at any time in the six months before the relevant transaction, a substantial (10%+) holder in the company;
- an associate of a person referred to above; or
- a person whose relationship with the company, or a person referred to above, is such that, in ASX's opinion, the transaction should be approved by shareholders,

unless it obtains the approval of its shareholders.

The Acquisition falls within ASX Listing Rule 10.1, as:

- the Vendors are entities associated with, or controlled by Mr Nick Politis - who is a Director and has a Substantial Holding - and are therefore both related parties and substantial (10+%) holders for the purposes of the ASX Listing Rules; and
- the Acquisition involves the acquisition of a "substantial asset" for the purposes of the ASX Listing Rules (as the Purchase Price payable by the Company is 5% or more of the equity interests of the Company, as set out in the most recent annual report).

It therefore requires the approval of Shareholders under ASX Listing Rule 10.1.

If the Resolution is passed, the Company will be able to proceed with the Acquisition, which is anticipated to have the advantages summarised above. If the Resolution is not passed, the Company will not be able to proceed with the Acquisition, but will have incurred transaction costs associated with the Acquisition. In those circumstances, the Company will continue to invest in organic growth and pursue other identified strategic acquisition opportunities.

CHAPTER 2E OF THE CORPORATIONS ACT

Section 208 of the Corporations Act provides that the giving of a financial benefit by a public company to a related party requires shareholder approval, unless an exception applies.

The Acquisition falls within section 208 of the Corporations Act, as:

- the Vendors are a related party of the Company for the purposes of section 228 of the Corporations Act, as they are ultimately controlled by Mr Nick Politis, who is a Director; and
- the acquisition of an asset from a related party constitutes the giving of a financial benefit for the purposes of section 229 of the Corporations Act.

It therefore requires the approval of Shareholders under Chapter 2E of the Corporations Act, unless a relevant exception applies. Relevantly, in accordance with section 210 of the Corporations Act, shareholder approval is not needed to give a financial benefit on terms that:

- would be reasonable in the circumstances, if the company and the related party were dealing at arm's length; or
- are less favourable to the related party than the terms referred to above.

The Board considers that the Acquisition is on arm's length terms, such that the exception will apply. However, it has nevertheless determined that it is appropriate for Shareholders to approve the Acquisition for the purposes of Chapter 2E of the Corporations Act.

Identify of the Related Party and Nature of the Financial Benefit

Related Parties	Nature of Relationship	Nature of Financial Benefit
N G P Investments (No 2) Pty Ltd Southsub Pty Ltd Janrule Pty. Limited Belconnen Automotive Pty Limited JR Car Rentals Pty Ltd JRBA Services Pty Limited Mr Nick Politis	Mr Nick Politis, a Director: ▪ is a director of each of the Vendors; and ▪ has indirect control of each of the Vendors.	The Vendors are selling the Dealerships and the Properties to the Company (or its Related Bodies Corporate) in exchange for payment of the Purchase Price

Directors' Interests in the Acquisition

Mr Nick Politis, a Director, is also a director of each of the Vendors and has indirect control of each of the Vendors. Mr Politis has disclosed this interest to the Board. In addition, Mr Daniel Ryan, a Director, is also a director of each of the Vendors. Mr Ryan does not have a direct or indirect interest in the Vendors. Mr Ryan has disclosed this interest to the Board.

The Board (other than Mr Nick Politis and Mr Daniel Ryan) have resolved that Mr Nick Politis and Mr Daniel Ryan:

- should not participate in Board discussions or decisions relating to the Acquisition; and
- should abstain from making or participating in any recommendation to Shareholders in relation to the Acquisition.

Accordingly, neither Mr Nick Politis nor Mr Daniel Ryan have participated in discussions or decisions of the Board in relation to the Acquisition, and will continue to abstain from any such discussions or decisions.

The Company will disregard any votes cast by the Vendors, Mr Nick Politis (or any of their associates) on the Resolution (except where the vote is cast as a directed proxy on behalf of a Shareholder who is eligible to vote on the Resolution).

Otherwise, the Directors have no interest in the Acquisition, other than as Shareholders.

Directors' Recommendation

Based on the Directors' consideration and assessment of the Acquisition, and taking into account the advantages, disadvantages and risks described above, and considering the opinion of the Independent Expert, the Directors (other than Mr Nick Politis and Mr Daniel Ryan) unanimously recommend that Shareholders vote **in favour** of the Resolution.

All Directors (other than Mr Nick Politis and Mr Ryan) intend to vote all their shares (and shares they control) in favour of the Resolution.

GLOSSARY

In the Notice of General Meeting and these Explanatory Notes, unless the context otherwise requires:

Acquisition	means the acquisition of the Dealerships and the Properties by the Company (or its Related Bodies Corporate) from the Vendors, as described in these Explanatory Notes.
ASX Listing Rules	means the listing rules of ASX Limited.
Board	means the board of Directors of the Company.
Chair	means the chair of the General Meeting.
Company	means Eagers Automotive Limited.
Corporations Act	means the *Corporations Act 2001* (Cth).
Dealerships	means the motor vehicle dealerships to be acquired pursuant to the Acquisition, being the Toyota, Volkswagen, Jeep, Ford, Lexus, Subaru, Volvo, Mitsubishi and GMSV dealerships operated by the Vendors located in Belconnen, Fyshwick, Phillip and Canberra Airport in the Australian Capital Territory.
Director	means a director of the Company.
Explanatory Notes	means these explanatory notes, which form part of the Notice of General Meeting.
General Meeting	means the general meeting of Shareholders to be held on Friday, 15 July 2022 at 10.00 am (Qld time).
Independent Expert	means PriceWaterhouseCoopers Securities Limited.
Independent Expert's Report	means the report prepared by the Independent Expert in respect of the Acquisition, a copy of which is included as an **Annexure** to the Notice of General Meeting.
Leased Properties	means those properties that are subject to a commercial lease, as set out in these Explanatory Notes.
Manufacturer	means each of Toyota, Volkswagen, Jeep, Ford, Lexus, Subaru, Volvo, Mitsubishi and GMSV.
Notice of General Meeting	means the notice of meeting for the General Meeting.
Properties	means each of the Crown leaseholds to be acquired pursuant to the Acquisition, as set out in these Explanatory Notes.
Purchase Price	means the purchase price for the Acquisition, being approximately $193 million, subject to adjustments.
Related Body Corporate	has the meaning given to that term in the Corporations Act.
Resolution	means the resolution to approve the Acquisition, as set out in the Notice of General Meeting.
Share	means a fully paid ordinary share in the capital of the Company.
Shareholder	means a holder of a Share.
Substantial Holding	has the meaning given to that term in the Corporations Act.
Vendors	means each of: ▪ N G P Investments (No 2) Pty Ltd; ▪ Southsub Pty Ltd; ▪ Janrule Pty. Limited; ▪ Belconnen Automotive Pty Limited; ▪ JR Car Rentals Pty Ltd; and ▪ JRBA Services Pty Limited.

ONLINE
MEETING GUIDE

Computershare

GETTING STARTED

If you choose to participate online you will be able to view a live webcast of the meeting, ask the Directors questions online and submit your votes in real time. To participate online visit **https://meetnow.global/au** on your smartphone, tablet or computer. You will need the latest versions of Chrome, Safari, Edge or Firefox. Please ensure your browser is compatible.

TO LOG IN, YOU MUST HAVE THE FOLLOWING INFORMATION:

Australian Residents

SRN or HIN and postcode of your registered address.

Overseas Residents

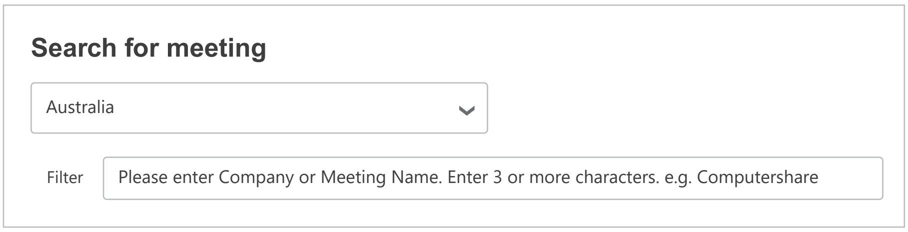
SRN or HIN and country of your registered address.

Appointed Proxies

Please contact Computershare Investor Services on +61 3 9415 4024 to request your unique email invitation link prior to the meeting day.

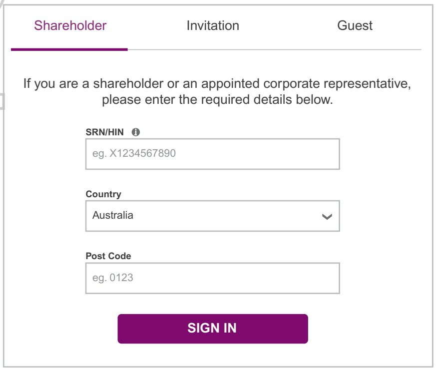
PARTICIPATING AT THE MEETING

To participate in the online meeting, visit **https://meetnow.global/au**. Then enter the company name in the 'Filter' field. Select and click on the displayed meeting.



To register as a shareholder

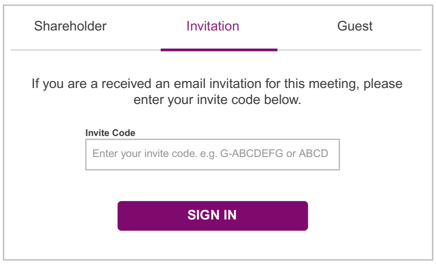
Select 'Shareholder', enter your SRN or HIN and select your country. If Australia, also enter your post code.



or

To register as a proxyholder

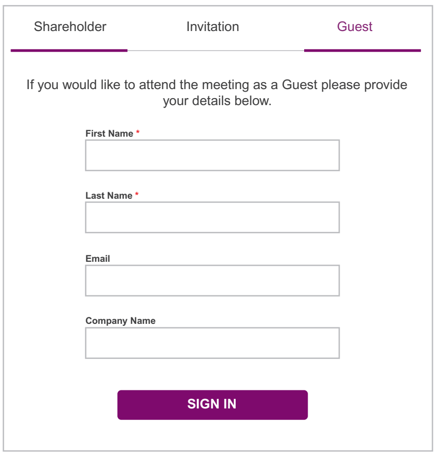
To access the meeting click on the link in the invitation e-mail sent to you. Or select 'Invitation' and enter your invite code provided in the e-mail.



or

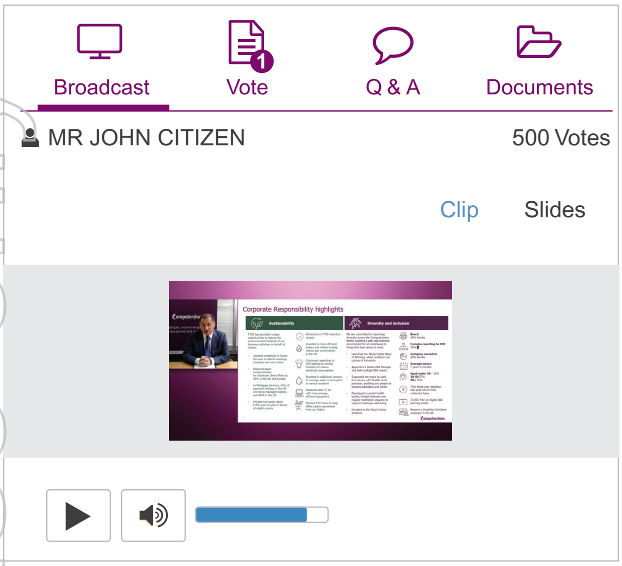
To register as a guest

Select 'Guest' and enter your details.



Broadcast

The webcast will appear automatically once the meeting has started. If the webcast does not start automatically press the play button and ensure the audio on your computer or device is turned on.

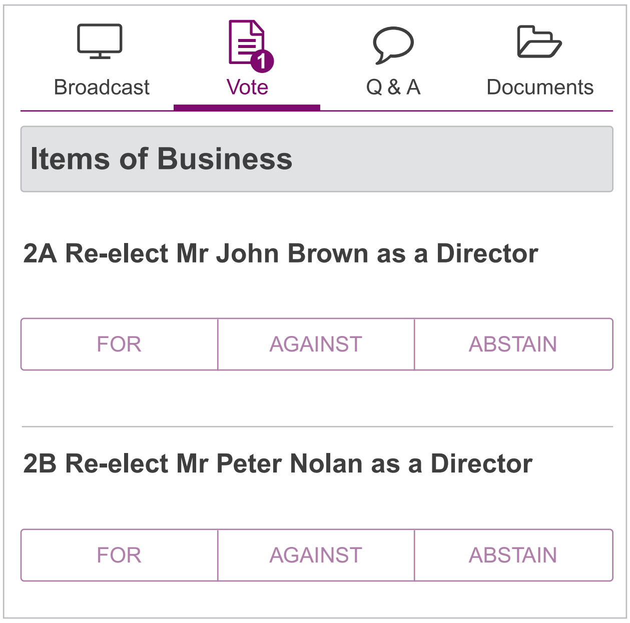


Vote

When the Chair declares the poll open, select the 'Vote' icon and the voting options will appear on your screen.

To vote, select your voting direction. A tick will appear to confirm receipt of your vote.

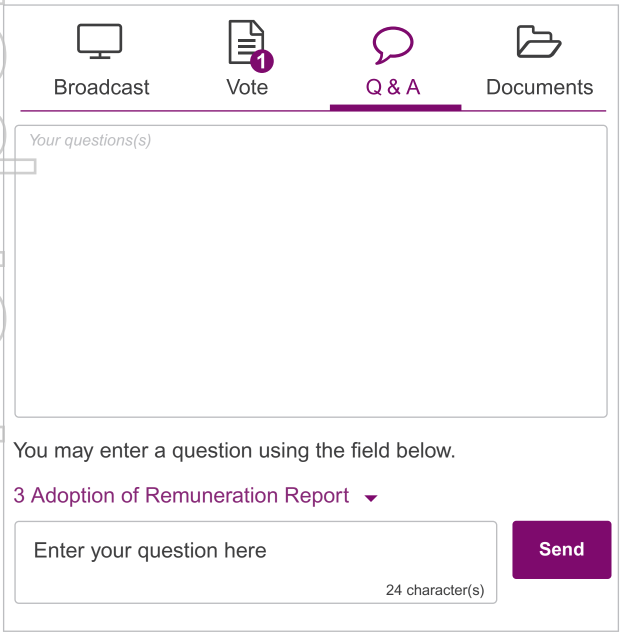
To change your vote, select 'Click here to change your vote' and press a different option to override.



Q & A

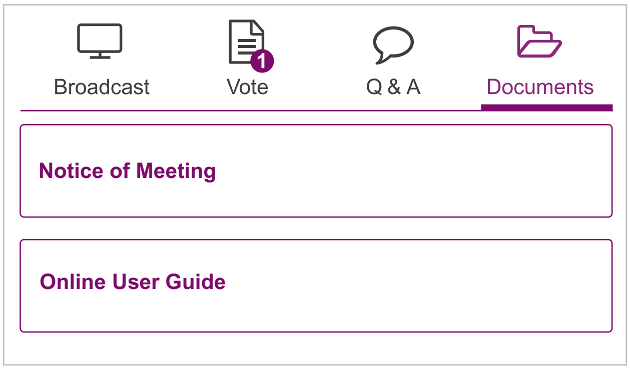
To ask a question select the 'Q & A' icon, select the topic your question relates to. Type your question into the chat box at the bottom of the screen and press 'Send'.

To ask a verbal question, follow the instructions on the virtual meeting platform.



Documents

To view meeting documents select the 'Documents' icon and choose the document you wish to view.



FOR ASSISTANCE

If you require assistance before or during the meeting please call +61 3 9415 4024.

eagers automotive

ABN 87 009 680 013

Need assistance?

Phone:
1300 850 505 (within Australia)
+61 3 9415 4000 (outside Australia)

Online:
www.investorcentre.com/contact

APE

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

YOUR VOTE IS IMPORTANT

For your vote to be effective it must be received by **10:00 am (Qld time) Wednesday 13 July 2022.**

Voting Form

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

VOTE DIRECTLY

Voting 100% of your holding: Mark either the For, Against or Abstain box opposite each item of business. Your vote will be invalid on an item if you do not mark any box OR you mark more than one box for that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement.

APPOINTMENT OF PROXY

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

SIGNING INSTRUCTIONS FOR POSTAL FORMS

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

PARTICIPATING IN THE MEETING

Corporate Representative
If a representative of a corporate securityholder or proxy is to participate in the meeting you will need to provide the appropriate “Appointment of Corporate Representative”. A form may be obtained from Computershare or online at www.investorcentre.com/au and select "Printable Forms".

Lodge your Form:

XX

Online:

Lodge your vote online at www.investorvote.com.au using your secure access information or use your mobile device to scan the personalised QR code.

Your secure access information is

Control Number: 999999

SRN/HIN: I9999999999

PIN: 99999

For Intermediary Online subscribers (custodians) go to www.intermediaryonline.com

By Mail:

Computershare Investor Services Pty Limited
GPO Box 242
Melbourne VIC 3001
Australia

By Fax:

1800 783 447 within Australia or
+61 3 9473 2555 outside Australia

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

You may elect to receive meeting-related documents, or request a particular one, in electronic or physical form and may elect not to receive annual reports. To do so, contact Computershare.

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with '**X**') should advise your broker of any changes.

I 9999999999 IND

Voting Form

Please mark ☒ to indicate your directions

Step 1 Indicate How Your Vote Will Be Cast *Select one option only*

XX

At the General Meeting of Eagers Automotive Limited to be held on **Friday, 15 July 2022 at 10:00 am (Qld time)** as a hybrid meeting, at which shareholders may attend online at **https://meetnow.global/MV6SUWR** or in person at the offices of Morgans Stockbroking, Level 29, 123 Eagle Street, Brisbane, Queensland, and at any adjournment or postponement of that meeting, I/we being member/s of Eagers Automotive Limited direct the following:

A Vote Directly ☐ Record my/our votes strictly in accordance with directions in Step 2.

PLEASE NOTE: *A Direct Vote will take priority over the appointment of a Proxy. For a valid Direct Vote to be recorded you must mark FOR, AGAINST, or ABSTAIN on each item.*

OR

B Appoint a proxy to vote on your behalf

I/We hereby appoint:

☐ **The Chairman of the Meeting** **OR** ______

PLEASE NOTE: *Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).*

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit).

Step 2 Item of Business

PLEASE NOTE: If you have appointed a proxy and you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority. If you are directly voting and you mark the **Abstain** box for an item, it will be treated as though no vote has been cast on that item and no vote will be counted in computing the required majority.

		For	Against	Abstain
Resolution 1	Approval of Acquisition	☐	☐	☐

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

Step 3 Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1	Securityholder 2	Securityholder 3	
			/ /
Sole Director & Sole Company Secretary	Director	Director/Company Secretary	Date

Update your communication details *(Optional)*

By providing your email address, you consent to receive future Notice of Meeting & Proxy communications electronically

Mobile Number

Email Address

A P E 2 8 8 6 4 5 A

computershare

Eagers Automotive Limited

Independent Expert's Report

19 May 2022

pwc

The Independent Directors
Eagers Automotive Limited
5 Edmund Street
NEWSTEAD QLD 4006

19 May 2022

Dear Independent Directors

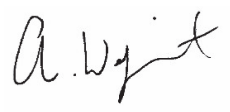
Independent Expert's Report with respect to the prospective acquisition of a portfolio of Dealerships and associated Properties

Eagers Automotive Limited (Eagers or the Company) has proposed to acquire a portfolio of dealerships and associated properties (Dealerships and Properties) which are controlled by, or associated with Mr Nick Politis who is a director and substantial shareholder of Eagers (the Proposed Transaction). The Proposed Transaction requires the approval of the non-associated shareholders of Eagers (Non-Associated Shareholders).

Please find enclosed our assessment as to whether the Proposed Transaction is Fair and Reasonable for the Non-Associated Shareholders of Eagers under Chapter 2E of the Corporations Act and Australian Securities Exchange (ASX) Listing Rule 10.1 having regard to the Australian Securities and Investments Commission (ASIC) Regulatory Guide 76 (RG 76), ASIC Regulatory Guide 111 (RG 111) and ASIC Regulatory Guide 112 (RG 112).

As detailed in the body of this report (Report), in our opinion, the Proposed Transaction is Fair and Reasonable to Non-Associated Shareholders of Eagers. This assessment should not be read in isolation of the detail contained in the body of this Report.

Yours faithfully,



Andrew Wellington
Authorised Representative
PricewaterhouseCoopers Securities Ltd

PricewaterhouseCoopers Securities Ltd, ACN 003 311 617, ABN 54 003 311 617, Holder of Australian Financial Services Licence No 244572
One International Towers Sydney, Watermans Quay, Barangaroo NSW 2000, GPO BOX 2650 Sydney NSW 2001
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

Table of Contents

1. Summary of opinion

In PricewaterhouseCoopers Securities Ltd's (PwCS) opinion the Proposed Transaction is **fair and reasonable** to Eagers' Non-Associated Shareholders. We have formed this opinion for the reasons set out below.

Value of Dealerships and Properties

As set out in Section 9 we have assessed the value of 100% of the Dealerships and Properties being acquired to be in the range of $198.8 million and $210.0 million.

Purchase Consideration

The proposed total purchase consideration is $193.2 million (Purchase Consideration) and is to be settled in cash.

Fairness

Pursuant to the ASIC RG 111, the Acquisition is "fair" if the value of the 100% interest in the Dealerships and Properties being acquired is equal to, or greater than the value of the Purchase Consideration being paid.

As the value of the 100% interest in the Dealerships and Properties to be acquired exceeds the Purchase Consideration to be paid, in our opinion, the Proposed Transaction is fair to Eagers' Non-Associated Shareholders when assessed based on the guidelines set out in RG 111.

Reasonableness

Pursuant to RG 111, a transaction is reasonable if it is fair. Consequently, in our opinion, the Acquisition is also "reasonable" to Eagers Non-Associated Shareholders.

The following factors are relevant to the reasonableness of the Proposed Transaction:

Advantages

Eagers do not have a presence in the Australian Capital Territory (ACT), so the acquisition will add to the geographic diversification of the Eagers business

The ACT represents approximately 2% of new vehicle sales in Australia. Eagers have had no presence in this region to date. As the industry consolidates, having a balanced national footprint is likely to be strategically important to serving national customers and achieving economies of scale.

The Dealerships' represent a balanced portfolio of brands which adds to the Eagers portfolio of brands

The Dealerships operate eight brands, being Toyota, Ford, Lexus, Subaru, Volvo, Mitsubishi, Jeep and GMSV. The market share of individual brands can vary over time as new products come to market and consumer trends change. Eagers already operates each of these brands in other markets and having a portfolio of brands in the ACT should reduce the volatility of returns from the portfolio over time.

The Dealerships owned and leased ACT property portfolio provides flexibility for Eagers to manage the businesses in a cost-efficient way and is aligned with the Next100 Strategy

Ten properties will be acquired (Properties). Eagers has an existing strategy (Next100 Strategy) of acquiring strategic properties to allow them to transform and consolidate their automotive retail formats, to deliver an enhanced customer experience on a lower cost base. The acquisition of the Properties will provide flexibility to further pursue this strategy in the ACT.

The acquisition gives Eagers a channel to expand its parallel businesses such as easyauto123, a fixed price used car sales business, into the ACT

Eagers have a number of business operations which operate in parallel with their existing dealership operations. One of the more significant of these is easyauto123. easyauto123 is a used car business focused on selling used cars at a fixed price, offering consumers a way of buying a used car without the traditional 'haggling' that can take place over the price. easyauto123 currently has a physical presence in New South Wales (NSW), Victoria (VIC), Queensland (QLD), South Australia (SA) and Western Australia (WA), but no presence in the ACT. The acquisition of the Dealerships and Properties will provide Eagers with a platform to extend the easyauto123 business into the ACT.

On an Earnings Per Share basis the acquisition is expected to be accretive, before synergies

The Dealership and Properties to be acquired are expected to contribute approximately of $22 million in maintainable Adjusted Earnings before Interest and Tax (EBIT) to Eagers. Although our maintainable earnings estimate is approximately $15m, this includes a notional rent charge on owned Properties of approximately $7 million. The Proposed Transaction will be funded from existing funding sources. The Eagers 31 December 2021 annual report disclosed average funding costs on capital loans between 3% and 3.5%. With reference to the current economic environment and rising interest rates, even at a funding cost of 5% the acquisition is expected to be Earning per Share (EPS) positive for Eagers. While the purchase price accounting is yet to be finalised, it is unlikely the amortisation of intangible assets recognised in the acquisition would alter this outcome. Typically, a large portion of the intangible assets in the acquisition of dealerships is allocated to goodwill, which is not amortised for accounting purposes.

Disadvantages

The acquisition is for cash and will therefore increase the gearing of Eagers (although gearing levels would remain within an acceptable range).

The acquisition price of $193.2 million is to be paid in cash. As Eagers are not issuing any new equity to fund the acquisition it will effectively result in increased gearing for Eagers and additional financial risk for Eagers. At 31 December 2021 Eagers had borrowings (including bailment liabilities but excluding lease liabilities) of approximately $1 billion against assets of approximately $3.1 billion (excluding Right of Use assets). An additional $193.2 million of debt will not result in a gearing level that would be considered highly leveraged, particularly given the nature of the bailment finance. Debt other than Bailment finance is $326 million at 31 December 2021. Interest coverage measured using Adjusted EBIT and treating Bailment interest as operating expense was approximately 9.7x in the year ended 31 December 2021 and post the acquisition, on a pro-forma basis is expected to remain above 8.0x.

Timing of the market

Although supply constraints have limited volume growth in new vehicle sales, it has allowed for improved margins relative to recent historical levels. There is a risk that these margin levels will not be sustained as supply chain issues are addressed. In addition, on 3 May 2022 the Reserve Bank announced an increase to the cash rate and foreshadowed that further rate rises are expected in the months ahead. The expectation of future interest rate rises in Australia and other Western economies, particularly the US, have resulted in a generally negative sentiment on equity markets over the last few weeks. While it is difficult to forecast future valuation movements there is a risk the acquisition is being made at a point close to the top of a market cycle, albeit current share prices for listed companies should already incorporate the market's expectation of the future.

Integration risk and costs

Eagers do not have any existing operations in the ACT. There are risks that the integration of the dealerships into the Eagers structure may result in unforeseen challenges, the associated integration costs might be higher than envisaged and the time required to integrate the operations may take longer than expected. These risks are mitigated by the fact that the Dealerships are currently run largely autonomously and that Eagers have acquired significant experience with respect to acquisition integration in recent years.

2. Introduction and background

2.1. Proposed transaction summary

Eagers has agreed to acquire a portfolio of Dealerships and associated Properties in Canberra, ACT.

The proposed total purchase consideration is $193.2 million and is to be settled in cash.

The various entities selling the Dealerships and Properties (Vendors[1]) are controlled by, or associated with, Mr Nick Politis who owns approximately 27% of Eagers shares as well as being a director of Eagers. In addition, Mr Dan Ryan is a director of Eagers and the Vendors' entities.

2.2. Valuation requirement

Eagers is listed on the ASX.

Chapter 10.1 of the ASX Listing Rules requires that when the purchase of a substantial asset from a related party or an associate of a related party is proposed, a report by an Independent Expert is to be prepared stating whether the Proposed Transaction is Fair and Reasonable to the Non-Associated Shareholders. The Independent Directors of Eagers (Independent Directors) have determined that the Proposed Transaction requires the approval of Non-Associated Shareholders as it involves the acquisition of a substantial asset from a related party.

The Independent Directors consider that as the Proposed Transaction is on arm's length terms, approval is not required under Chapter 2E of the Corporations Act. However, they have nonetheless determined that it is appropriate for Non-Associated Shareholders to approve the Proposed Transaction for the purposes of Chapter 2E of the Corporations Act.

The Independent Directors of Eagers have requested that PricewaterhouseCoopers Securities Ltd (PwCS) provide an Independent Expert's Report advising whether, in our opinion, the Proposed Transaction is Fair and Reasonable to the Non-Associated Shareholders of Eagers.

This report is to be included in the notice of meeting and explanatory statement to approve the Proposed Transaction (the Explanatory Notes to Notice of Meeting), which will be sent to the shareholders of Eagers and has been prepared for the exclusive purpose of assisting the Non-Associated Shareholders in their consideration of the Proposed Transaction.

Neither PricewaterhouseCoopers (PwC), PwCS nor any member or employee thereof, undertakes responsibility to any person, other than the Non-Associated Shareholders and Eagers, in respect of this report, including any errors or omissions however caused.

[1] Vendors mean each of N G P Investments (No 2) Pty Ltd, Southsub Pty Ltd, Janrule Pty. Limited, Belconnen Automotive Pty Limited, JR Car Rentals Pty Ltd, JRBA Services Pty Limited.

3. Purpose of report and basis of evaluation

3.1. Scope of Independent Expert's Report

PwCS has been engaged to prepare this Independent Expert's Report setting out whether, in our opinion, the Proposed Transaction is fair and reasonable to Eagers Non-Associated Shareholders and to state the reasons for that opinion, for the purpose of the Corporations Law Chapter 2E and ASX Listing Rule 10.

The Company is required to obtain a Non-Associated Shareholder approval under ASX Listing Rule 10 in order to complete the Proposed Transaction. The Independent Directors also consider it appropriate to obtain Non-Associated Shareholders approval for the purpose of the Corporations Law Chapter 2E.

The Corporations Law Chapter 2E sets the rules for an entity to obtain member approval for related party benefit. It defines *related parties* as:

a) controlling entities

b) directors and their spouses

c) relatives of director and spouses

d) entities controlled by other related parties

e) related party in previous 6 months

f) entity that has reasonable grounds to believe it will become related party in future

g) acting in concert with related party.

and provides examples of *giving a financial benefit* to a related party as follows:

a) giving or providing the related party finance or property

b) buying an asset from or selling an asset to the related party

c) leasing an asset from or to the related party

d) supplying services to or receiving services from the related party

e) issuing securities or granting an option to the related party

f) taking up or releasing an obligation of the related party.

ASX Listing Rule 10 deals with the transactions between an entity (or any of its subsidiaries) and persons in a position to influence the entity.

ASX Listing Rule 10.1 provides that an entity (or any of its subsidiaries) must not acquire a substantial asset from, or dispose of a substantial asset to, any of the following persons without the approval of holders of the entity's ordinary securities. These persons include:

a) a related party

b) a subsidiary

c) a substantial holder, if the person and the person's associates have a relevant interest, or had a relevant interest at any time in the 6 months before the transaction, in at least 10% of the total votes attached to the voting securities

d) an associate of a person referred to in (a), (b) or (c) above

e) a person whose relation to the entity is such that, in ASX's opinion, the transaction should be approved by security holders.

ASX Listing Rule 10.2 states that an asset is substantial if its value, or the value of the consideration or in the ASX's opinion, is 5% or more of the equity interest of the entity as set out in the latest financial statement provided to the ASX. The consideration in the Proposed Transaction is more than 5% of the Total Equity reported by Eagers at 31 December 2021.

Having regard to the above, Eagers is required to seek approval of shareholders under the Corporations Law Chapter 2E and Listing Rule 10 for the Proposed Transaction on the basis that:

a) Mr Nick Politis is a related party being a Director of Eagers.

b) Mr Nick Politis is a Substantial Shareholder of Eagers with approximately 27% ownership.

3.2. Guidance

We have prepared this report having regard to the Corporations Law Chapter 2E, Chapter 10 of the Listing Rules and ASIC RG 76, ASIC RG 111 and ASIC RG 112.

3.2.1. Corporations Law Chapter 2E

The Corporations Law Chapter 2E details the rules to protect the interest of a public company's members as a whole, by requiring member approval for giving financial benefits to related parties that could endanger those interests. Chapter 2E of the Corporation Law lists the procedure for obtaining member approval.

3.2.2. ASX Listing Rule 10

Neither the Listing Rules, nor the Corporations Act 2001 provides a definition of Fair and Reasonable for the purposes of Listing Rule 10. However, Listing Rule 10 can encompass a wide range of transactions. Accordingly, Fair and Reasonable must be capable of broad interpretation to meet the particular circumstances of each transaction. This involves judgement on the part of the expert as to the appropriate basis of evaluation to adopt given the particular circumstances of the transaction.

As Chapter 10 of the Listing Rules provides limited guidance on how related party transactions should be assessed, we have also had regard to RG 76, as discussed below.

3.2.3. RG 76

According to RG 76, a related party transaction is any transaction through which a public company provides a financial benefit to a related party. As noted in paragraph RG 76.1, related party transactions involve conflicts of interest because related parties are often in a position to influence the decision of whether the benefit is provided to them, and the terms of its provision.

RG 76 refers to RG 111 and RG 112 for guidance on how the Independent Expert should assess related party transactions.

3.2.4. RG 111 and RG 112

RG 111 provides guidance in relation to the content of Independent Expert's reports prepared for a range of transactions. RG 111 notes that a related party transaction is:

- **Fair**, when the value of the financial benefit being offered by the entity to the related party is equal to or less than the value of the benefit being received. In valuing the financial benefit given and the consideration received by the entity, an expert should take into account all material terms of the Proposed Transaction.
- **Reasonable**, if it is Fair, or, despite not being Fair, after considering other significant factors, shareholders should vote in favour of the Proposed Transaction.

RG 112 primarily focuses on the independence of experts and provides little guidance on evaluating transactions.

3.3. Basis of evaluation

In evaluating whether or not the Proposed Transaction is Fair and Reasonable to the Non-Associated Shareholders, pursuant to Listing Rule 10.1, we have made a separate assessment of whether, or not, the Proposed Transaction is 'Fair' and 'Reasonable', as required by RG 111.56.

We have taken into account the following factors in determining whether, or not, the Proposed Transaction is Fair and Reasonable to the Non-Associated Shareholders.

3.3.1. Fairness

RG 111 defines a transaction as being Fair if the value of the financial benefit to be provided to the entity by the related party is equal to or less than the value of the consideration being provided to the entity, with the comparison being made assuming a knowledgeable and willing, but not anxious buyer, and a knowledgeable and willing, but not anxious, seller, as well as assuming 100% ownership of the 'target' and irrespective of type of consideration offered.

Accordingly, we have assessed whether the Proposed Transaction is Fair by evaluating whether the Fair Market Value (defined below) of the Dealerships and Properties is at least equal to or greater than the Purchase Consideration. Notwithstanding the Dealerships and Properties are proposed to be acquired under separate contracts, it is appropriate to consider them in aggregate rather than separately as the Proposed Transaction will only proceed if both Dealerships and Properties can be acquired.

3.3.2. Reasonableness

RG 111 considers a transaction to be Reasonable if either:

- The transaction is Fair.
- Despite not being Fair, the expert believes there are sufficient reasons for shareholders to vote for the Proposed Transaction.

Factors the expert should consider in evaluating reasonableness if the transaction is not fair include:

a) the financial situation and solvency of the entity, including the factors set out in RG 111.26 if the consideration for the financial benefit is cash

b) opportunity costs

c) the alternative options available to the entity and the likelihood of those options occurring

d) the entity's bargaining position

e) whether there is selective treatment of any security holder, particularly the related party

f) any special value of the transaction to the purchaser

g) the liquidity of the market in the entity's securities.

3.4. Definition of value

For the purpose of our opinion, we have referred to the concept of Fair Market Value (FMV). Fair Market Value is defined as *"the price which would reasonably be negotiated by an informed, willing but not anxious purchaser and an informed, willing but not anxious seller acting at arm's length and within a reasonable time frame."*

Adopted assessment of fair and reasonable

Given the above, in our opinion, the most appropriate basis upon which to evaluate whether the Proposed Transaction is "fair and reasonable" to the Non-Associated Shareholders is to consider:

Fair

a) the FMV of the Dealerships and Properties proposed to be acquired

b) the related Purchase Consideration

c) the extent to which (a) and (b) differ in order to assess whether the Proposed Transaction is "fair"

Reasonable

d) The advantages and disadvantages of the Proposed Transaction from the perspective of Eagers Non-Associated Shareholders.

The Proposed Transaction will be reasonable to Eagers' Non-Associated Shareholders if it is fair. If it is not fair, it may be reasonable if the advantages of the Proposed Transaction outweigh the disadvantages from the perspective of Eagers Non-Associated Shareholders.

4. Industry overview

Eagers and the Dealerships operate in the automotive retail industry, both of which consist of a portfolio of dealerships.

Whilst the automotive industry is made up of a range of segments, the Dealerships and Eagers' participation in the industry primarily relates to sales of new cars, used (also called pre-owned or certified pre-owned) cars and commercial vehicles, along with servicing and spare parts sales and distribution as well as the facilitation of allied consumer finance.

4.1. Automotive industry in Australia

The automotive industry consists of various segments including motor vehicle manufacturers, wholesalers, retailers, parts and suppliers and mechanics that design, research, develop, manufacture, sell and maintain motor vehicles and parts.

Figure 4.1 Automotive industry historic and forecast total value (A$ billion) and sales volume ('000)

Source: IBIS World report February 2022, VFACTS

- While sales for the automotive retail industry increased in 2021, they had declined in the previous four years. Overall, the Australian automotive retail industry is expected to decline at an annualised rate of 3.4% over the five years through to 2021-22, reaching a total sales volume of $58.9 billion in 2021-22.
- Vehicle sales fell sharply over the two years through 2019-20, primarily due to the weak Australian dollar, tighter borrowing conditions, the 2019-20 bushfires and the initial outbreak of Covid-19.
- The discretionary nature of purchasing motor vehicles has contributed to volatility, although the used car segment adds a degree of stability as consumers can purchase older and less expensive models.
- Over the next five years, the industry is expected to reach $67.2 billion in total sales, growing at a Compound annual growth rate (CAGR) of 2.7%. This includes an anticipated Year over Year (YoY) increase of 3.5% in 2022, as the industry recovers from the effects of the Covid-19 pandemic.

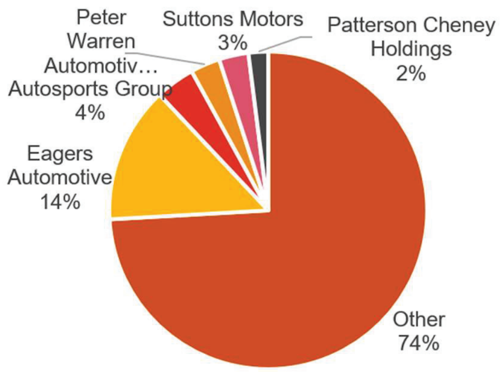
The Australian automotive dealerships industry experienced assistance to support a V-shaped recovery in 2021. The Federal Government's economic response to the pandemic included a temporary increase to the instant asset write-off threshold to $150,000 encouraging businesses to replace or upgrade existing vehicles and JobKeeper[2].

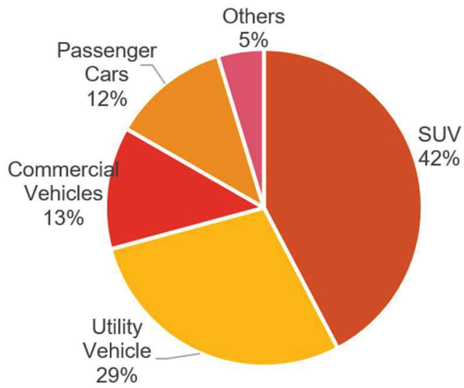
[2] Source: Motor Vehicle Dealers in Australia Industry Report, IBIS World

4.2. Key players

Key players in the industry include Eagers, Autosports Group (Autosports), Peter Warren Automotive (Peter Warren) and Suttons Group (Suttons).

Figure 4.2 Market Share – Key Players and Products





Source: IBIS World report February 2022

4.3. Key trends and drivers

- **Increasing Mergers and Acquisitions (M&A)**:
  - Larger industry players have focused on acquisitions to ensure they retain or increase their market share and achieve economies of scale. The high number of acquisitions has contributed to the number of industry enterprises declining over the past five years.
  - As industry consolidation has taken place, market share concentration has naturally risen over the past five years, although the industry still exhibits low market share concentration, with the top four major players accounting for less than 40% of the industry revenue.
  - The market for motor vehicles is anticipated to remain highly competitive, with many dealerships competing on price and after-sales service to increase their market share.

- **New Passenger Vehicles Sales**:
  - New passenger vehicle sales are anticipated to recover over the next five years, as economic conditions improve following the Covid-19 pandemic. The number of new passenger motor vehicle sales is expected to rise in 2021-22, presenting an opportunity for industry operators.

- **Business Confidence Index:**
  - At the start of Financial Year 22 (FY), business confidence was expected to rise and remain positive throughout 2022, with the subsequent business optimism more likely to translate into an increase capital expenditure on items such as motor vehicles. However, this might have been negatively affected by the recent war in Ukraine and related geopolitical tensions, and increased market uncertainties and inflation concerns.

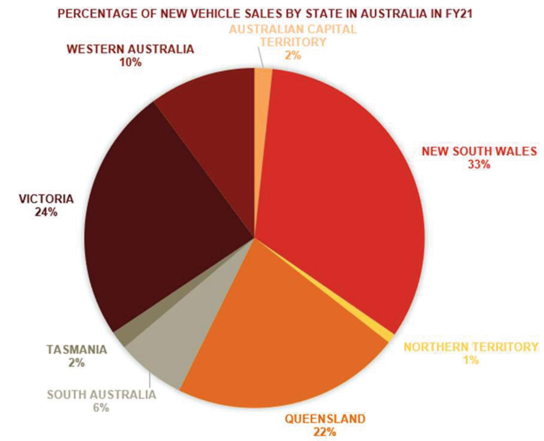
- **Shift towards SUV's**:
  - Consumer trends have shifted from traditional passenger vehicles to SUVs and utility vehicles. SUVs have improved in fuel efficiency over the period, while also providing a substantial amount of space in the vehicle, relative to passenger vehicles, which makes them a popular option.

- **Electric Vehicles**:
  - Electric vehicles (EVs) are expected to grow as a proportion of industry revenue over the next five years. However, up until now, a lack of government support and high initial purchasing prices for EVs are considered to have slowed Australia's EVs uptake.
  - Looking forward, EVs uptake is likely to accelerate, creating a new avenue of demand for motor vehicle dealers. The range of EVs is likely to increase substantially as most major car manufacturers have plans to only manufacture electric vehicles. This, coupled with improved EV infrastructure, is likely to make EVs more accessible to consumers, driving demand. Motor vehicle manufacturers globally are focusing on EVs development and hydrogen technology in order to meet government carbon emission targets and consumer preferences. On 9 November 2021, the Australian Government announced the "Future Fuels and Vehicle Strategy" which anticipated that by 2030, battery electric and plug-in hybrid electric vehicles are projected to make up 30% of annual new passenger and light commercial vehicle sales.[3] As the market transitions to EVs, hybrid vehicles are anticipated to remain the largest type of vehicle in this category, with Toyota and Lexus dominating this segment in the Australian market.

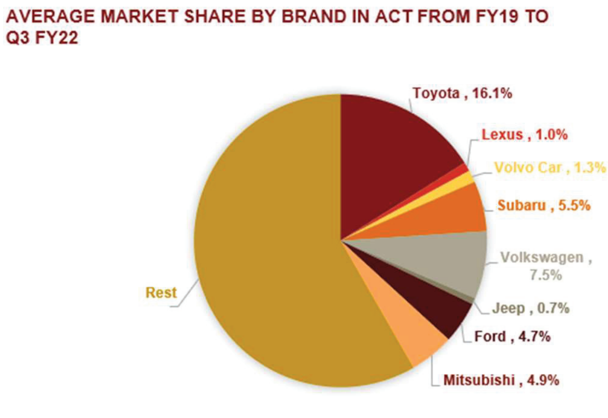
Performance by state and in the ACT

Figure 4.3 shows new vehicle sales by state in FY21. The ACT region is a relatively small market compared to NSW, VIC and QLD, primarily due to the ACT's low population. According to VFACTS (Figure 4.3 right), from FY19 to Q3FY22 Toyota had the highest number of new vehicle sales in the ACT with a market share of approximately 16%. Lexus and Volvo, classified as luxury cars, have relatively small market shares. Jeep, on the other hand, operates in the prestige car segment and has relatively small sales volumes in ACT, with the prestige car segment being dominated by Mazda, Subaru, Honda and Volkswagen. Refer to Section 5.1 for the segmentation of the Vendors' brand portfolio.

Figure 4.3



Source: VFACTS



Source: VFACTS

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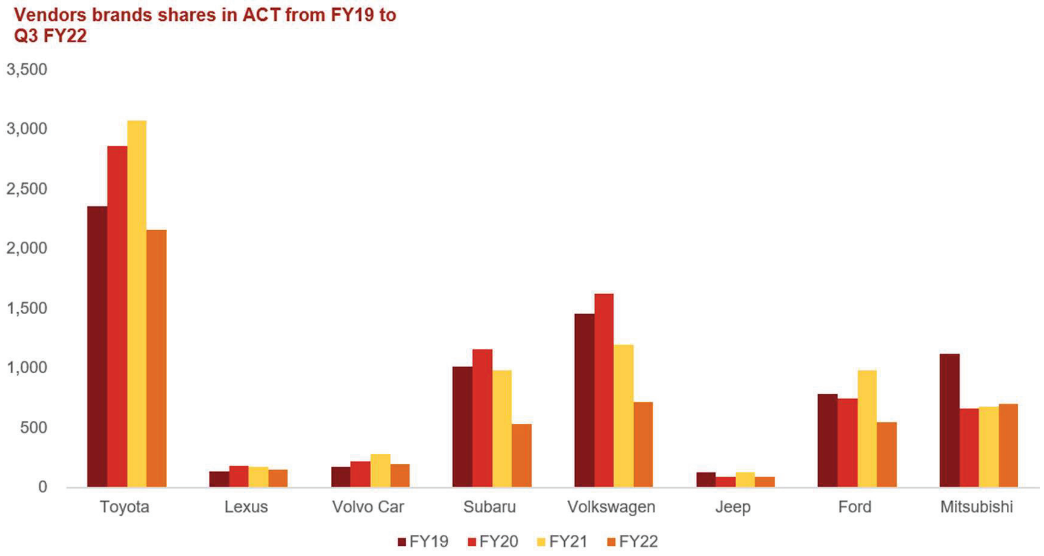
[3] Source: Scott Morrison spruiks electric vehicles, The Conversation

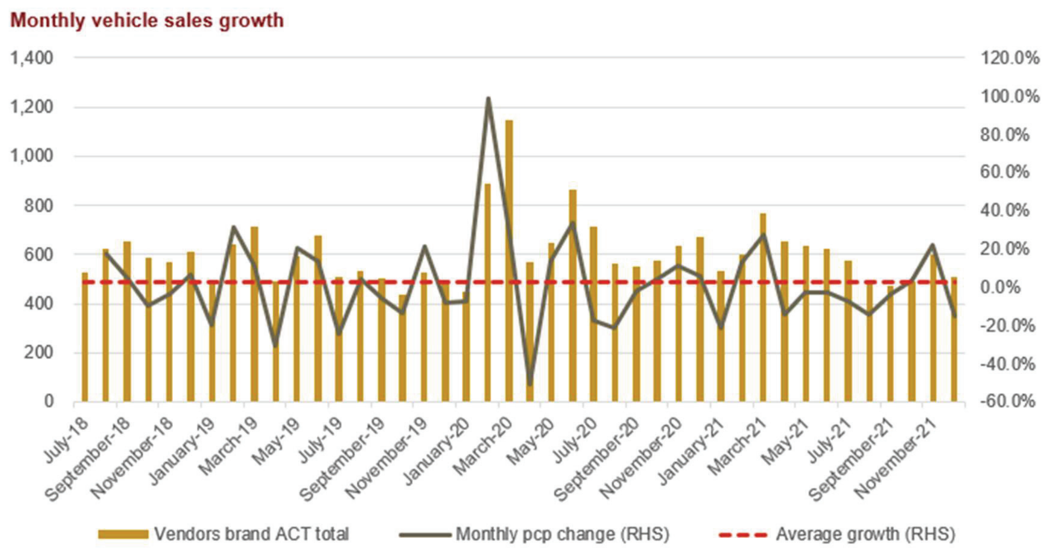
Figure 4.4



Note: GMSV is not included as the numbers are immaterial.
Source: VFACTS

In FY21, the car brands that fall in the Vendors' brand portfolio constitute approximately 43% of the ACT new car market. Monthly total unit sales for Toyota, Lexus, Volvo Car, Subaru, Volkswagen, Jeep, Ford and Mitsubishi (as Vendors' brand portfolio) in ACT are presented in Figure 4.5 New car sales fluctuate approximately between 400 and 1,100 per month in ACT with the percentage change of monthly new cars sold varying widely between -50% and 98% with an average monthly growth rate from July 2018 to December 2021 of 2.4%. August 2021 to October 2021 were impacted by lockdowns in the ACT.

Figure 4.5



Note: Vendors' brand portfolios include Toyota, Lexus, Volvo Car, Subaru, Volkswagen, Jeep, Ford and Mitsubishi.
Source: VFACTS

4.4. External factors and key risks

The key external risks relate to the global supply chain disruption caused by:

Shortage of semi-conductors

The shortage of semi-conductors in the supply chain for most car manufacturers remains the key limiter for new vehicle supply. This was prevalent in FY21 and is part of the reason why demand continues to outstrip supply. According to analyst reports and manufacturer commentary this problem may not fully resolve until FY23.[4]

Ukraine – Russia conflict

As it relates to automobile manufacture, the effect of the Ukraine-Russia conflict has primarily been on European-based manufacturing and relates to wire harnesses for vehicles. UBS recently downgraded expected global auto production for Calendar Year (CY) 22 to 83 million units, up +7% YoY but down -7% vs CY19 levels (previously -2% vs CY19) in part due to supply chain disruption in Europe.[5]

China's continued Covid-19 zero policy and associated rolling lockdowns

China's Covid-19 zero containment policy currently involves ongoing rolling city shutdowns whenever a Covid-19 outbreak occurs. China is not the only country in which there is semi-conductor manufacture (Taiwan and Korea being the other notable manufacturers), however, given there is an ongoing shortage, any future disruptions to any of the regions in which manufacture occurs is anticipated to create additional supply chain problems.

Summary

Overall, external factors have constrained sales volumes as dealers struggle to obtain sufficient new car stock to meet demand, but this supply shortage has meant limited bargaining power for purchasers and allowed dealers to achieve strong margins.

Franchised Retail Motor Industry Structure

Dealerships operate as franchisee retailers with a formal franchise agreement with the Original Equipment Manufacturer or manufacturer (OEM) they represent. This agreement provides the relevant dealership with the exclusive right to trade under the OEM brand in a defined prime market area usually represented by a range of post codes.

Typically, the franchise agreement length ranges from one to five years, and there are limits and restrictions on what a dealer can do with the brand corporate identity. Wholesale purchase and retail pricing is typically structured by the franchisor OEM with the franchisee dealer left to negotiate the final sale price with the end customer at the point of sale.

One of the potential risks to the franchise model going forward is manufacturers moving to an agency model where manufactures own and control stock and sell vehicles at fixed prices. Honda has moved to such a model, as has Mercedes. Mercedes dealers in Australia have commenced legal proceedings against Mercedes seeking compensation for the change in model.

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[4] Source: Credit Suisse broker report 30 March 2022
[5] Source: UBS broker report 30 March 2022

5. Dealerships profile

5.1. Overview of the Dealerships

The Dealerships operate in the ACT and comprise a portfolio of brands including Toyota, Ford, Volkswagen, Jeep, Lexus, Subaru, Mitsubishi, Volvo and GMSV situated in Belconnen, Fyshwick, Phillip and Gungahlin[6], representing approximately 30% of the ACT new vehicle market. The dealerships operate across 10 owned properties with 57,000 square metre (sqm) of land and three commercially leased sites. The 10 owned properties include dedicated pre-delivery and parts warehouses and the three leased properties provide satellite servicing, storage, and rental business.

The Dealerships annual turnover is approximately $450 million and has approximately 400 employees. Between 2018 and 2021, the Vendors have made active changes in the business:

- Purchased Honda, Volvo, Jeep, and Mitsubishi dealerships in 2018.
- Acquired Phillip Subaru and Belconnen Ford in October 2020 and Phillip Ford in July 2021.
- Rebuilt the Volvo Mitsubishi site in 2021.
- Closed Gerald Slaven Holden and Honda in June 2020.
- Acquired Peugeot/Citroën in July 2019, which it sold in 2021.

The Vendors hold:

- a 90% interest in Southsub Pty Ltd (franchising Subaru);
- a 100% interest in Janrule Pty Ltd (franchising Toyota, Lexus, Subaru, Volvo, Mitsubishi);
- an 85% interest in Belconnen Automotive Pty Ltd (franchising Ford, HSV, Jeep, Volkswagen);
- a 100% interest in JRBA Services Pty Ltd which is responsible for the Vendors' centralised payroll with all staff employed under JRBA;
- and a 90% interest in JR Car Rentals Pty Ltd. JR Car Rentals Pty Ltd is a car rental company.

The Vendors have arrangements in place with the minority interests in the entities listed above so that a 100% interest in each of the operations will be acquired by Eagers if the Proposed Transaction proceeds. All of the financial information included in this report is on a 100% ownership basis.

The brand classification of the Dealership portfolios is listed in Figure 5.2.

Figure 5.2

	Volume	Prestige	Luxury
Vendors brands	TOYOTA MITSUBISHI MOTORS Ford	Jeep SUBARU	LEXUS VOLVO

Note: The Dealerships also include a mix of cars under GMSV.

Source: Eagers

[6] Belconnen, Fyshwick, Phillip and Gungahlin are suburbs in the ACT.

5.2. Business operations

The Dealerships operate in the ACT through dealerships primarily in Phillip, Belconnen, Fyshwick, and Gungahlin locations. There are three Toyota dealerships at Phillip, Belconnen and Fyshwick with a satellite site in Gungahlin. The Dealerships also hold an exclusive 100% market representation within the ACT for:

- Ford
- Subaru
- Lexus
- Volvo

The Dealerships footprint is summarised in Table 5.1.

Table 5.1

Locations	Brands
Phillip	Toyota, Ford, Lexus, Subaru, Volvo, Mitsubishi
Belconnen	Toyota, Ford, Volkswagen, Jeep, GMSV
Fyshwick/Queanbeyan	Toyota, Subaru
Tuggeranong/Gungahlin	Toyota Service Centre

Source: Eagers

A subset of the Dealerships operate under the 'Gerald Slaven' brand. The Gerald Slaven dealerships include the Volkswagen, GMSV and Jeep dealerships, as well as the Belconnen Ford and Philip Ford dealerships.

5.3. Key financial performance

Group financial performance

Turnover and Profit before Tax (PBT) for the Vendors' business in the ACT from FY18 to FY21 and FY22 normalised forecast are presented in Table 5.2. As there are no interest charges included in the PBT other than Bailment interest, PBT below is equivalent to Adjusted EBIT for the purposes of our valuation of the Dealerships.

Table 5.2

A$ million	FY22 E(1)	FY22 YTD (Jul – Mar)	FY21	FY20	FY19
Total sales	**437.2**	**302**	**401**	**313.1**	**306.8**
Gross profit	70.6	48.6	60.9	49	47
Other income	2.6	1.9	5	3.5	2.2
Direct expenses	34.7	23.6	30.7	29.5	29.8
Indirect expenses	22.7	16.6	20.4	16.9	15.5
PBT(2)	**15.7**	**10.3**	**13.9**	**6.1**	**3.9**
Total units(3)	7,766	5,292	7,761	6,513	6,476
Gross profit margin	16.2%	16.1%	15.2%	15.7%	15.3%
Return on Sales (ROS) (4)	3.6%	3.4%	3.5%	1.9%	1.3%
Costs per unit in $	7,400	7,596.4	6,643.2	7,126.6	6,990.7
Rent to gross(5)	n.a.	n.a.	10.1%	11.3%	11.0%

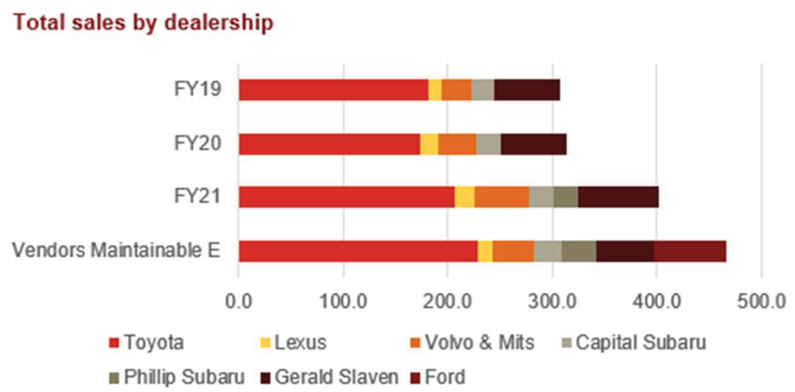
(1) The FY22 estimated full year result is based on FY22 YTD 9-normalised for the impact of the lockdowns in the ACT during the August to October 2021. The results for those months were replaced with averages from July 2021 and November 2021. July and November were used as those months do not include OEM incentives' incomes.
(2) PBT excludes the government Job Keeper payment between FY20 and FY21. PBT is equivalent to Adjusted EBIT in this case as there are no interest costs other than Bailment interest.
(3) Total units include total new cars sold and total used cars retail sold.
(4) ROS is equivalent to PBT margin which is also equivalent to Adjusted EBIT margin in this case as explained in Note 2.
(5) Rent to gross is Rent to Gross Profit ratio.
Source: Vendors' financial information

- **Total sales:** The Dealerships' total sales increased over the period from FY19 to FY21 as a result of multiple acquisitions. The projected total sales increase for FY22 is mainly driven by the full year contribution of Phillip Subaru, Belconnen Ford and the Phillip Ford acquisition (which is partially offset by the closure of Holden and Honda).
- **Gross profit:** Gross profit increased from $47.0 million in FY2019 to $60.9 million in FY21, showing a stable gross profit margin around 15% to 16%. The expected gross margin for FY22 is above 16%.
- **PBT:** Earnings have grown significantly from $3.9 million in FY19 to an estimated (normalised) $15.7 million in FY22, driven both by increases in volumes and revenues, as well as stronger net margins.

Financial performance by brands

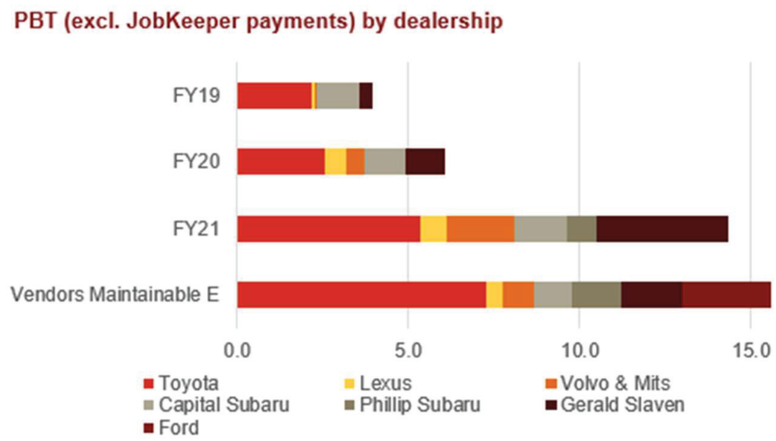
The historic sales and earnings along with maintainable earnings estimated by Vendors (Vendors Maintainable earnings) by Dealership are presented in Figure 5.3:

Figure 5.3



Note: Vendors Maintainable E represents Vendors Maintainable earnings estimate for FY22.

Source: Vendors' financial information



Note: Vendors Maintainable E represents Vendors Maintainable earnings estimate for FY22.

Source: Vendors' financial information

Toyota represents a significant portion of the Dealerships' business. Volumes and profit have grown strongly over the last three years and this growth is expected to continue in FY22.

Lexus is a relatively small segment of the Dealerships' business. It has seen a significant growth since FY2020 but is expected to have lower total sales and PBT for FY22.

Volvo & Mitsubishi's site was rebuilt in 2021. Largely due to supply constraints, total sales for FY22 are expected to be broadly in line with FY20.

Capital Subaru and Philip Subaru are expected to increase total sales and PBT 's performance is expected to be similar to the recent historical performance given the brand dominance in ACT, notwithstanding ongoing supply constraints.

Gerald Slaven's large decline in FY22 E is primarily due to the closure of Holden and Honda franchises in June 2021 and as the projected Ford FY22 sales and PBT are captured separately. The Gerald Slaven businesses other than Ford are GMSV, Chrysler Jeep and Volkswagen.

Ford's FY22E sales are driven by the Phillip Ford acquisition in July 2021 and a full year contribution from the Belconnen Ford dealership. Given the upcoming F150 model, there is expected to be increased interest in the Ford brand.

5.4. Balance sheet items being acquired

Eagers will not acquire all of the operating assets and liabilities of the Dealerships. Some items, such as Trade Receivables and Trade Payables will not transfer. The balance sheet items that will transfer (other than the Properties) and their balances as at 31 March 2022 are set out in Table 5.3 below.

Table 5.3

In A$ '000	Balance sheet items transferred	
Inventory	46,951.2	[1]
Bailment finance	-36,133.5	[2]
Prepayments	790.0	[3]
Other payables & accruals	-3,514.0	[4]
Employee entitlements & warranties - current	-3,990.0	[5]
Net working capital	**4,103.7**	[6]=[1]+[2]+[3]+[4]+[5]
Fixed assets	6,989.7	[7]
Employee entitlements - non-current	-3,038.7	[8]
Total capital employed	**8,054.8**	[9]=[6]+[7]+[8]
Net Assets	**8,054.8**	[10]=[9]

Source: Eagers

We have considered those balances not transferring to consider whether Eagers will have a working capital shortfall on acquisition. We confirmed the balances not transferring largely offset and the net difference is immaterial to the total Purchase Consideration.

6. Acquirer company profile

6.1. Overview of Eagers

Eagers, formerly known as A.P. Eagers Limited, is an automotive company with a diversified group of automotive brands across Australia and New Zealand. In 2019, it merged with another large Australian automotive company, Automotive Holdings Group Limited (AHG). Eagers is a public company listed on ASX that operates automotive retail dealerships across Australia and has approximately 7,600 employees, headquartered in Newstead, Queensland.

Eagers has a long history of operating in Car Retailing, Truck Retailing, Property, and Investments, with their main operations in Brisbane, regional Queensland, Adelaide, Darwin, Melbourne, Perth, Sydney, Newcastle/Hunter Valley region in New South Wales, Tasmania, and Auckland. Eagers was originally founded as a family automotive business in 1913 and has expanded through organic growth and acquisitions activities. Developments since 2012 are summarised as:

- **2012** – Eagers obtained a 16.33% share stake in Automotive Holdings Group Limited.
- **2013** – The Main North Nissan and Renault and Unley Nissan and Renault dealerships in Adelaide were acquired to further support the Company's strong performance for the South Australian car division. Eagers established a new business, Precision Automotive Technology, to source and distribute in-house car care products under the brand names, Perfexion and 365+.
- **2014** – Eagers purchased the Black Group and Boettcher Motors with the main businesses operated in Ipswich and south-west and central Queensland.
- **2016** – Eagers continued to expand through acquisitions of Crampton Automotive, Tony Ireland Group and Birrell Motors Group.
- **2017** – Eagers acquired Porsche Centre Adelaide. The Company planned to create a world-class automotive retailing experience for its customers through the commitment to build a new automotive retailing and mobility hub within Brisbane Airport's BNE Auto Mall. The Auto Mall is expected to open in 2024.
- **2018** – Several sales of Eagers' assets including Eagers Kia, Surfers City Holden and Brisbane Volvo took place. Meanwhile, Eagers also obtained Kia and Mitsubishi franchises from Toowoomba Motor Group and acquired Brisbane Metro Nissan, and Southern Vales Nissan in Adelaide.
- **2019** – Eagers sold its three properties in Newstead, Brisbane to Marquette Property Group with a seven-year lease-back arrangement. Eagers also completed the sale of Kloster Motor Group to Tony White Group in October. In the same year, Eagers acquired Automotive Holdings Group Limited through an off-market takeover offer and acquired Adelaide BMW and Mini.
- **2020** – Eagers changed its registered name from A.P. Eagers Limited to Eagers Automotive Limited to better showcase the Company's position in the automotive industry. Eagers also successfully sold the AHG Refrigerated Logistics business to Anchorage Capital partners. In addition, Eagers acquired a portfolio of eight properties and sold two non-core properties.
- **2021** – Eagers divested Daimler Truck operations and an associated property. Eagers also acquired 10 properties and sold 11 non-core properties. The acquisitions of Armstrong Ford and Westpoint Volkswagen in QLD and Kelly Trotter and Heritage dealership groups in Maitland and Cardiff were completed. Eagers sold Doncaster JLR in VIC in the same year.

6.2. Business operations

Eagers owns and operates a car dealership network across Australia and New Zealand which Eagers has expanded in recent years via acquisitions. Its business segments include Car Retailing, Truck Retailing, Property and Investment, however Eagers' primary focus is on Car Retailing which constituted 97% of total sales revenue in FY21 compared to 89% of total sales revenue in FY20. Despite the Covid-19 lockdowns across Eagers' key regions in NSW, VIC and New Zealand, the Company performed strongly producing a statutory net profit after tax in FY21 of $330.7 million compared to $156.2 million in FY20.

Eagers currently owns 238 dealerships, 228 are located in Australia and 10 are operated in New Zealand. Figures 6.1 and 6.2 show Eagers' national dealership distribution, demonstrating that Eagers has a wide national footprint across Australia, with the exception of the ACT.

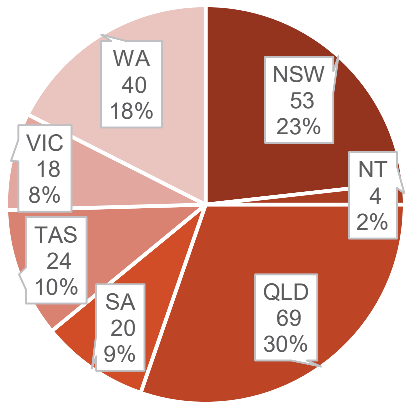
Figures 6.1 and 6.2

State	Market Share for New Vehicles
QLD	11%
WA	20%
SA	15%
TAS	11%
NT	28%
NSW	9%
VIC	5%

Note: Numbers do not add up to 100% due to rounding.

Source: Eagers 2021 full year results presentation

Eagers Dealerships National Distribution



Source: Eagers company website

Eagers covers a wide range of brands for its new/used cars, new/used trucks and buses and maintains a strong presence in the automotive retailing market for new vehicles. The Company owns properties in Brisbane, Sydney, Melbourne, Adelaide, Newcastle, regional Queensland and Perth which are primarily used for its motor dealership operations.

6.3. Key financial performance

Eagers' key financial statistics for the recent years are summarised in Table 6.1:

Table 6.1

(A$ Million)	CY21	CY20	CY19
Total Revenue	8,663.5	8,749.7	5,817.0
EBITDAI	651.6	625.5	342.4
D&A	(120.4)	(166.3)	(95.2)
Impairment & Revaluation	(5.2)	(90.7)	(244.9)
EBIT	526.1	368.5	2.3
Adjusted EBIT	509.1	346.3	(22.3)
Interest Expense	69.3	88.4	65.6
Adjusted Interest Expense	52.2	66.2	41.0
Earnings from Continuing Operations	338.7	191.5	(80.5)
Revenue growth %	-1.0%	50.4%	41.4%
EBITDAI margin %	7.5%	7.1%	5.9%
EBIT margin %	6.1%	4.2%	0.0%
Adjusted EBIT margin %	5.9%	4.0%	-0.4%
Adjusted EBIT interest coverage	9.7x	5.2x	-0.5x

Note: 1. Eagers' financial year ends on 31 December every year.

2. EBITDAI is Earnings before Interest, Tax, Depreciation and Amortisation, and Impairment. D&A is Depreciation and Amortisation.

3. Adjusted EBIT is EBIT less Bailment interest.

4. Adjusted Interest Expense is Interest Expense less Bailment interest.

Source: Eagers' annual reports, Eagers' annual presentation, PwC analysis

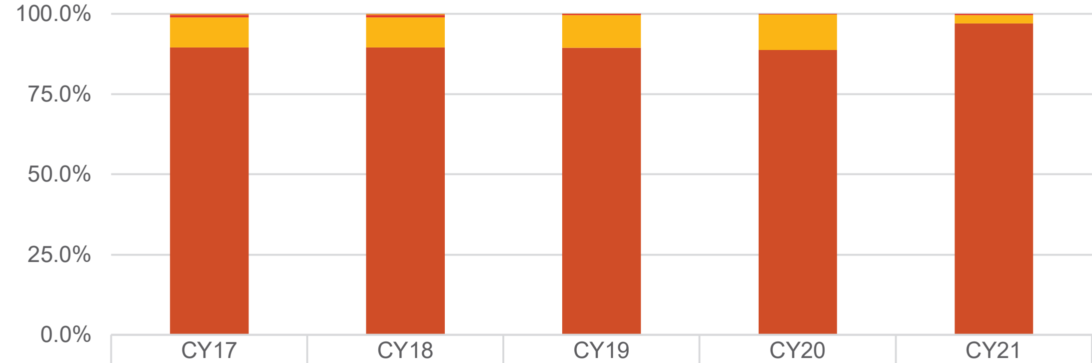
Revenue increased by 50.4% from CY19 to CY20 as a result of the acquisition of AHG in 2019, followed by a slight decline of 1.0% in 2021. EBITDAI margin grew steadily from 5.9% in 2019 to 7.5% in 2021. EBIT margin in 2019 is significantly negatively impacted by the goodwill impairment on the AHG acquisition combined with Eagers' existing goodwill ($209.2 million) and the ROU and fixed assets impairment ($35.7 million). The Adjusted EBIT margin includes bailment interest as an expense, as in the automotive industry bailment interest is typically treated as an operational expense to the business.

The increase in EBITDAI margin from 2019 to 2020, remaining at the similar level in 2021, reflects the cost-out program in response to Covid-19, which are considered permanent cost reductions, and the favourable margins that have resulted from supply chain dynamics.

Car Retailing is now the primary source of revenue for Eagers with the divestment of Daimler Truck business in April 2021, contributing approximately 97% in 2021 as shown in Figure 6.3. In addition, Car Retailing delivered an improved profit performance of an increased operating profit before tax $388.4 million in 2021 compared to $199.4 million in 2020, reflecting the success of the cost-out program and strong market performance.

Figure 6.3

Revenue distribution by segments (%)



	CY17	CY18	CY19	CY20	CY21
Investments	0.4%	0.4%	0.0%	0.0%	0.0%
Property	0.7%	0.7%	0.4%	0.2%	0.4%
Truck Retailing	9.3%	9.3%	10.1%	11.1%	2.6%
Car Retailing	89.6%	89.6%	89.5%	88.7%	97.1%

Source: Eagers' annual reports, PwC analysis

6.4. Company ownership and shareholders

As at 13 May 2022, Eagers has 256,933,106 reported ordinary shares with the substantial shareholders set out in Table 6.2:

Table 6.2

	No. of Shares	% of Issued Shares
WFM Motors Pty Ltd	70,153,037.00	27.3%
Jove Pty Ltd	12,642,976.00	4.9%
The Vanguard Group, Inc.	9,591,809.00	3.7%
Milton Corporation Limited	6,795,986.00	2.7%
Alan Piper Investments (No.1) Pty Ltd.	6,083,588.00	2.4%

Source: Capital IQ

Figure 6.4

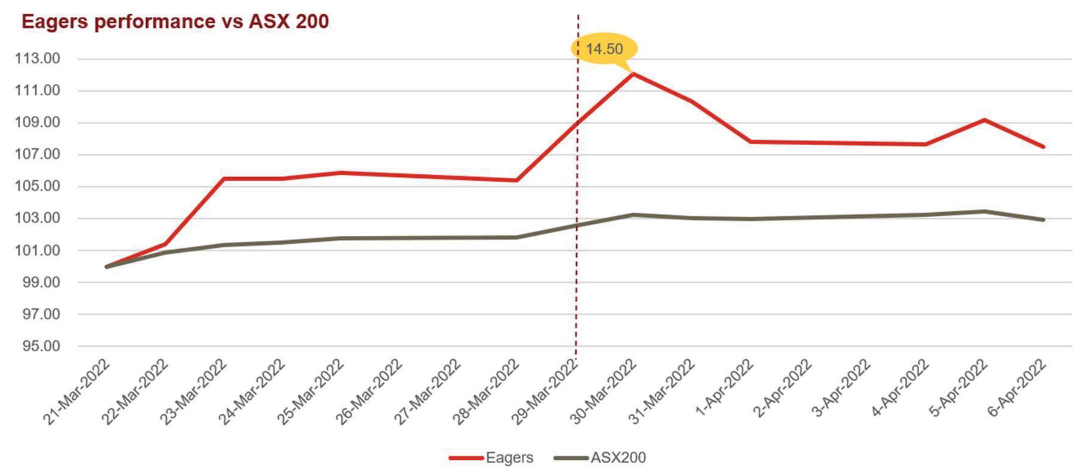
Note: 1. The relative performance of Eagers to ASX 200 takes share price and index as at 2 January 2019 as the base value set at 100 for both.
2. The first trading day in 2019 is 2 January 2019 as 1 January 2019 is a public holiday in Australia.
Source: Capital IQ, PwC analysis

Performance of Eagers shares post the Proposed Transaction announcement

The Proposed Transaction represents less than 7.5% of Eagers market capitalisation. Given the share price is likely to be impacted by a range of market factors, including but not limited to the Proposed Transaction, we have considered the performance of the Eagers share price over the 8 days post transaction announcement. The comparison of the Eagers share price to the market (ASX 200) and its peers are set out in Figures 6.5 and 6.6 for the 9 days pre the announcement and 8 days post the announcement. The announcement was made at 9.30am on 30 March 2022. Eagers outperformed the market and its peers on the announcement date of 30 March 2022. However, the performance showed a declining trend in the following two days before stabilising.

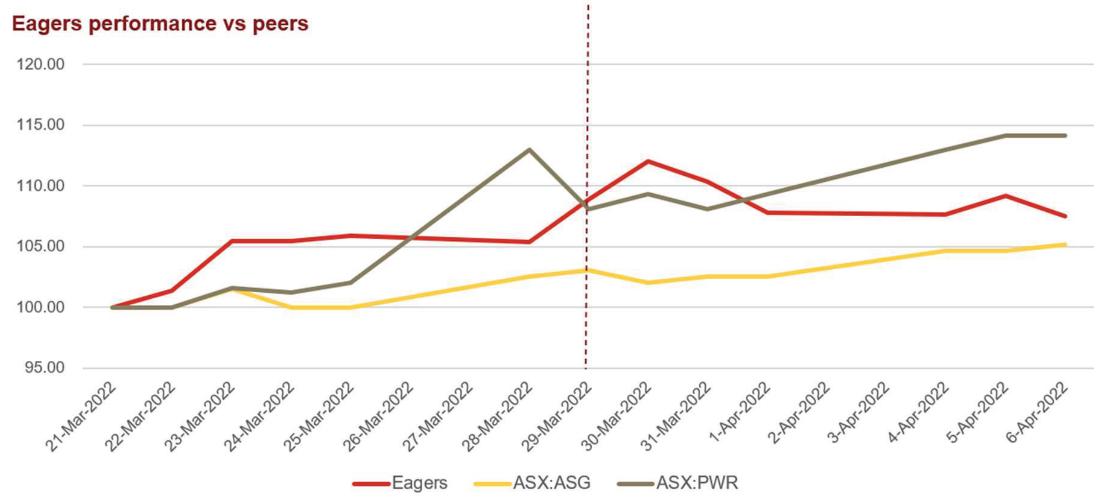
The Market analyst sentiment was generally positive from a strategic perspective, noting however that there was limited financial data provided to assess the Proposed Transaction on. The trading data could suggest the initial reaction to the acquisition was positive with some doubt emerging over the following days, however given the modest size of the transaction relative to Eagers overall it is difficult to draw a definitive conclusion as to the extent to which market movements in the days following the announcement related directly to the Proposed Transaction or other market factors.

Figure 6.5



Note: The relative performance of Eagers to ASX 200 takes share price and index as at 21 March 2022 as the base value set at 100 for both.
Source: Capital IQ, PwC analysis

Figure 6.6



Note: 1. The relative performance of Eagers to its peers takes share price and index as at 21 March 2022 as the base value set at 100 for all.
2. ASX:ASG - Autosports Group Limited, ASX:PWR - Peter Warren Automotive Holdings Limited
Source: Capital IQ, PwC analysis

7. Proposed transaction overview

7.1. Background and rationale of the Proposed Transaction

Eagers announced on 30 March 2022 that it had entered into a non-binding agreement to acquire a group of Dealerships and Properties in the ACT.

Management of Eagers provided the following reasons as the rationale for the Proposed Transaction:

Strategic alignment

- ACT is a key strategic region and has long been identified by Eagers as an opportunity to grow their national footprint.
- Opportunity for growth in the franchised auto business and entry into new market with a scale and scope for future growth.
- The acquisition brings a large and flexible property portfolio with limited lease commitments.
- It provides a clear path to market for easyauto123 in the ACT region.

Property portfolio

- Alignment with "Next100 property strategy" – rebalancing owned vs leased property mix.
- Ability to control investment / footprint consolidation opportunities in the future.

This transaction provides Eagers with a market position in the ACT and hence a true national footprint. J.P.Morgan noted in a broker report that a national footprint will potentially become increasingly important and is more important for Eagers long term strategy than immediate "EPS accretion" [7].

7.2. Terms of the Proposed Transaction

Eagers has agreed to acquire the Dealerships and Properties for a total purchase consideration of approximately $193.2 million (Purchase Consideration) which is to be settled in cash. The expected Completion Date is 31 July 2022. At the time of the initial announcement the Purchase Consideration was expected to be approximately $205 million. The reduction of the Purchase Consideration has resulted from a more detailed review of the operating assets to be transferred and an adjustment to the estimated value of those assets. The assessed 'goodwill' value being acquired has remained unchanged.

The Dealerships and Properties will be acquired from a number of entities (set out in the Notice of Meeting), all of which are associated with or controlled by Mr Nick Politis who owns approximately 27% of Eagers shares as well as being a Director of Eagers.

The Purchase Consideration is an amount equal to the aggregate of:

- $83.1 million for the assets (other than Properties) and business of the Dealerships. This consists of approximately $75 million for 'goodwill' and approximately $8 million for operating assets; *plus*
- $110.1 million for the Properties.
- These amounts will be subject to post-completion adjustments to reflect movements in working capital balances being transferred between the agreement date and the completion date.

The 'Goodwill' of $75 million reflects a multiple agreed between the Vendors and Eagers of 4.8x the Vendor's estimate of maintainable earnings. This multiple is not directly comparable to our concluded multiple range in Section 9.2.3 as the multiple of 4.8x is used only to price Goodwill and our concluded multiple is used to calculate a value which is inclusive of both Goodwill and operating assets. In addition, our multiple is applied to our own estimate of maintainable earnings, not the Vendor's estimate.

[7] J.P.Morgan broker report 30 March 2022

Conditions precedent:

The Proposed Transaction is subject to:

- Eagers' board approval and shareholder approval via a majority vote (excluding shareholders associated with Mr Nick Politis, Mr Daniel Ryan or the Vendors)
- The Independent Expert concluding that the transaction is "fair and reasonable" for the Non-Associated Shareholders
- Eagers (or its Related Bodies Corporate) having obtained all necessary licences required to operate the Dealerships (including motor vehicle dealer or motor vehicle repairer licences, as applicable);
- Manufacturer consent to the implementation of the Proposed Transaction (including, where applicable, conditions acceptable to Eagers) and entering into new dealer agreements with Eagers on terms satisfactory to Eagers
- No material adverse change affecting the business, assets or trading position which has the effect of reducing maintainable earnings by 20% or more (from Vendors Maintainable earnings of $15.6m)
- The lessor and each mortgagee of the leased properties consenting to the assignment of the relevant lease to Eagers

The Proposed Transaction will be achieved through two separate types of agreements, a Business Sale Agreement (BSA) for the Dealerships and a series of Land Sale Agreements for the Properties.

The BSA includes Vendor's warranties which cover the conventional warranties related to capacity, accounts, records and contracts, assets, employees, intellectual property, information technology, property, duty, and information. Specifically, there are Environmental Warranties as part of the Vendor's warranties which provide an indemnity in relation to any claims relating to contamination or pollution caused to, or existing in, any of the properties at, or prior to, the completion date. Eagers will be undertaking appropriate environmental assessments within 12 months post completion.

Funding Arrangements

Eagers expects to fund 100% of the Purchase Consideration and stamp duty through existing funding facilities. The balance of the associated transaction costs are expected to be paid from Eagers available cash reserves.

The acquisition of new vehicle inventory and eligible demonstrator and used vehicle inventory held by the Dealerships on the date of completion will be funded through bailment financing arrangements (as is customary for the automotive retail industry).

8. Valuation approach

8.1. Valuation date

We have undertaken our assessment of value using market data as at 13 May 2022 (the Market Data date).

8.2. Basis of value

For the purpose of our opinion, we have relied on the following definition of fair market value:

"*the price which would reasonably be negotiated by an informed, willing but not anxious purchaser and an informed, willing but not anxious seller, acting at arm's length and within a reasonable timeframe*".

Fair market value does not include potential special value that may be available to specific parties. RG 111.11 states that any special value of the target to a particular bidder (e.g. synergies that are not available to other bidders) should not be taken into account.

8.3. Valuation approaches considered

There are a number of commonly adopted methodologies that could be used to assess the fair market value of a business. Widely accepted methodologies include:

a) *Capitalisation of earnings (CoE)*: This method involves multiplying an estimation of a level of sustainable earnings (or profits) of a business by a multiple that is reflective of the underlying risks and growth prospects of the business. The estimation of earnings is considered a surrogate for the cash flows of the business and the process of multiplication is referred as the 'capitalisation' of earnings

b) *Market based assessments*: Market based assessments relate to the valuation of a business, shares or assets using observed prices at which comparable businesses, shares or assets have been exchanged in arm's length transactions. This is often the most reliable evidence of market value but in the case of the valuation of companies it can be difficult to find directly comparable transactions. For companies whose shares are publicly traded, the relevant share price is considered indicative of the market value of the shares, if there is sufficient liquidity. However, such market prices usually reflect the prices paid for small parcels of shares and as such do not include a premium for control

c) *Net realisable value of assets:* This approach indicates the market value of the equity of an entity by adjusting the asset and liability balances on the subject company's balance sheet to their market value equivalents. The net assets approach has a number of variants. Typically, the approach can be applied using a going concern premise which uses the concept of replacement cost as an indicator of value

d) *Discounted cash flow (DCF):* Indicates the value of a business based on the present value of the cash flows that the business can be expected to generate in the future. Such cash flows are discounted at a discount rate (the cost of capital) that reflects the time value of money and the risks associated with the cash flows.

Each methodology is appropriate in certain circumstances and the decision as to which methodology to apply generally depends on the nature of the business being valued, the maturity of the business, commonly adopted approaches used to value similar businesses and the availability of information.

8.4. Selected valuation approach

We have adopted a combination of the CoE and Net Assets approach as the primary methodology to value the Dealerships and Properties. We have selected the CoE methodology as our primary approach to value the Dealerships and adopted the Net Assets approach to estimate the Market Value of Properties.

Eagers have recently obtained independent valuations of the Properties (See Section 9.3). The value attributed to the Properties by the independent valuer represents more than 50% of the Purchase Consideration. We therefore consider it appropriate to adopt a Net Assets approach to assess the value of the Properties and a CoE approach to assess the value of the Dealerships.

We have capitalised the earnings (Adjusted EBIT) of the Dealerships, after charging a "notional" rent for owned properties to estimate the value of the Dealerships separate to the value of the Properties.

We then added the market value of owned Properties to the value of the Dealerships to arrive at a total value of the Dealerships and Properties acquired.

8.4.1. Valuation of Dealerships

Ultimately, the valuation methodology adopted is dependent on the nature of the underlying business and the availability of suitably robust information. A secondary methodology is often adopted as a cross-check to ensure reasonableness of outcome, with the valuation conclusion ultimately being a judgement derived through an iterative process.

For profitable businesses, methodologies such as CoE and DCF are commonly used as they reflect 'going concern' values, which typically incorporate some element of goodwill over and above the value of the underlying assets. For businesses that are either non-profitable, non-tradeable or asset rich, Net Assets is typically adopted as there tends to be minimal goodwill, if any.

Application of the DCF methodology requires estimation of cash flows for a number of years and discounting those cash flows back to present value. The Vendors have provided forecasts of maintainable earnings for a 12-month period, however, they have not prepared long term cash flow forecasts. We note that forecasting long term cash flows in the automotive retailing industry at present is challenging as a result of the cyclical nature of vehicle sales, recent disruptions caused by Covid-19 and geopolitical uncertainty, logistics disruptions, changing emission standards and vehicular and digital technology disruption. As such, we do not consider there to be a reasonable basis to prepare long term cash flows for the automotive segment at present.

Given the Dealerships have current estimates of earnings and there is no basis to expect that any of the business units will be unable to continue indefinitely, we have adopted CoE as the primary valuation method for the Dealerships.

Application of the Capitalised Earnings approach involves the capitalisation of the earnings or cash flows of a business at a multiple that reflects the risks of the business and the future growth prospects of the income it generates. Application of this methodology requires professional judgement as to:

- a level of average real earnings or cash flows expected to be maintainable indefinitely notwithstanding the impact of cyclical factors on short term results, adjusted for non-recurring items and other known factors likely to impact on future operating performance, and
- an appropriate capitalisation multiple that reflects the risk and real growth prospects associated with the level of real earnings being capitalised. The capitalisation multiple is usually determined having regard to market evidence derived from comparable transactions and share market prices for listed comparable companies, whilst also considering the specific characteristics of the business being valued.

A Capitalised Earnings approach can be applied to a number of different earnings or cash flow measures, including, but not limited to, EBITDA, EBIT and net profit after tax. The choice between parameters is usually not critical and should give a similar result.

In the Automotive Retailing industry multiples of operating profits (EBITDA, EBIT or PBT) after bailment interest are commonly used since bailment financing is often considered to be an operating item, rather than financing, in nature. In this case we have adopted EBIT including bailment interest as our basis of estimating maintainable earnings.

Determination of the appropriate earnings multiple is usually the most judgmental element of a valuation. With regard to the multiples applied in a Capitalised Earnings approach, they are generally based, where sufficient evidence exists, on implied multiples paid in recent actual transactions in a comparable sector and/or on the multiples implied by trading in comparable listed companies, with appropriate adjustment after consideration has been given to the specific characteristics of the business being valued.

8.4.2. Total value of Dealerships and Properties

The total value of the Dealerships and Properties is arrived at by simply summing the two values. This approach is similar, albeit not identical, to the manner in which Eagers typically value dealerships they are transacting on. Eagers typically use a "goodwill multiple" which is applied to profits after a notional rent (i.e., as if the properties were leased) to arrive at a goodwill value. The value of net assets acquired, including the value of property, is added to this goodwill to arrive at a transaction value.

As a cross check, we have calculated the implied multiple of earnings without the rent adjustment to compare to market multiples, recognising we expect this implied multiple to reflect the property rich nature of the acquisition.

9. Valuation assessment

9.1. Maintainable earnings - Summary

Maintainable earnings should reflect the earnings that can be achieved in the future on an ongoing basis. The maintainable earnings in this case are calculated on the assumption the Properties are leased, as we have separately assessed the value of the Properties. Therefore, our assessed value of the Dealerships does not reflect the value of any owned Properties. The earnings discussed in this section include lease costs for the owned Properties as well as leased properties.

As part of the transaction process the Vendors presented Eagers with Vendors Maintainable earnings, also referred to as Adjusted EBIT, of $15.6m. Eagers performed their own due diligence and concluded that this estimate was reasonable. As a check, Eagers calculated maintainable earnings of $15.75 million based on annualising the results for the 9 months to March 2022 and normalising for the Covid-19 impacted months of August to October 2021.

We have performed our own review of these calculations. Our review is described in more detail in Sections 9.1.1 to 9.1.6. Our review included calculating an Adjusted EBIT which aggregated:

- The FY21 Adjusted EBIT for the dealerships which were operated by the Vendors for all of FY21. This is effectively the dealerships that are not part of the Gerald Slaven group.
- An annualised result for the Gerald Slaven group based on the performance for the 9 months to March 2022, adjusted for the months in FY22 impacted by Covid-19 lockdowns. We adopted this approach as not all parts of the Gerald Slaven group were operated by the Vendors for all of FY21, so it was not possible to adopt a FY21 result for Gerald Slaven that is comparable to the current make up of the Gerald Slaven group.

This resulted in a notional Adjusted EBIT of $15.0 million.

After performing our review and having regard to each of the alternative approaches to estimating maintainable earnings, we have estimated maintainable earnings of $15.25 million (PwC Maintainable earnings) before property related adjustments.

We have then made a number of adjustments, primarily to property related costs to reflect the difference between the internal rents reflected in the Dealerships earnings and the market rents adopted by Jones Lang LaSalle Advisory Services Pty Ltd (JLL) in the valuation of the Properties. After these adjustments we arrive at property-adjusted PwC Maintainable earnings of $15.0 million.

In addition to Vendors Maintainable earnings for the Dealerships, we have been provided with summaries of historic sales and management accounts from FY18 to March 2022.

Vendors Maintainable earnings estimates provided to us are not audited. In order for us to be comfortable there is a reasonable basis on which we can adopt the earnings information for the purpose of our valuation, or make adjustments where required, we performed a number of procedures. These procedures included:

- Reviewing the historic results for any one-off and non-recurring items.
- Confirming the information provided to us for FY21 for those parts of the business which were audited were consistent with those audited results. Of the $13.9 million PBT for FY21, $13.1 million came from parts of the Vendors group subject to audit.
- Reviewing a bridge between the FY21 results and the estimate of maintainable earnings.
- Comparing Vendors Maintainable earnings to annualised FY22 results (Covid-19 adjusted and unadjusted)
- Comparing certain key metrics (particularly Return on Sales, which is essentially EBIT including bailment interest divided by sales) of Vendors Maintainable earnings to industry benchmarking data and equivalent data within the Eagers group.

9.1.1. Review of the historic results for any one-off and non-recurring items

Table 9.1 summarises the historic results and compares them to the Vendors Maintainable earnings estimate:

Table 9.1

Group	Vendors Maintainable earnings	FY22 (Jul-Mar) Annualised (Normalised)	FY22 (Jul-Mar) (Actuals)	FY21	FY20	FY19	FY18
(A$'000)							
New Units	6,703	5,676	4,002	5,845	4,854	4,755	4,226
Turnover/No. of new Units	69,636	77,026	75,471	68,599	64,507	64,530	64,479
Turnover	466,760	437,199	302,037	400,958	313,116	306,841	272,489
Gross profit	74,305	70,648	48,574	60,911	49,013	46,992	41,385
Gross profit margin	*15.9%*	*16.2%*	*16.1%*	*15.2%*	*15.7%*	*15.3%*	*15.2%*
Direct Expenses	35,786	34,737	23,623	30,724	29,547	29,792	25,607
Direct Expenses % sales	*7.7%*	*7.9%*	*7.8%*	*7.7%*	*9.4%*	*9.7%*	*9.4%*
Direct Expenses % gross profit	*48.2%*	*49.2%*	*48.6%*	*50.4%*	*60.3%*	*63.4%*	*61.9%*
Indirect Expenses	22,931	22,725	16,591	20,436	16,868	15,480	13,280
Indirect Expenses % sales	*4.9%*	*5.2%*	*5.5%*	*5.2%*	*5.4%*	*5.0%*	*4.9%*
Indirect Expenses % gross profit	*30.9%*	*32.2%*	*34.2%*	*34.2%*	*34.4%*	*32.9%*	*32.1%*
Total Expenses	58,717	57,462	40,214	51,160	46,416	45,272	38,887
Total Expenses %	*12.6%*	*13.1%*	*13.3%*	*12.8%*	*14.8%*	*14.8%*	*14.3%*
PBT (excl other income)	**15,588**	**13,186**	**8,360**	**10,011**	**2,597**	**1,720**	**2,498**
ROS (excluding other income)	*3.3%*	*3.0%*	*2.8%*	*2.5%*	*0.8%*	*0.6%*	*0.9%*
Other Income	0	2,564	1,978	4,966	3,456	2,223	1,476
Job Keeper	0	0		2,615	3,140	0	0
PBT	**15,588**	**15,750**	**10,338**	**16,536**	**9,193**	**3,943**	**3,975**
ROS	*3.3%*	*3.6%*	*3.4%*	*4.1%*	*2.9%*	*1.3%*	*1.5%*
PBT (excl JobKeeper)	**15,588**	**15,750**	**10,338**	**13,921**	**6,053**	**3,943**	**3,975**
ROS	*3.3%*	*3.6%*	*3.4%*	*3.5%*	*1.9%*	*1.3%*	*1.5%*

Note: 1. Turnover includes revenue from New Vehicle sale, Used Vehicle sale, Finance and Insurance income, Aftermarket income, Service and Parts provided.
2. Other Income is largely made up of manufacturer incentive payments.
3. FY22 Annualised (Normalised) takes the 9 months results but adjusts for the impact of lock downs in the period August to October 2021 and then annualises that adjusted result.
4.The Vendors reports PBT above, which includes Bailment interest. As there are no other borrowings and therefore no other interest costs reflected above, PBT above is equivalent to Adjusted EBIT.
Source: Vendors Management accounts, Eagers, PwC Analysis

Notes on the historic results:

- We have excluded JobKeeper income received in years FY20 and FY21.
- The results reflect lease charges for the Properties owned by the Vendors and being acquired in the Proposed Transaction.
- The FY18-FY22 figures exclude the earnings of the JR Car Rental business which is less than $50,000 and immaterial.
- The Vendors and Eagers have informed us that there were no one-off expenses included in the numbers with regards to the acquisitions or disposals that occurred during the analysed period (see Section 5).
- Other income mainly represents the annual payments for programs with OEM, such as the Toyota for Life program paid each December or monthly payment of lapsed Toyota Service Advantage Contracts as well as other minor items related to manufacturer and supplier rebates. We understand that these programs are offered to all dealers and will continue to be received post the Eagers acquisition, therefore, we have included these amounts in the analysis. The amount is not shown separately in Vendors Maintainable earnings but is part of the estimated ROS of 3.3% as other income is included in the Turnover.
- Results in FY20 and FY21 were impacted to some extent by Covid-19. Whilst we (nor Eagers or Vendors) have not attempted to estimate the results for those years without a Covid-19 impact, in order to get comfortable with Vendors Maintainable earnings we have also considered sales pre-Covid-19 (i.e. for FY19 for those dealerships held then by the Vendors) and considered annualised results for FY22 adjusted for months directly impacted by ACT lockdowns.

- The Vendors have acquired a number of dealerships in FY20 and FY21, so unadjusted historical results are not directly comparable to current results.

9.1.2. Confirming the information provided to us for FY21 for those parts of the business which were audited were consistent with those audited results

To confirm the reliability of the management accounts provided to us, we reviewed the reconciliation of them to the statutory accounts of the following three entities that own the dealerships forming part of the Transaction:

- Belconnen Automotive Pty Limited (Audited)
- Janrule Pty Limited (Audited)
- Southsub Pty Ltd (Compiled and signed by Directors)

We confirmed that after allowing for the following items the management accounts provided to us reconciled to the statutory accounts:

- Adjusting to exclude JobKeeper amounts received
- Adjusting to exclude those divisions or businesses not part of the Proposed Transaction.

9.1.3. Reviewing a bridge between the FY21 results and the estimate of maintainable earnings.

In considering the FY21 results relative to Vendors Maintainable earnings there are a number of movements at an individual dealership level. These include:

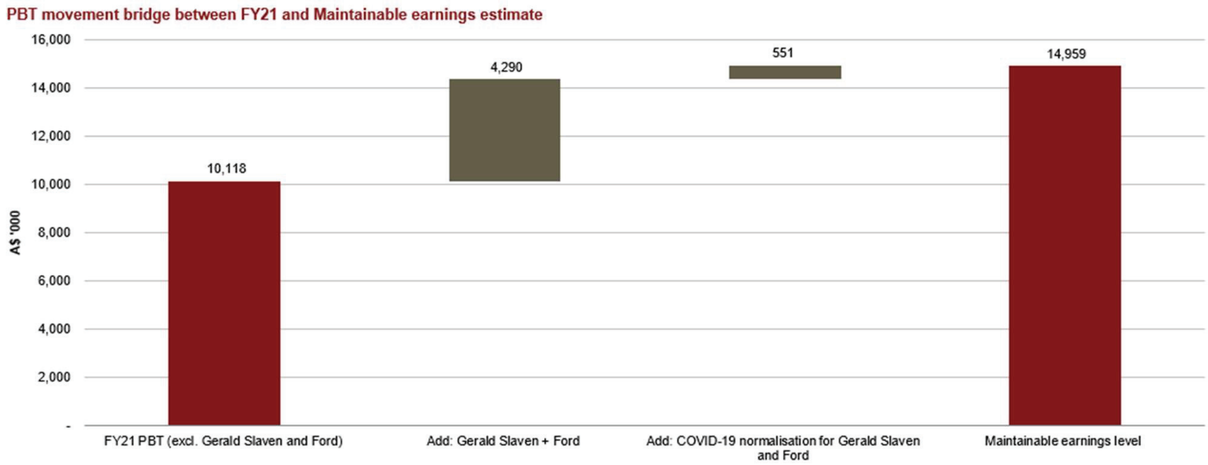
- The closure of Holden and Honda dealerships in June 2021;
- An expected increase in profit contribution from Toyota, largely offset by expected reductions in profit from other brands such as Lexus, Volvo and Mitsubishi and Subaru;
- The contribution from the "Greenfield" Ford dealerships. Belconnen Ford was acquired in October 2020 but was only acquired with 3 staff and no new vehicle inventory, so it's contribution to the FY21 result was only modest. Phillip Ford was acquired in July 2021 and therefore did not contribute to the FY21 result.

The Ford operations are a significant contributor to the increase in PBT from FY21 to the Vendors estimate of Maintainable earnings. However, as these operations are included in the Gerald Slaven part of the group and as there are shared overheads and expenses with the other operations in the Gerald Slaven dealerships it is difficult to isolate the FY22 PBT performance specifically relating to Ford. Therefore, in order to get more comfort with the movements from FY21 actuals to estimate maintainable earnings, we prepared a bridge as follows:

- We used the FY21 PBT for Toyota, Lexus, Volvo, Mitsubishi and Capital and Philip Subaru (these dealerships all operated within the group for the entirety of FY21) as part of the maintainable earnings estimate (this is effectively all of the group other than the Gerald Slaven businesses).
- We annualised nine months of Gerald Slaven's actual results for FY22 (including Ford) to estimate their maintainable earnings before any adjustment for lockdowns. We have then demonstrated the Covid-19 normalisation impact on the results separately. The Covid-19 adjustment has been performed in the same way Eagers calculated a Covid-19 adjustment, which is to replace the months impacted by lockdowns (August to October 2021) with the average results for July and November 2021.
- We confirmed the unit sales numbers for Gerald Slaven for the 9 months to March 2022 to Manufacturer returns and confirmed the achieved ROS is within observable benchmark ranges.

As shown in Figure 9.1 this calculation results in an estimated maintainable earnings of $15.0 million (rounded).

Figure 9.1



Note: 1. PBT excludes JobKeeper government payments; includes IT Department costs

2. Gerald Slaven and Ford are estimated based on 9-month FY22 run rate.

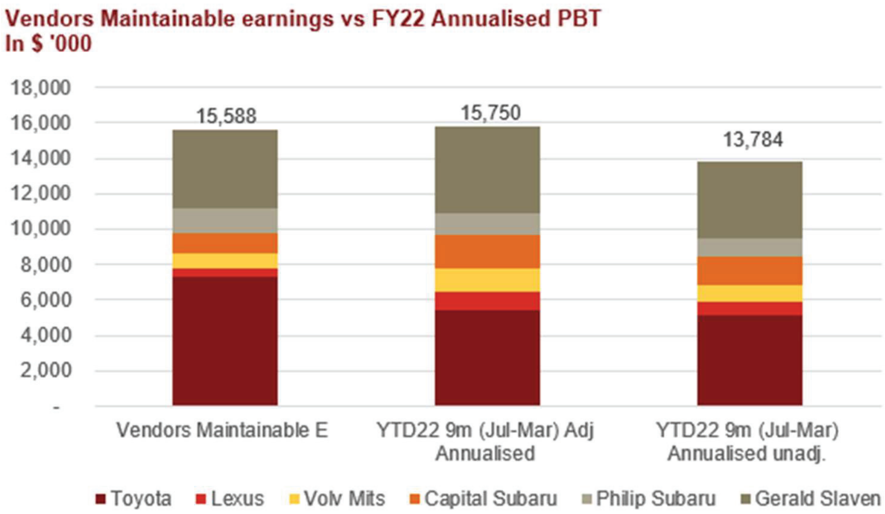
3. Covid-19 normalisation for Gerald Slaven and Ford adjusts the lockdown period in ACT from August to October 2021 by using average of July and November 2021 numbers.

Source: Vendors, Eagers analysis, PwC analysis

9.1.4. Comparison of Vendors Maintainable earnings to annualised FY22 results (Covid-19 adjusted and unadjusted)

The actual results for the period of nine months from July 2021 to March 2022 can be annualised to consider what that implies for maintainable earnings. The actual financial results during this nine-month period were impacted by Covid-19, with the ACT under Covid-19 restrictions from 12 August to 31 August 2021, and 14 September to 15 October. As part of their due diligence, Eagers have estimated normalised results for August, September and October 2021 by taking the average results of the months before and after this period, i.e. July and November 2021 (both of these months exclude quarter targets and Toyota For Life monies). Figure 9.2 compares the estimate of Vendors Maintainable earnings to the annualised FY22 results both with and without Covid-19 normalisations:

Figure 9.2



Note: Vendors Maintainable E represents Vendors Maintainable earnings estimate for FY22.

Source: Vendors' Management account, Eagers, PwC analysis

Figure 9.2 demonstrates that if the Covid-19 impacted months are adjusted for, the annualised result is broadly comparable with Vendors Maintainable earnings. If no adjustment for the Covid-19 impacted months is made, the resulting earnings estimate is $13.8 million. While we have included the unadjusted calculation for completeness, we consider it understates the maintainable earnings as it is clear there was some Covid-19 impact in the period August to October 2021. In addition, by annualising the unadjusted number there is effectively an implicit assumption that some of that impact would be repeated in the remaining period between March 2022 and June 2022, which is unlikely.

The Vendors have further provided us with an analysis of unfulfilled orders as at March 2022, set out in Table 9.3.

Table 9.3

	Dealerships Total	Gerald Slaven	Janrule Canberra Lexus	Janrule Canberra Toyota	Janrule Capital Subaru	Janrule Volvo and Mitsubishi	Subaru Canberra
New Orders Unfulfilled	2,758	407	88	1,770	81	237	175

Source: Vendors

Due to the current supply and logistic issues in the market, the number of unfulfilled orders, particularly for Toyota, is relatively high with a long wait time for new cars. These orders are not yet reflected in the FY22 financials and, therefore, we believe they support the achievability of the FY22 annualised results.

9.1.5. Compared the key metrics of Vendors Maintainable earnings to the industry benchmarks and the comparable companies' data

Trading companies comparison

We compared gross profit margin and Adjusted EBIT margin (equivalent to ROS) for the Dealerships and their main public competitors in the Automotive Retail industry (Eagers, Autosports, Peter Warren, and MotorCycle Holdings[8]) as shown in Table 9.4. The historic gross profit margin and ROS for the Vendors are broadly consistent with those of the public players in the market.

[8] MotorCycle Holdings - MotorCycle Holdings Limited

Table 9.4

		FY21	FY20	FY19
Gross profit margin	Vendors	15.2%	15.7%	15.3%
	Eagers Automotive Limited	18.8%	17.5%	17.9%
	Autosports Group Limited	17.1%	15.6%	16.3%
	Peter Warren Automotive Holdings Limited	17.6%	15.6%	16.2%
	MotorCycle Holdings Limited	29.1%	27.7%	29.2%
	Average	**20.6%**	**19.1%**	**19.9%**
	Median	**18.2%**	**16.5%**	**17.1%**
	Min	**17.1%**	**15.6%**	**16.2%**
	Max	**29.1%**	**27.7%**	**29.2%**
EBIT* margin (ROS)	Vendors	3.5%	1.9%	1.3%
	Eagers Automotive Limited	5.9%	4.0%	-0.4%
	Autosports Group Limited	3.9%	1.4%	1.7%
	Peter Warren Automotive Holdings Limited	4.4%	0.8%	1.4%
	MotorCycle Holdings Limited	8.3%	4.7%	4.3%
	Average	**5.6%**	**2.7%**	**1.8%**
	Median	**5.1%**	**2.7%**	**1.6%**
	Min	**3.9%**	**0.8%**	**-0.4%**
	Max	**8.3%**	**4.7%**	**4.3%**

** EBIT is adjusted for Bailment interest.*
Source: Eagers' annual reports, Vendors financial informaiton, Capital IQ, PwC analysis

Based on the public peers' historic performance, Vendors Maintainable earnings margins assumptions (15.9% for gross profit margin and 3.3% for ROS) do not appear unreasonable, having regard to the smaller size of the Vendors.

To further check the reasonableness of Vendors Maintainable earnings, we referred to recent broker reports for Eagers, Autosports, Peter Warren, and MotorCycle that detail the analyst estimates for the outlook for the public competitors. Vendors' view on maintainable earnings is close or similar to the broker forecasts for the main public competitors after considering size and geographic footprint.

Table 9.5

FY22E	Gross profit margin	EBIT margin (ROS)*
Vendors	15.9%	3.3%
Eagers Automotive Limited	18.6%	5.1%
Autosports Group Limited	18.5%	4.8%
Peter Warren Automotive Holdings Limited	18.6%	5.5%
MotorCycle Holdings Limited	na	8.0%
Average	**18.6%**	**5.8%**
Median	**18.6%**	**5.3%**
Min	**18.5%**	**4.8%**
Max	**18.6%**	**8.0%**

** EBIT margin by broker forecasts is likely to include Bailment interest in interest expense, inflating EBIT margin for the public peers by the amount of Bailment interest given that Vendors' EBIT margin takes into account Bailment interest. ROS for Vendors after considering Bailment interest increases from 3.3% to 4.2% with Bailment interest of approximately 0.85% of total sales based on the historic information.*
Source: Vendors financial information, Broker reports

2022 Industry Benchmarking

We have further compared the implied key metrics of Vendors Maintainable earnings to the publicly available 2022 dealership benchmarks data published by Deloitte. The dealership benchmark represents the top 30% of dealers nationally (who submit their sales information). We note the following findings:

- Net profit as % of sales for the Vendors' business for all the categories (volume, prestige, luxury) are projected below the low end of the benchmark range. This is not surprising given the benchmarks reflect the top 30% of dealerships but supports the proposition the Dealerships estimated margins are not overstated. While it is not clear if some of the dealerships that contribute to the benchmarking include interest other than Bailment interest in their Net profit before tax for benchmarking, as many dealerships will not own their properties we do not consider this would skew the benchmarks materially relative to the outcomes for the Dealerships.

- Gross (and net) profit margin per employee per month for each Vendors brand is below the low end of the benchmark range. However, the gross profit per unit is better than the dealership benchmarks, both historic and forecasted.

A summary of the benchmarking metrics is included in Appendix D.

9.1.6. Conclusion on Vendors Maintainable earnings

The work we have performed on testing the reasonableness of Vendors Maintainable earnings of $15.6 million generally supports that estimate. If the lockdown months are adjusted for, then the current run rate suggests the maintainable earnings slightly above the Vendors' estimate, albeit if no adjustment was made for the Covid-19 months, then the actual performance would translate into an annualised Adjusted EBIT of $13.8 million.

We take comfort from our analysis which takes the actual FY21 result for all of the Dealerships other than the Gerald Slaven part of the group and then adds an adjusted annualised FY22 Adjusted EBIT for Gerald Slaven. This analysis suggests a maintainable Adjusted EBIT of $15.0m, with the Covid-19 adjustment implicit in that number of $0.6m. We don't consider that to be an unreasonable level of adjustment considering the impact of lockdowns. However, we recognise this does not allow any growth from FY21 for the non-Gerald Slaven dealerships and is below the overall normalised run rate level, so could understate the maintainable earnings marginally.

For the purposes of our valuation of the Dealerships, we have therefore adopted an estimate of maintainable earnings (i.e. PwC Maintainable earnings) of $15.25 million. This estimate is before adjustments to reflect the difference between the rent for the owned Properties already reflected in the Maintainable earnings estimate and the market rent estimated by JLL in their independent valuations of the Properties. This estimate is a little below the estimates prepared by Vendors and Eagers, however, is not materially different.

Finally, in estimating PwC Maintainable earnings for our valuation we have made two further adjustments so the earnings on a basis consistent with our valuation approach. These adjustments are:

- Added back depreciation on owned buildings, as we are valuing the operations as if the owned properties are not owned. This increases maintainable earnings by $21,000.
- Adjusted the rent expense assumed in the estimate of PwC Maintainable earnings to reflect the market rent in the JLL property valuations. The rent assumed in the Vendor maintainable earnings was $6.6 million and the JLL market rent estimates total $6.9 million, resulting in a decrease in maintainable earnings of $0.26 million.

These adjustments result in an estimated maintainable earnings of approximately $15.0 million (rounded).

9.2. Capitalisation multiple - Summary

In determining an appropriate range of capitalisation multiples for the Dealerships we have considered the following:

- acquisition multiples implied by recent transactions involving automotive retailing companies
- trading multiples of comparable listed automotive retailing companies
- the specific attributes of the Automotive Retail sector and the Dealerships

We have had regard to LFY, LTM and FY+1 multiples as PwC Maintainable earnings estimate includes elements of both FY21 and FY22 and in the case of the listed comparable companies there is not a significant difference between the two. The multiples for comparable transactions are effectively LFY and LTM multiples.

We have valued the Dealerships separately to the owned Properties. Hence, we have calculated Adjusted EBIT multiples on the basis the comparable companies lease any owned properties. The adjustments required to do this for listed comparable companies are explained further in Section 9.2.2. As explained in Section 9.1 PwC Maintainable earnings estimate is based on the assumption that Bailment finance is a working capital item and so Bailment interest costs are included in Adjusted EBIT for the purpose of calculating comparable Adjusted EBIT multiples.

In Section 9.2.1 we discuss multiples from two recent transaction considered comparable to the acquisition of the Dealerships. The multiples are 5.6x and 8.0x with the higher multiple from a transaction (Penfold Motor Group) considered the most comparable to the Dealerships. Listed market multiples have declined by 15% to 17% in the period since the Penfold Motor Group (Penfold) transaction was completed. Applying a discount of 15% to 17% to a multiple of 8.0x results in a multiple of approximately 6.6x to 6.8x.

In Section 9.2.2 we discuss multiples for listed comparable companies. These multiples average approximately 8.4x to 8.5x. After adjustments for size and private company status which are discussed in Section 9.2.2 this implies a multiple range of 5.7x to 6.5x.

Having regard to both sets of multiples we have concluded on a multiple range of **6.0x to 6.75x**.

9.2.1. Multiples implied by recent transactions involving automotive retailing companies

Table 9.6 sets out a summary of the most comparable transactions involving businesses in the Australian automotive retailing industry prior to the Valuation Date.

Table 9.6

In A$' 000	Purchase Type	Acquisition Date	Net Assets Acquired	Goodwill	Properties	Net Debt	Implied Transaction EV	EBIT	EBIT multiple
Penfold [Peter Warren Group]	Unknown	Dec-21	13,073	92,902	0	-3,070	103,000	12,800	8.0x
Bill Buckle Auto Group [Eagers Automotive]	Shares	2022	4,000	44,492	43,500	0	92,000	8,700	5.6x

Note: Numbers might not add up due to rounding
Source: Eagers, Broker reports, Penfold historic financial report from ASIC, Capital IQ

Please refer to the Appendix B for information about further comparable transactions not included in the narrow set and further details of the transactions. We have had only limited regard to the transactions listed in Appendix B as they are all smaller, many significantly so, than the Dealerships and none have taken place in the last two years.

We consider the two transactions in Table 9.6 to be the most comparable to the Dealerships in terms of business operations:

- **Penfold Motor Group** was founded in 1964 and operates car dealerships in Australia. Penfold's brands include Audi, Mazda, Volkswagen, Hyundai and Suzuki. Penfolds was acquired by Peter Warren Automotive in December 2021 for approximately $106 million. Penfolds did not have any material property holdings or non-bailment debt, so on a property adjusted basis the transaction (representing an acquisition of 10 dealerships) is similar in size and is also indicative of the current dealership market as it only completed recently. Therefore, we consider this transaction an important point of reference. Penfold reported $12.8 million PBT for the year to 30 June 2021. Given Penfolds had minimal debt other than Bailment finance we consider their PBT comparable to our definition of Adjusted EBIT. The PBT included $5.1 million in Government payments and subsidies, which we assume was largely JobKeeper payments. We have not adjusted for the JobKeeper payments as we have also not adjusted for lockdowns in Victoria during the 2021 financial year. If we were to remove the JobKeeper payments from the PBT the implied transaction multiple would increase significantly.
- **Bill Buckle Auto Group (BBAG) sale** - Eagers Automotive has signed a contract with Australian Motor Group for the sale of the BBAG. The Australian Motor Group has agreed to buy properties and the BBAG business for a total acquisition price of around AU$92 million. The transaction is anticipated to be completed by the end of May 2022. BBAG operates in NSW and its dealership portfolio includes Volkswagen, Toyota, Land Rover, Jaguar and Subaru. The dealerships are spread throughout several leasehold locations as well as three freehold properties.

The Vendors' business is larger than BBAG and arguably more strategic given the Vendors' business strong market position in the ACT region. While it is a similar size to Penfold Motor Group it is also arguably more strategic given Penfold Motor Groups modest overall share of the Melbourne market. We, therefore, consider that all other things being equal, the multiple for the Vendors' business should be at a premium to the BBAG multiple and at least comparable to the Penfold Motor Group multiple. However, we also note that equity market values have declined since the date of the Penfold Motor Group transaction. Our analysis indicates that market multiples calculated on an equivalent basis have declined by approximately 15% to 17.5% since the completion of the Penfold Motor Group transaction in December 2021.

9.2.2. Trading multiples of comparable listed automotive retailing companies

We have performed a search for comparable publicly listed companies and summarised our findings into two tiers:

1. Automotive retailing companies in Australia
2. Companies in the other areas of automotive industry in Australia

Please refer to the Appendix A for the market data of these companies.

Table 9.7 sets out the EBIT and adjusted EBIT multiples for the most comparable motor vehicle retailing companies operating in Australia.

Table 9.7

						EV / EBIT		Adjusted EV / EBIT	
Company	EV ($m)	EV adjusted ($m)	EBIT LFY ($m)	EBIT Adjusted LFY ($m)	EBIT FY+1 ($m)	LTM	FY+1	LFY	FY+1
Eagers Automotive Limited	**5,590**	**3,845**	**483**	**401**	**447**	**11.6x**	**12.5x**	**9.6x**	**10.4x**
Autosports Group Limited	**1,002**	**455**	**83**	**65**	**93**	**11.1x**	**10.7x**	**6.9x**	**6.8x**
Peter Warren Automotive Holdings Limited	**982**	**403**	**74**	**46**	**88**	**11.5x**	**11.1x**	**8.7x**	**8.4x**
Average	**2,525**	**1,567**	**214**	**171**	**209**	**11.4x**	**11.5x**	**8.4x**	**8.5x**
Median	**1,002**	**455**	**83**	**65**	**93**	**11.5x**	**11.1x**	**8.7x**	**8.4x**

Notes: 1. EV of a publicly listed company represents minority interest value because it is based on share prices for trades in minority parcels of shares. We have applied a control premium of 20% to the market capitalisation of each of the identified trading companies.
2. Data as at 13 May 2022.
3. Adjusted EV/EBIT is described as in the following paragraph. For companies not disclosing property capitalisation rate, the average of the publicly available data is applied.
4. LTM is Last Twelve Months. LFY is Last Financial Year.
Source: Capital IQ, PwC Analysis

For our primary valuation approach, which values the owned Properties separately, we made the following adjustments to Enterprise Value (EV) and EBIT, so as to calculate the multiples on a basis that excludes the impact of property ownership:

Enterprise Value is adjusted as:

- Market capitalisation increased by control premium.
- Less value of properties (land and buildings) including Right of Use (ROU) asset (both AP Eagers and Peter Warren Automotive carry their properties at market value).
- Add net debt including ROU liability but excluding Bailment finance.

We adjusted EBIT to:

- Include bailment interest and ROU liability interest, on the basis that the ROU liability interest in aggregate with ROU Asset depreciation that is already included in EBIT provides a proxy for annual lease costs.
- Include a notional rent charge on owned property at the same rate (yields as a percentage of value) we use for Vendors.
- Exclude (add back) depreciation on owned properties.

We consider the three comparable trading companies that we have identified to be broadly comparable to Vendors in terms of operations and as a result, risk exposure to the industry.

However, all three businesses are substantially larger than the Dealerships and would therefore be expected to have higher EV/EBIT multiples.

To enable comparison with the Dealerships, we have made the following adjustments to the implied trading multiples:

- **Public-to-private discount of 15% to 20%** – Private companies are typically valued at a discount to public companies for a range of factors, including size, access to capital markets, key person risk, reporting quality, management quality etc. The public-to-private company discount typically ranges from 15% for large private companies to 80% for micro private companies. This is supported by empirical evidence, such as the following:
  - Hayes (2009) states that:

"*the differential in capitalisation rates between an SME and a publicly listed entity suggests that an SME values at a multiple in the range of 20-40% of the multiple for a similar business trading in a public market*"[9]

  - Officer (2007) found average acquisition discounts of 15-30% for unlisted firms compared to listed firms[10]
  - Koeplin, Sarin and Shapiro (2005) state that:

"Domestic private companies [in the United States] are acquired at an average 20–30% discount relative to similar public companies when using earnings multiples as the basis for valuing the transactions. The private company discounts are larger for foreign companies. Non-U.S. private companies are acquired at an average discount of 40–50% relative to similar public companies when using earnings multiples to value the transactions."[11]

In our opinion, a public-to-private discount in the range of 15% to 20% is appropriate having regard to the size and nature of the Business' operations. A significant part of the Dealerships business is audited, the Dealerships are with major, recognised vehicle brands and there is a well-established management team.

- **Size premium discount of 10% to 15%** - Smaller companies face increased risks compared to larger companies. Such risks can include reliance on a small number of contracts and customers, lower quality of management and governance processes, reduced marketability etc. Table 9.8 summarises the empirical evidence for size premium discounts.

Table 9.8

Source	Mid-point size premium
Frontier Economics (2018)	17.40%
Winn et al (2018)	6.02%
Duff & Phelps (2013)	6.73%
Ibbotson (2010)	12.06%
Gharghori, Hamzah and Veeraraghavan (2010)	8.50%

In our opinion, a size premium discount in the range of 10% to 15% is appropriate having regard to the size and nature of the Business' operations.

The average LTM and FY+1 multiples of the listed comparable companies are 8.4x and 8.5x respectively. Applying the discounts identified in Table 9.8 to these averages results in a multiple range of 5.7x to 6.5x.

[9] *Hayes G (2009), A Practical Guide To Business Valuations for SME's, CCH Australia Limited*
[10] Officer M (2007), The Price of Corporate Liquidity: Acquisition Discounts for Unlisted Targets, Journal of Financial Economics
[11] Koeplin J, Sarin A, Shapiro A (2005), The Private Company Discount, Journal of Applied Corporate Finance

9.2.3. Conclusion on multiples

In concluding on an appropriate multiple range, we have had regard to:

- The primary transaction multiples identified of 5.6x and 8.0x, with the 8.0x multiple being considered the most relevant, albeit the Penfold transaction took place in December 2021 when equity markets were stronger than they are currently. Listed market multiples have declined by 15% to 17% in the period since the Penfold Motor Group transaction was completed. Applying a discount of 15% to 17% to a multiple of 8.0x results in a multiple of approximately 6.6x to 6.8x.
- The primary listed trading multiples (based on a 20% control premium) are 5.7x to 6.5x after we have adjusted for a private company discount and the relative size of the Vendors' business to the comparable listed companies.
- The estimated ROS for the Vendors' business of 3.3% is below the Eagers Adjusted EBIT margin (equivalent to ROS) of 5.9% in FY21. If Eagers are able to uplift the Dealerships ROS to a level closer to their own level this will provide additional financial upside on the acquisition. For example, if the ROS were to increase from 3.3% to 4.5% this would result in additional earnings upside over $5m before tax. Increases to the Dealerships ROS may be achieved through opportunities for cost out through scale, productivity enhancements & technology. The control premium used to calculate our comparable listed company multiples is a base control premium of 20% which in our view does not reflect any synergy value. We consider this reasonable given there is no detailed cost out plan or synergy realisation plan at this time but note this could provide further upside to our valuation.

Based on this analysis we have concluded on a multiple range of **6.0x to 6.75x**, which is broadly consistent with both the adjusted multiple for the Penfold Motor Group transaction and the range based on multiples for the listed comparable companies.

9.3. Valuation of Properties

JLL have prepared independent valuations of the Properties to be acquired. JLL prepared the valuation for both Eagers and PwCS for the purposes of this Independent Expert Report. The basis of valuation is Market Value on a vacant possession basis. The valuation assumes the Properties are free of encumbrances, restrictions or other impediments of an onerous nature which would otherwise affect value.

JLL has relied upon the Capitalisation approach as the primary method of valuation. As a cross-check method, they have adopted the Direct Comparison approach. The JLL adopted Valuation Date is 31 March 2022.

JLL have adopted a core capitalisation rate of 6% to 8.5% on the adopted market rental profile. From the core value, present value adjustments (for rental reversions, letting up allowances, incentives, future lease and agreements plus capex) have been made where appropriate in order to derive the resultant capitalised value. The adopted market value of the portfolio reflects an assumed net rental of $6,901,068 per annum.

JLL have allowed for a letting up period at the end of each existing lease and associated probability as well as allowed for an incentive to the new tenant with associated probability for this incentive occurring. JLL have assumed a new lease term for car dealership tenants of 10.0 years and associated agents/leasing costs of 12.00% plus sinking fund and capex. These allowances total approximately $15,000,000.

As a cross check, JLL considered the rates per sqm of Net Lettable Area (NLA) based on comparable properties sales evidence. The range in prices is between $2,966/m² and $10,317/m² of NLA. JLL concluded that the adopted market value range reflects a rate per sqm of NLA of $4,300 to $4,800 which is within the parameters reflected by the sales evidence.

The assessed value reflected an equivalent market yield range of 6.8% to 7.5%; depending on specific factors such as the quality of improvements and location of the relevant asset.

Table 9.9 sets out the summary of the Properties valuation and the key assumptions.

Table 9.9

Location	Address	OEM	Adopted market value	Net Market Income	Rate $ /m2	Equivalent Yield
Belconnen	1 Josephson St	Toyota	9,000,000	573,050	6,073	6.18%
Belconnen	2-10 Josephson St	VW, Jeep, Ford	21,360,000	1,327,925	4,871	6.05%
	3 Josephson St	Cheap Cars (Used)	2,600,000	187,400	10,317	7.12%
Fyshwick	44 Wollongong St / 114-116 Gladstone St 112 Gladstone St	Toyota & PDC	27,500,000	1,646,850	3,953	5.79%
Fyshwick	Unit 3, 34 Ipswich St	Subaru	5,660,000	400,350	2,966	6.78%
Phillip	142 Melrose Dr	Subaru	9,800,000	682,000	5,765	6.73%
Phillip	152 Melrose Dr	Volvo, Mitsubishi	11,500,000	746,120	5,371	6.24%
	160-162 Melrose Dr	Toyota & Lexus	11,000,000	693,298	4,613	6.04%
Phillip	29 Botany St	Ford	10,500,000	644,075	6,522	5.97%
Total			**108,920,000**	**6,901,068**		

Source: JLL, PwC Analysis

PwCS have reviewed the Property valuations, including a review by our own real estate valuation specialists of the inputs and assumptions utilised within the valuation and the adopted value. Specifically, our review confirmed that:

- The JLL adopted methodologies are acceptable for establishing value and are considered industry recognised valuation methodologies.
- The rental evidence and rationale provided appears to be relevant to the Properties and supports the adopted market rents.
- The sales evidence and rationale provided appears to be relevant to the Properties and supports the adopted capitalisation rate and over rate per sqm.
- The Valuer has included letting up allowances in the Capitalisation Approach. This is reasonable given the property is owner occupied and therefore valued with vacant possession. The property would require a letting up period to achieve the Market Rent if it was to be offered for lease in the market and therefore a potential purchaser would make letting up allowances.
- Significant Valuation Uncertainty – JLL notes the outbreak of Covid-19 was declared as a 'Global Pandemic' by the World Health Organisation on 11 March 2020. The valuation is therefore reported on the basis of 'significant valuation uncertainty'. JLL also note that at the date of issue of their reports the conflict in Ukraine is ongoing and its future extent and long term impact are unknown. JLL note that they cannot therefore assess the future impact on values at the valuation date and reserve the right to amend their valuation reports reflecting any market changes. We understand that identification of these uncertainties is not unusual for property valuations in the current market.

Given the assessed reasonableness of the JLL valuations, we have adopted their assessment of Market Value of **$108.92 million** for the valuation of the Properties.

9.4. Valuation summary

We have calculated the value of the Dealerships and Properties in Table 9.10.

Table 9.10

In A$ '000	Low	High
PwCS Maintainable earnings	15,250	15,250
Add back: Depreciation of property	21	21
Add back: Rent & lease	6,608	6,608
Charge: Notional rent	-6,901	-6,901
Adjusted PBT	**14,978**	**14,978**
Capitalisation multiple (Adjusted Enterprise)	6.00x	6.75x
Value of Dealerships	**89,866**	**101,099**
NTA		
Market value of Properties	108,920	108,920
FMV of Dealerships and Properties	**198,786**	**210,019**

Source: Eagers, Vendors Management accounts, JLL Report, PwC Analysis

9.5. Cross check to the implied business multiples

As a cross check we have compared the implied EV/EBIT multiples on a 'whole of business' level (i.e. EV of the business including properties) to the comparable trading and transaction multiples on the same 'whole of business' level.

Table 9.11

Implied multiples calculation

In A$ '000	Low	High
PwCS Maintainable earnings	15,250	15,250
Add back rent	6,608	6,608
Adjusted earnings	21,858	21,858
FMV of Dealerships and Properties	198,786	210,019
Implied EV/EBIT multiple	9.1x	9.6x

Source: Eagers, Vendors Management accounts, PwC Analysis

Comparable trading EV/EBIT multiples

	Low	High
LTM	8.6x	10.5x
FY+1	8.3x	11.4x

Source: Eagers, Capital IQ, Mergermarket, PwC Analysis

When the value of Dealerships and Properties is considered as an integrated enterprise, the implied multiple for the Dealerships and Properties together increases compared to the multiple range adopted just for the Dealerships and is comparable to the equivalent multiples for the listed comparable companies. It is understandable the implied multiple for the Dealerships and Properties together is higher than the multiple range adopted for the Dealerships given the properties trade at significantly higher multiples than the operating business. It is therefore also reasonable the implied multiples are comparable to the trading multiples of the comparable companies as the Vendors' business has a significantly higher proportion of its overall value reflected in owned properties than the comparable companies, which leads to a higher multiple. However, this is offset by the:

- Comparable companies are significantly larger than Vendors.
- Comparable companies have larger footprint lessening risk of localised market downturns.
- Marketability and liquidity premium related to their public trading.

10. Fairness assessment

Pursuant to the Australian Securities & Investments Commission (ASIC) Regulatory Guide 111 – Content of expert reports (RG 111), the Acquisition is “fair” if the value of the 100% interest in the Dealerships and Properties being acquired is equal to, or greater than the value of the Purchase Consideration being paid.

Table 9.12 summarises our valuation of the Dealerships and Properties and compares it to the Purchase Consideration:

Table 9.12

In A$ '000	Purchase Consideration	Assessed FMV Low	Assessed FMV High
Dealerships and Properties	193,200	198,786	210,019

Source: Eagers, Vendors Management accounts, JLL Report, PwC Analysis

As the value of the FMV of Dealerships and Properties to be acquired is higher than the Purchase Consideration to be paid, in our opinion, the Proposed Transaction is **fair** to Eagers’ Non-Associated Shareholders when assessed based on the guidelines set out in RG 111.

11. Reasonableness assessment

Pursuant to RG 111, a transaction is reasonable if it is fair. Consequently, in our opinion, the Proposed Acquisition is also “**reasonable**” to Eagers Non-Associated Shareholders.

The following factors are also relevant to the reasonableness of the Proposed Transaction:

The ACT represents approximately 2% of new vehicle sales in Australia. Eagers have had no presence in this region to date. As the industry consolidates, having a balanced national footprint is likely to be strategically important to serving national customers and achieving economies of scale.

The Dealerships’ represent a balanced portfolio of brands which adds to the Eagers portfolio of brands

The Dealerships operate eight brands, being Toyota, Ford, Lexus, Subaru, Volvo, Mitsubishi, Jeep and GMSV. The market share of individual brands can vary over time as new products come to market and consumer trends change. Eagers already operates each of these brands in other markets and having a portfolio of brands in the ACT should reduce the volatility of returns from the portfolio over time.

The Dealerships owned and leased ACT property portfolio provides flexibility for Eagers to manage the businesses in a cost-efficient way and is aligned with the Next100 Strategy

Ten properties will be acquired (Properties). Eagers has an existing strategy (Next100 Strategy) of acquiring strategic properties to allow them to transform and consolidate their automotive retail formats, to deliver an enhanced customer experience on a lower cost base. The acquisition of the Properties will provide flexibility to further pursue this strategy in the ACT.

The acquisition gives Eagers a channel to expand its parallel businesses such as easyauto123, a fixed price used car sales business, into the ACT

Eagers have a number of business operations which operate in parallel with their existing dealership operations. One of the more significant of these is easyauto123. easyauto123 is a used car business focused on selling used cars at a fixed price, offering consumers a way of buying a used car without the traditional ‘haggling’ that can take place over the price. easyauto123 currently has a physical presence in New South Wales (NSW), Victoria (VIC), Queensland (QLD), South Australia (SA) and Western Australia (WA), but no presence in the ACT. The acquisition of the Dealerships and Properties will provide Eagers with a platform to extend the easyauto123 business into the ACT.

On an Earnings Per Share basis the acquisition is expected to be accretive, before synergies

The Dealership and Properties to be acquired are expected to contribute approximately of $22 million in maintainable Adjusted Earnings before Interest and Tax (EBIT) to Eagers. Although our maintainable earnings estimate is approximately $15m, this includes a notional rent charge on owned Properties of approximately $7 million. The Proposed Transaction will be funded from existing funding sources. The Eagers 31 December 2021 annual report disclosed average funding costs on capital loans between 3% and 3.5%. With reference to the current economic environment and rising interest rates, even at a funding cost of 5% the acquisition is expected to be Earning per Share (EPS) positive for Eagers. While the purchase price accounting is yet to be finalised, it is unlikely the amortisation of intangible assets recognised in the acquisition would alter this outcome. Typically, a large portion of the intangible assets in the acquisition of dealerships is allocated to goodwill, which is not amortised for accounting purposes.

Disadvantages

The acquisition is for cash and will therefore increase the gearing of Eagers (although gearing levels would remain within an acceptable range).

The acquisition price of $193.2 million is to be paid in cash. As Eagers are not issuing any new equity to fund the acquisition it will effectively result in increased gearing for Eagers and additional financial risk for Eagers. At 31 December 2021 Eagers had borrowings (including bailment liabilities but excluding lease liabilities) of approximately $1 billion against assets of approximately $3.1 billion (excluding Right of Use assets). An additional $193.2 million of debt will not result in a gearing level that would be considered highly leveraged, particularly given the nature of the bailment finance. Debt other than Bailment finance is $326 million at 31 December 2021. Interest coverage measured using Adjusted EBIT and treating Bailment interest as operating expense was approximately 9.7x in the year ended 31 December 2021 and post the acquisition, on a pro-forma basis is expected to remain above 8.0x.

Timing of the market

Although supply constraints have limited volume growth in new vehicle sales, it has allowed for improved margins relative to recent historical levels. There is a risk that these margin levels will not be sustained as supply chain issues are addressed. In addition, on 3 May 2022 the Reserve Bank announced an increase to the cash rate and foreshadowed that further rate rises are expected in the months ahead. The expectation of future interest rate rises in Australia and other Western economies, particularly the US, have resulted in a generally negative sentiment on equity markets over the last few weeks. While it is difficult to forecast future valuation movements there is a risk the acquisition is being made at a point close to the top of a market cycle, albeit current share prices for listed companies should already incorporate the market's expectation of the future.

Integration risk and costs

Eagers do not have any existing operations in the ACT. There are risks that the integration of the dealerships into the Eagers structure may result in unforeseen challenges, the associated integration costs might be higher than envisaged and the time required to integrate the operations may take longer than expected. These risks are mitigated by the fact that the Dealerships are currently run largely autonomously and that Eagers have acquired significant experience with respect to acquisition integration in recent years.

12. Appendices

Appendix A. Comparable trading multiples

											Adjusted EBIT calculation								LTM margins			EV / EBIT		% change of EV / EBIT LFY and	Adjusted EV / EBIT		Adjusted EV / EBIT for cross check*	
Company	Country	Primary industry	Right of use asset on balance sheet	Market Cap. ($m)	EV ($m)	Lease liability	Market value of owned properties ($m)	Floorplan related debt	EV adjusted ($m)	LFY EBIT	Less: Floorplan interest ($m)	Add back: Impairment ($m)	Add back: Depn buildings ($m)	Less: ROU liability interest ($m)	Property capitalisation rate	Less: Notional rent charge ($m)	LFY EBIT Adjusted	EBIT FY+1	EBITDA	EBIT	NI	LTM	FY+1	FY+1	LFY	FY+1	LFY	FY+1
Eagers Automotive Limited	Australia	Automotive Retail	631	3,632	5,590	1,126	432	681	3,845	483	- 17	5	5	- 49	0	- 26	401	447	7.0%	5.6%	3.1%	11.6x	12.5x	8%	9.6x	10.4x	10.5x	11.4x
Autosports Group Limited	Australia	Automotive Retail	220	476	1,002	250	57	271	455	83	- 5	-	0	- 9	0	- 4	65	93	6.3%	4.6%	2.5%	11.1x	10.7x	-3%	6.9x	6.8x	8.6x	8.3x
Peter Warren Automotive Holdings Limited	Australia	Automotive Retail	201	517	982	231	197	182	403	74	- 4	-	0	- 12	0	- 12	46	88	6.6%	5.2%	2.5%	11.5x	11.1x	-3%	8.7x	8.4x	9.8x	9.5x
MotorCycle Holdings Limited	Australia	Automotive Retail	43	185	265	46				36								33	10.6%	7.5%	5.2%	7.9x	8.1x	2%				
ARB Corporation Limited	Australia	Auto Parts and	38	3,078	3,064	44				152								173	28.9%	25.9%	19.6%	16.9x	18.1x	7%				
Bapcor Limited	Australia	Distributors	356	2,550	3,009	252				199								217	14.5%	10.5%	6.8%	16.1x	13.9x	-14%				
GUD Holdings Limited	Australia	Auto Parts and	88	1,978	1,907	95				98								219	20.2%	16.9%	11.0%	17.7x	8.7x	-51%				
Super Retail Group Limited	Australia	Specialty Stores	913	2,710	3,635	1,012				469								320	19.1%	11.3%	7.1%	9.5x	11.3x	18%				
Median - broad set			**210**	**2,264**	**2,458**	**240**				**125**								**195**	**12.5%**	**9.0%**	**6.0%**	**11.5x**	**11.2x**	**-0.4%**				
Mean - broad set			**311**	**1,891**	**2,432**	**382**				**199**								**199**	**14.1%**	**10.9%**	**7.2%**	**12.8x**	**11.8x**	**-4.4%**				
Quartile 1 - narrow set			210	497	992	240	127	227	429	79	(11)	-	0	(30)	0	(19)	56	91	6.5%	4.9%	2.5%	11.3x	10.9x	-3.1%	7.8x	7.6x	9.2x	8.9x
Median - narrow set			**220**	**517**	**1,002**	**250**	**197**	**271**	**455**	**83**	**(5)**	**-**	**0**	**(12)**	**0**	**(12)**	**65**	**93**	**6.6%**	**5.2%**	**2.5%**	**11.5x**	**11.1x**	**-2.8%**	**8.7x**	**8.4x**	**9.8x**	**9.5x**
Mean - narrow set			**351**	**1,542**	**2,525**	**536**	**229**	**378**	**1,567**	**214**	**(9)**	**2**	**2**	**(23)**	**0**	**(14)**	**171**	**209**	**6.6%**	**5.1%**	**2.7%**	**11.4x**	**11.5x**	**0.7%**	**8.4x**	**8.5x**	**9.6x**	**9.7x**
Quartile 3 - narrow set			425	2,075	3,296	688	315	476	2,150	283	(5)	3	3	(10)	0	(8)	233	270	6.8%	5.4%	2.8%	11.5x	11.8x	2.7%	9.1x	9.4x	10.2x	10.5x

Source: Capital IQ, Company annual reports, PwC analysis

Note: We only show EV and EBIT adjustments for the three most comparable companies selected for the multiples calculation

**Adjusted EV / EBIT for cross check only adjust for bailment finance and bailment interest. Whilst Adjusted EV / EBIT, which is used for the multiples selection, adjusts for bailment finance and bailment interest as well as for the exclusion of properties.*

Appendix B. Comparable transactions

The table below summarizes financials of 19 dealerships transactions that Eagers completed over the period from 2007 to 2019:

In A$ '000	Net Assets Acquired	Goodwill	Maintainable PBT	Maintainable PBT/Goodwill + Net Assets Multiple Paid
Min	37	873	1,100	4.2x
Average	4,616	17,740	4,584	5.8x
Median	2,265	10,000	3,200	6.1x
High	18,608	88,450	17,350	9.3x

Note: We have not disclosed the names of the dealerships as many of these transactions are private transactions.
Source: Eagers

Appendix C. Comparable companies business description

Ticker	Company Name	Primary Industry	Business Description
ASX:APE	Eagers Automotive Limited	Automotive Retail	Eagers Automotive Limited engages in the ownership and operation of motor vehicle and truck dealerships in Australia and New Zealand. It operates through: Car Retailing, Truck Retailing, and Property segments. The Car Retailing segment offers a range of automotive products and services, including new and used vehicles, vehicle maintenance and repair services, vehicle parts, service contracts, vehicle brokerage services, vehicle protection products, and other aftermarket products. It also facilitates financing for vehicle purchases through third-party sources; and engages in the motor auction business and forklift rental business. The Truck Retailing segment offers various products and services comprising new and used trucks, truck maintenance and repair services, truck parts, service contracts, truck protection products, and other aftermarket products; and facilitates financing for truck purchases through third-party sources. The Property segment acquires and rents commercial properties. The company was formerly known as A.P. Eagers Limited and changed its name to Eagers Automotive Limited in July 2020. Eagers Automotive Limited was founded in 1913 and is based in Newstead, Australia.
ASX:ASG	Autosports Group Limited	Automotive Retail	Autosports Group Limited, together with its subsidiaries, engages in the motor vehicle retailing business in Australia. It sells new and used motor vehicles, aftermarket products, and spare parts; distributes finance and insurance products; and provides motor vehicle servicing and collision repair services. As of June 30, 2021, it operates 43 franchised dealerships; 3 used motor vehicle outlets; and 6 motor vehicle collision repair facilities. Autosports Group Limited was founded in 2006 and is based in Leichhardt, Australia.
ASX:PWR	Peter Warren Automotive Holdings Limited	Automotive Retail	Peter Warren Automotive Holdings Limited engages in the retail of new and used cars in Australia. The company also provides car service, parts, accessories, vehicle financing, and insurance. It operates 74 franchise operations. The company was founded in 1958 and is based in Sydney, Australia.
ASX:MTO	MotorCycle Holdings Limited	Automotive Retail	MotorCycle Holdings Limited owns and operates motorcycle dealerships in Australia. It operates through two segments, Motorcycle Retailing and Motorcycle Accessories Wholesaling. The company is involved in the sale of new motorcycles, used motorcycles, accessories and parts, and mechanical protection plan contracts; wholesaling and retailing of motorcycle accessories; and financing and insurance services for motorcycle purchases through third-party sources, as well as servicing and repair of motorcycles. It also owns and operates a motorcycle repair business that performs smash repair work for insurers. The company operates 41 retail locations in Queensland, New South Wales, Victoria, and the Australian Capital Territory. MotorCycle Holdings Limited was founded in 1989 and is based in Slacks Creek, Australia.
ASX:ARB	ARB Corporation Limited	Auto Parts and Equipment	ARB Corporation Limited designs, manufactures, distributes, and sells motor vehicle accessories and light metal engineering works in Australia, the United States, New Zealand, Thailand, the Middle East, the United Kingdom, and rest of Europe. The company provides bull bars, side rails and side steps, canopies, UTE lids and tub accessories, roof racks and bars, suspension systems, driving lights, air compressors and tire accessories, air lockers, winches, recovery equipment, recovery points, under vehicle protection products, fuel tanks and storage, drawers and cargo solutions, portable fridge freezers, tents, swags and awnings, camping and touring accessories, safari snorkels, dual battery and solar systems, and general accessories, as well as rear protection, towing, and wheel carriers. It also offers LINX, a controller that declutters the dashboard and centralizes the command of vehicle accessories by replacing classic switches, gauges, and monitors with one sleek and smart driver interface; and UHF radios, GPS map navigators, and reversing cameras. The company serves stockists, vehicle dealers, and various fleet operators. It operates approximately 70 ARB stores, which include 29 company owned stores in Australia. The company has a strategic partnership with Ford Motor Company to develop a suite of aftermarket products for the Ford Bronco. ARB Corporation Limited was founded in 1975 and is based in Kilsyth, Australia.
ASX:BAP	Bapcor Limited	Distributors	Bapcor Limited sells and distributes automotive aftermarket parts, accessories, equipment, and services and solutions in Australia, New Zealand, and Thailand. The company operates through four segments: Bapcor Trade, Bapcor Specialist Wholesale, Bapcor Retail, and Bapcor NZ. The Bapcor Trade segment offers automotive aftermarket parts and consumables to trade workshops for the service and repair of passenger and commercial vehicles; automotive workshop equipment, such as vehicle hoists and scanning equipment, including the servicing of the equipment; and automotive accessories and maintenance products to do-it-yourself vehicle owners. As of June 30, 2021, it operated 200 stores. The Bapcor Specialist Wholesale segment engages in the automotive aftermarket wholesale of brake, bearing, electrical, suspension, 4WD, cooling, diesel, and engine control systems and parts for light and heavy commercial vehicles. The Bapcor Retail segment operates 341 company owned and franchise stores comprising 133 Autobarn stores, 74 Autopro stores, 30 Sprint Auto Parts stores, and 104 Midas and ABS workshop service stores. Bapcor NZ segment is involved in the wholesale of batteries, steering and suspension products, auto electrical and precision equipment, and vehicle workshop equipment; and diesel distribution activities. This segment also supplies automotive parts and accessories to workshops, trucks, and trailer parts through the Truck and Trailer Parts brand. It operates through a network of 76 stores in 85 locations, as well as 102 Battery Town locations. The company was formerly known as Burson Group Limited and changed its name to Bapcor Limited in July 2016. Bapcor Limited was founded in 1971 and is based in Preston, Australia.
ASX:GUD	GUD Holdings Limited	Auto Parts and Equipment	GUD Holdings Limited, through its subsidiaries, engages in the manufacture and importation, distribution, and sale of automotive products, pumps, pool and spa systems, and water pressure systems in Australia, New Zealand, France, and the United States. It operates through Automotive and Davey segments. The Automotive segment offers automotive and heavy-duty filters for cars, trucks, and agricultural and mining equipment; and fuel pumps and associated products for the automotive after-market. The Davey segment provides pumps and pressure systems for household and farm water; water transfer pumps; swimming pool products; spa bath controllers; and pumps and water purification equipment. The company was incorporated in 1958 and is based in Altona North, Australia.
ASX:SUL	Super Retail Group Limited	Specialty Stores	Super Retail Group Limited engages in the retail of auto, sports, and outdoor leisure products in Australia and New Zealand. It offers automotive parts and accessories, handyman items, and tools and equipment to marine and motorbike products, including batteries, car care products, exterior accessories, hand and power tools, in-car navigation systems, in-car stereo equipment, lighting and electrical products, oils, filters and additives, outdoor equipment and accessories, seat covers and interior accessories, spare parts, paints and panels, and performance products. The company also provides footwear, fitness and sports equipment, apparel, and related accessories; and boating, camping, and fishing products, such as lures, rods and reels, tackle boxes, fishing nets, tents, ropes, pegs, cooking equipment, and clothing and hiking gears, as well as boating accessories comprising fishing rod holders, bilge pumps, fish-finders, etc. In addition, it offers apparel and equipment for mountain climbers, campers, hikers, and others; and products for travel, touring, outdoor, garage, and shed, as well as vehicles for adventure activities. The company sells its products under the Supercheap Auto, rebel, BCF, and Macpac brands; and offers its products online. It operates 698 stores. The company was formerly known as Super Cheap Auto Group Limited and changed its name to Super Retail Group Limited in 2010. Super Retail Group Limited was founded in 1972 and is based in Strathpine, Australia.

Source: Capital IQ

Appendix D. Performance benchmarking by brand category

Volume

	New		Used	
	Low	High	Low	High
Net profit as % of sales	5.40%	5.90%	5.40%	5.90%
Gross profit / employee / month	24,750	24,750	24,750	24,750
Net profit / employee / month	9,700	9,700	9,700	9,700
Gross profit / unit	4,300	4,500	3,700	3,900
Monthly sales per employee	98,500	98,500	98,500	98,500

Prestige

	New		Used	
	Low	High	Low	High
Net profit as % of sales	5.50%	6.10%	5.50%	6.10%
Gross profit / employee / month	21,950	21,950	21,950	21,950
Net profit / employee / month	8,700	8,700	8,700	8,700
Gross profit / unit	4,500	4,900	3,700	3,900
Monthly sales per employee	105,000	105,000	105,000	105,000

Luxury

	New		Used	
	Low	High	Low	High
Net profit as % of sales	5.80%	6.10%	5.80%	6.10%
Gross profit / employee / month	22,200	22,200	22,200	22,200
Net profit / employee / month	8,400	8,400	8,400	8,400
Gross profit / unit	6,450	6,850	3,200	3,400
Monthly sales per employee	114,500	114,500	114,500	114,500

Note: Net profit is profit before tax.

Source: Deloitte 2022 Dealership Benchmarks

Appendix E. Statement of qualifications and declarations

Qualifications

PwCS is beneficially owned by the partners of PricewaterhouseCoopers (PwC), a large international entity of chartered accountants and business advisors. PwCS holds an Australian Financial Services License under the Corporations Act.

Andrew Wellington is a member of the Chartered Accountants in Australia and New Zealand (CA ANZ), a CA Business Valuations Specialist and a senior fellow of FINSIA. He has more than 30 years' experience with PwC and extensive experience in preparing valuations and Independent Expert reports as well as providing merger and acquisition advice. He is also a partner of PwC, and is an authorised representative of PwCS.

Andrew Wellington was assisted by Nigel Smythe in the preparation of this Independent Expert Report.

Declarations

Prior to accepting this engagement, we considered our independence with respect to Eagers by reference to ASIC Regulatory Guide 112 Independence of Experts. In our opinion, we are independent of Eagers and the outcome of the transaction.

PwCS has not had any involvement in providing advice connected with the Proposed Transaction. In the last 2 years, as would be typical of similar firms, PwCS has provided advice and services to Eagers that are not connected with the Proposed Transaction. These services have never exceeded 1% of PwC Australia's annual revenue. PwCS have not provided any services to the Vendors in the last 2 years. Andrew Wellington has provided services to Eagers in the last 2 years but none of those services relate to the Proposed Transaction. No other members of the team responsible for this report have provided services to Eagers Automotive or the Vendors in the last 2 years.

Neither PwCS nor PwC has any interest in the outcome of the Offer. PwCS will receive a fee of approximately $150,000, exclusive of GST, in relation to the preparation of this Independent Expert's Report. The fee payable to us is payable regardless of the outcome of the Proposed Transaction. None of PwCS, PwC, Mr Wellington and Mr Smythe hold securities in Eagers and have not held any such beneficial interest in the previous two years.

A draft of this report was provided to the directors of Eagers Limited for a review of factual accuracy on 15 May 2022 with a final draft provided on 17 May 2022. No changes to our opinion arose as a result of this review.

Purpose of report

This Independent Expert's Report has been prepared at the request of the Independent Directors of Eagers and should not be used for any other purpose. In particular, it is not intended that this Independent Expert's Report should serve any purpose other than an expression of our opinion on whether the Proposed Transaction is Fair and Reasonable to the Non-Associated Shareholders. This Independent Expert's Report has been prepared solely for the benefit of the Directors of Eagers and for the benefit of the existing shareholders of Eagers. Neither the whole nor any part of this Independent Expert's Report nor any reference to it may be included in or attached to any document, circular, resolution, letter or statement without our prior written consent to the form and context in which it appears.

Special note regarding forward-looking statements and forecast financial information

Certain statements in this Independent Expert's Report may constitute forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance and achievements of Eagers to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among other things, the following:

- General economic conditions;
- The future movements in interest rates and taxes;
- The impact of terrorism and other related acts on broader economic conditions;
- Changes in laws, regulations or governmental policies or the interpretation of those laws or regulations to Eagers in particular; and
- Other factors referenced in this Independent Expert's Report.

Indemnity

In preparing this Independent Expert's Report, Eagers has indemnified PwCS, PwC and its employees, officers and agents against any claim, liability, loss or expense, cost or damage, including legal costs on a solicitor client basis, arising out of reliance on any information or documentation provided by Eagers which is false and misleading or omits any material particulars or arising from a failure to supply relevant documentation or information.

In addition, Eagers has agreed that if it makes any claim against PwC or PwCS for loss as a result of a breach of our contract, and that loss is contributed to by its own actions, then liability for its loss will be apportioned having regard to the respective responsibility for the loss, and the amount Eagers may recover from PwCS will be reduced by the extent of its contribution to that loss.

Consent

PwCS has consented in writing to this Report in the form and context in which it appears being included in the Notice of Meeting including Notice of Meeting includes the Explanatory Notice, which will be issued by the Independent Directors of Eagers and which will be distributed to Shareholders.

JLL have consented in writing to the references to this Independent Valuations in the form and context in which they appear being included in this Report.

Neither PwCS nor PricewaterhouseCoopers has authorised or caused the issue of all or any part of the Notice of Meeting other than this report. Neither the whole nor any part of this report nor any reference to it may be included in or with or attached to any other document, circular, resolution, letter or statement without the prior consent of PwCS to the form in which it appears.

APES 225 "Valuation Services"

This Independent Expert report has been prepared in accordance with APES 225 "Valuation Services".

Appendix F. Sources of information

In preparing this Independent Expert's Report, we have had access to and relied upon major sources of information, including:

- ASX announcements for Eagers
- Management accounts provided by the Vendors
- Discussions with management and the advisers to Eagers
- Discussions with management of the Vendors
- Other information provided by management of Eagers
- Other information provided by the Vendors
- Information obtained from Bloomberg, Capital IQ, Mergerstat, Broker Reports and IBISWorld Industry Reports
- Other publicly available information including information from websites
- JLL property valuation reports
- VFACTS data
- Dealership industry benchmarks published by Deloitte
- Annual reports of comparable companies
- ASX Listing rules
- ASIC guidance (RG 76, 111 and 112)
- Proposed Transaction related documents
- Statutory accounts of Vendors entities (Belconnen Automotive Pty Limited, Southsub Pty Ltd, Janrule Pty. Limited)

We have not performed an audit, review or any other verification of the information presented to us. Accordingly, we express no opinion on the reliability of the information supplied to us.

In forming our opinion PwCS has assumed that:

- Matters such as compliance with laws and regulations and contracts in place are in good standing and will remain so and that there are no material legal proceedings, other than as publicly disclosed.
- The information set out sent by Eagers to its shareholders is complete, accurate and fairly presented in all material aspects.
- The publicly available information relied on by PwCS in its analysis was accurate and not misleading.
- In addition, PwCS assumes no responsibility and offers no legal opinion or interpretation on any issue in respect of legal issues relating to assets, properties, or business interests or issues regarding compliance with applicable laws, regulations and policies.

Appendix G. Glossary

Term	Definition
$, A$	Australian dollar
ACT	Australian Capital Territory
Adjusted EBIT	EBIT less Bailment interest
AHG	Automotive Holdings Group Limited
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
Autosports	Autosports Group
Bailment finance	A financing option particularly for car dealers to finance their stock. Dealers pay lenders for stock once sold. Also known as floorplan finance.
Bailment interest	Interest charged on Bailment finance.
BBAG	Bill Buckle Auto Group
BSA	Business Sale Agreement
CAGR	Compound annual growth rate
CoE	Capitalisation of earnings
Covid-19	Novel Coronavirus 2019
CY	Calendar year
D&A	Depreciation and amortisation
DCF	Discounted cash flow
Dealerships	The motor vehicle dealerships to be acquired pursuant to the Proposed Transaction, being the Toyota, Volkswagen, Jeep, Ford, Lexus, Subaru, Volvo, Mitsubishi and GMSV dealerships operated by the Vendors located in Belconnen, Fyshwick and Phillip in the ACT.
Eagers or the Company	Eagers Automotive Limited and controlled entities
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
EBITDAI	Earnings before interest, tax, depreciation and amortisation, and impairment
EPS	Earnings per share
EV	Enterprise value
FMV	Fair market value
FY	Financial year ended on 30th June
IER or the Report	Independent Expert's report
Independent Directors	The directors of Eagers Automotive Limited other than Mr Nick Politis and Mr Daniel Ryan
Independent Expert	Independent expert as required by ASIC RG 112
JLL	Jones Lang LaSalle Advisory Services Pty Ltd
LFY	Last financial year
LTM	Last twelve months
M&A	Mergers and acquisitions
Market Data Date	13 May 2022
MotorCycle	MotorCycle Holdings Limited
NGP	NGP Investments (No.2) Pty Limited
NLA	Net lettable area

Non-Associated Shareholders	Non-Associated Shareholders of Eagers
Notice of Meeting	Notice of meeting and explanatory statement to approve the Proposed Transaction
NSC	National Sales Centre
NSW	New South Wales
NT	Northern Territory
OEM	Original Equipment Manufacturer or manufacturer
PBT	Profit before tax
Penfold	Penfold Motor Group
Peter Warren	Peter Warren Automotive Holdings Limited

Properties

Location	Dealership	Area
1 Josephson Street	Canberra Toyota	Belconnen
2-10 Josephson Street	Gerald Slaven Volkswagen, Ford, Jeep & GMSV	Belconnen
3 Josephson Street	Belconnen Cheaper Cars	Belconnen
44 Wollongong Street & 114-116 Gladstone Street	Toyota & Parts Warehouse	Fyshwick
112 Gladstone Street	Storage	Fyshwick
Unit 3, 34 Ipswich Street	Capital Subaru	Fyshwick
142 Melrose Drive	Subaru Canberra	Philip
152 Melrose Drive	Volvo Cars Canberra & Philip Mitsubishi	Philip
160-162 Melrose Drive	Canberra Toyota & Lexus of Canberra	Philip
29 Botany Street	Gerald Slaven Ford	Philip

Proposed Transaction	Eagers has proposed to acquire a portfolio of dealerships and associated properties (Dealerships and Properties) which are controlled by, or associated with Mr Nick Politis who is a Director and substantial shareholder of Eagers.
Purchase Consideration	The proposed total purchase consideration is $193.2 million and is to be settled in cash.
PwC	PricewaterhouseCoopers
PwC Maintainable earnings	Maintainable earnings estimated by PwC
PwCS	PricewaterhouseCoopers Securities Ltd
QLD	Queensland
RG111	Regulatory Guide 111 (Content of expert reports)
RG112	Regulatory Guide 112 (Independence of experts)
RG76	Regulatory Guide 76 (Related party transactions)
ROS	Return on sales
ROU	Right of use
SA	South Australia
SME	Small to medium-sized enterprise
sqm	Square metre
Suttons	Suttons Group
TFL	Toyota for Life
US	United States
Valuation Date	Date of this report

Vendors	N G P Investments (No 2) Pty Ltd, Southsub Pty Ltd, Janrule Pty. Limited, Belconnen Automotive Pty Limited, JR Car Rentals Pty Ltd, JRBA Services Pty Limited
Vendors Maintainable earnings	Maintainable earnings estimated by Vendors
VIC	Victoria
WA	Western Australia
YoY	Year over year
YTD	Year to date

Appendix H. Financial services guide

PricewaterhouseCoopers Securities Ltd

This Financial Services Guide (FSG) is dated 19 May 2022.

About us

PricewaterhouseCoopers Securities Ltd (ABN A54 003 311 617, Australian Financial Services Licence No 244572) has been engaged by the Independent Directors of Eagers to provide a report in the form of an Independent Expert's report (IER or the Report) in relation to the Proposed Transaction to be voted on by the Non-Associated Shareholders of Eagers.

This financial services guide

This FSG is designed to assist retail clients in their use of any general financial product advice contained in the IER. This FSG contains information about PwCS generally, the financial services we are licensed to provide, the remuneration PwCS may receive in connection with the preparation of the IER, and how complaints against us will be dealt with.

Financial services we are licensed to provide

Our Australian Financial Services Licence allows us to provide a broad range of services, including providing financial product advice in relation to various financial products such as securities, interests in managed investment schemes, derivatives, superannuation products, foreign exchange contracts, insurance products, life products, managed investment schemes, government debentures, stocks or bonds and deposit products.

General financial product advice

The IER contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.

You should consider your own objectives, financial situation and needs when assessing the suitability of the IER to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

Fees, commissions and other benefits we may receive

PwCS charges fees to produce reports, including this IER. These fees are negotiated and agreed with the entity who engages PwCS to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the person who engages us. In the preparation of this Report our fees are charged on a fixed basis and are approximately $150,000 (excluding GST) and we will be reimbursed for out of pocket expenses incurred.

Directors or employees of PwCS, PricewaterhouseCoopers (PwC), or other associated entities, may receive partnership distributions, salary or wages from PwC.

Associations with issuers of financial products

PwCS and its authorised representatives, employees and associates may from time to time have relationships with the issuers of financial products. For example, PwC may be the auditor of, or provide financial advisory services to the issuer of a financial product and PwCS may provide financial services to the issuer of a financial product in the ordinary course of its business.

Complaints

If, for any reason, you are not satisfied with the advice or service you receive from PwCS or from our authorised representatives, you are entitled to make a complaint. If you wish to make a complaint please initially lodge your complaint with your adviser. We have established procedures to ensure all complaints are resolved quickly and fairly. A copy of our internal complaints handling procedure can be provided to you upon request.

If you do not receive a satisfactory outcome to your complaint, you have the right to contact the Australian Financial Complaints Authority ("AFCA"). AFCA provides independent financial services complaint resolution that is free to consumers.

Australian Financial Services Complaints Authority

GPO Box 3, Melbourne VIC 3001

Tel: 1800 931 678 (Free Call)

E-mail: info@afca.org.au

Website: www.afca.org.au

PwCS is a member of AFCA. You will not be charged for using the AFCA service.

Contact details

PwCS can be contacted by sending a letter to the following address:

Mr Andrew Wellington
Authorised Representative
PricewaterhouseCoopers Securities Ltd
480 Queen Street Brisbane QLD 4000