

ASX Announcement
22 August 2023

Peter Warren Automotive Holdings Limited

FY23 Result

Peter Warren Automotive Holdings Limited (ASX: PWR) (“Peter Warren” or “the Group”) today announces its financial result for the year ended 30 June 2023, with our diverse revenue streams delivering a solid earnings result.

Result summary	<u>FY23</u> <u>\$'m</u>	<u>FY22</u> <u>\$'m</u>	<u>Var</u>
<u>Underlying Results</u> ⁽¹⁾			
Revenue	2,073.1	1,711.3	21.1%
EBITDA ⁽¹⁾	140.5	130.1	8.0%
Profit before tax (PBT) ⁽¹⁾	81.9	88.2	(7.2%)
Net profit after tax (PBT) ⁽¹⁾	56.9	61.7	(7.8%)
Basic Earnings cents per share (cents)	32.78	33.37	(0.59)
Interim Dividend per share (cents)	11.0	9.0	2.0 cps
Final dividend per share (cents)	11.0	13.0	(2.0) cps
Total dividend per share (cents)	22.0	22.0	0.0 cps

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

Mark Weaver, Chief Executive Officer of Peter Warren said: “I am pleased to report a solid result for Peter Warren, which reflects the diversity of our revenue streams and validates our position as a dealer of choice for both our customers and the OEMs we represent.”

“We operate in a changing industry and continue to be proactive in mitigating the challenges around cost inflation, higher interest rates, consumer spending and vehicle supply. We are not immune to these elements and we remain highly disciplined in our approach to inventory and cost management. Our exceptional team of people have driven revenue growth across all parts of our business and have built a substantial order book which has a long run off and provides a degree of certainty regarding our outlook.”

“We are in a strong financial position with low net debt and significant capacity to debt-fund acquisitions. The Board has declared a final dividend of 11.0 cents per share in line with our target payout ratio. Together with the interim dividend announced in February, this represents a total dividend of 22.0 cents per share in respect of the 2023 financial year, in line with the prior year.”

Financial Result Summary

Financial results for the year ended 30 June 2023 (FY23) are summarised as follows:

	<u>FY23</u> \$'m	<u>FY22</u> \$'m	<u>Var</u> %
<u>Statutory Results</u>			
Revenue	2,073.1	1,711.3	21.1%
EBITDA	139.7	122.7	13.9%
Profit before tax (PBT)	81.1	80.8	0.3%
Net profit after tax (PBT)	56.4	56.5	(0.3%)

FY23 Result Overview

Sales revenue growth of 21.1%: reflects strong volume growth, the result of our ongoing focus on growing our diverse revenue streams and the incremental contribution from the recently acquired Penfold Motor Group. Revenue growth was 12.3% after excluding the additional five months of trading from the Penfolds acquisition.

Underlying EBITDA grew by 8.0%, reflecting a modest reduction in gross margin and the impacts of cost inflation during the year.

Gross margin % declined 110bps during the year (from 20.0% to 18.9%). This incorporated the impact of the agency model, lower used vehicle margins as inventory was reset to reflect new market conditions, and a small reduction in income from the Apprentice Booster program. However, the growth in revenues from increased apprentice vehicle technicians and from growth in vehicle sold more than offset the reduction in gross margin percentage.

Operating Expenses saw a step up following the acquisition of the Penfold's business. We also experienced cost-inflation pressures and implemented a cost control program which incorporated wage increases below inflation; cost recovery programs in service and parts; cost and procurement reviews.

Interest costs increased by \$12.2m on the prior year, with floorplan interest up \$8.6m due to higher interest rates, and increased inventory. There was a \$2.2m interest increase for acquisition-related debt which stepped up during FY22.

Market conditions

New vehicles sold were up 18% (to 27,383 units for FY23) including the incremental contribution from the Penfold Motor Group. The growth in new vehicles sold, excluding the uplift from the Penfolds acquisition was 9%.

The general trend has been for new vehicle demand to exceed available supply. For the first time in three years, June 2023 saw vehicle deliveries exceed orders taken. However, in July 2023 the level of supply fell back in line with the general trend. The order book at 30 June 2023 is very strong and has been further increased in the period after 30 June by the acquisition of Toyota and VW dealerships.

We have seen improvements in vehicle supply in some OEM brands, however we continue to face issues in supply consistency, product mix and port delays. Taking supply and demand together, we expect our order book to remain high and provide a cushion against potential fluctuations in demand.

Our used vehicle revenue increased by \$53m and, after adjusting for the benefit of the acquisition of the Penfold business, revenues increased by 13.6%. During the course of FY23, we identified changes in the used car market and responded by reviewing our used car pipeline and the profile of inventory carried. This caused our used car inventory to reduce by \$10m (v. FY22) and positions us well for FY24.

We are well positioned for the transition to New Energy Vehicles (NEV) supporting a sustainable future, including advanced charging infrastructure, development of complementary consumer products and adoption of new revenue streams and partnerships. Our NEV model line-up is strong and is expected to grow by 90% as the OEM supply lag improves. This will naturally dilute the early market leaders and present an opportunity for Peter Warren to lead the next wave of NEV models with a wide range of consumer offerings across all segments.

Dividend

The Directors have declared a final dividend of 11.0 cents per share, fully franked. This brings the full year dividend to 22.0 cents per share and represents a payout ratio of 67% of reported Net Profit After Tax. The record date for determining the entitlement is 5 September 2023 and the dividend will be paid on 3 October 2023.

Acquisition of Toyota and Volkswagen dealerships

In early July 2023, we completed the acquisition of a majority share in three dealerships in New South Wales, being the Toyota dealership at Warwick Farm and the Toyota and Volkswagen dealerships in Bathurst. These acquisitions were funded with \$37m of debt from our existing debt providers and \$8m of cash. This has increased our already substantial order book by 40%.

Outlook

We continue to execute on our three pillar strategy of organic growth initiatives; evaluation of acquisition opportunities; and continuing to leverage and evolve our property portfolio.

Our net debt represents 4% of our property value at 30 June 2023. After completing an acquisition in July 2023, we still have considerable debt capacity to support our future growth. Peter Warren is a natural consolidator in a highly fragmented market and will continue to pursue appropriate greenfield and acquisition opportunities.

Our growth plans are supported by a number of strategic initiatives including a focus on growing our revenue streams and continuing our customer focus. While variability in vehicle supply is likely to continue, we anticipate continued volume growth in FY24, underpinned by a strong order bank and our diversified revenue from service, parts, finance and used cars.

Improving supply will increase our operating costs, including interest, and create potential for limited margin contraction, and so we are focused on disciplined inventory and cost management to limit this impact.

Our FY24 result will also benefit from the recently completed dealership acquisitions of Toyota at Warwick Farm and Toyota and Volkswagen at Bathurst.

Mark Weaver said: “With a clear strategy, diverse operations across both geography and brands and over 2,200 dedicated team members we are well positioned to capitalise on further opportunities for both organic growth and market consolidation. Toyota is the largest automotive brand in Australia and its addition to the Peter Warren business represents an important milestone and a great opportunity.”

-ENDS-

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

Investor Conference Call

An Investor Presentation has been lodged with the ASX today together with this announcement. CEO Mark Weaver and CFO Victor Cuthell will host a webcast for analysts and investors at 9.30am (AEST) accessible via the following links:

Conference call pre-registration link:

<https://s1.c-conf.com/diamondpass/10031235-h5mo6l.html>

Webcast pre-registration link:

<https://webcast.openbriefing.com/pwr-fyr-2023/>

About Peter Warren

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

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

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