



AMA Group 2021 AGM Report

ASX Code	AMA
Meeting Time/Date	2:30pm, Thursday 18 November 2021
Type of Meeting	Virtual using Lumi technology
Monitor	John Whittington (proxy collector)
Pre AGM Meeting?	Yes, with Chair Anthony Day, Chair of Remuneration Committee Nicole Cook, and Director Investor Relations and Corporate Affairs Alix Holston

Not Enough Smashes

What the Company Does

AMA Group is a consolidator in the Australian and New Zealand autobody repair industry (smash repairs) with some additional vehicle aftercare and accessories businesses. With a significant number of bolt-on acquisitions over the years it has increased annual revenues from \$264m in FY16 to \$920m in FY21 whilst, until Covid, providing a growing dividend to shareholders.

Developments in the Financial Year

The key developments during the year are summarised here in the following slide.

FY 2021 Results Summary.

- Total Group revenue and other income from continuing operations of \$919.9 million (up 11% YoY)
- Normalised pre-AASB 16 EBITDAI of \$71.5 million (up 35% YoY)
- Normalised EBITDAI margin from continuing operations of 7% (up 25% YoY)
- Prudent approach to capital management with the Group reducing net debt by \$53.8 million (24%) to \$173.3 million at 30 June 2021
- Liquidity remains strong with \$57.7 million in undrawn facilities¹
- All Banking Covenants met
- Completion of the sale of the ACAD and Fully Equipped businesses
- No final dividend declared for FY 2021

¹Available to draw subject to approval from financiers.

AMAGROUP

Source: AMA Group FY21 Results Presentation, 24 Aug 2021

Financial performance for the year, and proceeding years shows that whilst revenue has grown even during Covid (which has significantly affected the smash repair business as lockdowns meant

not much driving being done, and not much driving being done meant fewer smashes to repair), the business made a bigger loss than FY20.

	FY17	FY18	FY19	FY20	FY21
Company Performance					
Revenue and other income (\$'000)	382.2	509.8	606.7	825.4	919.9
Net profit / (loss) (\$'000)	17.4	15.4	21.7	(71.5)	(99.1)
Normalised EBITDAI (\$'000)	41.1	52.2	58.2	55.2	71.5
Total Shareholder Return					
Basic EPS (cents)	3.3	2.9	3.4	(9.7)	(14.8)
Annual TCR (%)	22.8	10.8	38.8	(58.0)	(4.2)
Dividends (cents)	2.50	2.50	2.75	-	-
Share price at 30 June (\$)	0.97	1.05	1.43	0.60	0.58

Source: AMA Group 2021 Annual Report

Summary of Historical ASA Issues with the Company

The ASA first attended an AMA AGM in 2019 and, following this, the company has been eager to engage with the ASA. Issues that we have raised in the past have been regarding capital raisings, levels of remuneration, and the information provided in the remuneration report, and there has been some improvement in these areas.

Debate and Voting at the AGM

The [Chair and CEO presentations](#) led the meeting with the Chair first discussing the change in CEO during the year. The former CEO resigned in January 2021 and the Chair indicated that the company has commenced legal proceedings to recover company funds from him. A new CEO, former non-executive director Carl Bizon, was appointed in February. Both Chair and CEO presentations were confident with the CEO discussing the three dimensions of value he sees in the business – procurement, production, and partnerships – and how these will be used to expand margins.

In the formal part of the business there were a lot of questions – 16 or 17 from Stephen Mayne alone (one quoting a different company – perhaps an unedited cut and paste?), and six from shareholders covering topics such as expertise on the board in smash repair, lost intellectual property, profits in the acquired Capital Smart business, if they expected to hit budget next year, has the board taken any offers to buy some or all of the business, performance breakdowns by site, and whether the non-board endorsed director had been treated fairly. All were dealt with patiently and respectfully by the Chair.

The ASA's questions came later in the meeting due to problems in making the "Virtual Microphone" work, meaning we had to revert to non-interactive text-based questions. We asked why a business strategy based on economies of scale wasn't seeming to achieve that with both earnings before interest and taxes (EBIT) and earnings before interest tax, depreciation, and amortisation (EBITDA) margins having increased over the past eight years. The Chair answered suggesting that the new CEO's operating model and strategy to bring efficiencies across the group gives the best opportunity to achieve this.

We also asked if the company would consider using renounceable rights or entitlement offers in future for capital raisings as they are fairer to existing shareholders. The Chair indicated that they would look at everything at the time and will take our comments on board. On remuneration, we were concerned that both the new CEO and directors are being paid at about the 75th percentile of

similar sized companies, to which the Chair indicated that these levels are based on where they want to be, not where they are now, and they need the right talent to get there.

When it became apparent the directors were not going to be speaking to their election, we asked them to do so and all three board endorsed candidates spoke briefly but well.

We also asked about the CEO's performance rights – why they dropped earnings per share growth as a measure, would they consider a longer performance period or holding lock, and more details on the comparator group. This was answered by the Chair of the Remuneration Committee who indicated that they felt just having total shareholder return as a measure was more aligned with shareholders, they would consider a longer period, and that they are happy to provide the comparator group on request.

Of the 13 items for voting (yes, 13! AMA has a history of lots of items for voting at AGMs), nine were passed with greater than 95% support, two (remuneration report and re-election of Simon Moore) with over 90% support, and one (renewal of proportional takeover provisions) with 81%. The only item not passed was the election of the non-board endorsed director who got under 4% support.

The meeting lasted 83 minutes and a full recording of the meeting can be [accessed here](#).

Outlook Statements from the Company

At the AGM, the CEO indicated that in early November the company has 15 shops hibernated and 121 staff temporarily stood down with unutilised booking capacity of 37% in "Drive" (smaller repairs) and 15% in "Non-Drive" (larger repairs) nationally (NSW 40/45%, Victoria 52/26%). He further indicated that mobility data indicates that Melbourne is at almost 90% and Sydney just over 100% of pre-Covid levels so, with repairs correlated to kilometres travelled, they expect to see repair volumes build in the near term.

He made no financial outlook statements but indicated that the company has over \$100m in cash available at the end of October.

Meeting Statistics

Number of Holdings Represented by ASA	3
Number of Shares represented by ASA	275,934
Value of Shares represented by ASA	\$0.126m
Number Attending Meeting	Unknown
Market capitalisation	\$466m
Were proxies voted?	Yes, on a poll

Monitor Shareholding

The individual (or their associates) involved in the preparation of this voting intention has no shareholding in this company.

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