



ARB moving forward

Company/ASX Code	ARB Corporation Ltd/ ARB
AGM date	Thursday, October 17, 2019
Time and location	11:00 am RACV Club, Bourke Street, Melbourne
Registry	Computershare
Webcast	No
Poll or show of hands	Show of hands (Poll if required)
Monitor	Brett Morris
Pre AGM Meeting?	Yes, with Secretary John Forsyth

Item 1	Consideration of accounts and reports
ASA Vote	No vote required

Summary of ASA Position

ARB is a leading manufacturer and distributor of 4WD (4-wheel drive) accessories and related products. Net profit after tax (NPAT) grew at a compound rate of 9.7% over the last 10 years to \$51.0m in 2018-2019. In 2018-2019, ARB achieved an increase in its net profit after tax by 12.1% and a 5% increase in sales. This compares with 2017-2018 where ARB achieved a 3.7% increase in net profit after tax and 11.7% increase in sales.

During FY19 (Financial Year 2019), ARB's share price decreased by 20.2%. ARB will pay a fully franked dividend of 39.5 cents for the calendar year compared with 37.0 cents last year.

Sales growth was achieved in all categories. Growth in Australian Aftermarket increased by 1.6%, Exports 9.8% and Original Equipment by 17.1%.

ARB added three stores to its distribution network in the last financial year as well as increasing spending on R&D (research and development) by 37% to \$13m. ARB retained a strong balance sheet with \$8.4m remaining in cash. ARB continues to develop highly sought after products including releases of LINX, ARB Summit Bull Bar, Smart Bar Intensity V2 lights, ARB Classic Fridge Freezer, Night Hawk driving lights and Bushranger winch.

Six directors of ARB have extensive experience in the 4WD industry, and each has substantial experience with ARB. The appointment of Ms Karen Phin this year brings independence to the board as well as bringing gender diversity. With five of the directors having spent more than 12 years with ARB, only two are deemed independent. While ASA acknowledges that ARB's board is experienced, has capable senior management, a strong balance sheet and considered growth strategies, it does note that the company lacks independent directors and does not meet ASA's minimum gender diversity guidelines.

Summary

(As at FYE)	2019	2018	2017	2016	2015
NPAT (\$m)	57.1	50.9	49.1	47.4	44.1
UPAT (\$m)	57.1	50.9	50.0	46.2	44.1
Share price (\$)	18.20	22.83	15.71	16.74	13.03
Dividend (cents)	39.5	37	34	31.5	129
TSR (%)	-18.6	48	-4.2	31	18.4
EPS (cents)	71.9	64.3	62.1	59.9	57.8
CEO total remuneration, actual (\$m)	0.4	0.4	0.4	0.3	0.4

For 2019, the CEO's total actual remuneration was **4.2 times** the Australian Full time Adult Average Weekly Total Earnings (based on May 2019 data from the Australian Bureau of Statistics).

Item 2	Adoption of Remuneration Report
ASA Vote	For

Summary of ASA Position

The board and management structure include a significant presence from its founders who remain substantial shareholders in ARB. Hence when considering the remuneration policy of this company as aligned to ASA policy we recognise and generally commend that there are special, creditable, exceptional circumstances.

Remuneration is simple, an annual fixed salary for executives which is substantial but modest by comparison with ASX companies of a similar size. There are no short-term or long-term incentives. The Managing Director received a total fixed salary \$407,847 which is slightly higher than the previous year. Total pay for the board increased slightly. Three directors have a substantial shareholding. There are no other executives classified as Key Management Personnel who are subject to remuneration disclosure. The remuneration committee is governed by four non-executive directors (NEDs).

Succession is an ongoing consideration for ARB and it is quite clear that as the current directors retire a different structure would apply in future. The appointment of Ms Karen Phin may reflect the start of succession planning.

Three founding directors have significant shareholdings in ARB, with 7.45% held by Roger and Andrew Brown via Rogand Pty Ltd and around 2.7% held by Mr Forsyth. Mr Fraser has one years' salary in ARB shares while Mr Fitzpatrick and Mr Stott have slightly under one years' salary. Ms Phin is newly appointed and does not have a shareholding in ARB. The shareholding of the directors reflects a high level of "skin in the game" as compared to the ASX.

Item 3.1	Re-election of Mr Adrian Fitzpatrick as a Director
ASA Vote	For

Summary of ASA Position

Mr Adrian Fitzpatrick was appointed as a NED in 2016, the first new NED appointed since 2006. Mr Fitzpatrick is a member of the Audit Committee and the Remuneration and Nominations Committee. The date of his appointment makes it clear that Mr Fitzpatrick is only one of two directors on ARB's board who can be classified as independent. That said, Mr Fitzpatrick has previously worked with ARB, having worked with Pitcher Partners who are accountants for the company. However, Mr. Fitzpatrick left a gap of eight years between his accounting role with ARB and his appointment as director in 2016, which the ASA finds is an adequate gap to maintain independence in the role he has currently been appointed for. ASA appreciates the addition of an independent voice on the board.

Mr Fitzpatrick has slightly under one year's salary invested in ARB. We consider that Mr Fitzpatrick is well qualified and appropriately experienced for the director's role at ARB.

Item 3.2	Re-election of Mr Robert Fraser as a Director
ASA Vote	For

Summary of ASA Position

Mr Robert Fraser was appointed as a NED in 2004. Mr Fraser chairs the Audit Committee and the Remuneration and Nomination Committee. Mr Fraser is no longer considered independent given that he was appointed more than 12 years ago.

Mr Fraser has several other appointments including being a director of Taylor Collison Ltd and NED of F.F.I. Holdings and Magellan Financial Group. The ASA does not consider Mr Fraser to have an excessive workload.

Mr Fraser has extensive experience in the 4WD business. Mr Fraser has more than one year's salary invested in ARB. We consider that Mr Fraser is well qualified and appropriately experienced for the director's role at ARB.

Item 3.3	Re-election of Ms Karen Phin as a Director
ASA Vote	For

Summary of ASA Position

Ms Karen Phin was appointed as a NED in 2019. Ms Phin is a member of the Audit Committee and the Remuneration and Nominations Committee.

Ms Phin brings a much-needed diversity perspective to the board and provides for a more balanced board than there has ever been in the history of the organisation.

Though the board still has a long way to go before it can meet ASA's guidelines of at least 30% of the board comprising of female representatives, the ASA is positively inclined towards Ms Phin's appointment and hopes to see more independent and diverse candidates being nominated and elected to the ARB board. Having had no additional dealings with ARB, Ms Phin also brings a more independent voice to the governing board. Her experience as a corporate advisor on capital markets, NED of IMF Bentham and Magellan Financial Group also brings over valuable experience that can help ARB grow. Ms Phin is also a member of the takeovers panel.

Ms Phin has extensive corporate experience. We consider that Ms Phin is well qualified and appropriately experienced for the director's role at ARB.

The individual(s) (or their associates) involved in the preparation of this voting intention does not have a shareholding in this company.

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