



AUTOMOTIVE HOLDINGS GROUP

AHG EXPANDS REFRIGERATED LOGISTICS AND AUTOMOTIVE DEALERSHIPS

25 March 2014

- **Acquisition of Scott's Refrigerated Freightways (including 100% of JAT Refrigerated Road Services) for an enterprise value of approximately \$116 million**
- **\$4 million of identified cost synergies to be fully realised by the end of FY16**
- **Heads of agreement to acquire Bradstreet Motor Group for \$68 million**
- **Acquisitions to be funded from existing cash and debt facilities and a \$115 million fully underwritten equity placement**
- **Acquisitions expected to be approximately 9% EPS accretive on a pro forma FY14 basis (pre-synergies)**

Automotive Holdings Group Limited (ASX: AHE) is pleased to announce that it has entered into a binding agreement to acquire Scott's Refrigerated Freightways ("SRF") and has entered into a heads of agreement to acquire Bradstreet Motor Group.

Acquisition of Scott's Refrigerated Freightways (including JAT)

Headquartered in Sydney, SRF is a leading national cold logistics business providing refrigerated road and rail line haul, local refrigerated distribution and cold store warehousing. SRF was established in 1952 and has long established relationships with major customers on the east coast of Australia. The managing director and major shareholder, Bruce Scott, and the existing SRF management team will continue to manage the SRF business.

In conjunction with AHG's acquisition of SRF, SRF will acquire the remaining interests in JAT Refrigerated Road Services ("JAT") that it does not already own. JAT is a specialist chilled / frozen transport company based in Cairns, Queensland.

In combination with AHG's existing Rand and Harris operations, the acquisition of SRF (including JAT) consolidates AHG's position as the largest provider of transport and cold storage operations in Australia with national route coverage and an integrated network of cold store facilities. The acquisition will expand AHG's customer base and product expertise and will diversify AHG's exposure to seasonal peaks in fresh produce, allowing for more efficient use of infrastructure across the year.

SRF (including JAT) is forecast to generate FY14 revenue of approximately \$237 million and EBITDA of approximately \$25 million. In addition, cost synergies of approximately \$4 million per annum are expected to be realised by the end of FY16 from the rationalisation of cold storage facilities in Perth, Adelaide and Melbourne, harmonising supply contracts and specific operating savings.

AHG Managing Director Bronte Howson said, "The acquisition of SRF and JAT will create the largest temperature controlled carrier in Australia. SRF and JAT are trusted service providers with strong relationships that will diversify our existing business and expand our customer service offering."

SRF managing director Bruce Scott said, "The combination of SRF and AHG represents an attractive proposition for customers with a national network and the scale to invest in growing the business and I am excited by the opportunity to manage this business within the Automotive Holdings Group."

The purchase price of approximately \$116 million comprises:



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- \$71 million of cash to be paid to the vendors;
- 4.3 million AHG shares to be issued to the vendors (\$15 million in total); and
- the assumption of approximately \$30 million of finance leases.

1.4 million AHG shares issued to the SRF vendors will be escrowed for four months from the date of completion of the transaction, with the remainder being escrowed for a period of 12 months.

Completion of the transaction is subject to there being no material adverse change to SRF (including JAT) and other customary conditions precedent.

Proposed acquisition of Bradstreet Motor Group

AHG has also entered into a heads of agreement to acquire Bradstreet Motor Group for \$68 million in cash. Bradstreet Motor Group comprises 13 automotive dealerships located in and around Newcastle, New South Wales and represents seven manufacturers – Toyota, Mazda, Holden, Nissan, Kia, Subaru and Great Wall. In FY13, Bradstreet Motor Group generated revenue of \$449 million and net profit before tax of \$14 million.

Mr Howson said, “This is a strategic addition to our NSW dealership network. The dealerships operate from well-maintained properties on long-term leases and require no significant capital expenditure. They also complement our established Newcastle truck hub, giving AHG a very strong presence in the Newcastle region.”

The addition of the Bradstreet Group dealerships would take AHG’s network to 169 franchises at 96 dealership locations in Australia and New Zealand.

The acquisition remains subject to completion of confirmatory due diligence, execution of a binding agreement and other customary conditions.

Other strategic initiatives

As previously disclosed, AHG continually reviews its portfolio of assets in line with its strategy of delivering long term stable earnings growth. As announced to the ASX on 18 March 2014, AHG has been approached by prospective buyers who have expressed an interest in acquiring AHG's Cova retail stores in Western Australia (part of the Cova business acquired in July 2011). Discussions with these prospective buyers are preliminary and non-binding. Any potential transaction will be subject to due diligence, detailed commercial negotiations and entry into binding sale documentation. There is no certainty that any such transaction will proceed. AHG will keep shareholders informed should these initiatives progress.

In order to retain the flexibility to pursue further strategic initiatives, AHG has secured \$45 million of additional debt facilities from its existing lenders.

Underwritten institutional placement

The purchase consideration and the associated transaction costs of the acquisitions will be funded from existing cash and debt facilities and the proceeds of a fully underwritten \$115 million equity placement to institutional and sophisticated investors ("Placement").

The Placement will be made at \$3.49 per share, representing a 3% discount to the last close price, and will result in the issue of approximately 33.0 million new ordinary shares (representing 12.6% of



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AHG's existing issued share capital). The new ordinary shares will rank equally with existing ordinary shares.

Settlement of the Placement is expected to occur on 31 March 2014 with quotation of the new shares expected on 1 April 2014.

Following completion of the acquisitions and the capital raising, AHG will have pro forma 31 December 2013 net debt (excluding floorplan) of approximately \$189 million, representing gearing¹ of approximately 17.1%.

The Placement is being jointly lead managed by Bell Potter Securities and UBS AG, Australia branch and is fully underwritten by UBS AG, Australia branch.

Share Purchase Plan

A share purchase plan ("SPP") will also be launched to allow eligible shareholders in Australia and New Zealand the opportunity to subscribe for new shares in AHG up to the maximum value of A\$15,000 per eligible shareholder at the same price as the institutional placement (subject to scale back). The record date for the SPP will be 7.00pm (Sydney time) on 24 March 2013. The amount to be raised by the SPP is capped at \$10 million.

Details of the SPP will be provided to eligible shareholders in due course.

ASX Presentation

A presentation has been lodged with the ASX which explains in more detail the acquisition, the Placement and the current trading position of AHG.

About AHG Automotive Holdings Group Limited (ASX: AHE) is a diversified automotive retailing and logistics group with operations in every Australian mainland state and in New Zealand. The Company is Australia's largest automotive retailer, with operations in Western Australia, New South Wales, Queensland and Victoria.

AHG's logistics businesses operate throughout Australia via subsidiaries Rand Transport and Harris Refrigerated Transport (transport and cold storage), AMCAP and Cova (motor parts and industrial supplies distribution), VSE (vehicle storage and engineering), Genuine Truck Bodies (body building services to the truck industry), and KTM Sportmotorcycles (motorcycle importation and distribution in Australia and New Zealand).

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¹ Net debt (excluding floorplan) over total assets (excluding floorplan and cash)