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AMA GROUP LTD
Operating Specialised Automotive Aftercare and Accessory Companies

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Supplemental Commentary to the Appendix 4E & Annual Report 2014 – Release 27 August 2014

2014 was a tough market yet we have performed well in the second half.

Our position has improved and with the purchases of both Custom Alloy and RMA, we have laid a fantastic platform for growth.

2015 should prove to be a very exiting year for us with major consolidation taking place in the Motor Vehicle Panel Repair space.

Key Achievements
AMA has achieved a number of important milestones throughout this financial year and continues into FY2015:

- In August 2013 AMA repaid the 2009 legacy Westpac debts in full and entered into a normal commercial banking relationship with Westpac.
- In November 2013 AMA completed its first major acquisition by acquiring 100% of Custom Alloy Pty Ltd – a business based in Brisbane that principally manufactures alloy bullbars specifically for the medium commercial vehicle market. Custom Alloy is an excellent fit for our vehicle protection products division and we are delighted with the purchase.
- In December 2013 the remaining legacy onerous equipment leases were closed out.
- In June 2014 we announced the acquisition of Repair Management Australia (RMA) group of companies – a business based in Melbourne that principally operates two traditional panel repair workshops and two rapid repair workshops. On 1 July 2014 we completed the acquisition of RMA group and hit the ground running. The integration has been seamless with all of our HQ requirements now in place and production numbers increasing.
- On 31 July 2014 we discharged the final instalments of the deferred Vendor Loans.

All legacy issues are now totally gone.

Financial Results
The table below highlights an improved second half and, in particular, a return to historic free cash levels.

	31 Dec 2013 (Half Yr.)	% Var. to 31 Dec 2012	30 Jun 2014 (Full Yr.)	% Var. to 30 Jun 2013
	$'000		**$'000**	
Revenue from Continuing Operations	30,824	-6.8%	64,259	-1.0%
EBITDA from Continuing Operations	4,249	-15.3%	9,317	-3.0%
EBIT from Continuing Operations	4,071	-15.6%	8,838	-4.0%
Profit before Tax from Continuing Operations	4,019	-11.0%	8,706	-5.9%
Net Profit After Tax	2,557	-30.8%	5,655	-21.4%
Net Operating Cash Flows	922	-86.4%	6,033	-45.1%
	Cents		**Cents**	
Earnings Per Security	0.77	-40.9%	1.70	-28.2%

It should be noted that 2013 included a fair value adjustment benefit associated with the additional discount achieved on the early settlement of the Westpac $12m Loan Note. A number of large non-cash Tax adjustments affecting the tax expense reported within both 2013 and 2014 resulted in a significant fluctuation in "the applicable weighted average effective tax rates" 2014: 33.7% 2013: 21.8%. This in turn impacted adversely on Earnings Per Security. We anticipate that the applicable tax rate will be less volatile now that the legacy issues are all gone and we expect this to level off just below the standard corporate tax rate going forward.

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Vehicle Protection Products & Accessories – Revenues achieved $24.7m (2013: $21.1m)
ECB maintained market share and second half revenue improved slightly against first half. The results of the Custom Alloy acquisition flowed into the second half as expected. The division is still well positioned for growth and we are confident that FY2015 will bring earnings benefits and growth opportunities.

Vehicle Panel Repair – Revenues achieved $14.5m (2013: $14.3m)
4 years ago there were about 6000 shops, today that number is closer to 3700. By this Christmas there will be about 3500 and by next Christmas approximately 2200. The rate of change is severe and building momentum. We believe this number will eventually come down to about 500 with up to 6 large players nationally. The significant acquisition of the RMA group will more than double our segment revenues and puts us in a great position to participate in industry consolidation.

Automotive Electrical and Cable Accessories – Revenues achieved $18.0m (2013: $21.5m)
KT Cables performed well with new product initiatives providing good revenue growth opportunities and we have a number of key new product releases planned for early in FY2015.
Alanco's poor first half performance has stabilised in the second half and we believe will not deteriorate further.

Automotive Component Remanufacturing – Revenues achieved $7.8m (2013: $8.4m)
FluidDrive performed well in the second half and is tracking to our expectations. The FY2013 comparative period was a record result which had a number of one-off opportunities.
Perth Brake Parts' revenue was 8.3% down against the full prior year although its overall EBIT has improved.

The Future

Our Strategy Update presentation accompanies this announcement.

Dividend

The directors currently expect that the final dividend for 2014 financial year will not be less than 1.6 cents per security, the same as the 2013 financial year final dividend and it is expected to be fully franked.

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Duncan Fischer
Chairman
27/08/2014