

**AMAGROUP**

21 May 2020

ASX Announcement

### **MARKET UPDATE**

- **Effective measures in place to protect the health and safety of employees, customers and suppliers**
- **Targeted downscaling of the business to ensure costs are reduced to match volumes while ensuring we meet our Insurer customer's policyholder service standards**
- **Proactive engagement with Stakeholders, including landlords, to share the economic burden in line with revenue reductions**
- **Negotiations on price rises with major Insurer customers nearing finalisation with above CPI level price increases to AMA to cover technology-related repair cost**
- **New market segment with AMA securing contract with SG Fleet**
- **AMA Group is well-funded to support the business during an extended period of disruption. Our Net debt position at the end of April is tracking better than originally forecast and there is no current requirement for a capital raising**
- **Headwinds expected to turn to Tailwinds. Traffic levels are returning to pre-Covid-19 levels as Government relaxes restrictions**

AMA Limited (ASX: AMA) ("AMA" or "the Company") provides the following market update on its response to the ongoing impact of the Covid-19 pandemic.

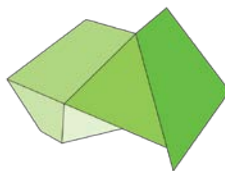
#### **Effective measures in place to protect the health and safety of employees, customers and suppliers**

The safety and well-being of our employees, customers and suppliers is paramount. AMA has continued to operate the business as an essential part of the economy in accordance with best-practice hygiene measures and has implemented the restrictions and advice of Australian and New Zealand Government health experts.

#### **Downscaling and cost saving Initiatives**

As a response to the pandemic and the associated Government imposed restrictions, the Company has taken a range of initiatives to minimise the financial impact to the Company including downscaling our workforce and cost-base to match demand while ensuring we continue to meet the service standards of our customers.

As previously noted, demand through to March was strong and the Group was on track to deliver in line with expectation for H2 FY20. As a result of Covid-19 and resulting government restrictions in Australia and New Zealand, April saw some softening in volumes, especially in our Capital S.M.A.R.T business, but as a whole the business performed better than expected. Volumes for May and June are likely to still be impacted across the business. Management is closely monitoring cost impacts which may result in further downscaling of sites and workforces.



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The Company has qualified for the Federal Government's JobKeeper Assistance Program as well as the NZ Wage subsidy. Participation in these programs have assisted AMA to support our workforce through this difficult trading period as well as enable the Company to make a faster recovery when the external environment improves.

The Company has also implemented a range of other cost and cash preservation measures including the freezing of non-time critical capital expenditure.

In addition, all AMA Group senior executives and Board members have taken a 20% reduction in remuneration packages from May 2020.

### **Proactive engagement with stakeholders, including landlords**

The support and flexibility of our landlords is important to ensure the Company can navigate these unprecedented circumstances. AMA continues to proactively engage with its landlords to seek a combination of waivers and/or deferrals of rental commitments during this period. These negotiations are ongoing, however we expect favourable outcomes for the majority of our properties.

### **Negotiations on price increases to be paid by our Insurer customers are near finalisation with favourable outcomes to AMA**

AMA is in the final stages of price negotiations with our major Insurer customers. These negotiations will result in improved pricing to recover the costs of increasing motor vehicle technology. The new arrangements, which take effect from 1 July 2020, will deliver meaningful revenue growth in real terms once repair volumes return to stable levels.

Effective 1 April 2020, AMA secured a contract to service the annual repair needs of SG Fleet's entire customer base, approximately 4,000 repairs annually. This is AMA's first major fleet customer contract and has enabled the Group to enter this growing segment of the Australian vehicle market which the Company has not previously serviced.

### **AMA Group is well-funded to support the business during an extended period of significant disruption**

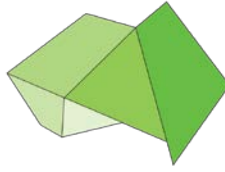
Further to our ASX announcement in early April, the Company engaged with its Lenders early in the Covid-19 crisis to re-purpose its existing unutilised funding facilities allowing the Group to withstand a potential period of extended operational disruption caused by Covid-19.

The Company's liquidity therefore remains strong and is well-funded to support the business during this period of disruption.

Our net debt position at the end of April is tracking better than originally forecast and there is no current requirement for a capital raising.

### **Headwinds expected to turn to Tailwinds**

Global trends show that as restrictions ease and during the period of transition to normality, there has been an increase in the use of vehicles compared with the use of public transportation. Australia and New Zealand are already experiencing similar trends which will have a significant positive impact on the recovery of our business. The attached Appendix references trends experienced in China as well as the current Australian trend.



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AMA Group CEO Andy Hopkins said “the effort and professionalism of our people has enabled the business to react quickly and adjust to these unprecedented challenges, while delivering a high-level of customer service.”

“From the leadership team to our people on the ground, they have done an incredible job in managing this situation on behalf of our suppliers and customers,” Mr Hopkins said.

“It is our loyal workforce who are seeing us through this period and we will be even stronger when we come out the other side. Our performance for April was better than expected and our net debt position at the end of April remains above our predictions.”

“Covid-19 has brought positive changes and opportunities for our business. The consolidation of some sites will create a more efficient infrastructure for the future when volumes return, and in the coming months we expect to see an increase in potential acquisition opportunities.”

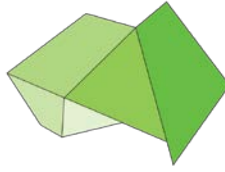
“Most importantly, vehicles are returning to pre-Covid-19 levels which will drive more demand through our business due to a likely slower transition to people making use of public transport.”

*This announcement has been approved by the Directors of AMA.*

**For further information:**

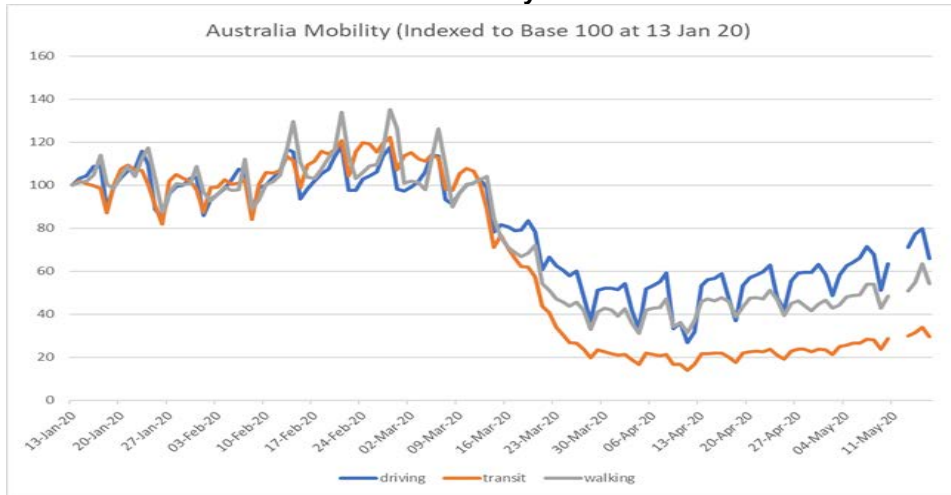
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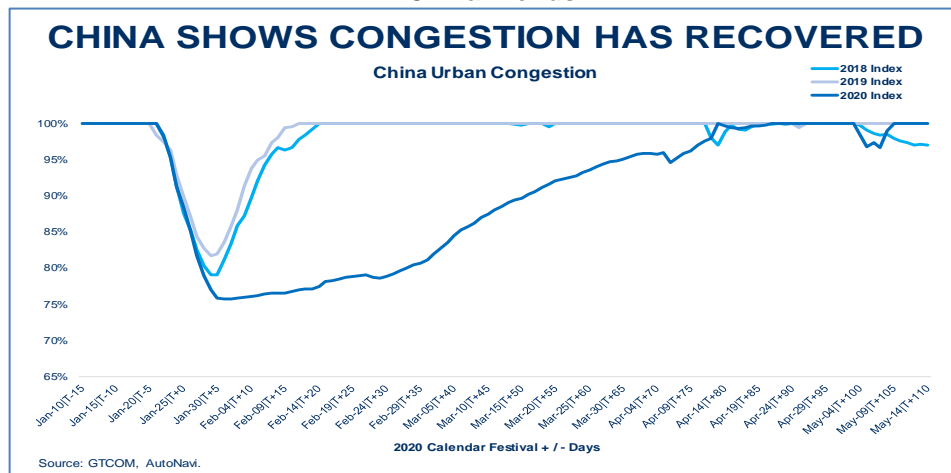
Appendix

Australia Mobility Index

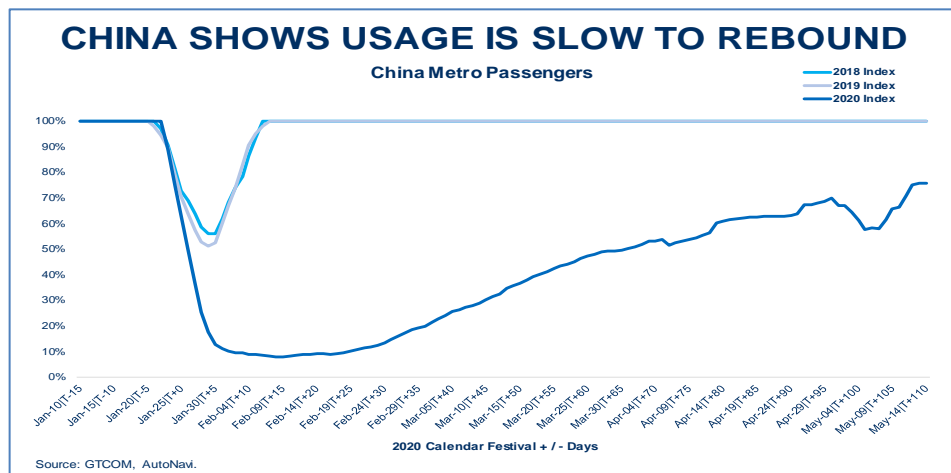


Source: Covid19/mobility/2020-05-09\_AU\_Mobility\_Report

China Trends



Source: GTCOM, AutoNavi.



Source: GTCOM, AutoNavi.