



AMAGROUP

19 June 2020

ASX Announcement

MARKET UPDATE

AMA Limited (ASX: AMA) (“AMA” or “the Company”) provides the following update:

Negotiations on price rises with major Insurer partners finalised with favourable outcomes

As outlined in our announcement to market on 26 February 2020, improved pricing and repair volumes from our major Insurance partners is key to maintaining and growing operating margins and overall profitability.

We are pleased to advise that the service agreement negotiations with all our key Insurance partners have now been finalised. These negotiations have resulted in improved pricing, which will allow the business to recover both standard operating cost inflation and 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.

Operating Performance and Net Debt position better than expected

The Company has performed better in terms of profitability and cash generation/use (inclusive of the effects of Government programs such as JobKeeper) than management and market expectations during the Covid-19 pandemic, despite repair volumes being significantly softer from March through May due to the Government imposed mobility restrictions.

While repair volumes for June are expected to remain below normal levels, we anticipate repair volume to continue to increase over time and for normal pre-Covid-19 repair volume levels to emerge by the start of Q2 FY21 as remaining Government restrictions are eased and normal vehicle traffic volumes return.

As a result of the Company’s better than expected operating and cash flow performance (inclusive of acquisitions and earn-out settlements), its forecast net debt position at the end of June is expected to be better than was anticipated at the outbreak of Covid-19 and similar to the net debt position as at 31 December 2019.

AMA Group CEO Andy Hopkins said “as restrictions continue to ease, we are seeing repair volume return across all parts of our business. I am confident we will emerge from the Covid-19 pandemic with a continued focus on operational performance and efficiency as we now set our sights on growth opportunities in the sector and on delivering shareholder value.”

He added that “the outcome of the negotiations with our Insurer partners is pleasing and I am certain that the new service agreements will deliver the desired outcome for both AMA and our Insurance partners.”

This announcement has been approved by the Directors of AMA.

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