

AMA GROUP

ASX Announcement

29 July 2022

4Q22 Quarterly Cash Flow and Activities Report

AMA Group Limited (ASX: AMA) (AMA Group) today provides its Appendix 4C Quarterly Cash Flow and Activities Report for the quarter ended 30 June 2022 (4Q22) (unaudited).

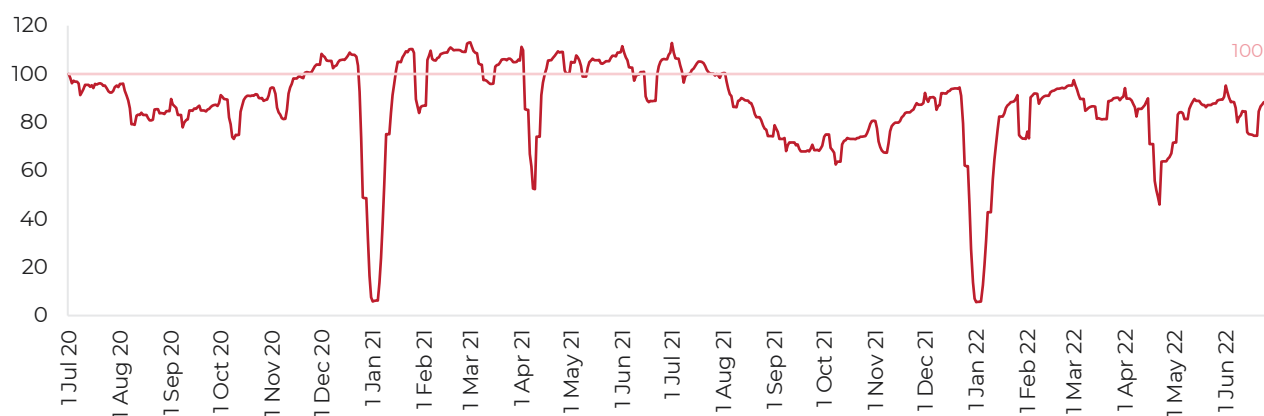
Highlights

- Increased full year normalised EBITDA¹ (post-AASB 16) guidance by approximately 30% to \$20-22 million
- \$52.2 million closing cash balance at 30 June 2022 exceeded \$50.0m guidance by \$2.2 million
- Cash from operating activities \$9.7 million for the quarter, including one-off items accounting for approximately \$10 million cash inflow
- Total cash used in the quarter of \$6.1 million, including earn-out payments of approximately \$4.4 million
- Negotiations with all insurance customers commenced with strong acknowledgement of the need for improved pricing
- Network optimisation continues with scarce human resources redeployed and net structural cost savings achieved
- ACM Parts opened new 20,000 M² distribution facility in Somerton, a critical strategic enabler
- Partnered with Defibr Life to install public access defibrillators in all sites and donate eight devices to local sporting clubs

Business update

As previously noted, AMA Group had hoped the six months ending 30 June 2022 would bring a more “normal” set of operating conditions. However, labour constraints associated with COVID-19, related isolation requirements, and additional non-COVID-19 related illness, combined with a constrained labour market has continued to impact productivity. This impact is expected to continue into FY23, although AMA Group is seeking to address its workforce needs through a combination of increased apprenticeship numbers and the commencement of a targeted multi-country skilled migration program.

AMA Group Repair Volumes (7 day rolling average rebased to 100): 1 July 2020 – 30 June 2022



Source: AMA Group data

¹ Normalised EBITDA is Earnings before interest, tax, depreciation, amortisation, impairment, fair value adjustments and non-recurring items for continuing operations.

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4Q22 repair volumes were similar to 3Q22. As the Group continues network optimisation activities, historical volumes analysis becomes less meaningful, as the business is reset to a new capacity baseline in the absence of additional acquisitions in the current period.

Pricing Negotiations

During May and June 2022, AMA Group contacted all insurer partners and advised of updated labour rates and, where relevant, average cost models across the Non-Drive and Drive networks (excluding Capital S.M.A.R.T) which reflect the increased cost of repairs, driven by labour force and inflationary pressures. Further the Group advised of additional charges for cost imposts previously absorbed without charge by the business.

The effect of pricing negotiations is expected in FY23 and beyond. Negotiations for adjustments to rates with several insurers are ongoing into FY23. During this time, repair volumes at some sites are expected to be impacted.

AMA Group CEO, Carl Bizon said, "It is critical that we are paid fairly for the value we deliver to our insurer partners. Insurers understand the pressures the industry is facing, and I look forward to concluding our negotiations with them, as we seek to continue our long-term partnerships which deliver value to all parties."

Network Optimisation

AMA Group is committed to the optimisation of its network, and to ensuring fair compensation for the value of work delivered. Adjustments to the network, and redeployment of AMA Group's highly skilled and valued Team members has commenced, to maximise the efficiency of the network and focus on profitable work.

As previously noted, AMA Group decided to close the Gemini business in Prestons, New South Wales after commercial negotiations failed to achieve a fair price that reflects the value of work delivered at that site. All Team members from Gemini Prestons have been redeployed to AMA Group sites in the surrounding area. The exit is expected to deliver an annualised benefit of approximately \$1 million EBITDA.

In Western Australia, the Group has consolidated existing operations at Gemini Melville and Gemini Welshpool Assessment Centre into a super site at Booragoon, creating a co-located Capital S.M.A.R.T and Gemini (Drive and Non-Drive) business. The Team at Melville have relocated to Booragoon, and the Team at Welshpool have been redeployed to other AMA Group sites in the local area. The consolidation is expected to deliver annual expense savings of over \$0.6 million.

AMA Group has relocated the Capital S.M.A.R.T Riverwood (New South Wales) operations to RPM Milperra (New South Wales). The Milperra site offers superior operating conditions to Riverwood but had been underutilised for some time. All Riverwood Team members are transferring to Milperra or alternative sites within the Sydney Capital S.M.A.R.T network. The existing Milperra staff have been redeployed to other Non-Drive sites. This move will save the Group approximately \$0.6 million in expenses associated with the Riverwood site.

In New South Wales, the Group has decided to exit three hibernated sites, which had been fully provisioned for at the Half Year. These sites are Luxury Bodyworks in Five Dock, Gemini Campbelltown and JPV Smash Repairs in Kogarah. The closure of these sites will deliver annualised expense savings of \$1.2 million. All Team members originally based at these sites had previously been redeployed.

Californian Smash Repairs in Botany has been operating with inadequate volumes for some time, and the decision has been made to exit this site. All Team members will be redeployed across the AMA Group network as at early August. Annual expense savings of \$0.5 million are expected at the conclusion of this lease.

In Victoria, Gemini Sunshine will close at the end of July and the Group will save \$0.2 million per annum associated with expenses on this site. All Team members will be redeployed across the AMA Group network.

AMA Group CEO, Carl Bizon said, "Our skilled technicians are our most precious resource. With a vast, and in several sites, understaffed, network, it is critical that our Team is deployed in the most efficient manner across our network."

Partnership with Defib For Life

AMA Group is committed to the safety of its Team, customers, contractors, and local communities. This is why the Group partnered with not-for-profit foundation, Defib For Life to install defibrillators in all sites across its network. Commencing in 4Q22, the rollout is expected to be completed by September 2022. In addition, the Group has donated eight defibrillators to clubs nominated by Team members around the network, which are being rolled out throughout the quarter ending 30 September 2022 (1Q23).

ACM Parts official opening

On 22nd June, ACM Parts officially opened the new distribution centre in Somerton, Victoria. This was a key step in the execution of the AMA Group Supply strategy, as it provided the opportunity to showcase new releases in ACM Parts' four product ranges: Genuine, Reclaimed, Aftermarket parts, and collision repair Consumables.

Payments to related parties

There were no payments to related parties during 4Q22.

Summary of cash position

AMA Group ended 4Q22 with a cash balance of approximately \$52.2 million and unused available finance facilities of approximately \$5.6 million. Based on the net cash from operating activities of approximately \$9.7 million, the Group is not required to provide the "Estimated quarters of funding available" under item 8.5 in the attached Appendix 4C.

4Q22 operating cash flows included approximately \$10 million of one-off cash inflows, including prepayment of future revenues, which will not carry forward into future trading periods. 4Q22 also included \$4.4 million in earn out payments. Whilst operating cash flows are projected to be positive in FY23 (subject to no significant changes to population movement as it relates to COVID-19), the early part of the year will continue to be affected as the benefits of easing labour constraints and the phasing of new commercial pricing arrangements are realised.

Results for the 12 months to 30 June 2022

AMA Group will release its results for the 12 months to 30 June 2022 on 23 August 2022. A teleconference and webcast will be held at 11:00am AEST on that day, and registration is available via the AMA Group [website](#).

AMA Group expects normalised EBITDA (post-AASB 16) in the range of \$20 - \$22 million, exceeding previous market guidance of \$12 - 17 million.

Other than these matters there were no other material developments or material changes in business activities during 4Q22.

This announcement has been authorised by the Board of AMA Group Limited.

ENDS.

Investors and Media:

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Appendix 4C
Quarterly cash flow report for entities
subject to Listing Rule 4.7B

Name of entity

AMA GROUP LIMITED

ABN

50 113 883 560

Quarter ended
("current
quarter")

30-Jun-22

Consolidated statement of cash flows

Current Quarter

Year to date
(12 months)

\$A'000

\$A'000

		Current Quarter	Year to date
		\$A'000	(12 months)
		\$A'000	\$A'000
1 Cash flows from operating activities			
1.1	Receipts from customers (inclusive of GST)	227,313	946,798
1.2	Payments to suppliers and employees (inclusive of GST)	(209,761)	(948,183)
	(a) research and development	0	0
	(b) product manufacturing and operating costs	(112,528)	(548,017)
	(c) advertising and marketing	(487)	(1,340)
	(d) leased assets	(5,643)	(26,869)
	(e) staff costs	(82,461)	(335,318)
	(f) administration and corporate costs	(8,642)	(36,639)
1.3	Dividends received (see note 3)	0	0
1.4	Interest received	97	198
1.5	Interest and other costs of finance paid	(7,957)	(26,387)
	Interest elements of lease payments		
1.6	Income taxes paid	0	(1,158)
1.7	Government grants and tax incentives	0	501
1.8	Other (provide details if material)	0	0
1.9	Net cash from / (used in) operating activities	9,692	(28,231)

2 Cash flows from investing activities			
2.1	Payments to acquire or for:		
	(a) entities	0	0
	(b) businesses	(4,364)	(10,840)
	(c) property, plant and equipment	(2,564)	(6,793)
	(d) investments	0	0
	(e) intellectual property	(486)	(546)
	(f) other non-current assets	0	0
2.2	Proceeds from disposal of:	0	0
	(a) entities	0	0
	(b) businesses	0	0
	(c) property, plant and equipment	2	229
	(d) investments	0	0
	(e) intellectual property	0	(0)
	(f) other non-current assets	0	0
2.3	Cash flows from loans to other entities	0	0
2.4	Dividends received (see note 3)	0	0
2.5	Other (provide details if material)	0	0
2.6	Net cash from / (used in) investing activities	(7,412)	(17,950)

3 Cash flows from financing activities			
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	0	95,285
3.2	Proceeds from issue of convertible debt securities	0	50,000
3.3	Proceeds from exercise of options	0	0
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(3)	(6,006)
3.5	Proceeds from borrowings	0	0
3.6	Repayment of borrowings	0	(72,500)
3.7	Transaction costs related to loans and borrowings	0	0
3.8	Dividends paid	0	0
3.9	Other (provide details if material)	(8,369)	(32,531)
	Principal elements of lease payments		
3.1	Net cash from / (used in) financing activities	(8,372)	34,248

4 Net increase / (decrease) in cash and cash equivalents for the period

4.1 Cash and cash equivalents at beginning of period	58,336	64,203
4.2 Net cash from / (used in) operating activities (item 1.9 above)	9,692	(28,231)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(7,412)	(17,950)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	(8,372)	34,248
4.5 Effect of movement in exchange rates on cash held	(55)	(81)
4.6 Cash and cash equivalents at end of period	52,189	52,189

5 Reconciliation of cash and cash equivalents

	Current quarter	Previous quarter
at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	\$A'000	\$A'000
5.1 Bank balances	52,189	58,336
5.2 Call deposits	0	0
5.3 Bank overdrafts	0	0
5.4 Other (provide details)	0	0
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	52,189	58,336

6 Payments to related parties of the entity and their associates

	Current quarter
	\$A'000
6.1 Aggregate amount of payments to related parties and their associates included in item 1	0
6.2 Aggregate amount of payments to related parties and their associates included in item 2	0

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

7 Financing facilities

Note: the term "facility" includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity.

- 7.1 Loan facilities
7.2 Credit standby arrangements
7.3 Other (please specify) CONVERTIBLE NOTES
7.4 **Total financing facilities**

Total facility amount at quarter end	Amount drawn at quarter end
\$A'000	\$A'000
182,500	176,923
50,000	50,000
232,500	226,923

7.5 Unused financing facilities available at quarter end

5,577

- 7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

Facility	Lender	Interest rate	Maturity Date	Secured
182,500	Australia and New Zealand Banking Group Limited National Australia Bank Limited ABN 12 004 044 937 Bank of China Limited Bendigo and Adelaide Bank Limited First Commercial Bank Perpetual Corporate Trust Limited ACF The Metrics Credit Partners Diversified Australian Senior Loan Fund Westpac Banking Corporation	BBSY+365bps*	5 years (Oct 2024)	Secured
50,000	Various - Notes listed on SGX-ST	4%pa Coupon	5.5 years (Mar 2027)	Unsecured

*Margin to be determined pursuant to a sliding scale with reference to Net Senior Leverage Ratio first tested in Jun-22. (Max Margin: 365bps; Min Margin 225bps)

8 Estimated cash available for future operating activities

- 8.1 Net cash from / (used in) operating activities (item 1.9)
8.2 Cash and cash equivalents at quarter end (item 4.6)
8.3 Unused finance facilities available at quarter end (item 7.5)
8.4 Total available funding (item 8.2 + item 8.3)

\$A'000
9,692
52,189
5,577
57,766

8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)

N/A

Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.

8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:

8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer:

8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer:

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
2 This statement gives a true and fair view of the matters disclosed.

Date: 29 July 2022

Authorised by: The Board of AMA Group Limited
(Name of body or officer authorising release – see note 4)

Notes

- 1 This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2 If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 107: Statement of Cash Flows apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3 Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4 If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5 If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.