

AMA GROUP

SGX Announcement

31 January 2023

2Q23 Quarterly Cash Flow and Activities Report

Attached is an announcement made by AMA Group Limited (ASX: AMA) (AMA Group) which is provided for the information of AMA Group Noteholders.

AMA Group has Notes listed on the Singapore Exchange.

ENDS.

Investors and Media:

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AMA Group Limited

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ASX Announcement

31 January 2023

2Q23 Quarterly Cash Flow and Activities Report

AMA Group Limited (ASX: AMA) (AMA Group, the Group), today provides its Appendix 4C Quarterly Cash Flow and Activities Report for the quarter ended 31 December 2022 (2Q23) (unaudited).

Highlights

- Continued positive engagement with insurance partners
 - New and/or extended contracts entered with a subset of insurance partners
 - Capital S.M.A.R.T interim pricing implemented and preparation for FY24 pricing process
 - Further pricing increases achieved with other insurance partners amid ongoing engagement around cost inflation recovery
- Renewed 10-year paint supply partnership with BASF improving the recurring operating cash flow profile of the Group
- Network optimisation activities improved productivity at Vehicle Collision and Heavy Motor sites
- ACM Parts set a record for daily parallel import sales in November with continued expansion of direct import aftermarket range
- Overseas recruitment increased with targeted offshore activity supported by improved visa processing
- Divestment of FluidDrive business completed – finalising the ACAD business exit strategy
- Expansion plans underway
 - Redeployment of surplus equipment to extend capacity of existing collision repair network
 - New ACM Parts warehouse in Hemmant, Brisbane to complete the east coast network
 - Existing Gold Coast Arundel warehouse will be converted into large repair centre from March 2023 when ACM Parts' transfer to Hemmant is expected to be complete
- Safety – LTIFR reduced to 3.01 in calendar year 2022 from 4.22 in calendar year 2021 and 9.66 in 2020
- Cash used in operating activities of \$5.1 million for the quarter including the impact of \$5.4 million investment in further inventory build within the Supply business
- \$33.3 million closing cash balance at 31 December 2022
- Upward trend in underlying cashflows from 1Q23 (excluding corporate tax refund) to 2Q23, in line with expectations and reflecting recent pricing and network optimisation activities
- The Group expects to satisfy its covenant testing requirements for 31 December 2022

Business update

In November, AMA Group reached an agreement with its largest customer, Suncorp, with respect to the pricing of services provided by Capital S.M.A.R.T for the period 1 October 2022 – 30 June 2023. The interim pricing package reflects cost inflation being experienced by motor repairers and provides incentives for AMA Group to expand capacity within Capital S.M.A.R.T to accept more drivable repairs from Suncorp. The interim pricing arrangements continue to reflect a volume-based discount to current market pricing.

As noted in the 1Q23 cash flow and activities report, previous negotiations resulted in an ongoing commitment between AMA Group and insurer partners to regularly engage in price discussions. This ongoing engagement has resulted in further pricing increases outside the Capital S.M.A.R.T network as the Group continues to work with insurer partners to ensure pricing alignment in the current inflationary environment. Further, the Group has reached agreement with two insurers for the return of a meaningful portion of repair volumes where a mutually satisfactory agreement was not reached during the initial pricing negotiations. These agreements have come at terms generally consistent with those initially sought.

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In December, AMA Group confirmed a renewed 10-year partnership for the continued supply of BASF's automotive paint technology across the entire AMA Group network. This new agreement extends the existing contract by two years and improves alignment of paint supply costs to the operating cash flows of the associated repairs. The new agreement sees the conversion of future one-off market incentive payments to ongoing payments received as purchases are made. The balance of the remaining first tranche of incentive (approximately \$40 million) will also be amortised over the term of the new 10-year agreement. The annualised improvement of recurring operating cash flows is projected to exceed \$10 million per annum during the period of the contract, with no material impacts to earnings as the overall value of the market incentive arrangements are unchanged, despite the change in timing of the cash receipts.

Following network optimisation activities, Team members were redeployed across the Group's broad operating network. Further, in response to strong demand, Capital S.M.A.R.T. converted three existing AMA Group sites to increase its coverage across Australia.

ACM Parts set a record for daily parallel import sales in November, building on the previous record set in October. The aftermarket parts expansion continued, with sample direct import parts landing during the quarter and quality assurance processes commenced in advance of placing orders to expand supply. During the quarter, ACM Parts also launched the consumables range to external customers, with new branding and website live in November.

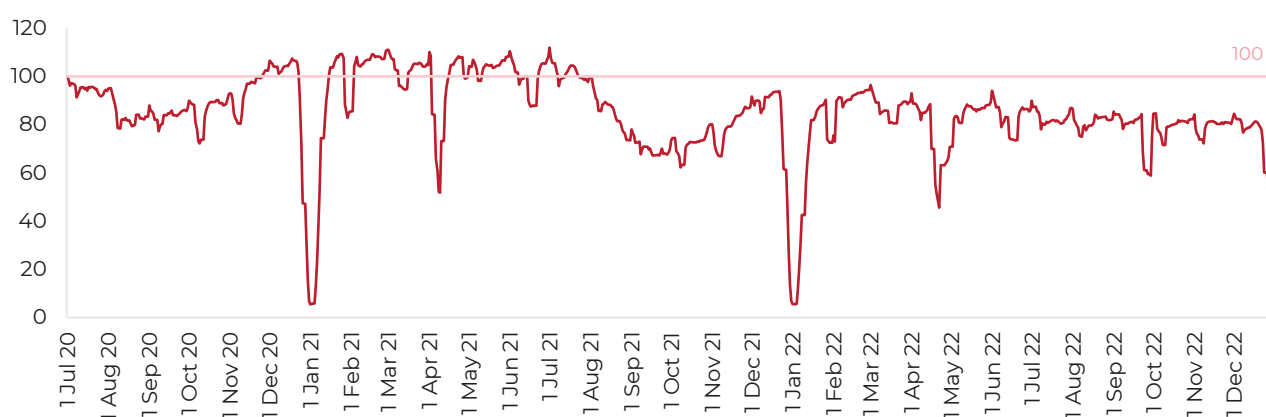
Strategies to combat the labour shortage continued with a focus on recruitment and retention during the quarter. International recruitment saw a targeted recruitment drive, resulting in more than 70 international hires during the quarter. In addition, 44 new apprentices commenced, with approximately 350 engaged across the network.

The Group held its 2022 AGM in November. Nicole Cook retired from the Board at the conclusion of the AGM. In January, the Group announced the appointment of Talbot Babineau as an independent Non-Executive Director of AMA Group.

The Group is focused on expansion and growth into the future. In December, the Group executed a lease for a new ACM Parts warehouse in Hemmant, Brisbane to support the Supply strategy. The warehouse is optimally positioned for improved distribution, and offers over 19,000m² of warehouse capacity compared to the current facility's 5,600m². The Group will convert the existing ACM Parts warehouse in Arundel on the Gold Coast into a best in class repair centre. The Group is also redeploying surplus repair centre equipment to extend the capacity of the existing network.

AMA Group expects to satisfy its covenant testing requirements for 31 December 2022.

AMA Group Repair Volumes (7 day rolling average rebased to 100): 1 July 2020 – 31 December 2022



Source: AMA Group data

2Q23 volumes were in line with the prior comparative period, and approximately 11% down on 1Q23, in line with the fewer working days in the quarter.

Safety

The ongoing commitment to safety both inside the workplace and in the communities in which the Group operates continues to yield strong results. The introduction of AMA Group's internally developed Take the LEAD Health, Safety and Environment program has seen the Group's LTIFR reduced to 3.01 in calendar year 2023 from 4.22 in calendar year 2022.

Recognising the AMA Group Team

AMA Group celebrates and rewards excellence in every part of the business. In 2022, the Group launched the Annual AMA Group Awards to recognise talent and achievements by individuals, sites, and teams.

Summary of cash position

AMA Group ended 2Q23 with a cash balance of approximately \$33.3 million and unused available finance facilities of approximately \$1.2 million. The group used net cash from operating activities of approximately \$5.1 million including the impact of \$5.4 million further investment in inventory build within the Supply business and continue to progress the Group's stated strategy.

The Group notes an upward trend in the underlying cashflows from 1Q23 (excluding corporate tax refund) to 2Q23. This is reflective of the FY23 transition year, and the Group is pleased to see the impacts of pricing activities and network optimisation beginning to flow.

FY23 and FY24 guidance

AMA Group reaffirms FY23 guidance of \$70 - \$90 million normalised post-AASB 16 EBITDA and FY24 guidance of \$120 million - \$140 million normalised post-AASB 16 EBITDA.

Results for the 6 months to 31 December 2022

AMA Group will release its results for the 6 months to 31 December 2022 on 21 February 2023. A teleconference and webcast will be held at 11:00am AEDT / 10:00am AEST on that day, and registration is available via the AMA Group [website](#).

Other than these matters there were no other material developments or material changes in business activities during 2Q23.

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")	
		31-Dec-22	
Consolidated statement of cash flows			
		Current Quarter	Year to date (6 months)
		\$A'000	\$A'000
1	Cash flows from operating activities		
1.1	Receipts from customers (inclusive of GST)	249,143	487,638
1.2	Payments to suppliers and employees (inclusive of GST)	(250,483)	(494,556)
(a)	research and development	0	0
(b)	product manufacturing and operating costs	(147,147)	(280,629)
(c)	advertising and marketing	(335)	(759)
(d)	leased assets	(13,134)	(21,991)
(e)	staff costs	(84,092)	(173,206)
(f)	administration and corporate costs	(5,775)	(17,971)
1.3	Dividends received (see note 3)	0	0
1.4	Interest received	106	187
1.5	Interest and other costs of finance paid	(3,911)	(12,663)
	Interest elements of lease payments		
1.6	Income taxes paid	0	15,333
1.7	Government grants and tax incentives	0	0
1.8	Other (provide details if material)	0	0
1.9	Net cash from / (used in) operating activities	(5,145)	(4,061)
2	Cash flows from investing activities		
2.1	Payments to acquire or for:		
(a)	entities	0	0
(b)	businesses	0	(47)
(c)	property, plant and equipment	(2,247)	(4,351)
(d)	investments	0	0
(e)	intellectual property	(67)	(67)
(f)	other non-current assets	0	0
2.2	Proceeds from disposal of:		
(a)	entities	0	0
(b)	businesses	2,450	2,450
(c)	property, plant and equipment	15	653
(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	151	(1,362)
3	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	0	0
3.2	Proceeds from issue of convertible debt securities	0	0
3.3	Proceeds from exercise of options	0	0
3.4	Transaction costs related to issues of equity securities or convertible debt securities	0	0
3.5	Proceeds from borrowings	0	0
3.6	Repayment of borrowings	0	0
3.7	Transaction costs related to loans and borrowings	0	0
3.8	Dividends paid	0	0
3.9	Other (provide details if material)	(6,109)	(13,389)
	Principal elements of lease payments		
3.10	Net cash from / (used in) financing activities	(6,109)	(13,389)
4	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	44,425	52,189
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(5,145)	(4,061)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	151	(1,362)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(6,109)	(13,389)
4.5	Effect of movement in exchange rates on cash held	4	(51)
4.6	Cash and cash equivalents at end of period	33,326	33,326
5	Reconciliation of cash and cash equivalents	Current quarter	Previous quarter (Q1 of FY23)
	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	33,326	44,425
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)	33,326	44,425

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
	<i>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.</i>	

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	181,384
50,000	50,000
232,500	231,384

7.5 Unused financing facilities available at quarter end

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.

1,116

Facility	Lender	Interest Rate	Maturity Date	Secured
182,500	Australia and New Zealand Banking Group Limited National Australia Bank Limited 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 Corporate	BBSY + 415bps*	5 years (October 2024)	Secured
50,000	Various - Notes listed on SGX-ST	4%pa Coupon	5.5 years (March 2027)	Unsecured

* Margin relates to period for which revised covenant structure in place (until September 2023), after which margin reverts to being determined pursuant to a sliding scale with reference to Net Senior Leverage Ratio first tested in Sep-23 (Max Margin: 365bps; Min Margin: 225bps). AMA Group incurs an additional 150bps margin until Sep-23 which is capitalised into the loan balance every six months (January 2023 will be the first date of capitalising interest).

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

(5,145)
33,326
1,116
34,442

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

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: N/A

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: N/A

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: N/A

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: 31 January 2023

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.