

AMA GROUP

SGX Announcement

18 November 2021

2021 Annual General Meeting Chairman and Group CEO Address

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:

Alexandra Holston, Director Investor Relations and Corporate Affairs

E: alexandra.holston@amagroupltd.com M: +61 418 312 837

AMA Group Limited

130 Bundall Road, Bundall QLD 4217 ABN 50 113 883 560
(07) 5628 3272 info@amagroupltd.com amagroupltd.com

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2021 Annual General Meeting Chairman and Group CEO Address

In accordance with ASX Listing Rule 3.13.3, please see attached the addresses to shareholders to be delivered by Anthony Day, Chairman and Carl Bizon, Group Chief Executive Officer at the 2021 AMA Group Limited (ASX: AMA) (AMA Group) (Group) Annual General Meeting, being held virtually today.

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

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Chairman's Address to Shareholders

What a year it has been since our last AGM. Since that time, we have seen the ongoing effects of the global COVID-19 pandemic on the economy and our business, as well as significant change across the AMA Group.

During the year, the Board embarked on a program of enhanced governance and capacity building, which led to several Board and Management appointments.

In February 2021, Carl Bizon was appointed Group CEO. That marked the beginning of a significant transformation for the business, which is well underway and continues into the 2022 Financial Year.

With Carl's transition from Non-Executive to Executive Director, we appointed two new Independent Non-Executive Directors, Paul Ruiz, and Kyle Loades, in May 2021. These appointments were the result of a coordinated and thorough recruitment process, aimed at enhancing the diversity of skills and expertise on the Board. Further, they demonstrate our long-term strategy of growing the composition, capability, and independence of the Board.

I would like to welcome Paul and Kyle to their first AMA Group AGM. They are standing for election today.

In addition, Simon Moore retires in accordance with our constitution. Simon is a valuable contributor to the Board and is standing for re-election today. His re-appointment is endorsed by the Board.

Following the conclusion of the today's Annual General Meeting, Simon is stepping down from his role as Chair of the Audit and Risk Committee and will be replaced by Paul. Simon will remain as a member of the Committee.

I also note that Peter Taylor has nominated himself for election as a Director today. For the reasons outlined in our Notice of Meeting, Peter's election is not supported by the Board.

I would like to acknowledge Leath Nicholson, a long-standing Director, who is stepping down from the Board at the conclusion of this meeting. Reflective of the significant opportunities available to the Group, we have engaged with Leath's firm Nicholson Ryan Lawyers, to retain his services as our outsourced General Counsel. Leath has been involved with the AMA Group since 2009 and joined the Board in 2015. He has been an invaluable contributor over that time, and we are exceptionally grateful that he has agreed to transition off the Board to take up the position of outsourced General Counsel.

The Board is currently conducting a search for a new Independent Non-Executive Director, which is expected to be completed later this calendar year.

As we have previously disclosed, the former Group Chief Executive Officer resigned from the business in January 2021. The Company has commenced legal proceedings to recover company funds on behalf of shareholders, and the matter continues in the courts.

Turning now to a reflection on the 2021 Financial Year.

The year presented significant challenges for our business in the form of ongoing impacts from COVID-19 related shutdowns. We adopted and continue to maintain stringent safety measures at our sites, to ensure the wellbeing of our employees and customers.

Extended COVID-19 related lockdowns in both Australia and New Zealand saw decreased repair volumes at sites across our network at different times during the year. Careful management of these impacts included temporarily standing down some staff and hibernating selected sites in anticipation of an eventual return to normal operating conditions.

Despite these COVID-19 related disruptions, we took several steps during the year to focus on, and expand, our core businesses, with a number of operational achievements.

We are very proud that, through the continued focus of the entire AMA Group Team, we delivered a 50% reduction in Lost Time Injury Frequency Rate during the year. We are committed to the safety of our employees and ensuring that AMA Group provides a safe place to work, and this represents a significant improvement across all our operations.

During the first half of Financial Year 2021, the Group divested the ACAD and Fully Equipped businesses. Doing so ensured a greater focus on the collision repair and associated parts supply operations.

In line with our increased focus on the associated parts supply business, we completed the acquisition of Perth Parts Solutions in the first half of Financial Year 2021, expanding the geographic reach of our recycled auto parts supply into Western Australia.

Our Heavy Motor division is a strong contributor to our collision repair business. We continued to expand our national network of Heavy Motor sites, to better service our insurer customers and their policyholders. During the financial year, we completed the acquisition of Western Trucks in Williamstown, Victoria and National Trucks in Newcastle, New South Wales.

For the 2021 Financial Year, the AMA Group reported Normalised Earnings Before Interest, Tax, Amortisation, and Impairments of \$71.5 million, which was an increase of 35% on the prior year. Revenue and other income from continuing operations was \$919.9 million an increase of 11% on the prior year. This improved result is largely attributable to a full 12 months of trading in respect of the Capital S.M.A.R.T and ACM Parts acquisitions, and the operational turnaround of ACM Parts.

The Group received, and fully passed onto staff, wage subsidies from the Australian and New Zealand governments, which ended in the first quarter of the 2021 Financial Year. These subsidies, combined with the ongoing support and engagement of impacted staff, supported employee retention, and enabled the resumption of trading as restrictions lifted and repair volumes began to recover.

The Group reported a net loss after tax of \$99.1 million for the 2021 Financial Year. This result was significantly impacted by the \$90.6 million non-cash impairment of goodwill related to the Capital S.M.A.R.T acquisition. This impairment reflected the risk and uncertainty associated with COVID-19 and related allowances in respect of revenue and earnings projections.

The Group also reduced net debt by \$53.8 million during the 2021 financial year, mainly from the proceeds from the sale of the ACAD and Fully Equipped businesses. This asset sale related debt reduction saw us close the financial year with net debt of \$173.3 million and \$57.7 million in undrawn debt facilities.

With a portion of our debt soon to become current and ongoing uncertainty regarding the impacts of the COVID-19 pandemic on operations, in September 2021 we launched a capital raising and bank facility amendment process, to ensure that the Company was appropriately financed for both the short and medium terms. By early October 2021, the AMA Group had successfully completed a \$100 million accelerated 1 for 2.8 pro rata non-renounceable share entitlement offer at an offer price of \$0.375 per share and issued \$50 million of convertible notes.

We chose this structure to ensure a raising of an appropriate size to achieve the enhanced banking structure, and to have sufficient funds for working capital, liquidity (including for COVID-19 related disruption) and to support growth initiatives. A significant entitlement offer component was chosen, to ensure that our existing shareholders, many of whom are long-term, were able to participate. There was a particular focus on enabling as many of our shareholders to participate as possible, including those in the United States who are usually excluded from doing so.

Both the Institutional and Retail Entitlement Offers attracted strong demand, and we thank our shareholders for their ongoing support. We were also humbled by the demand for the convertible notes and thank the investors who participated in that process.

Net proceeds from the capital raising were used to repay \$72.5 million in bank debt. The amended banking structure has no bank facilities maturing before October 2024. Further, the first covenant test is in June 2022, with testing in June and September based on an annualisation of financial results from January 2022. Covenant testing will then revert to a standard last twelve months basis from December 2022.

AMA Group recently released its first quarterly activities and cash flow report to the ASX, with total available funding of \$71 million at the close of the first quarter for Financial Year 2022. Based on the first quarter's cash used in operations of around \$13 million, the Group has six quarters of funding, prior to the inclusion of \$46 million related to the Retail Entitlement Offer that was received in early October, and assuming the continuation of trading conditions experienced during the first quarter. While the second quarter so far has still been significantly impacted by COVID-19 related restrictions, we expect an improvement in trading conditions as lockdowns cease and the world returns to normal. We saw when the lockdown previously eased in Victoria in early 2021, repair volumes rebounded very strongly. We can already see an increase in traffic in New South Wales and Victoria, so are confident the repair volumes will also rebound strongly.

Turning now to the AMA Group remuneration framework. Since I joined the Board, we have been working to improve both the remuneration framework and disclosure.

The objective of our remuneration framework is to attract, motivate and retain key personnel within our business. It is also designed to align their interests with the interests of shareholders by matching long-term rewards with the long-term performance of the Group.

Following an extensive review process, we have made changes to the 2022 Financial Year long-term incentives, or LTIs, to enhance the alignment between executive remuneration and the shareholder experience during a period of uncertainty for the Group. Additional information is included in the Notice of Meeting, and I will cover off on some key points now.

First, the LTI includes re-weighting executive remuneration to reduce the maximum LTI opportunity for the year for the Group CEO from 150% to 100% of fixed remuneration.

The Earnings per Share Compound Annual Growth vesting condition will be replaced with an absolute Compound Annual Growth Total Shareholder Return vesting condition, with the condition applicable to 50% of the Performance Rights. The purpose of this change is to focus executives on shareholder returns.

The relative Total Shareholder Return vesting condition is now applicable to 50% of the Performance Rights, an increase from 20%, and the Comparator Group has been changed to measure performance against a broader group of companies, with which the Group competes for equity capital.

We have also made changes to the short-term incentive, or STI, arrangements for executives to drive a sense of business urgency. The new STI structure introduces a 50% award deferral into equity to provide executives, particularly those who have recently joined the business, with more connection to shareholders.

We will continue to consider and revise the terms of the remuneration framework to ensure they remain appropriate.

With an enhanced banking structure, the successful capital raising, and a refreshed remuneration framework, we are well positioned for the future.

On behalf of the Board, I would like to thank the Management team and all our people for their tremendous effort and hard work over what was a challenging year. I'd also like to thank our business partners and customers for their ongoing support. Most importantly, thank you to you, our shareholders, for your ongoing support of AMA Group.

With that, I would like to hand over to Carl Bizon, who will talk more to the future of AMA Group.

Group CEO's Address to Shareholders

Thank you, Anthony. I would also like to welcome everyone who is online for today's meeting.

This time last year, I was a Non-Executive Director on the AMA Group Board, with no expectation that today I would be here, speaking to you as the Group CEO. Now, after about nine months in the role, I am pleased to share with you my observations and thoughts on the outlook for the business.

Before I do so, I would like to recognise the support of our shareholders; in particular with respect to our recently completed capital raising. I was greatly encouraged by the level of interest and belief in our business, strategy, and team.

I see great opportunity for us, in continuing to focus on the growth of our collision repair and associated auto parts businesses. While the underlying business strategy is fundamentally the same, the management capability and business structure to operationalise it has significantly changed.

I have previously described the three dimensions of value; Procurement, Production and Partnerships, which provide a pathway for the business to deliver growth, margin expansion and cashflow generation. These three dimensions of value are supported by our new business structure, in which we have aggregated areas of excellence and expertise by grouping like functions within our business.

The first dimension of value for the Group is Procurement. Our consumables and paint purchasing has been done at a Group level for many years. However, the process for purchasing parts remains largely intermediated. The Group spends around \$350 million on parts in a non-COVID-19 affected year, and we see enormous opportunity in this area. Whether those opportunities are in the form of organic growth in our existing Supply business, acquisition, or alternative supply chain opportunities remains to be seen. We have been building out our procurement capabilities within the business, and I look forward to elaborating further as the team gets settled, and we move towards finalising and executing our Procurement strategy.

Next, within the Production business units, we see the greatest structural change. We have grouped sites that complete rapid repairs into the "Drive" business unit. Sites that address higher severity repairs and prestige vehicles make up our "Non Drive" business unit. Finally, the Heavy Motor business unit repairs trucks and buses. This new structure delivers the greatest ability to share knowledge between like sites and in the process, maximise performance across the network.

We will continue to focus on margin expansion through operational excellence and delivering compelling capacity to our customers, with unrivalled depth of capability across repair and vehicle types. Further, we will continue to grow through acquisitions, in a targeted manner, considering the needs of our customers, and the quality of the opportunities that present themselves.

Finally, Partnerships. By building trusted relationships with our insurer and fleet partners and delivering the breadth of the Group in one economic consideration, we will constantly strive for win-win contracting arrangements. By providing a best-in-class, high-volume capability with all the governance and oversight expected by our partners, we are confident that we offer a unique service proposition.

Underlying the structure and dimensions of value, as always, are our people. At the heart of our business are incredibly talented and experienced Panel Beaters, Spray Painters, Centre Managers, Customer Service Officers, Estimators, and any number of incredibly skilled and capable people. These are the teams who drive the business and ensure that cars which come into AMA Group sites are repaired and returned to their owners, safe and ready for the road.

Since becoming the Group CEO in February, I have been working to build out a leadership team with the depth of capability, experience, and knowledge to facilitate the execution of our strategy.

This team of senior executives, some with significant global experience, has the capability to run a complex business of this scale and is commensurate with AMA Group's current size and future potential.

Turning now to the outlook.

We recently released our Quarterly Cash Flow and Activities Report for the three months ending 30 September 2021. This was a challenging quarter. Our two biggest markets, Victoria and New South Wales experienced reduced repair volumes due to prolonged COVID-19 lockdowns. I believe that the \$13 million in net cash used in operating activities over the quarter, reflects the fine balance of carefully managing cash, while simultaneously maintaining our ability to quickly return to normal operations as COVID-19 restrictions ease, and repair volumes return. This careful management, combined with the successful capital raise, saw us end the quarter with \$71 million in funding available. With an additional \$46 million from the Retail Entitlement Offer received in early October, we had over \$100 million in cash available at the end of October.

In early-November we had 15 shops hibernated and 121 staff temporarily stood down. Weekly national averages for Drive and Non-Drive showed approximately 37% and 16% unutilised booking capacity, on a normalised basis, respectively. In New South Wales, Drive and Non-Drive show approximately 40% and 45% in unutilised capacity, respectively. In Victoria, Drive and Non-Drive show approximately 52% and 26% in unutilised capacity, respectively. Apple mobility data indicates that Melbourne is at almost 90% and Sydney just over 100% of their pre-COVID mobility rates in recent days. We have seen in the past that kilometres driven is correlated with repair volumes, so we expect to see our repair volumes build in the near term.

While the first half of the 2022 Financial Year is likely to remain challenging as restrictions continue to ease, and volumes return over time, we are well positioned to enjoy more normal operations in the second half of the 2022 Financial Year. We have an incredible team, both at the site and corporate level. We have a sound strategy, and the management capability to execute it to unlock the value inherent in the AMA Group. While these strategies will take some time to bring to fruition, I look forward to the future of the Group.

In closing, I would like to thank the Board, the AMA Group employee team who are at the heart of everything we do, our insurer, fleet and other partners, our end customers, and our shareholders for their ongoing support.