

AMA GROUP

SGX Announcement

7 November 2022

1Q23 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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AMA GROUP

ASX Announcement

31 October 2022

1Q23 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 September 2022 (1Q23) (unaudited).

Highlights

- Take the LEAD health, safety and environment program launched across entire AMA Group network
- Strong engagement with our insurance partners, with a reasonable initial price uplift offered by many, along with an ongoing commitment to engage regularly and continue price discussions — unprofitable revenue was exited where a mutual pricing agreement could not be reached
- Network optimisation activities largely concluded, with skilled labour resources redeployed productively to profitable volume — 14 sites hibernated, 1 site merged, 3 sites exited, 3 converted to Capital S.M.A.R.T leaving a total of 129 Vehicle Collision sites in operation
- Bundall, Queensland corporate office closed with \$0.3 million ongoing annual cost savings through the utilisation of existing office capacity and the transition to the Melbourne corporate office
- Strong volume improvement in parts sales on the back of continued inventory investment with record daily parallel import sales in September
- All Capital S.M.A.R.T valet locations now offer private work to insured customers, enabling repairs that are not consistent with the accident claim to be contemporaneously repaired and billed separately — this improves the customer experience and provides incremental profit opportunity
- Agreement reached to divest FluidDrive for \$2.45 million, representing the culmination of the ACAD business exit strategy commenced two years ago
- Positive cash from operating activities \$1.1 million for the quarter with negative July cash flow offset by positive operating cash flow in following two months — upward trend in underlying operating cash flow (after excluding corporate tax refund)
- \$44.4 million closing cash balance at 30 September 2022 including \$15.3 million corporate tax refund.

Business and Pricing Update

As previously noted in AMA Group's FY22 results presentation, commencing in May 2022 the Group approached all insurer partners with updated pricing, including labour rates, average cost models and additional charges across the Non-Drive and Drive networks (excluding Capital S.M.A.R.T), to address the significant inflation being experienced across all elements of the operating cost base. These initial discussions were completed through the early stages of 1Q23, with agreed new pricing live across the network throughout the quarter.

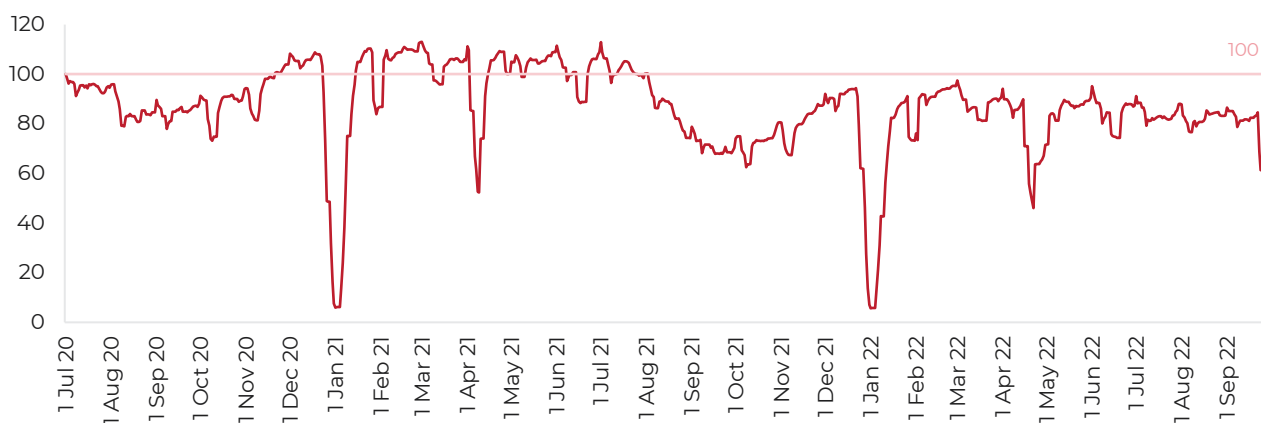
These pricing negotiations were generally constructive and positive, and resulted in an ongoing commitment between AMA Group and the insurer partners to regularly engage in price discussions through these times of heightened cost inflation. At this stage, there is no change to guidance as a result of these discussions. AMA Group chose to exit some contracts where a mutually satisfactory pricing agreement could not be reached. Removing this unprofitable volume has enabled realignment of our current labour force throughout the network and the hibernation of several sites. We anticipate that these changes will result in improved site level operating profitability in coming quarters.

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1Q23 repair volumes were similar to 4Q22. Early in the quarter, repair volumes were impacted during pricing negotiations. Volumes were further impacted in September by the unplanned National Day of Mourning public holiday on 22 September. Volume demand has remained strong across the Capital S.M.A.R.T network throughout the period with the greatest constraint to volumes being the availability of labour to complete the current work volume.

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



Source: AMA Group data

Network optimisation

AMA Group is committed to the optimisation of its network, and to the deployment of AMA Group's skilled Team members to maximise efficiency, productivity, and profitability.

As noted in the Group's FY22 results presentation, several sites in the network were under assessment in 1Q23. Following this assessment, 14 sites were hibernated, with Team members redeployed to alternate locations within the network so these sites are more fully staffed and hence able to achieve greater rates of capacity utilisation. In addition, HHarvey Collision in Queensland is being consolidated with HHarvey Prestige and the Group decided to close ARM sites in Mt Druitt and Penrith (NSW) and Sunshine (VIC).

AMA Group also chose to convert Non-Drive sites in Laverton and Somerton (Victoria) and Seven Hills (NSW) to Capital S.M.A.R.T sites. This transfer of operations enables AMA Group to effectively grow the Capital S.M.A.R.T. business and network to service more customers in these important territories in both Victoria and NSW.

AMA Group Chief Executive Officer, Carl Bizon said, "As we've reduced the number of operating facilities, and concentrated our labour force in more fully manned sites, we are positioned for enhanced process productivity and capacity utilisation."

Launch of Take the LEAD health, safety, and environment program

There is nothing more important to AMA Group than the health and safety of its Team and customers, and the communities and environment in which they live and work. In July 2022, the Group launched a new groupwide health, safety, and environment (HSE) program to transform behaviours in every one of its sites across Australia and New Zealand.

'Take the LEAD' empowers every individual across AMA Group to take responsibility for their own health and safety, and that of the people and environment around them. The program breaks down positive HSE behaviour into four simple steps: Look, Engage, Act, Debrief. This shared language and framework equips all AMA Group Team members to work together to make their workplaces and the collision repair industry safer, healthier, and more sustainable.

Divestment of FluidDrive business

In September, AMA Group announced it has entered into a Business Sale Agreement with a third-party purchaser incorporated as Fluidrive Pty Ltd (Purchaser) whereby the Purchaser will acquire the FluidDrive business for gross consideration of \$2.45 million.

FluidDrive is a leading service business in the remanufactured automotive transmission market. This divestment completes the previously announced strategy in 2020 to focus AMA Group on the collision repair, and associated parts and consumables business. It follows the sale of AMA Group's ACAD businesses (excluding ACM Auto Parts and FluidDrive) in 2020. The Group acknowledges the FluidDrive Team's contribution and wishes them well into the future.

Payments to related parties

There were no payments to related parties during 1Q23.

Summary of cash position

AMA Group ended 1Q23 with a cash balance of approximately \$44.4 million and unused available finance facilities of approximately \$1.8 million. The group generated net cash from operating activities of approximately \$1.1 million including a \$15.3 million corporate tax refund resulting from a recovery of tax carry back losses.

As previously disclosed, whilst operating cash flows are projected to be positive in FY23, the early months of the financial year have been adversely impacted by covid and influenza absenteeism and the phasing of new commercial pricing arrangements.

Operating cash flows improved throughout 1Q23 with September delivering a positive underlying cash flow (including the principal element of leases and excluding the corporate tax refund).

Total cash flow for 1Q23 included further investment of approximately \$3.5 million in inventory build, as the business continues to progress its Supply strategy through ACM Parts, and \$4.4 million of interest payments (excluding AASB-16 accounting items).

FY23 guidance

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

Change of Principal Place of Business

In accordance with ASX Listing Rule 3.14, AMA Group Limited advises that, effective today, its principal place of business address has changed to:

Level 13, 484 St Kilda Road
Melbourne VIC 3004

AMA Group's website, registered office address, telephone number and email address remain unchanged.

Other than these matters there were no other material developments or material changes in business activities during 1Q23.

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-Sep-22

Consolidated statement of cash flows

Current Quarter

Year to date

\$A'000

(3 months)

\$A'000

1	Cash flows from operating activities		
1.1	Receipts from customers (inclusive of GST)	240,168	240,168
1.2	Payments to suppliers and employees (inclusive of GST)	(245,746)	(245,746)
	(a) research and development	0	0
	(b) product manufacturing and operating costs	(133,482)	(133,482)
	(c) advertising and marketing	(424)	(424)
	(d) leased assets	(8,857)	(8,857)
	(e) staff costs	(90,635)	(90,635)
	(f) administration and corporate costs	(12,348)	(12,348)
1.3	Dividends received (see note 3)	0	0
1.4	Interest received	81	81
1.5	Interest and other costs of finance paid	(8,752)	(8,752)
		Interest elements of lease payments	
1.6	Income taxes paid	15,333	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	1,084	1,084
2	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	0	0
	(b) businesses	(47)	(47)
	(c) property, plant and equipment	(2,104)	(2,104)
	(d) investments	0	0
	(e) intellectual property	0	0
	(f) other non-current assets	0	0
2.2	Proceeds from disposal of:		
	(a) entities	0	0
	(b) businesses	0	0
	(c) property, plant and equipment	638	638
	(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	(1,513)	(1,513)
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)	(7,280)	(7,280)
		Principal elements of lease payments	
3.1	Net cash from / (used in) financing activities	(7,280)	(7,280)
4	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	52,189	52,189
4.2	Net cash from / (used in) operating activities (item 1.9 above)	1,084	1,084
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,513)	(1,513)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(7,280)	(7,280)
4.5	Effect of movement in exchange rates on cash held	(55)	(55)
4.6	Cash and cash equivalents at end of period	44,425	44,425

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	44,425	52,189
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)	44,425	52,189

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.*

Total facility amount at quarter end	Amount drawn at quarter end
\$A'000	\$A'000
182,500	180,701
50,000	50,000
232,500	230,701

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

7.5 **Unused financing facilities available at quarter end**

1,799

- 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 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
1,084
44,425
1,799
46,224

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: 31 October 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.