

AMA GROUP

Reissued Press Release

15 May 2022

Replaces release dated 13 May 2022

AMA Group to Exit Gemini Prestons, NSW and Redeploy All Team Members

The Group has decided to close our Gemini business in Prestons, New South Wales at the end of June, after commercial negotiations failed to achieve a fair price that reflects the value of work delivered at that site. The site has been operating on a 'predictive cost model' contract with fixed pricing, but the average actual costs of repairs regularly exceed twice that amount.

In order to achieve fair compensation for the value of work delivered by its collision repair network across Australia and New Zealand, AMA Group is systematically addressing commercial agreements with insurer clients and focussing on sites that have consistently underperformed financially.

The Group has already renegotiated some contracts within the portfolio to better reflect current underlying economics and will continue to do so in a collaborative manner with its insurer partners. Those revised commercial arrangements are designed to take into account labour cost inflation, vehicle OEM manufacturer parts price, and anticipated paint cost pressures as a result of global supply chain challenges. As such, a focus on the underlying commercial agreements under which the Group operates is a priority to achieve a reasonable commercial outcome for the company. The industry has historically been under pressure to absorb cost increases as an offset to perceived productivity initiatives, but the magnitude of these increases will no longer be absorbed into underlying profitability.

All Team members currently employed at Gemini Prestons will be redeployed to AMA Group sites in the surrounding area. With chronic skilled labour shortages affecting the industry, the decision was made to absorb the highly valued Prestons workforce into surrounding operations to maximise site efficiencies.

Chief Executive Officer Carl Bizon said, "It is not in our shareholders' or the wider industry's interest for AMA Group to continue work under unprofitable arrangements. This site has been loss-making for a while, and the exit will bring an annualised benefit of somewhere around \$1 million EBITDA.

"This is not a situation where an individual repairer's cost competitiveness comes into question. The fundamental cost of the repair, prior to any overheads, as assessed by an independent, globally recognised, sophisticated cost assessment program used by both insurers and repairers, exceeds the price paid for the repair.

"While it may take some time, and we need to assess contracts across our network holistically, we understand that as the largest collision repair network across Australia and New Zealand, buying collision repair volume at uncommercial arrangements both damages the value of the Group and damages the industry. We will continue this process so that the Group will ultimately receive fair compensation for the work we do."

Chief Operating Officer Mathew Cooper said "The contract in place at Gemini Prestons didn't reflect the work being completed. With a nationwide labour shortage, and a vast network of sites across Australia, we can redeploy all Team members to adjacent sites. This will allow us to operate those sites at greater efficiency, while removing a significantly loss-making site from our network."

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