

Bapcor Limited

(ASX: BAP)

ASX Release

21 October 2016

2016 Annual General Meeting - Chairman's Address

On behalf of the Board I am very pleased to present on what has been another very successful period for Bapcor Ltd. There were many highlights during the 2016 financial year, and indeed the highlights have continued since the end of the 2016 financial year up to the date of this meeting.

The 2016 financial year was another record year for Bapcor with revenue, profit, EPS and dividends all significantly higher than the prior year. Compared to financial year 2015, revenue increased by 82.7% to \$685.6 million and pro-forma net profit after tax was up 88.9% to \$43.6 million. Earnings per share were up 31%. The Bapcor Board also declared a final fully franked dividend of 6.0 cents per share resulting in a full year fully franked dividend of 11.0 cents per share, an increase of 26.4% on the prior year.

The year has been incredibly busy and exciting for the Group with a number of business acquisitions occurring.

At the 2015 annual general meeting it was a little over 2 months since we had completed the acquisition of Metcash Ltd's Automotive business, which we renamed ANA, and we were still working our way through the details of how to maximise value from bringing the ANA and Burson Trade businesses under the same ownership. Twelve months later I am able to say that we now have a very clear strategic direction for these businesses with established growth targets, the organisation structure has been developed along three defined business segments of Trade, Retail and Specialist Wholesale, the optimisation program to extract procurement savings and grow intercompany sales has exceeded our expectations, and the overall performance of ANA has met our business case. In addition we have been impressed by the quality of the people within ANA, and we appreciate the positive manner in which they approached the challenge of joining another organisation and the contributions they have made.

In addition to the ANA acquisition, in financial year 2016 Bapcor also purchased the businesses of Precision Automotive Equipment, Bearing Wholesalers and Sprint Auto Parts. These acquisitions continue to increase Bapcor's product and services offering and are highly complementary to the Group's existing businesses.

Further to these acquisitions, Bapcor's traditional trade business Burson Auto Parts has continued to grow strongly, and further increased its store footprint in Western Australia and opened its first store in the Australian Capital Territory. Burson Auto Parts now has stores in every state and territory of Australia. Through our company owned, franchised and licensed store network, Bapcor operates out of approximately 750 locations. The growth of Bapcor both organically and through acquisition has firmly positioned Bapcor as a major force in the Australasian automotive aftermarket.

To recognise the evolution of the Company, Burson Group Limited changed its name to Bapcor Limited on 4 July 2016.

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Since the end of the 2016 financial year we have continued to build the business with the acquisition of the specialist wholesale businesses of Baxters, an auto electrical specialist, and Roadsafe, a specialist distributor of steering and suspension products along with 4X4 spare parts and accessories. We have also announced that Bapcor has entered into a binding agreement to acquire MTQ Engine Systems, Australia's largest diesel and turbo aftermarket sales and service provider. These acquisitions are consistent with our strategy to grow the specialist wholesale business where we will be number 1 or 2 in the category segment in which our businesses operate.

Bapcor have also announced that it has made a takeover offer to acquire 100% of the shares in Hellaby Holdings Ltd, a New Zealand public company, and in fact the offer documents are being sent today to Hellaby's approximate 6,000 shareholders. Bapcor have recognised that New Zealand represents a natural geographic expansion for Bapcor's businesses due to similarities with the Australian Automotive Aftermarket, and we are committed to entering into the New Zealand market. Bapcor in fact made an approach to Hellaby's Board in January this year to acquire the Automotive business, however this approach was unsuccessful. Subsequently we secured the agreement of the biggest three Hellaby shareholders to sell all or part of the shareholdings which equate to approximately 30% of the issued shares of Hellaby.

The Hellaby Automotive Group will fit neatly with Bapcor. Its Automotive distribution business BNT which operates in New Zealand is very similar to Bapcor's Burson Auto Parts business. In addition Hellaby Automotive Group contains specialist wholesales businesses operating both in Australia and New Zealand in the categories of Auto-electrical, Diesel and Batteries and these categories also fit well with Bapcor's strategy to grow its specialist wholesale businesses. In Australia, Bapcor represents around 20% to 25% of the sales of these specialist businesses.

We believe the acquisition of Hellaby will benefit the New Zealand Automotive parts market, as we intend to use our scale and proven industry expertise to improve the service and range of products offered in New Zealand. The bringing together of the businesses will also enhance career opportunities for employees based both in Australia and New Zealand.

We believe the offer represents a highly compelling proposition for Hellaby shareholders as it provides to them a fair and certain price for their shares at a premium to its historical trading price prior to the takeover offer. The fact that the biggest three Hellaby shareholders representing approximately 30% of the Hellaby Shares have already agreed to accept the offer is testament that the offer is attractive and we encourage Hellaby shareholders to accept the offer.

The 2017 financial year will be another exciting year for Bapcor as we continue to grow each of our Trade, Retail and Specialist Wholesale business segments, through acquisitions and the establishment of new greenfield stores. Our CEO, Mr Darryl Abotomey, his senior leadership team and all the dedicated employees of Bapcor have delivered another outstanding year and I would like to thank them for their continued efforts. Finally, I would like to express my thanks to my fellow Directors, our shareholders and to our customers and suppliers who have contributed to the success of Bapcor and for their continued support.

-ENDS-

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