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Bapcor®

H1 FY2019 Results Presentation

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AFTERMARKET SUPPLY CHAIN



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H1 FY2019 Headline Results



Metric	Change	Value	Notes
Revenue	3.2%	\$636.1M	(continuing ops)
EBITDA	8.2%	\$76.0M	(proforma continuing ops)
NPAT	6.6%	\$43.1M	(proforma continuing ops)
EPS	5.9%	15.34 cps	(proforma continuing ops)
EBITDA	13.2%	\$79.4M	Statutory
NPAT	12.6%	\$45.5M	Statutory
EPS	3.4%	16.20 cps	Statutory

TRS was divested 3 July 2018. Excluding TRS from prior period:

Revenue	5.5%	EBITDA	10.4%	NPAT	9.2%	EPS	8.5%
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H1 FY2019 Operational Highlights

- A record first half result in Revenue, Earnings and EPS, in challenging economic conditions.
- NPAT growth negatively impacted by 2.5% due to the divestment of TRS on 3 July 2018. The FY18 profit contribution of TRS is expected to be fully offset in H2 FY19 due to acquiring commercial truck group (Don Kyatt (Qld) & associated companies) in December 2018.
- Good revenue & profit growth in the Trade, Bapcor NZ and Specialist Wholesale segments
- Retail & Service profit flat due to market conditions and continued company store expansion that is loss making in initial phase
- Intercompany sales up 37%
- Higher inventory reflects acquisitions, network growth, investment in new & existing ranges and impact of cyclical purchases. Expect to reduce by June 19.

H1 FY2019 Financial Highlights



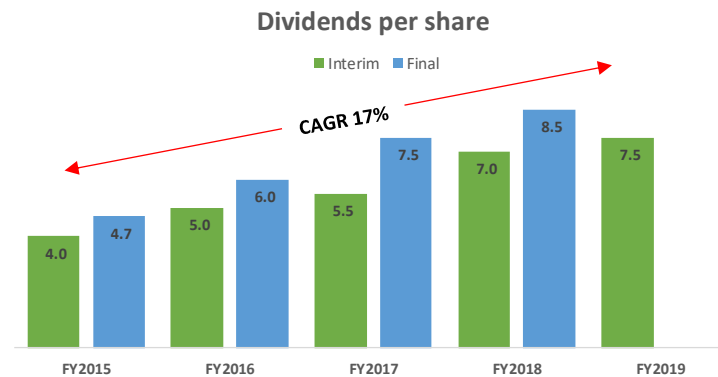
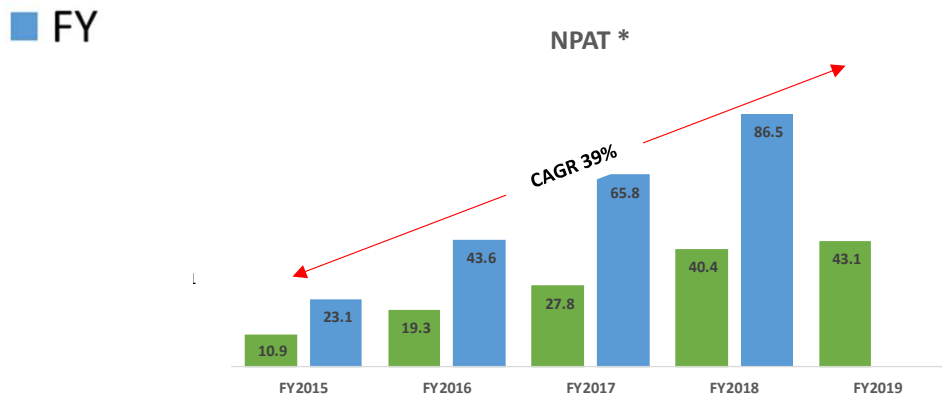
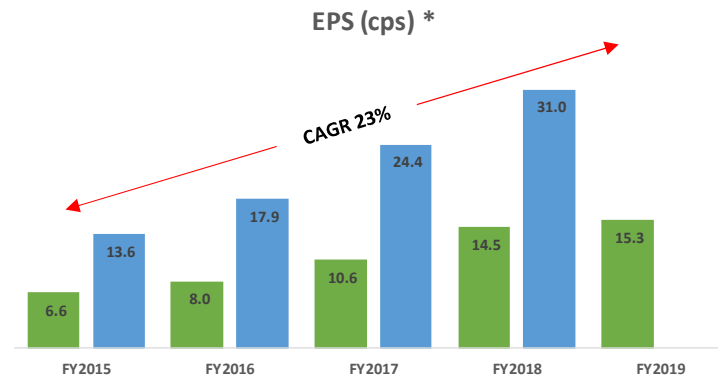
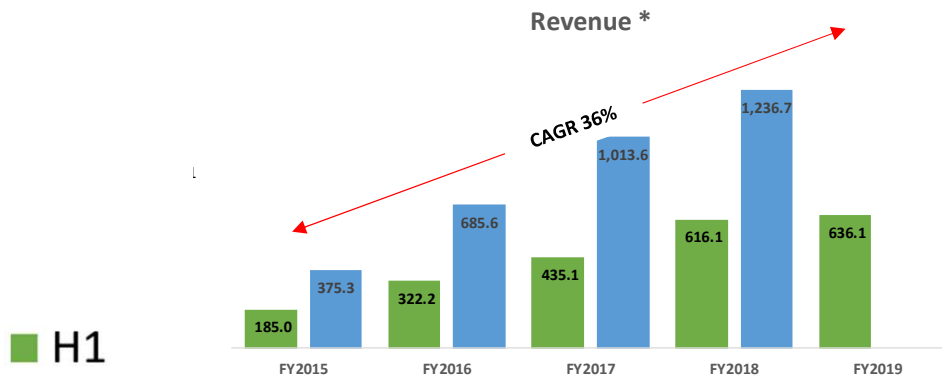
		H1 FY19	H1 FY18	Variance
<u>Continuing Operations</u>				
Revenue	\$'M	636.1	616.1	3.2%
Gross Margin	%	47.1%	45.6%	1.5 pp
EBITDA – proforma	\$'M	76.0	70.2	8.2%
EBITDA	%	11.9%	11.4%	0.6 pp
NPAT – proforma	\$'M	43.1	40.4	6.6%
EPS – proforma	cps	15.34	14.48	5.9%
<u>Total Bapcor (including Discontinued Operations)</u>				
NPAT – statutory	\$'M	45.5	43.7	4.1%
EPS – statutory	cps	16.20	15.66	3.4%
Dividend	cps	7.5	7.0	7.1%

Notes:

- In H1 FY2018 Discontinued Operations of Hellaby Footwear and Contract Resources are included in the results for 3 months until their divestment, and TBS is included for the full 6 months. The TRS business which was divested 3 July 2018 and is not treated as a “discontinued operation” and is therefore included for the full six months in H1 FY2018.



Summary of Key Performance Indicators



* Based on continuing operations and estimated FY19 results

Business Segment Results – continuing operations



AUD \$'M Proforma	Revenue			EBITDA			EBITDA % Revenue
	H1 FY19	H1 FY18	% Change	H1 FY19	H1 FY18	% Change	Change
Trade	257.4	245.6	4.8%	36.9	34.1	8.2%	+0.4 pp
Bapcor NZ	79.8	75.3	6.0%	11.1	9.2	21.8%	+1.8 pp
<i>Bapcor NZ – TRS</i>	-	12.9	(100.0%)	-	1.3	(100.0%)	
Specialist Wholesale	196.3	182.1	7.8%	20.5	18.4	11.4%	+0.3 pp
Retail & Service	135.0	124.1	8.8%	14.2	14.2	0.0%	-0.9 pp
Group / Elims	(32.5)	(23.8)	(36.9%)	(6.7)	(7.0)	3.9%	
Continuing operations	636.0	616.1	3.2%	76.0	70.2	8.2%	+0.6 pp

NOTE: H1 FY18 has been restated for the reallocation of the former Hellaby Automotive Specialist Wholesale businesses based in Australia to the Specialist Wholesale segment. Refer ASX release on 20 July 2018.
 TRS in NZ was divested 3 July 2018, however is included in the above for FY18 as it was not classified as a “discontinued operation”

Business Summary

1H FY2019

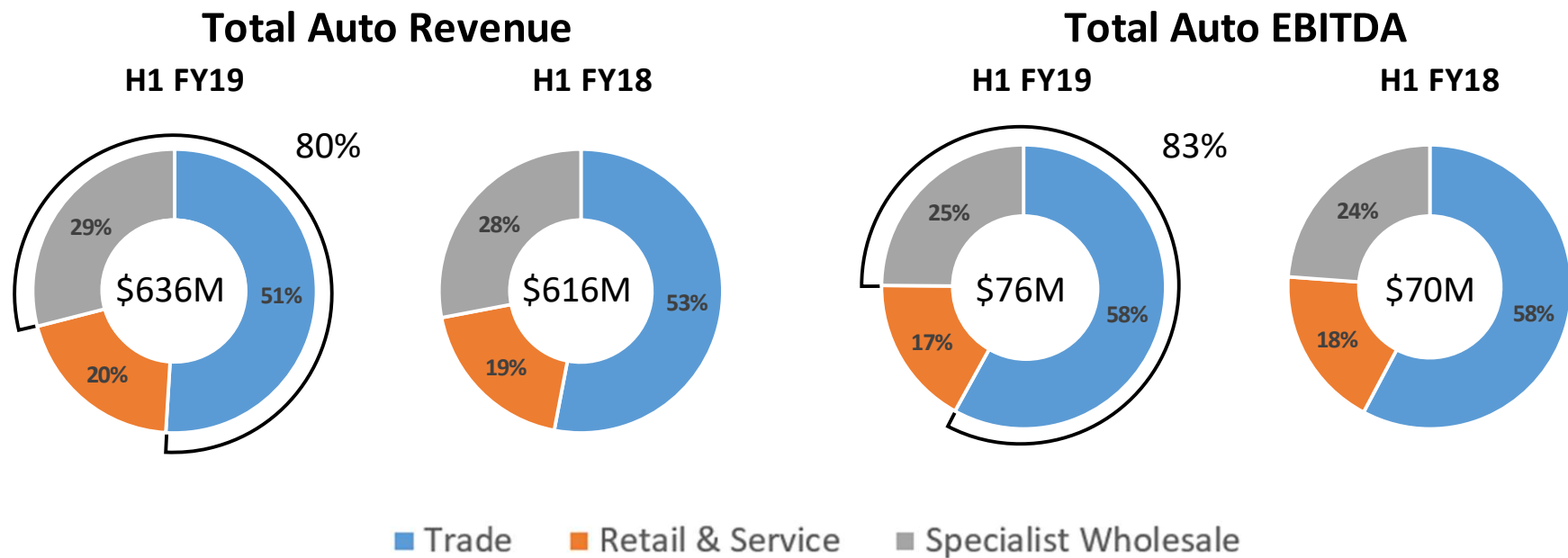
	Revenue % Growth	Same store Sales Growth %	EBITDA Growth %	NEW H1 FY19	Market Facing Locations 31/12/18	Company Owned %	Franchise %
Burson Trade	4.8%	2.1%	8.2%	8	178	100%	0%
New Zealand	6.0%	4.2%⁽¹⁾	21.8%	2⁽¹⁾	79	100%	0%
⁽¹⁾ BNT							
Specialist Wholesale	7.8%	NA	11.4%		91	58%	42%
Retail & Service	8.8%						
<i>Autobarn</i>				3	131	47%	53%
Company		4.0%		13			
Franchise		0.2%		(10)			
AutoPro & Sprint					115	8%	92%
Service (Midas & ABS)					124	6%	94%
- NZ - Battery Town					115	0%	100%
Thailand				2	3	100%	
<u>MARKET FACING LOCATIONS TOTAL</u>					<u>836</u>	<u>54%</u>	<u>46%</u>

Excludes 88 Carparts stores.

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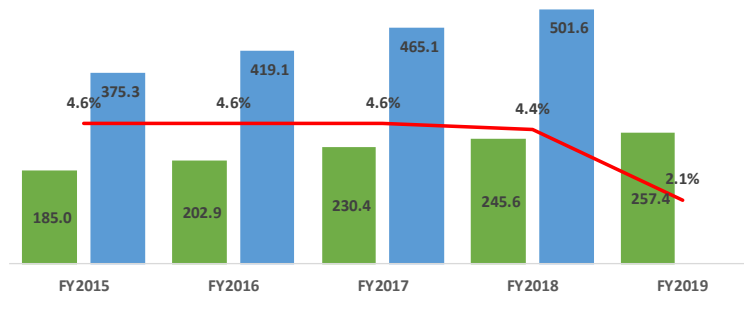
Business Segment Contribution to Results



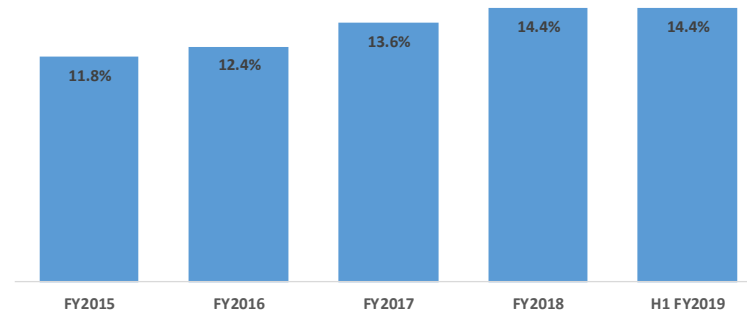
Burson Trade

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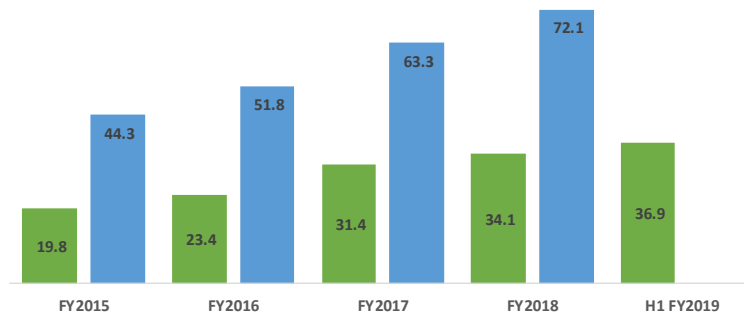
Revenue and "Same Store" growth



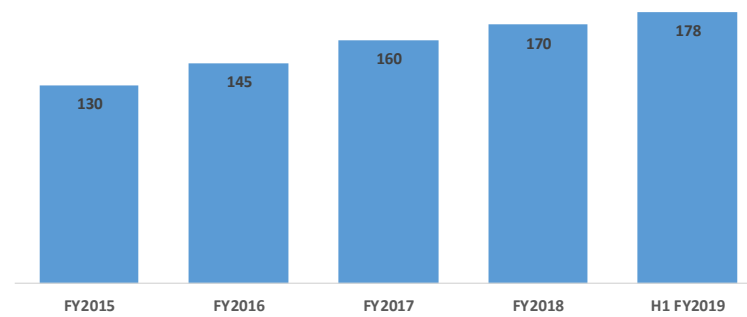
EBITDA % of Sales



EBITDA \$M



Store numbers





Burson Trade

\$'M	H1 FY19	H1 FY18	Change
Revenue	257.4	245.6	4.8%
EBITDA	36.9	34.1	8.2%
EBITDA %	14.3%	13.9%	+0.4 pp

	H1 FY19	FY18	Change
Stores	178	170	+8

- Revenue and EBITDA growth
- H1 FY19 same store sales growth of 2.1% - below expectations
- Equipment sales growth continues to be strong
- Margin up 0.4pp for the half-year
- +8 new stores since June 2018, now at 178.
- Work streams in place to continue to increase Own Brand ratio
- People pipeline and training remains a consistent high priority

Bapcor NZ



\$'M NZD	H1 FY19	H1 FY18	Change
Revenue	86.3	82.3	4.9%
EBITDA	12.0	10.0	20.6%
EBITDA %	13.9%	12.1%	+1.8 pp

	H1 FY19	FY18	Change
BNT Stores	58	56	+2

- *Bapcor NZ reflects the NZ based operations of the Hellaby acquisition. The Australian based operations have been moved to Specialist Wholesale. H1 FY18 comparatives have been changed to reflect this change.*
- *H1 FY18 **excludes** TRS business divested 3 July 2018*

- Revenue growth of 4.9% and EBITDA growth of 20.6% (excluding TRS from H1 FY18)
- Half-year BNT same store sales up 4.2%
- Good margin growth of 1.8pp, reflecting optimisation benefits and pricing management.
- 2 new BNT stores opened
- Strong programs in place for continued network expansion and Own Brand development
- Ongoing skills training across the network

Specialist Wholesale



\$'M	H1 FY19	H1 FY18	Change
Revenue	196.3	182.1	7.8%
EBITDA	20.5	18.4	11.4%
EBITDA %	10.5%	10.1%	+0.3 pp

- Specialist Wholesale now includes the Australian based operations of the Hellaby acquisition. These were moved from the Bapcor NZ segment. H1 FY18 comparatives have been changed to reflect this change.*

- Revenue growth of 7.8% and EBITDA growth of 11.4%
- Benefitting from increase in group intercompany sales of 37%
- Strong growth in the electrical/engine management businesses
- Large pipeline of projects for intercompany product range substitution.
- Addition of the Don Kyatt Commercial Truck businesses from December 2018

Retail & Service

\$'M	H1 FY19	H1 FY18	Change
Revenue	135.0	124.1	8.8%
EBITDA	14.2	14.2	0.0%
EBITDA %	10.5%	11.4%	-0.9 pp

	H1 FY19	FY18	Change
<u>Autobarn store numbers</u>			
Company owned	61	48	+13
Franchise	70	80	-10
Total	131	128	+3
% coy stores	47%	38%	+9 pp
Other stores	239	250	-11

- Growth in Autobarn company stores driving revenue growth of 8.8%
- Autobarn same store sales of approx. 4% for company owned and 0.2% for franchise stores
- EBITDA flat year on year largely due to continued expansion of company stores that are negative to earnings in the initial expansion phase and reduction in wholesale sales
- Autobarn - 6 greenfield stores, 8 franchise conversions and 1 closure during the period
- Now 47% of Autobarn stores are company owned



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Summary Income Statement



- **Revenue growth of 3.2%; excluding divested TRS business was 5.5%**
- **Same Store sales growth**
 - Burson Trade 2.1%
 - BNT 4.2%
 - Autobarn company stores 4.0%
 - Autobarn Franchised stores 0.2%
- **Gross margin % up 1.5 percentage points**
 - Continual focus and also reflects flow through from optimisation projects
- **CODB as a % of sales up 0.9 percentage points**
 - As a result of increase ratio of company stores in retail
- **Finance costs up due to higher working capital and an increase in the average base BBSY**
- **Proforma NPAT from continuing operations up 6.6%, excluding divested TRS business was 9.2%**
- **EPS from continuing operations up 5.9%**

Pro-forma, \$'M	H1 FY19	H1 FY18	Change
Continuing Operations			
Revenue	636.1	616.1	3.2%
Gross Profit	299.5	281.0	6.6%
Margin (%)	47.1%	45.6%	1.5 pp
CODB	(223.6)	(210.8)	(6.1%)
CODB (%)	(35.1%)	(34.2%)	(0.9 pp)
EBITDA	76.0	70.2	8.2%
EBITDA (%)	11.9%	11.4%	0.5 pp
Depreciation and Amortisation	(8.4)	(7.4)	(15.9%)
EBIT	67.6	62.8	7.7%
Finance Costs	(7.1)	(6.1)	15.9%
Profit Before Tax	60.5	56.6	6.8%
Income Tax Expense	(17.6)	(16.2)	(8.5%)
Non-controlling Interest	0.2	-	100.0%
NPAT - continuing	43.1	40.4	6.6%
NPAT (%)	6.8%	6.6%	0.2 pp
EPS ⁽¹⁾ (CPS)	15.34	14.48	5.9%

Note: 1. EPS is based on the TERP adjusted weighted number of shares on issue during the year as per accounting standard AASB-133

Summary Cash Flows



- **Lower cash conversion of 59.5% due to higher inventory holdings**
 - Inventory reflects investment in acquisitions, network growth, new & existing ranges and cyclical purchases
 - Cash conversion expected to improve in H2
- **Capex and acquisitions**
 - Capex mainly reflects investment in new stores, IT development, purchase of motor vehicles and front of store refurbishments
 - Business acquisitions includes Commercial Truck Parts and deferred payments for Baxters, Precision and Tricor
- **Divestment proceeds**
 - Cashflow includes proceeds related to divestments of TRS

\$'M	H1 FY19
EBITDA – Proforma	76.0
Operating cash flow before finance, transaction and tax costs	45.2
<i>Cash conversion</i>	<i>59.5%</i>
Financing costs	(5.8)
Transaction costs	(0.8)
Tax paid	(18.1)
Operating cash flows	20.5
Store acquisition and greenfields	(12.3)
Business acquisitions – net of cash – including deferred payments	(51.0)
Capital expenditure (excluding new stores)	(14.9)
Dividend paid	(17.8)
Treasury shares acquired	(3.7)
Other	0.4
Cash generated excluding divestments	(78.8)
Divestment proceeds – net of expenses	15.9
Cash generated	(62.9)
Opening cash on hand	40.2
FX adjustment on opening balances	1.1
Borrowing repayments	75.1
Net cash movement	(62.9)
Closing cash on hand	53.5

Summary Balance Sheet

Net Debt/Cash

- Net debt at December 2018 is \$350.9M
- Represents annualised leverage ratio of 2.1X on a twelve month EBITDA basis
- Higher debt due to inventory holdings as well as Commercial Truck Parts acquisition
- Debt at June 19 forecast to return to sub 2X leverage ratio
- Refinance options currently under review

Dividends

- Interim dividend declared for FY19 of 7.5 cents per share fully franked
- Record date 28 February 2019
- Pay date 12 April 2019
- Dividend reinvestment plan will continue for the FY19 interim dividend

Notes:

1. Net debt is based on borrowings less cash of (\$350.4M), adding in financial derivative assets of \$1.1M, less capitalized borrowing costs including in borrowings of (\$1.6) and removing cash relating to the non-controlling interest of (\$1.6M)

\$'M	H1 FY19	FY18
Cash	53.5	40.2
Trade and other receivables	150.7	146.8
Inventories	328.4	287.3
PP&E	56.1	52.6
Deferred tax assets	18.1	17.8
Intangible assets	726.7	677.7
Other assets	4.0	5.2
Total assets	1,337.5	1,227.5
Trade and other payables	187.4	187.8
Tax liabilities	0.2	2.4
Provisions	62.2	68.0
Borrowings	402.3	326.5
Other	0.2	0.5
Total liabilities	652.4	585.2
Net assets	685.1	642.3



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H1 FY2019 Results

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Q&A

Continued growth of the Australian Car Parc...



- Estimated **19.5m registered vehicles** at the end of 2018, an increase of 2% on 2017
 - **Average age** of vehicles stable at **11 years**
- **New vehicle sales** in 2018 were 1.15m, down 3% on 2017 and ending four years of YoY growth
 - 60% of new vehicle sales were in the SUV & Utility categories; 33% in Passenger vehicles
- **Electric vehicle penetration continues to be minimal**, <0.5% of new vehicle sales in 2018 were electric vehicles



No change to industry fundamentals.

Source: ABS Motor Vehicle Census; FCAI VFACTS;

Bapcor 5 Year Strategic Targets



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**NO
CHANGE
TO
GROWTH
STRATEGY**

<p>Trade</p>	<p>50% Segment contribution</p> <p>Trade focussed "parts professionals" supplying workshops in Australia & New Zealand</p>	<p>230 AUS Target Stores Now 178</p> <p>75 NZ Target Stores Now 59</p> <p>25 NZ Relocation & Refurb Target Now 6</p> <p>35% Own brand Target Now 24%</p>
<p>Specialist wholesale</p>	<p>30% Segment contribution</p> <p>#1 or #2 Industry category specialists in parts programs</p>	<p>A\$450m AUS Target Turnover Now A\$364m</p> <p>A\$50m NZ Target Turnover Now A\$31m</p> <p>55% Own brand Target Now 45%</p> <p><small>*excludes TRS – since divested</small></p>
<p>Retail</p>	<p>20% Segment contribution</p> <p>Premium Retailer of Automotive Accessories Supplying the independents: parts, accessories & 4WD</p>	<p>200 AUS Autobarn Target Stores Now 131</p> <p>200 Independents Target Stores Now 203</p> <p>120 AUS OL Target Stores Now 83</p> <p>35% Own brand Target Now 24%</p>
<p>Service</p>	<p>Reliable & Trusted car servicing at affordable prices</p> <p>Supporting the independents</p>	<p>500 AUS Target Stores Now 124</p> <p>150 NZ Target Stores Now 115</p> <p>90% Intercompany Sourcing Target</p>
<p>Asia</p>	<p>Bringing automotive aftermarket parts to Asia</p>	<p>TBD Target Locations Now 3</p>

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Major Projects Underway

- **Retail “Point of Sale” system** – replace legacy system
- **Upgrade in central computer infrastructure** - improved reliability and security
- **Warehouse Management System** – most warehouses do not have one
 - Improves efficiency and accuracy.
- **Warehouse Evolution – 3 to 4 year project**
 - Potential consolidation of warehousing
 - Major efficiency increases
 - Reduction in inventory duplication
 - “State of the art” warehouse operations
 - Net investment circa \$50M less working capital savings - RoI ~25%.
 - Expect decision in 2019

Bapcor Thailand



- Now operating 3 stores in Bangkok district
- A further 3 new stores planned in H2 FY19
- Stores making positive progress in new market dynamics
- Good relationships being established with a significant chains presenting good growth opportunities as we grow more scale
- As with any start-up operation in a new market we are learning and will over time fine tune product ranges and operation methods to optimise outcomes.



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Trading Update



Bapcor expect the general level of market softness to continue for the remainder of FY19.

Bapcor are forecasting an increase NPAT of circa 9% above FY18 proforma NPAT.

This guidance delivers a record full year result in Revenue, Earnings and EPS, however is at the low end of previous market guidance.

THANK YOU!



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H1 FY2019 Results

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Q&A

Appendix – Statutory to Proforma Reconciliation

The table below reconciles the pro-forma result to the statutory result for H1 FY19 and H1 FY18.

\$'M	Note	H1 FY19	Consolidated		H1 FY18 Total
			H1 FY18 Continuing Operations	H1 FY18 Discontinued Operations	
Statutory NPAT	1	45.5	40.4	3.3	43.7
Other gains adjustment	2	(4.1)	-	-	-
Depreciation and amortisation adjustment	3	-	-	(3.8)	(3.8)
Net reserve release to profit and loss	4	-	-	(1.5)	(1.5)
Other activities	5	0.6	-	-	-
Tax adjustment	6	1.1	-	2.6	2.6
Pro-forma NPAT		43.1	40.4	0.6	41.0
TRS	7	-	1.0	-	1.0
Pro-forma NPAT exc. TRS		43.1	39.4	0.6	40.0

Statutory EBITDA to Pro-forma EBITDA reconciliation

\$Ms	H1 FY19	H1 FY18
Statutory EBITDA per segment note	81.6	71.4
Intersegment EBITDA per segment note	- 1.3	- 1.0
Acquisition costs per segment note	- 0.8	- 0.2
Pro-forma adjustments	- 3.5	-
Pro-forma EBITDA per Directors' Report	76.0	70.2

Note: Inventory Provision reconciliation is included in the Statutory Accounts – available on Bapcor website