

ASX/Media Announcement
Bapcor Limited (ASX:BAP)

12 February 2020

Bapcor Ltd today announced its results for the six months ended 31 December 2019 (“H1 FY20”)

RECORD REVENUE & EARNINGS

Revenue of \$702.5M, up 10.4%

Pro-forma EBITDA (excluding AASB 16) of \$79.4M, up 4.6%

Pro-forma Net Profit after Tax (excluding AASB 16) of \$45.3M, up 5.1%

Pro-forma Earnings Per Share (excluding AASB 16) of 15.94 cents per share, up 4.0%

Statutory Net Profit after Tax of \$45.2M, down 0.7% ⁽¹⁾

Statutory Earnings Per Share of 15.91 cents per share, down 1.8% ⁽¹⁾

Bapcor adopted AASB 16 Leases on 1 July 2019 which had the following impacts on the financial metrics in the current half year:

Pro-forma EBITDA (including AASB 16) increases by \$27.2M to \$106.7M

Pro-forma Net Profit after Tax (including AASB 16) increases by \$0.3M to \$45.6M

Highlights of the H1 FY20 financial results compared to the 6 months ended 31 December 2018 (“H1 FY19”) are:

\$Ms	H1 FY20	H1 FY19	Variance
Revenue	702.5	636.1	10.4%
EBITDA – pro-forma exc. AASB 16	79.4	76.0	4.6%
NPAT – pro-forma exc. AASB 16	45.3	43.1	5.1%
EPS (cps) – pro-forma exc. AASB 16	15.94	15.34	4.0%
EBITDA – statutory	106.1	79.4	33.6%
NPAT – statutory	45.2	45.5 ⁽¹⁾	(0.7%)
EPS (cps) – statutory	15.91	16.20 ⁽¹⁾	(1.8%)
Dividend (cps)	8.0	7.5	6.7%

Proforma results include adjustments for mergers, acquisitions and restructuring activities and any unusual one off transactions to reflect the underlying performance of the business.

Note 1: FY19 Statutory Results included a gain of \$4.1m relating to a one-off adjustment of a deferred settlement payment for a previous acquisition.

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Pro-forma net debt at 31 December 2019 was \$403.1M, an increase of \$66.8M compared to June 2019. This increase mainly reflects the investment in Truckline and Diesel Drive acquired on 2 December 2019 as well as the deferred settlement on the Don Kyatt (Qld) light commercial truck group acquisition. The leverage ratio at 31 December 2019 was 2.3X (Net Debt: last twelve months EBITDA annualised for new acquisitions). Interest cover remains strong at 11 times (EBITDA:Interest expense).

A fully franked interim dividend of 8.0 cents per share has been declared. Bapcor operates a Dividend Reinvestment Plan ('DRP') which provides shareholders with the opportunity to utilise all or part of their dividends to purchase shares in the Company. The DRP will continue to be in operation for the FY20 interim dividend.

Comments from Bapcor's CEO & Managing Director

Bapcor CEO & Managing Director Mr. Darryl Abotomey said, "In the first half of FY20 Bapcor has delivered another record result, with every segment of our business growing in revenue and profit. Whilst it was very pleasing that revenue grew by 10%, the challenging environment is revealed in our EBITDA margin which reduced by 0.6 percentage points. This is the first time Bapcor has reported a decline in margin since listing in 2014 and mainly reflects the impact of the competitive environment, especially the trade businesses in Australia and New Zealand, as well as the impact of the depreciation of the Australian and New Zealand currencies and the softer underlying economic conditions.

"During the period Bapcor has continued to expand the reach of the business adding 35 additional stores/branches to its network with Bapcor now having over 1,000 locations throughout Australia, New Zealand and Thailand.

"Bapcor also further expanded into the heavy commercial truck parts sector with the acquisition of Truckline in December 2019. Bapcor now has 38 branches supplying truck parts across both the light and heavy truck sectors making it one of the largest distributors in Australia. This sector provides another platform of growth for Bapcor and places us as the only supplier of replacement parts and accessories for all segments of on road vehicles.

"The Burson Trade segment, consisting of Burson Auto Parts and Precision Automotive Equipment, grew revenue by 8.5% with same store sales growing by more than 5%. EBITDA grew by 1.9% and EBITDA margin declined by 0.9 percentage points compared to H1 FY19. The margin decline was largely due to the impact of competition and a sales incentive promotion that finished in January 2020. The Trade business implemented a price increase at the end of December 2019 and it is expected this will contribute to recover margin in the second half of the financial year. The Burson store network expanded to 184 stores nationwide, an increase of 3 stores in the period.

"Bapcor New Zealand performed solidly in a soft economy where both volumes and price were challenged. Revenue increased by 5.7% largely due to new stores as same store sales growth was flat. EBITDA increased 1.4% and EBITDA margin declined by 0.6 percentage points compared to H1 FY19. A new 6,000 square meter DC has been completed in Auckland that will bring together under one roof the NZ Specialist Wholesale and Equipment businesses. BNT expanded its store network by 2 during the half year to 72 stores.

"The Specialist Wholesale segment, consisting of thirteen Specialist Wholesale business units, increased revenue by 19.9% and EBITDA by 20.9% including the acquisitions of Don Kyatt (Qld) light commercial truck, Truckline and Diesel Drive. Excluding the impact of these acquisitions, revenue grew by 6.8% and EBITDA increased 5.2% reflecting continued good growth particularly in the auto-electrical/engine management businesses.

"The Retail segment revenue and earnings consist of Autobarn, AutoPro and Sprint Auto Parts stores, as well as Midas and ABS service workshops. Revenue for H1 FY20 increased by 1.8% and EBITDA increased by 3.1% reflecting the improvement of stores new to the company store network. Autobarn same stores sales grew by 1.5% in company owned stores and was down 1.6% in franchise stores. Autobarn's on-line sales have grown strongly, more than doubling over the previous comparative period. The Autobarn store network consisted of 135 stores at December 2019, up 1 compared to June 2019. The number of Autobarn company owned stores over the same period grew from 66 to 75 and now represents 56% of the Autobarn network.

“Intercompany sales across Bapcor grew by 10% which mainly reflects increased sales from our Specialist Wholesale segment into our Trade networks in Australia and New Zealand and into Retail. The increase in intercompany sales reflects the strategy to increase the proportion of “own brand” product sold through Trade and Retail to 35%.

“Bapcor now has 5 stores and a procurement office operating in Thailand. This business has ramped up to the point where in December 2019 the business made a positive contribution for the month, just 18 months since the first store was opened. There is strong demand in Thailand for the Burson store concept and value proposition and we are reviewing the next steps for expansion.

“Our DC Evolution project is crystallising in Victoria, where we have now identified a suitable location and construction has commenced of a 50,000 square meter facility. The facility will utilise state of the art goods to person technology that will position Bapcor to have the most efficient warehouse operation in the industry in Australasia. This facility will also vastly enhance our offer to customers by having the entire range of parts from our Trade, Specialist Wholesale and Retail businesses under one roof. The DC is expected to become operational during 2021.

“We have made solid progress with the investment in technology projects, recently completing a technology infrastructure upgrade to support our core systems, rolling out a new Point of Sale system for our retail Autobarn network and implementing a new Tier 1 Warehouse Management System at our Nunawading warehouse.

“Bapcor has made good progress in the challenging operating environment over the last 6 months demonstrating the resilience of the business, and also the many opportunities that still exist for Bapcor. Areas such as the Truck businesses, Asian operations, “Own Brand” expansion and the DC consolidation are all examples of what will drive growth in the future, underpinned by our very successful and still growing business portfolio that is focussed on the market for vehicle parts, accessories, equipment, service and solutions.

“I would like to thank all employees and franchisees of Bapcor as well as customers and suppliers for their continued support”.

Bapcor is Asia Pacific’s leading provider of vehicle parts, accessories, equipment, service and solutions, with a network of over 1,000 locations across Australia, New Zealand and Thailand.

For further details refer to the Investor Presentation and Financial Statements contained in the Investor Centre section in the Bapcor Ltd website (www.bapcor.com.au/presentations).

Authorisation:

This announcement was authorised by the Board of Bapcor Limited.

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