

ASX/Media Announcement Bapcor Limited (ASX:BAP)

19 August 2020

Bapcor Ltd today announced its results for the twelve months ended 30 June 2020 (FY20).

FY20 was a year unlike any other – the impact of the bushfires and ongoing drought in Australia, compounded with the COVID-19 pandemic and resulting government imposed restrictions in Australia, New Zealand and Thailand all combined to have an adverse impact on Bapcor’s financial performance, as well as a negative impact on general economic conditions. However despite these impacts, Bapcor has delivered a strong result in FY20, and is in a very solid financial position to optimise on opportunities as they arise.

RECORD REVENUE, SOLID EARNINGS

Revenue from operations of \$1,462.7M, up 12.8%

Pro-forma EBITDA (before AASB16) down 4.1% to \$157.8M

Pro-forma Net Profit after Tax (before AASB16) down 5.5% to \$89.1M

Pro-forma Earnings Per Share (before AASB16) of 30.36 cents per share, down 9.2%

Successful \$236M equity issue, increasing share capital by c20%.

Statutory Net Profit after Tax of \$79.2M, down 18.4%

Statutory Earnings Per Share of 26.97 cents per share, down 21.6%

Bapcor adopted AASB 16 Leases on 1 July 2019 which had the following impacts on the financial metrics in the FY20 year:

Pro-forma EBITDA (including AASB 16) increases by \$59.3M to \$217.1M

Pro-forma Net Profit after Tax (including AASB 16) reduces by \$0.4M to \$88.7M

Highlights of the FY20 financial results compared to the 12 months ended 30 June 2019 (FY19) are:

\$M	FY20 Reported	FY20 Pre AASB16	FY19 Reported	Pre AASB16 YoY %
Revenue	1,462.7	1,462.7	1,296.6	12.8%
EBITDA proforma	217.1	157.8	164.6	(4.1%)
EBIT proforma	144.5	138.7	147.5	(6.0%)
NPAT proforma	88.7	89.1	94.3	(5.5%)
NPAT	79.2	79.2	97.0	(18.4%)

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\$M	FY20 Reported	FY20 Pre AASB16	FY19 Reported	Pre AASB16 YoY %
Cash conversion	119%	125%	79%	57.4%
Leverage (ND/EBITDA)	0.7X	0.7X	2.0X	(66.0%)
EPS (basic) proforma	30 cps	30 cps	33 cps	(9.2%)
DPS – Final	9.5 cps	9.5 cps	9.5 cps	-
DPS – Full year	17.5 cps	17.5 cps	17.0 cps	2.9%

Proforma results include adjustments for mergers, acquisitions and restructuring activities and any unusual one off transactions to reflect the underlying performance of the business. Statutory net profit after tax in FY20 includes \$8.3M of the transition costs relating to the new Melbourne Distribution Centre at Tullamarine which do not relate to FY20's underlying performance.

Proforma net debt at 30 June 2020 was \$109.2M, compared to June 2019 of \$335.3M. The leverage ratio at 30 June was 0.7X (Proforma Net Debt: last twelve months annualised proforma EBITDA). Interest cover remains strong at > 12X (Proforma EBITDA / Interest (exc. AASB 16)). Net debt significantly reduced as a result of the equity raising in April & May 2020 as well as from strong cash flow generated from operations.

A fully franked final dividend of 9.5 cents per share has been declared taking the total dividends in relation to the FY20 financial year to 17.5 cents per share, up 2.9% compared to the FY19 dividend. Given the solid financial position of the company at 30 June 2020 Bapcor has decided to suspend the operation of the Dividend Reinvestment Plan for the FY20 final dividend.

Comments from Bapcor's CEO & MD

Bapcor CEO & Managing Director Mr. Darryl Abotomey said, "FY20 has been a challenging year for Bapcor, as it has been for most businesses. The ongoing impact of the drought and the bushfires in Australia combined with the unexpected and unforeseen global COVID-19 pandemic created the most unusual combination of circumstances our businesses have ever faced. The government enforced restrictions particularly in New Zealand and also Australia and Thailand constrained the business performance. However despite the circumstances Bapcor's talented team members have been able to deliver a commendable result for FY20, with Proforma EBITDA being down 4.1% and Proforma Net Profit After Tax being only 5.5% below the record earnings that were achieved in FY19. Record revenue was achieved by the group, driven by record revenue and earnings in our Burson Trade and Retail businesses and the addition of the Truckline business in December 2019.

Although expansion was constrained by the COVID-19 restrictions, the group added 45 new company locations throughout our network which was fabulous work from our team members. Our business now has over 1,000 locations throughout Australia, New Zealand and Thailand.

The Burson Trade segment, consisting of Burson Auto Parts and Precision Automotive Equipment achieved record revenue and EBITDA. Revenue grew by 7.1% with same store sales up 6% (2.2% in FY19). Burson did incur negative same store sales of 11.4% in April 2020 – the major period COVID-19 impacted the business. EBITDA grew by 3.7%. The Burson store network expanded to 186 stores nationwide, an increase of 5 stores in the year. Precision Equipment achieved record revenue of \$39.4M.

Bapcor New Zealand was significantly impacted by the COVID-19 induced New Zealand lockdowns. Revenue was down 5.2% and EBITDA was down 14% compared to FY19. Same store sales in BNT, NZ's largest business, were down 9% over the prior year. Up to February 2020, BNT's same store sales were in line with the prior year. For March to May 2020 same store sales were negative 33%. In June 2020, after restrictions had been removed, same store sales had improved to be 8.6% below the prior year. BNT expanded its store network by 3 during the year to 73 stores, created 3 supersites as well as opened a new 6,000m² warehouse in Auckland.

The Specialist Wholesale ("SWG") segment continued to expand during FY20 especially its truck parts business with the addition of Truckline and Diesel Drive in December 2019. SWG revenue increased 26% and EBITDA grew 8.7% compared to FY19. Excluding the acquisitions, revenue grew 5.5% and EBITDA declined 7.1% reflecting the impact of the difficult trading conditions, particularly with customers reducing inventory levels during COVID-19. The acquisition of Truckline has exceeded expectations in its first seven months of being part of the Bapcor group.

The Retail segment consisting of Autobarn, AutoPro and Sprint Auto Parts stores, as well as Midas and ABS service workshops delivered record revenue and earnings – especially from an outstanding performance by the Autobarn business. Revenue for FY20 increased by 14.7% and EBITDA increased by 12.8% compared to FY19. Autobarn same store sales for the year were up 9.5% - company stores were up 14.5% and franchisees were up 6.6%. In the months of May and June 2020, Autobarn same store sales were up 51% on the prior corresponding period. The improvement in the Autobarn performance has been contributed to by changes that have been implemented by the new management team to ensure consistency in store standards and customer experience, a higher level of inventory availability, changes to merchandising and promotions and an increase in the number of company operated stores. Online sales also increased 240% for the year, with May and June 2020 being up 400%.

The Autobarn store network consists of 134 stores at year end, with the number of Autobarn company owned stores now representing 60% of the Autobarn network. In total, the Retail segment comprises 350 company owned and franchised outlets.

When COVID-19 was first evident Bapcor management quickly moved to ensure the reliability of its supply chain, as well as to ensure the safety and well-being of its team members, customers and suppliers. This remains the primary consideration for our business. In addition the group took swift action to conserve cash by reducing all discretionary expenditure including capital expenditure. In April and May 2020 \$236M was raised through an issue of equity, focussed on prorata issuing of shares to the existing shareholders wherever possible. The result of the various actions is that Bapcor is in a very solid financial position.

In Australia Bapcor did not receive any government support (e.g. Jobkeeper) other than a Queensland payroll tax reimbursement. In New Zealand, Bapcor received \$3.9M in Government support which was all paid to team members who otherwise would have been stood down. Bapcor's landlords have generously supported the business during the worst period of the government lockdowns, accepting reduced rental payments of \$1.5M. Bapcor has supported its suppliers by ensuring they were all paid in full and on time.

Bapcor continues to invest for the long term benefit of the business, including having announced the new distribution warehouse facility at Tullamarine in Victoria. This will be a state of the art facility that will deliver efficiency improvements and inventory reductions. Other projects over the past year have included an upgrade to the computer infrastructure, implementation of a new warehouse management system, a new retail point of sale and there are further developments underway in our ecommerce and digital platforms.

Bapcor believes the fundamentals of the vehicle aftermarket are as strong as ever, with COVID-19 resulting in record sales of second hand vehicles as travellers seek social distancing and a move away from public transport, as well as the likely flow on impact when more people spend their holidays domestically utilising their vehicles. Bapcor is excited about the many opportunities of the business including further network growth, procurement and supply chain efficiencies and own brand growth. Bapcor is focussed on consolidating and optimising its current portfolio of businesses, as well as looking for new opportunities as they arise.

The market fundamentals and opportunities will continue to drive profit growth in the future, however given the current economic uncertainties and unknown future impacts of COVID-19 Bapcor is not in a position to provide a forecast of earnings for the current year. An update on trading conditions will be provided at the Annual General Meeting in October.

I would like to thank all team members and franchisees of Bapcor as well as customers, suppliers and shareholders for their continued support, making Bapcor the great business it is today”.

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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