FY2019 Results Presentation

Bapcor

1. **FY2019 Results**
2. FY2019 Result Details
3. Strategy Update
4. FY2020 Trading Update / Outlook

FY2019 Headline Results

Record results in FY2019 on all key measures.

Revenue

Up 4.8% to $1,297M
(continuing ops)

Up 6.9%
(excluding TRS divestment)

EBITDA

Up 9.8% to $164.6M
(proforma continuing ops)

Up 11.7%
(excluding TRS divestment)

NPAT

Up 9.0% to $94.3M
(proforma continuing ops)

Up 11.2%
(excluding TRS divestment)

EPS

Up 8.0% to 33.45cps
(proforma continuing ops)

Up 10.3%
(excluding TRS divestment)

FY2019 – Operational Highlights

- FY2019 result in line with guidance
- Result reflects resilience to market conditions
- Major segments of Burson Trade, Bapcor New Zealand and Specialist Wholesale all recorded solid growth
- Retail segment challenged in H2 due to market conditions and high proportion of immature loss making stores
- Intercompany sales growth of 35%
- Commercial Truck Parts acquisition – a future growth platform
- Added 59 new company branch / store locations – now over 950 locations
- Thailand expansion showing positive signs
- Working capital management improved compared to H1 FY2019
- Debt refinanced with more favourable terms
- Major investments in new Point of Sale, Warehouse Management System, IT Infrastructure
- Reinvigoration of Senior Leadership Team
- Focus on training of team members

FY2019 – Financial Highlights

Bapcor

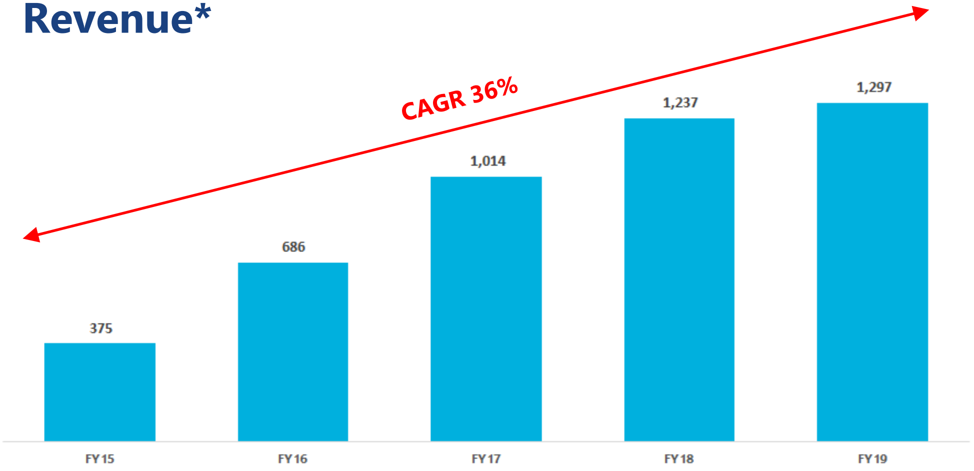
		FY2019	FY2018	Variance
Continuing Operations[1]				
Revenue	$'M	1,296.6	1,236.7	4.8%
Gross Margin	%	46.9%	46.0%	0.9 pp
EBITDA – proforma	$'M	164.6	150.0	9.8%
EBITDA	%	12.7%	12.1%	0.6 pp
NPAT – proforma	$'M	94.3	86.5	9.0%
EPS – proforma	cps	33.45	30.97	8.0%
Dividend	cps	17.0	15.5	9.7%
Continuing Operations excluding TRS				
Revenue	$'M	1,296.6	1,212.4	6.9%
EBITDA – proforma	$'M	164.6	147.4	11.7%
NPAT – proforma	$'M	94.3	84.7	11.2%
EPS – proforma	cps	33.45	30.33	10.3%

Notes:

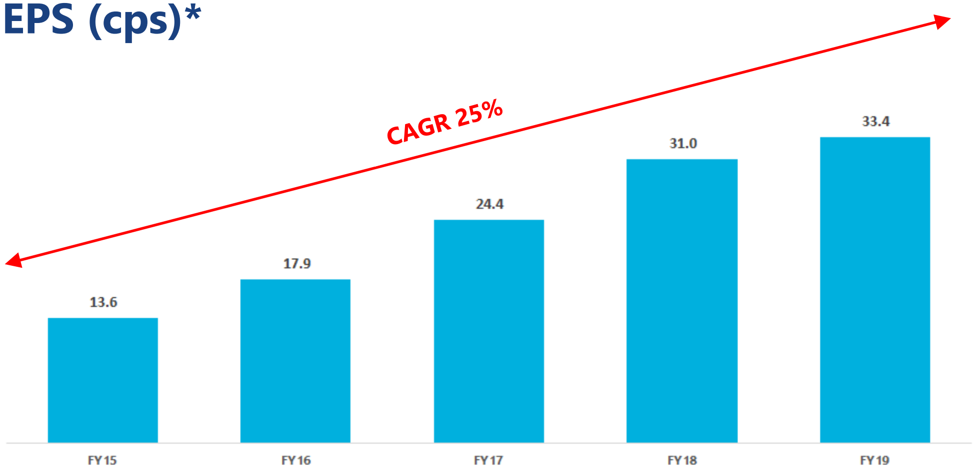
1. The TRS business which was divested 3 July 2018 and is not treated as a "discontinued operation" and is therefore included for the full year in FY2018.

Summary of Key Performance Indicators

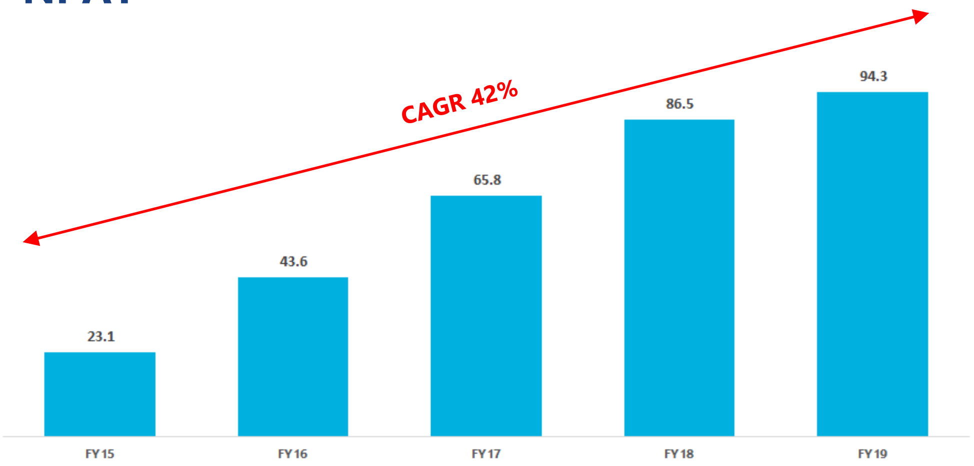
Revenue*



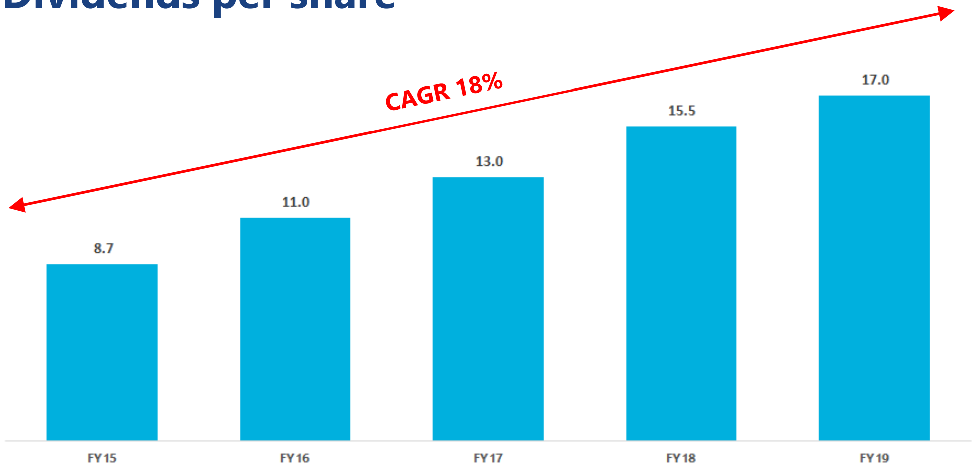
EPS (cps)*



NPAT*



Dividends per share



Notes:

* Based on proforma continuing operations where appropriate

Segment Results – continuing operations

AUD $'M proforma	Revenue			EBITDA			EBITDA % Revenue		
	FY2019	FY2018	% Change	FY2019	FY2018	% Change	FY2019	FY2018	Change
Trade	524.5	501.6	4.6%	78.2	72.1	8.5%	14.9%	14.4%	+0.5 pp
Bapcor NZ	165.0	153.6	7.4%	22.9	20.1	13.8%	13.9%	13.1%	+0.8 pp
Bapcor NZ – TRS[1]	-	*24.3*	*(100.0%)*	-	*2.6*	*(100.0%)*			
Specialist Wholesale	413.1	364.3	13.4%	46.3	38.6	20.0%	11.2%	10.6%	+0.6 pp
Retail	255.3	239.1	6.8%	27.1	28.8	(6.0%)	10.6%	12.0%	-1.4 pp
Group / Elims	(61.3)	(46.2)	(32.7%)	(9.9)	(12.3)	20.0%			
Continuing operations	***1,296.6***	***1,236.7***	***4.8%***	***164.6***	***150.0***	***9.8%***	***12.7%***	***12.1%***	***+0.6 pp***

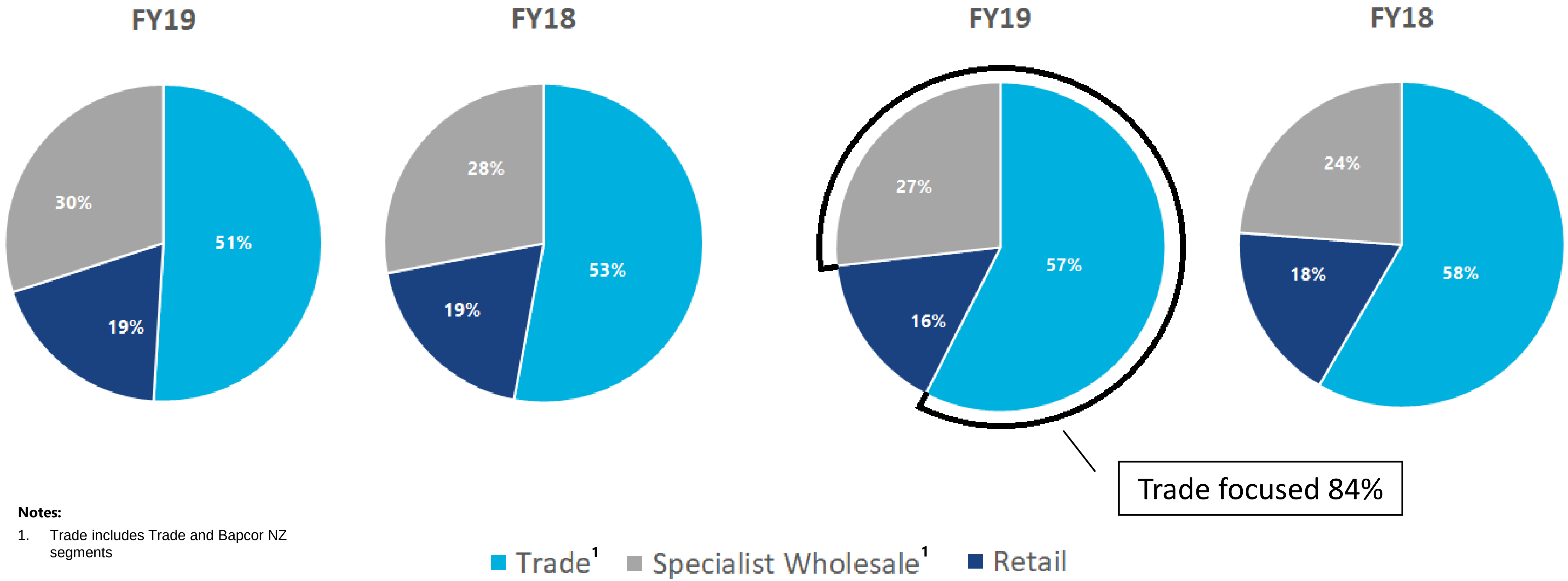
AUD $'M proforma	Revenue		
	FY2019	FY2018	% Change
Revenue from Intercompany sales	62.1	46.2	34.5%

Notes:

1. TRS in NZ was divested 3 July 2018, however is included in the above for FY2018 as it was not classified as a “discontinued operation”

Business Segment Contribution to Results

Total Revenue   Total EBITDA

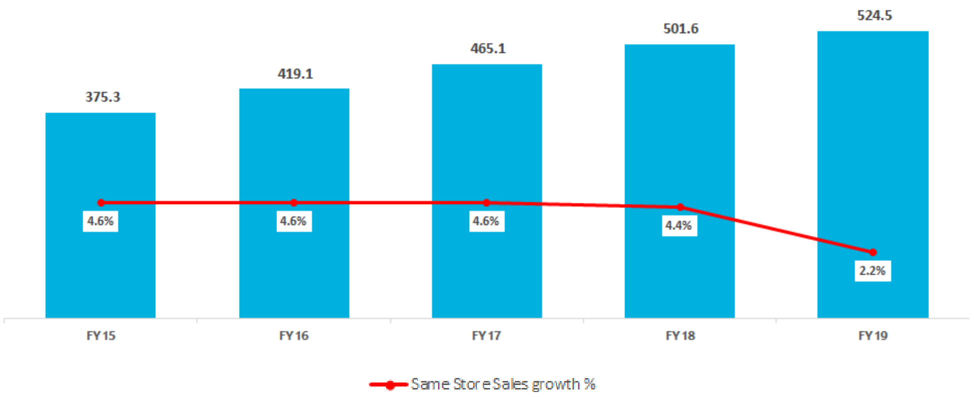


Notes:

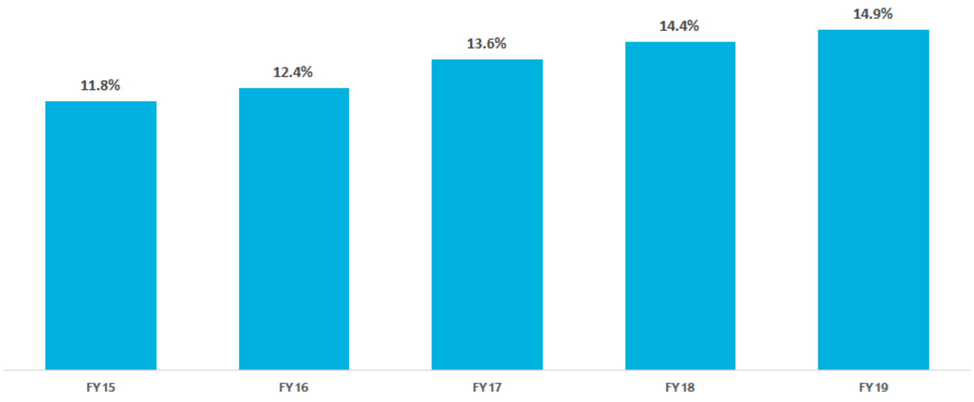
1. Trade includes Trade and Bapcor NZ segments

Burson Trade

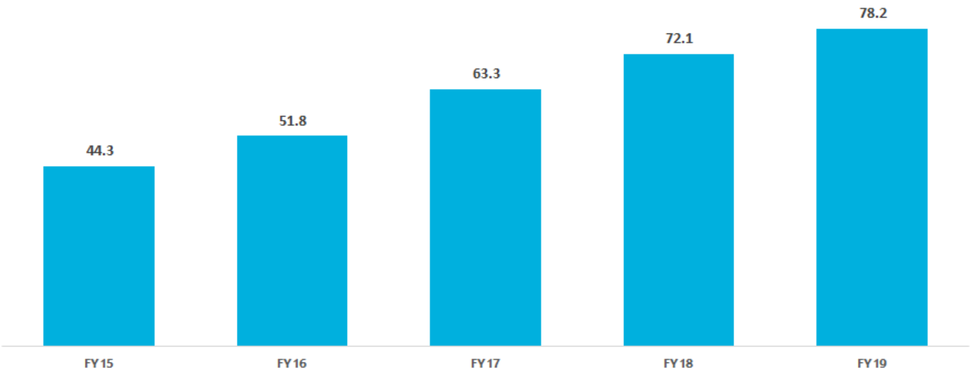
Revenue and 'Same Store Sales' growth



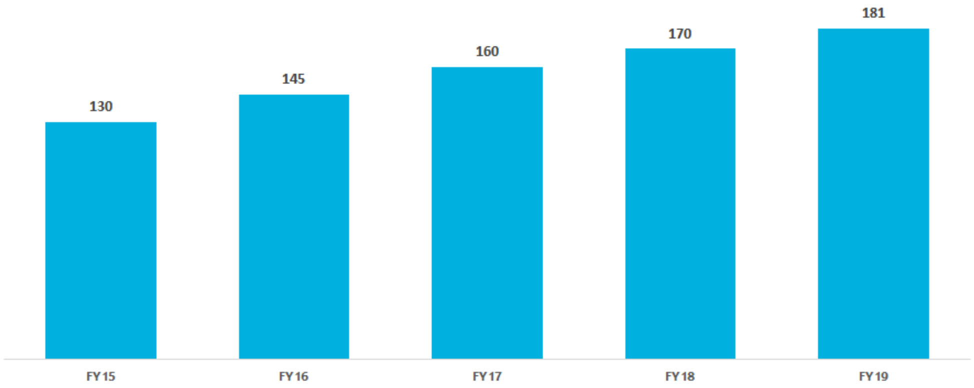
EBITDA % of Sales



EBITDA $M



Store Numbers



Burson Trade

$'M	FY2019	FY2018	Change
Revenue	524.5	501.6	4.6%
EBITDA	78.2	72.1	8.5%
EBITDA %	*14.9%*	*14.4%*	*+0.5 pp*

	FY2019	FY2018	Change
Stores	181	170	+11

FY2019 in review:

- Good revenue and EBITDA growth
- Same store sales growth of 2.2% (growth of 2.5% in H2)
- New stores of 11 to 181 stores (7 greenfield)
- Gross margin expansion from procurement initiatives
- Market competitiveness meant only limited general price increase opportunity
- Equipment business expanding including major new product lines
- B2B sales exceeded $80m

FY2020 key priorities:

- Continued footprint expansion
- Intercompany collaboration / own brands
- Same store sales growth activities
- Growth in new equipment ranges
- Working capital efficiencies

Bapcor NZ

$'M	FY2019	FY2018	Change
Revenue	165.0	153.6	7.4%
EBITDA	22.9	20.1	13.8%
EBITDA %	*13.9%*	*13.1%*	*+0.8 pp*

	FY2019	FY2018	Change
BNT stores	58	54	+4

Notes:

1. FY2018 excludes the TRS business divested 3 July 2018

FY2019 in review:

- Strong revenue and EBITDA growth in softening economy
- BNT same store sales growth of 5.3% (growth of 5.9% in H2)
- 4 greenfield BNT stores during FY2019 growing total stores to 58
- Margin expansion due to ongoing improvement of procurement costs and pricing management
- Good success in newly introduced own brand products
- Introduced Equipment business towards end of FY2019

FY2020 key priorities:

- Footprint expansion
- Continued price and margin management
- Improved wholesale electrical performance
- Leverage intercompany / own brand sales
- Equipment sales growth
- New Auckland SWG warehouse

Specialist Wholesale

$'M	FY2019	FY2018	Change
Revenue	413.1	364.3	13.4%
EBITDA	46.3	38.6	20.0%
EBITDA %	*11.2%*	*10.6%*	*+0.6 pp*

FY2019 in review:

- Revenue and profit growth particularly strong in Electrical/Engine Management business units
- Increase in intercompany sales of 35%
- Creation of "Commercial Truck Parts Group", now with 14 locations
- Margin expansion due to enhanced pricing management and procurement initiatives

FY2020 key priorities:

- Development and consolidation of Bapcor Market Brands (product)
- Deliver on intercompany sales pipeline program
- Footprint expansion
- Strategic specialist product range growth e.g. airconditioning

Retail

$'M	FY2019	FY2018	Change
Revenue	255.3	239.1	6.8%
EBITDA	27.1	28.8	(6.0%)
EBITDA %	*10.6%*	*12.0%*	*-1.4 pp*

	FY2019	FY2018	Change
<u>Autobarn store numbers</u>			
Company owned	66	48	+18
Franchise	68	80	-12
Total	134	128	+6
% coy stores	49%	38%	+11 pp
Other stores	231	250	-19

FY2019 in review:

- Revenue growth largely driven by new stores and conversion of franchise to company owned stores
- Same stores sales growth – Autobarn company owned stores up 5% (growth of 5.7% in H2); franchise stores flat
- Total Autobarn stores 134 – a net increase of 6 stores. The number of company owned stores grew by 18 including 10 greenfield stores. At 30 June 49% of stores were company owned.
- Impacted by economic conditions and competitive environment.
- EBITDA decrease driven by proportion of immature company owned loss making stores and also lower warehouse sales to franchisees.
- Online sales almost trebled (click & collect and click & deliver)
- New Executive General Manager commenced May 2019

FY2020 key priorities:

- Improve performance of underperforming and immature stores including store manager and support manager development
- Enhance marketing and promotion program
- Increase wholesale sales penetration to franchisees
- Further development of digital / online channels
- Continue to grow same store sales

Asia

FY2019 in review:

- Positive start to Asian expansion
- 4 greenfield stores at June 2019
- Rollout slower than targeted due to delays in store refurbishments and supply chain
- Store profit ramp up similar to Australian trade store experience
- Good progress in selling to chain workshops

FY2020 key priorities:

- Bed down processes and further develop people in existing stores
- Open sourcing office and one additional store
- Fine tune and roll out electronic catalogue / online B2B
- Promote brand and continue to develop relationships with key workshop chains

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Summary Income Statement

- Revenue growth of 4.8%; excluding divested TRS business was 6.9%
- Same Store sales growth
  - Burson Trade 2.2%
  - BNT 5.3%
  - Autobarn company stores 5.0%
  - Autobarn Franchised stores 0.2%
- Gross margin % up 0.9 percentage points
  - Continual focus and also reflects flow through from optimisation projects
- CODB as a % of sales up 0.3 percentage points
  - As a result of increase ratio of company stores in retail
- Finance costs up due to higher debt / working capital
- Proforma NPAT from continuing operations up 9.0%, excluding divested TRS business was up 11.2%
- EPS from continuing operations up 8.0%

Pro-forma, $'M	FY2019	FY2018	*Change*
Continuing Operations			
Revenue	**1,296.6**	**1,236.7**	***4.8%***
Gross Profit	608.3	569.4	*6.8%*
Margin (%)	*46.9%*	*46.0%*	*+0.9 pp*
CODB	(443.6)	(419.4)	*(5.8%)*
CODB (%)	*(34.2%)*	*(33.9%)*	*-0.3 pp*
EBITDA	**164.6**	**150.0**	***9.8%***
EBITDA (%)	12.7%	12.1%	+0.6 pp
Depreciation and Amortisation	(17.1)	(15.6)	*(9.7%)*
EBIT	**147.5**	**134.4**	***9.8%***
Finance Costs	(15.0)	(13.5)	*(11.6%)*
PBT	**132.5**	**120.9**	***9.6%***
Income Tax Expense	(38.7)	(34.5)	*(12.0%)*
Non-controlling Interest	0.4	0.1	*265.6%*
NPAT	**94.3**	**86.5**	***9.0%***
NPAT - statutory	**97.0**	**84.5**	***14.8%***
NPAT – pro-forma (%)	7.3%	7.0%	*+0.3 pp*
EPS(1) – pro-forma (cps)	33.45	30.97	*8.0%*

Notes:

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

- Cash generated excluding acquisitions / divestments negative $5M. Includes project capex of ~$10M and inventory investment
- Cash conversion of 79.4% due to higher inventory holdings
  - H1 cash conversion 59.5%
  - H2 cash conversion 96.4%
- Capex and acquisitions
  - Store acquisitions and greenfields represent investment in Burson Trade, BNT NZ and Autobarn networks
  - Other capex mainly reflects IT development and purchase of motor vehicles
  - Business acquisitions includes Commercial Truck Parts, Toperformance, Allied Bearings, Japanese Trucks Australia and deferred payments for Baxters, Precision and Tricor
- Divestment proceeds
  - Cashflow includes proceeds related to divestments of TRS

$'M	FY2019
EBITDA – Proforma	**164.6**
Operating cash flow before finance, transaction and tax costs	**130.6**
Cash conversion	*79.4%*
Financing costs	(14.5)
Transaction costs	(0.9)
Tax paid	(36.4)
Operating cash flows	**78.8**
Store acquisition and greenfields	(16.1)
Capital expenditure (excluding new stores)	(29.3)
Dividend paid	(33.4)
Treasury shares	(3.7)
Borrowing transaction costs	(1.5)
Other	0.4
Cash generated excluding acquisitions / divestments	(4.8)
Business acquisitions – net of cash – including deferred payments	(57.8)
Divestment proceeds – net of expenses	14.4
Cash generated	(48.2)
Opening cash on hand	40.2
FX adjustment on opening balances	1.5
Borrowing drawdown	54.1
Net cash movement	(48.2)
Closing cash on hand	47.6

Summary Balance Sheet

- Net Debt/Cash
  - Net debt at June 2019 is $336.3M (June 2018: $289.5M)
  - Represents annualised leverage ratio of <2.0X on a twelve month annualised EBITDA basis. Interest cover >10 times (EBITDA/Interest)
  - Higher debt due to working capital and acquisitions
  - Inventory growth reflects impact of acquisitions, network growth and range expansions
  - Working capital % of sales increased by 3.1 pp from 17.5% to 20.6%
  - Refinance exercise successfully completed obtaining competitive rates and extended tenure
- Dividends
  - Final dividend declared for FY2019 of 9.5 cents per share fully franked, taking total dividend for FY2019 to 17.0 cents per share an increase of 9.7% on FY2018 and representing 51% of pro-forma NPAT from continuing operations
  - Record date 30 August 2019
  - Pay date 26 September 2019
  - Dividend reinvestment plan will continue for the FY2019 final dividend

$'M	FY2019	FY2018
Cash	47.6	40.2
Trade and other receivables	162.5	146.8
Inventories	326.1	287.3
PP&E	60.7	52.6
Deferred tax assets	18.4	17.8
Intangible assets	734.5	677.7
Other assets	3.3	5.2
Total assets	1,353.3	1,227.5
Trade and other payables	183.6	187.8
Tax liabilities	2.9	2.4
Provisions	63.4	68.0
Borrowings	380.4	326.5
Other	0.8	0.5
Total liabilities	**631.1**	**585.2**
Net assets	**722.2**	**642.3**

Notes:

1. Net debt is based on borrowings less cash of $332.8M, less $2.6M of prepaid borrowing fees which is included in the borrowings amount, adding in financial derivative liabilities of $0.1M and removing cash held by the discontinued operations of $1.0M

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Strategic Targets

No change to targets – consistent, specific, measurable targets. Significant growth still to come.

- **Grow sales**
  - Organic
  - Footprint expansion
- **Margin**
  - Procurement / buying initiatives
  - Pricing management
  - Increase "own brand" sales
  - Optimise intercompany sourcing of product
- **Operating efficiencies**
- **Consolidate and optimise**
- **Strategic acquisitions / expansion**

Strategic Initiatives Update

- **Warehouse Evolution Program** – feasibility and detailed planning reaching conclusion with more detailed announcement expected in H1 FY20
- **Warehouse Management System** – First location expected to go live in October 2019
- **Point of Sale System Retail** – some delays due to provider programming issues. Full roll out now expected during the course of FY20 (no impact on project cost)
- **Technology Infrastructure** – completion due September – improves systems redundancy and stability
- **Future Acquisitions** – Bapcor is always on the lookout for businesses that fit with our core strategy and are fairly priced

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4. **FY2020 Trading Update / Outlook**

Australasia's leading provider of aftermarket parts, accessories, equipment and services

FY2020 Trading Update / Outlook

- Market fundamentals and appropriate opportunities continue to drive profit growth;
  - First six weeks trading shows improvement in all segments
  - For FY2020 we anticipate mid to high single digit percentage increase in pro-forma NPAT, with
    - EBITDA approx. 2 percentage points higher increase due to additional depreciation from investment in technology and systems.

Bapcor

THANK YOU

Now, Q&A

Australasia's leading provider of aftermarket parts, accessories, equipment and services

Appendix

Australasia's leading provider of aftermarket parts, accessories, equipment and services

New Lease Accounting Standard

- Bapcor will adopt the new lease accounting standard (AASB 16) from 1 July 2019 on a modified retrospective approach (comparative amounts will not be restated)
- The adoption will recognise on the balance sheet:
  - Lease asset – right of use of the underlying leased assets
  - Lease liability – present value of the future lease payments
- Depreciation of lease assets and interest on lease liabilities will be recognised in the income statement over the relevant lease terms, replacing rental expense
- Estimated impact on FY2020 includes:
  - NPAT reduction of $0.5M - $1.5M
  - No impact on cash flows
  - No impact on debt covenants

Estimated impact of new lease accounting standard on FY2020		
Balance sheet – impact on adoption at 1 July 2019		
Lease asset (right of use)	Inc	\$145M - \$160M
Lease liability	Inc	\$145M - \$165M
Retained earnings	Dec	\$0M - \$5M
Income statement (FY2020 full year)		
Occupancy expense (rent)	Dec	\$49M - \$53M
Depreciation	Inc	\$46M - \$49M
Interest expense	Inc	\$3.5M - \$5.5M
NPAT	**Dec**	**\$0.5M - \$1.5M**

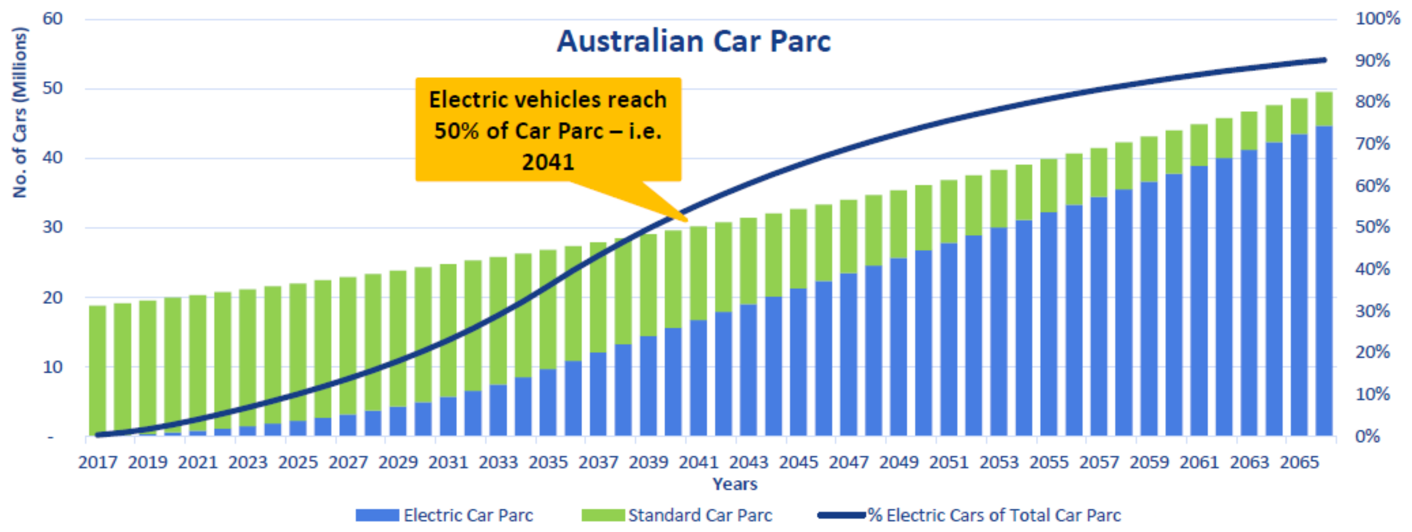
Notes:

1. The estimated impact of the new lease accounting standard is based on all things being equal, and may be different to actuals due to changes in the lease portfolio and incremental borrowing rates as well as foreign currency fluctuations

Detailed Strategy

Segment	Brands	Contribution / Description	Targets
Trade	BNT, Burson Auto Parts, Truck & Trailer Parts, Precision Automotive Equipment	*50% Segment contribution* Trade focussed "parts professionals" supplying workshops in Australia & New Zealand	**230** AUS Target Stores – Now 181 **75** NZ Target Stores – Now 59 **25** NZ Relocation & Refurb Target – Now 6 **35%** Own brand Target – Now 24%
Specialist wholesale	AAD, Autolign, JAS Oceania, Baxters, Bearing Wholesalers, MTQ Engine Systems, Roadsafe, Federal Batteries, PAT Premier Auto Trade, Diesel Distributors, HCB Technologies, AADi Australia, DKSP, I Know Parts, H.I.M Spares, JCS, Japanese Trucks Australia, He Knows Truck Parts, Toperformance	*30% Segment contribution* #1 or #2 Industry category specialists in parts programs	**A$600m** AUS Target Turnover – Now A$437m **A$50m** NZ Target Turnover – Now A$31m **40** CVG Target Locations – Now 14 **55%** Own brand Target – Now 45%
Retail	autObarn, autopro, Sprint Auto Parts, OL, CarParts	*20% Segment contribution* Premium Retailer of Automotive Accessories Supplying the independents: parts, accessories & 4WD	**200** AUS Autobarn Target Stores – Now 134 **200** Independents Target Stores – Now 195 **120** AUS OL Target Stores – Now 84 **35%** Own brand Target – Now 24%
Service	Midas, ABS, The Shock Shop, Battery Town	Reliable & Trusted car servicing at affordable prices Supporting the independents	**500** AUS Target Stores – Now 119 **150** NZ Target Stores – Now 117 **90%** Intercompany Sourcing Target
Asia	Burson	Bringing automotive aftermarket parts to Asia	**TBD** Target Locations – Now 4

Electric Vehicles



*"Modelling suggests the electric vehicle share of new car sales in Australia will rise from about 0.34% today to 8% in 2025. It is predicted to then leap to 27% of new car sales in 2030 and 50% in 2035 as prices of electric car technology fall. There is usually a 10-15 year lag between new vehicle sales numbers and overall fleet numbers, so electric vehicles are not expected to be a significant part of the passenger vehicle fleet until well into the 2030s" **

* Australian Government's Bureau of Infrastructure, Transport, Cities and Regional Development – August 2019

These comments are consistent with Bapcor's modelling that shows that due to the size of Australia's carpark (approximately 19M vehicles on road), that it will take well into the 2040's until electric vehicles make up 50% of the carpark.

Reconciliations

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

$'M	Note	FY19	FY18 Continuing Operations	FY18 Discontinued Operations	FY18 Total
		Consolidated			
Statutory NPAT	1	**97.0**	**84.5**	**10.2**	**94.7**
Other gains adjustment	2	(4.1)	-	-	-
Finance cost adjustment	3	0.3	-	-	-
Depreciation and amortisation adjustment	4	-	-	(4.2)	(4.2)
Gain on divestment	5	-	-	(7.0)	(7.0)
Net reserve release to profit and loss	6	-	-	(0.4)	(0.4)
Restructuring and other activities	7	1.7	2.9	-	2.9
Tax adjustment	8	(0.6)	(0.9)	2.8	1.9
Pro-forma NPAT		**94.3**	**86.5**	**1.4**	**87.9**
TRS	9	-	1.8	-	1.8
Pro-forma NPAT exc. TRS		**94.3**	**84.8**	**1.4**	**86.1**

The table below reconciles the pro-forma EBITDA result to the statutory result fro FY19 and FY18:

$Ms	FY19					FY18				
EBITDA	Statutory EBITDA per segment note	Intersegment EBITDA per segment note	Acquisition costs per segment note	Pro-forma adjustments	Pro-forma EBITDA per Directors' Report	Statutory EBITDA per segment note	Intersegment EBITDA per segment note	Acquisition costs per segment note	Pro-forma adjustments	Pro-forma EBITDA per Directors' Report
Trade	78.2				78.2	72.1				72.1
Bapcor NZ	22.9				22.9	22.7				22.7
Specialist Wholesale	45.5			0.8	46.3	38.6				38.6
Retail & Service	27.1				27.1	28.8				28.8
Group / Unallocated	(5.0)	(0.7)	(0.9)	(3.2)	(9.8)	(11.5)	(2.9)	(0.7)	2.9	(12.3)
Total	**168.7**	**(0.7)**	**(0.9)**	**(2.4)**	**164.6**	**150.7**	**(2.9)**	**(0.7)**	**2.9**	**150.0**

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

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