Bapcor Limited

ABN 80 153 199 912

Appendix 4D and Financial Report - 31 December 2021

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Bapcor Limited
Appendix 4D
Half-year report

1. Company details

Name of entity:	Bapcor Limited
ABN:	80 153 199 912
Reporting period:	For the half-year ended 31 December 2021 (‘H1 FY22’)
Previous period:	For the half-year ended 31 December 2020 (‘H1 FY21’)

2. Results for announcement to the market

			$’000s	%		$’000s
IFRS financial measures						
Revenue	Statutory	Up	16,508	1.9	to	900,120
Net profit after tax ***	Statutory	Down	9,942	14.7	to	57,725
Earnings per share - basic (cents per share)	Statutory	Down	2.93 cps	14.7	to	17.01 cps
Non-IFRS financial measures *						
Earnings before interest, taxes, depreciation and amortisation	Statutory	Down	12,282	8.5	to	132,966
	Pro-forma **	Down	8,432	5.8	to	137,157
Net profit after tax ***	Pro-forma **	Down	9,590	13.7	to	60,659
Earnings per share - basic (cents per share)	Pro-forma **	Down	2.83 cps	13.7	to	17.87 cps

* The directors believe the presentation of non-IFRS financial measures are useful for the users of the financial report as they provide additional and relevant information that reflect the underlying financial performance of the business. Non-IFRS financial measures contained within this report are not subject to audit or review. Refer to the directors’ report for further details.

** Pro-forma results include adjustments from statutory results for transition costs associated with the new Distribution Centre at Tullamarine, Victoria of $2.9M after tax. Refer to reconciliations provided in the directors’ report.

*** Net profit after tax attributable to the members of Bapcor Limited.

Revenue in H1 FY22 increased by 1.9% compared to H1 FY21. Pro-forma earnings before interest, taxes, depreciation and amortisation (‘EBITDA’) and pro-forma net profit after tax (‘NPAT’) in H1 FY22 decreased by 5.8% and 13.7% respectively compared to H1 FY21. Bapcor has had a solid start to FY22, in light of the prolonged lockdowns experienced in the half, demonstrating the resilience of Bapcor’s businesses and its exposure to non-discretionary purchasing.

Pro-forma earnings per share for H1 FY22 was 17.87 cents per share, down 13.7% compared to H1.

During the half, Bapcor successfully refinanced its $270M three year debt facilities and has continued access to a total debt facility of $520M. Pro-forma net debt at 31 December 2021 was $203M representing a leverage ratio of approximately 1.0X (pro-forma net debt : last twelve months pro-forma EBITDA[1]). The level of debt represents an increase of $38.9M compared to 30 June 2021 and reflects the significant investment in inventory during the period to mitigate the ongoing challenges of product availability (from global supplier and shipping constraints).

For a further explanation of the results above, refer to the Company’s ASX/Media Announcement for the half-year ended 31 December 2021 and the accompanying directors’ report.

[1] Pro-forma net debt is calculated as statutory net debt excluding the impact of lease liabilities and adjusting for the net derivative financial instruments position. Pro-forma EBITDA excludes any impact of AASB16. This approach is consistent with banking covenant requirements. Refer to note 14 of the half-year financial report for a reconciliation between statutory and pro-forma net debt.

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3. Dividends

	Amount per security Cents	Franked amount per security Cents
2021 Interim dividend	9.0	9.0
2021 Final dividend	11.0	11.0
2022 Interim dividend (declared after balance date but not yet paid)	10.0	10.0

Record date for determining entitlements to the dividend	28 February 2022
Date dividend payable	14 March 2022

4. Dividend reinvestment plans

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. Given the financial strength of Bapcor, the Board decided to, in accordance with the DRP rules, continue to suspend the DRP for the 2022 interim dividend.

5. Net tangible assets

A large proportion of the consolidated entity's assets are intangible in nature, consisting of goodwill, customer contracts and trademarks acquired on business combination as well as software. These assets as well as any deferred taxes, right-of-use assets and lease liabilities are excluded from the calculation of net tangible assets per share.

	31 Dec 2021 Cents	30 Jun 2021 Cents
Net tangible assets per ordinary security	85.2	79.9

6. Attachments

The Financial Report of Bapcor Limited for the half-year ended 31 December 2021 is attached.

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General information

The financial statements cover Bapcor Limited as a consolidated entity consisting of Bapcor Limited and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is Bapcor Limited's functional and presentation currency.

Bapcor Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is 127-139 Link Road, Melbourne Airport VIC 3045 Australia.

A description of the nature of the consolidated entity's operations and its principal activities are included in the Directors' Report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 9 February 2022. The directors have the power to amend and reissue the financial statements.

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The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Bapcor Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2021 ('H1 FY22').

Directors

The following persons were directors of Bapcor Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Margaret Haseltine	Independent Non-Executive Chair (until 6 December 2021) Executive Chair (from 6 December 2021)
Darryl Abotomey	Chief Executive Officer and Managing Director (retired 6 December 2021)
Therese Ryan	Independent, Non-Executive Director
Jennifer Macdonald	Independent, Non-Executive Director
James Todd	Independent, Non-Executive Director
Mark Powell	Independent, Non-Executive Director

Principal activities

The principal activities of Bapcor were the sale and distribution of vehicle parts, accessories, automotive equipment, service and solutions.

Bapcor is one of the largest suppliers of vehicle parts, accessories, equipment, service and solutions in Asia Pacific with an operational network covering c. 1,100 locations and employing c. 5,000 team members.

Significant changes in the state of affairs

On 6 December 2021, it was announced on the Australian Stock Exchange ('ASX') that the Managing Director and Chief Executive Officer ('CEO'), Darryl Abotomey, would retire. Chief Financial Officer ('CFO'), Noel Meehan, was appointed acting CEO and Bapcor Chair, Margaret Haseltine, was appointed as Executive Chair whilst a replacement CEO was being identified. Following an extensive global search, on 8 February 2022, it was announced on the ASX that the Bapcor Board had formally appointed Noel Meehan as Bapcor's CEO (effective 8 February 2022).

On 8 February 2022, it was also announced that the Bapcor Board had appointed Mark Bernhard as non-executive director of Bapcor (effective 1 March 2022).

There were no other significant changes in the state of affairs of the consolidated entity during the financial half-year.

Review of operations

Bapcor achieved revenue growth in H1 FY22, despite facing restrictions, lockdowns and associated labour and supply chain issues relating to the Covid pandemic for the majority of the half-year across all geographical regions. These impacts were experienced by the Bapcor Retail and Bapcor New Zealand segments in particular.

During H1 FY22, Bapcor has transitioned three of the largest Victorian warehouses (Nunawading, Derrimut and Preston) into the consolidated Victorian Distribution Centre based in Tullamarine. Not unexpectedly, this transition has experienced normal start up issues (which are in the process of being rectified) that were not helped by the Covid related supply chain disruptions.

While profitability was down compared to the exceptional H1 FY21 period, the results show significant growth compared to H1 FY20 and pro-forma net profit after tax for H1 FY22 is in line with achieving our full year guidance provided at the October 2021 Annual General Meeting.

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Statutory (versus H1 FY21):
- Revenue increased by 1.9% from $883.3M to $900.1M
- Statutory earnings before interest, taxes, depreciation and amortisation ('EBITDA') decreased by 8.5% to $133.0M
- Statutory net profit after tax ('NPAT') decreased by 14.7% to $57.7M
- Statutory earnings per share ('EPS') decreased by 14.7% to 17.01 cents per share

Pro-forma (versus H1 FY21):
- Revenue increased by 1.9% from $883.3M to $900.1M
- Pro-forma EBITDA decreased by 5.8% to $137.2M
- Pro-forma NPAT decreased by 13.7% to $60.7M
- Pro-forma EPS decreased by 13.7% to 17.87 cents per share

Pro-forma (versus H1 FY20):
- Revenue increased by 28.1% from $702.5M to $900.1M
- Pro-forma EBITDA increased by 28.6% to $137.2M
- Pro-forma NPAT increased by 33.0% to $60.7M
- Pro-forma EPS increased by 11.3% to 17.87 cents per share

Net debt:
- Pro-forma net debt at 31 December 2021 was $203M representing a leverage ratio of approximately 1.0X (Pro-forma net debt : last twelve months pro-forma EBITDA[1]).

The tables below reconcile the pro-forma results to the statutory results for H1 FY22, H1 FY21 and H1 FY20.

		Consolidated		
$'M	Note	H1 FY22	H1 FY21	H1 FY20
Statutory NPAT	2	**57.7**	**67.7**	**45.2**
Victorian DC Consolidation	3	4.2	3.7	-
Other activities	4	-	-	0.6
Tax adjustment	5	(1.3)	(1.1)	(0.2)
Pro-forma NPAT		**60.7**	**70.2**	**45.6**

		Consolidated		
$'M	Note	H1 FY22	H1 FY21	H1 FY20
Statutory net profit before tax ('NPBT')		**81.7**	**96.0**	**63.5**
Add back depreciation and amortisation		42.0	42.1	33.0
Add back finance costs		9.3	7.2	9.7
Statutory EBITDA		**133.0**	**145.2**	**106.1**
Victorian DC Consolidation	3	4.2	0.3	-
Other activities	4	-	-	0.6
Pro-forma EBITDA		**137.2**	**145.6**	**106.7**

[1] Pro-forma net debt is calculated as statutory net debt excluding the impact of lease liabilities and adjusting for the net derivative financial instruments position. Pro-forma EBITDA excludes any impact of AASB16. This approach is consistent with banking covenant requirements. Refer to note 14 of the half-year financial report for a reconciliation between statutory and pro-forma net debt.

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		Consolidated					
		H1 FY22		H1 FY21		H1 FY20	
$'M	Note	Stat	Pro-forma	Stat	Pro-forma	Stat	Pro-forma
NPAT	2	**57.7**	**60.7**	**67.7**	**70.2**	**45.2**	**45.6**
Weighted average number of ordinary shares	6	339.4	339.4	339.4	339.4	284.0	284.0
Earnings per share (cps)		**17.01**	**17.87**	**19.94**	**20.70**	**15.91**	**16.06**

1 These tables are subject to rounding.
2 NPAT attributable to members of Bapcor Limited.
3 The Victorian Distribution Centre ('DC') Consolidation relates to the significant transition items incurred in relation to the new Tullamarine Victoria Distribution Centre.
4 The other activities in prior period relates to one off consulting costs incurred relating to acquisitions that did not proceed.
5 The tax adjustment reflects the tax effect of the above adjustment based on local effective tax rates.
6 In April / May 2020, 53.7M shares were issued, increasing issued shares by 19%.

The directors' report includes references to pro-forma results to exclude the impact of the adjustments detailed above. The directors believe the presentation of non-IFRS financial measures are useful for the users of this financial report as they provide additional and relevant information that reflect the underlying financial performance of the business. Non-IFRS financial measures contained within this report are not subject to audit or review.

Revenue and pro-forma EBITDA by segment is as follows:

	Revenue				
	H1 FY22 $'M	H1 FY21 $'M	Change %	H1 FY20 $'M	Change %
Bapcor Trade	323.4	313.7	3.1%	279.3	15.8%
Bapcor NZ	86.1	85.7	0.5%	84.3	2.2%
Bapcor Specialist Wholesale[2]	341.2	317.7	7.4%	228.5	49.3%
Bapcor Retail[2]	197.2	208.5	(5.4%)	144.2	36.7%
Unallocated / Head Office[3]	(47.8)	(42.0)	(13.8%)	(33.8)	(41.3%)
Total	**900.1**	**883.6**	**1.9%**	**702.5**	**28.1%**

	Pro-forma EBITDA				
	H1 FY22 $'M	H1 FY21 $'M	Change %	H1 FY20 $'M	Change %
Bapcor Trade	52.2	57.4	(9.0%)	46.1	13.3%
Bapcor NZ	16.1	16.0	0.5%	14.9	8.1%
Bapcor Specialist Wholesale[2]	46.9	44.9	4.3%	29.4	59.3%
Bapcor Retail[2]	33.6	39.8	(15.7%)	25.1	33.6%
Unallocated / Head Office[3]	(11.6)	(12.6)	7.5%	(8.8)	(31.4%)
Total	**137.2**	**145.6**	**(5.8%)**	**106.7**	**28.6%**

1 These tables are subject to rounding. Change percentages are based on non-rounded values.
2 Comparatives have been amended for the move of the Opposite Lock business from Bapcor Specialist Wholesale to Bapcor Retail. Refer to note 3 of the half-year financial report for further details.
3 Revenue relates to intersegment sales eliminations and Thailand operations. EBITDA relates to Bapcor head office costs, intersegment EBITDA elimination, costs associated with the Thailand operations and profit from associates.

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Operating and financial review – Bapcor Trade

The Bapcor Trade segment consists of the Burson Auto Parts and Precision Automotive Equipment business units. This segment is a distributor of:

- Automotive aftermarket parts and consumables to trade workshops for the service and repair of passenger and commercial vehicles
- Automotive workshop equipment such as vehicle hoists and scanning equipment, including servicing of the equipment
- Automotive accessories and maintenance products to do-it-yourself vehicle owners.

Compared to H1 FY21, the Bapcor Trade segment recorded revenue growth of 3.1% and EBITDA declined by 9.0%. Comparing back to H1 FY20, the Bapcor Trade segment increased revenue by 15.8% and EBITDA by 13.3%.

The increase in revenue of 3.1% included same store sales growth of 1.1% (11.2% in H1 FY21) with the second quarter improving on the first quarter as Covid lockdowns and restrictions eased. Bapcor Trade's EBITDA to revenue percentage was 2.1 percentage points below H1 FY21 and 0.4 percentage points below H1 FY20 reflecting the impact of the unusually high volume of new stores opened in FY21 (14 new stores) which typically operate at a lower EBITDA percentage in their first few years.

During H1 FY22, Burson continued to expand its store network with the number of stores increasing from 200 at 30 June 2021 to 204 at 31 December 2021. The increase of 4 stores were due to greenfield store developments and the average cost per new store including inventory was $663,000.

The new stores are located in Kelmscott in Western Australia, Invermay in Victoria, Forster in New South Wales and Gawler in South Australia.

The Precision Equipment business achieved revenue of $21.7M for the half-year ($21.6M in H1 FY21), reflecting subdued growth due to increased product lead times as a result of global supply chain constraints.

During the half-year, inventory holdings increased across Bapcor Trade by $20.2M (excluding new stores) due to new product ranges, expansion of existing ranges and increased stockholdings to minimise the impacts of issues with suppliers and shipping delays.

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Operating and financial review – Bapcor New Zealand

Bapcor New Zealand (‘Bapcor NZ’) consists of Trade and Specialist Wholesale businesses based in New Zealand operating across 88 locations, as well as ~150 Battery Town and Shock Shop locations.

Brake & Transmission (‘BNT’) is the predominant business with 76 stores supplying automotive parts and accessories to workshops, truck and trailer parts through the Truck and Trailer Parts brand. BNT is similar in nature to Bapcor’s Burson Auto Parts business in Australia.

Bapcor NZ also includes the Specialist Wholesale businesses of HCB – batteries, Autolign – steering and suspension, JAS – auto electrical and Precision Equipment NZ – vehicle workshop equipment.

Bapcor NZ was in particularly impacted by the lockdowns and restrictions of trade put in place due to the Covid pandemic. H1 FY22 had more days (~125) impacted by these than the entire FY21 financial year (~90 days).

Bapcor NZ achieved revenue growth of 0.5% and EBITDA growth of 0.5% compared to H1 FY21. Comparing back to H1 FY20, the Bapcor NZ segment increased revenue by 2.2% and EBITDA by 8.1%. EBITDA to revenue percentage was flat to H1 FY21 reflecting good cost management as revenue declined in the period. EBITDA to revenue percentage increased by 1.0 percentage points when comparing to H1 FY20.

Same store sales declined in H1 FY22 for Bapcor NZ’s largest business, BNT, by 3.5% (grew by 1.3% in H1 FY21). The decline was weighted to the first quarter (decline of 15.9%) with the second quarter achieving a same store sales growth of 10.0% demonstrating the ability of the segment to perform once the restrictions and lockdowns started to ease. There was no changes to the number of BNT locations in H1 FY22, however the Specialist Wholesale businesses increased by 3 to 12 locations in total.

During the half-year, inventory holdings across Bapcor NZ increased by $6.4M (adjusted for foreign currency) due to the build-up of new product ranges, expansion of existing ranges and to mitigate delays receiving product from manufacturers.

Operating and financial review – Bapcor Specialist Wholesale

The Bapcor Specialist Wholesale segment consists of operations that specialise in automotive aftermarket wholesale and include AAD, Bearing Wholesalers, Baxters/MTQ, Roadsafe, JAS Oceania, Premier Auto Trade, Federal Batteries, Diesel Distributors, AADi and the Commercial Truck Parts group comprising Truckline and WANO.

The Bapcor Specialist Wholesale segment achieved revenue growth of 7.4% and EBITDA growth of 4.3% compared to H1 FY21. Comparing back to H1 FY20, the Bapcor Specialist Wholesale segment increased revenue by 49.3% and EBITDA by 59.3%. Excluding the Truckline and Diesel Drive acquisitions made in December 2020, revenue grew by 21.1% and EBITDA increased by 32.4%.

EBITDA to revenue percentage decreased 0.4 percentage points below H1 FY21 however was up 0.9 percentage points on H1 FY20. The volume and product groups that the Specialist Wholesale segment supplies into other Bapcor group businesses grew by c. 11% on H1 FY21.

During the year, inventory holdings across Bapcor Specialist Wholesale increased by $5.5M (excluding acquisitions) due to the build-up of existing and new product ranges and to mitigate delays in receiving product from manufacturers and shipping constraints.

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Operating and financial review – Bapcor Retail

The Bapcor Retail segment consists of business units that are retail customer focused, and include the Autobarn, Autopro and Opposite Lock brands as well as the Midas and ABS workshop service brands. This segment is comprised of franchised stores and workshops, as well as an increasing proportion of Autobarn and Autopro stores that are now company owned.

In H1 FY22, Bapcor Retail was negatively impacted by Covid pandemic restrictions and lockdowns and related staff availability issues, especially in the states of Victoria and NSW. Bapcor Retail also experienced supply chain and availability issues.

The Bapcor Retail segment had revenue decline by 5.4% compared to H1 FY21, however this was an increase of 36.7% against H1 FY20. Autobarn same store sales for company owned stores declined by 8.6% (grew by 49.1% in H1 FY21) and for franchise stores declined by 8.5% (grew by 27.4% in H1 FY21). Same store sales for Autopro stores declined by 3.3% (grew by 24.7% in H1 FY21). The decline in same store sales against H1 FY21 was driven during the first quarter when the majority of lockdowns and restrictions were in place, with the second quarter demonstrating a recovery across all brands.

H1 FY21 EBITDA to revenue percentage of 17.0% was 2.1 percentage points lower than H1 FY21 and 0.4 percentage points lower than H1 FY20 due mainly to product mix and competitive pricing. EBITDA in H1 FY22 was 15.7% lower compared to H1 FY21, however this still reflects a strong result of 33.6% higher than H1 FY20.

Bapcor Retail has continued to grow the number of company owned Autobarn stores via both greenfield Autobarn stores as well as some select conversion of franchise stores to company owned stores. The total number of Autobarn stores at 31 December 2021 was 135 stores, an increase of 2 from the 133 as at 30 June 2021. During the period 2 franchise stores converted to company stores and 2 new greenfield company stores were opened. The number of company owned stores increased from 86 to 90. The percentage of company owned Autobarn stores at 31 December 2021 was 67%, up from 65% at 30 June 2021.

At 31 December 2021 the total number of company owned and franchise stores in the Bapcor Retail segment was 384 consisting of Autobarn 135 stores, Autopro 101 stores, Midas and ABS 106 stores and Opposite Lock 42 stores (including stockists).

During the half-year, inventory holdings across Bapcor Retail decreased by $1.2M (excluding new stores).

Operating and financial review - Unallocated / Head Office

The Unallocated / Head Office segment consists of all elimination and head office costs or adjustments that are not in the control of the other segments, as well as the results of the Thailand operations. It also includes the elimination of intercompany sales and EBITDA. Unallocated costs decreased from $12.6M in H1 FY21 to $11.6M in H1 FY22 and included once off expenses in relation to the retirement of the previous CEO as well as profit share for the half-year from the 25% investment in Tye Soon Limited.

Intercompany sales increased by 11.4% compared to H1 FY21, reflecting a higher proportion of sourcing product internally and increasing the volume of “own brand” product.

The Unallocated / Head Office segment result includes the Thailand operations which recorded revenue of $2.2M and breakeven EBITDA (continued to be severely impacted by Covid) with Bapcor’s share of the Thailand business being 51%. During the year, inventory holdings for the Thailand based operations increased by $0.3M (adjusted for foreign currency).

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Financial Position - Capital Raising and Debt

There have been no issue of new shares during the half-year. As a result, ordinary shares on issue remains at 339,412,500 as at 31 December 2021.

During H1 FY22, Bapcor refinanced its debt facilities in order to re-profile the maturity of the existing $270M three year tranches which was due to mature July 2022. Following the completion of this $270M refinance, Bapcor continues to have access to a $520M debt facility with ANZ, Westpac, MUFG Bank, HSBC and MetLife. Refer to note 14 of the half-year financial report for details on the revised facility tranches.

AASB 16 *Leases* increases reportable net debt by the inclusion of $251.8M of finance leases as at 31 December 2021. Given this is excluded from a banking covenant perspective, pro-forma net debt has also been disclosed. Pro-forma net debt as at 31 December 2021 was $203M representing a leverage ratio of approximately 1.0X (Pro-forma net debt : last twelve months EBITDA).

Likely development and expected results of operations

Bapcor continues to implement its five year strategy. As part of that strategy, 50 to 60 new locations are expected to be opened each year. During the half year ended 31 December 2021, 18 new locations were opened. Investments in supply chain (distribution centre consolidation) and technology (key systems, digital solutions and data driven analytics) will continue to deliver improved results for customers and Bapcor.

Bapcor have been reorganising the Bapcor Specialist Wholesale segment structure in order to focus on its Specialist Wholesale distribution and Specialist Networks capabilities, which will continue in the second half of FY22.

The financial performance of Bapcor over the FY22 financial year may be impacted by lockdowns or trading restrictions that have become a common occurrence during the Covid pandemic as well as the associated operational difficulties linked to the recent Omicron variant. In the absence of any major restrictions on business and prolonged impacts from Omicron affecting consumer confidence and staff availability, Bapcor continues to aims to deliver pro-forma earnings at least at the level of FY21.

Matters subsequent to the end of the financial half-year

On 8 February 2022, Bapcor announced the appointment of Noel Meehan as Chief Executive Officer (effective 8 February 2022) as well as the appointment of Mark Bernhard as a new Non-Executive Director (effective 1 March 2022).

Apart from these announcements and the dividend declared, no other matter or circumstance has arisen since 31 December 2021 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 12 of the directors' report.

Rounding of amounts

The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

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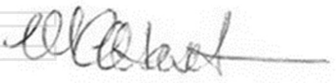
This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



Margaret Haseltine
Director

9 February 2022
Melbourne

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Auditor's Independence Declaration

As lead auditor for the review of Bapcor Limited for the half-year ended 31 December 2021, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Bapcor Limited and the entities it controlled during the period.

Jason Perry
Partner
PricewaterhouseCoopers

Melbourne
9 February 2022

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Bapcor Limited
Consolidated statement of comprehensive income
For the half-year ended 31 December 2021

	Note	Consolidated 31 Dec 2021 $'000	Consolidated 31 Dec 2020 $'000
Revenue	4	900,120	883,612
Share of profits and other comprehensive income of associate	9	395	-
Other income and gains	5	828	1,463
Expenses			
Cost of sales		(484,443)	(480,872)
Employee expenses		(193,409)	(183,002)
Advertising		(17,033)	(16,087)
Freight		(13,269)	(13,205)
IT and communications		(13,121)	(9,677)
Motor vehicles		(6,493)	(5,411)
Other expenses		(40,609)	(31,573)
Depreciation and amortisation expense	6	(41,969)	(42,087)
Finance costs	6	(9,305)	(7,193)
Profit before income tax expense		81,692	95,968
Income tax expense		(24,017)	(28,394)
Profit after income tax expense for the half-year		57,675	67,574
Other comprehensive income			
Items that may be reclassified to profit or loss			
Foreign currency translation		2,915	805
Changes in the fair value of cash flow hedges		448	(2,151)
Other comprehensive income for the half-year, net of tax		3,363	(1,346)
Total comprehensive income for the half-year		61,038	66,228
Profit for the half-year is attributable to:			
Non-controlling interest		(50)	(93)
Owners of Bapcor Limited		57,725	67,667
		57,675	67,574
Total comprehensive income for the half-year is attributable to:			
Non-controlling interest		(63)	(236)
Owners of Bapcor Limited		61,101	66,464
		61,038	66,228
		Cents	**Cents**
Basic earnings per share		17.01	19.94
Diluted earnings per share		16.95	19.86

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes

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Bapcor Limited
Consolidated statement of financial position
As at 31 December 2021

	Note	Consolidated 31 Dec 2021 $'000	Consolidated 30 Jun 2021 $'000
Assets			
Current assets			
Cash and cash equivalents		79,775	39,598
Trade and other receivables	7	209,862	193,094
Inventories	8	485,866	447,059
Derivative financial instruments		3,081	2,732
Income tax receivable		1,284	-
Other assets		271	297
Total current assets		780,139	682,780
Non-current assets			
Right-of-use assets	10	223,211	197,983
Property, plant and equipment	11	95,966	99,988
Intangibles	12	773,654	763,884
Investments accounted for using the equity method	9	8,809	8,102
Deferred tax		33,210	36,430
Total non-current assets		1,134,850	1,106,387
Total assets		1,914,989	1,789,167
Liabilities			
Current liabilities			
Trade and other payables		251,707	243,160
Provisions	13	44,921	45,011
Lease liabilities	15	65,548	64,117
Derivative financial instruments		721	1,007
Income tax payable		-	10,375
Total current liabilities		362,897	363,670
Non-current liabilities			
Provisions	13	15,259	15,858
Borrowings	14	283,169	204,231
Lease liabilities	15	186,275	162,213
Total non-current liabilities		484,703	382,302
Total liabilities		847,600	745,972
Net assets		1,067,389	1,043,195
Equity			
Issued capital	17	867,972	867,972
Reserves		12,201	8,412
Retained profits		185,796	165,406
Equity attributable to the owners of Bapcor Limited		1,065,969	1,041,790
Non-controlling interest		1,420	1,405
Total equity		1,067,389	1,043,195

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

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Bapcor Limited
Consolidated statement of changes in equity
For the half-year ended 31 December 2021

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Consolidated	Contributed equity $'000	Other $'000	Reserves $'000	Retained profits $'000	Non-controlling Interests $'000	Total equity $'000
Balance at 1 July 2020	878,652	(9,234)	1,397	109,432	1,812	982,059
Profit/(loss) after income tax expense for the half-year	-	-	-	67,667	(93)	67,574
Other comprehensive income for the half-year, net of tax	-	-	(1,203)	-	(143)	(1,346)
Total comprehensive income for the half-year	-	-	(1,203)	67,667	(236)	66,228
Transactions with owners in their capacity as owners:						
Share-based payments	-	-	1,595	-	-	1,595
Treasury shares	-	(1,446)	-	-	-	(1,446)
Dividends paid (note 18)	-	-	-	(32,244)	-	(32,244)
Balance at 31 December 2020	878,652	(10,680)	1,789	144,855	1,576	1,016,192

Consolidated	Contributed equity $'000	Other $'000	Reserves $'000	Retained profits $'000	Non-controlling Interests $'000	Total equity $'000
Balance at 1 July 2021	878,652	(10,680)	8,412	165,406	1,405	1,043,195
Profit/(loss) after income tax expense for the half-year	-	-	-	57,725	(50)	57,675
Other comprehensive income for the half-year, net of tax	-	-	3,376	-	(13)	3,363
Total comprehensive income for the half-year	-	-	3,376	57,725	(63)	61,038
Transactions with owners in their capacity as owners:						
Share-based payments	-	-	413	-	-	413
Non-controlling interest capital injection	-	-	-	-	78	78
Dividends paid (note 18)	-	-	-	(37,335)	-	(37,335)
Balance at 31 December 2021	878,652	(10,680)	12,201	185,796	1,420	1,067,389

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

Bapcor Limited
Consolidated statement of cash flows
For the half-year ended 31 December 2021

	Note	Consolidated 31 Dec 2021 $'000	31 Dec 2020 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		968,239	975,098
Payments to suppliers and employees (inclusive of GST)		(873,012)	(852,764)
Net cash converted		*95,227*	*122,334*
Payments for new store initial inventory purchases		(5,592)	(6,391)
Borrowing costs		(4,119)	(4,055)
Transaction costs relating to acquisition of business		(194)	(432)
Payments for restructuring costs		(5,689)	(341)
Income taxes paid		(31,902)	(25,931)
Net cash from operating activities		47,731	85,184
Cash flows from investing activities			
Payments for purchase of business, net of cash and cash equivalents	19	(5,103)	(2,002)
Payments for property, plant and equipment	11	(20,372)	(21,132)
Payments for intangibles	12	(7,417)	(5,278)
Proceeds from disposal of property, plant and equipment[1]		15,077	564
Net cash used in investing activities		(17,815)	(27,848)
Cash flows from financing activities			
Purchase of treasury shares	17	-	(1,446)
Net proceeds from borrowings		80,000	(59,000)
Dividends paid	18	(37,335)	(32,244)
Repayment of lease liabilities		(32,011)	(30,784)
Borrowing transaction costs		(1,012)	-
Net cash from/(used in) financing activities		9,642	(123,474)
Net increase/(decrease) in cash and cash equivalents		39,558	(66,138)
Cash and cash equivalents at the beginning of the financial half-year		39,598	126,300
Effects of exchange rate changes on cash and cash equivalents		619	(1,140)
Cash and cash equivalents at the end of the financial half-year		79,775	59,022

1 Proceeds from disposal of property, plant and equipment includes the sale of assets for $13.7M to Australia Pacific Airports (Melbourne) Pty Ltd.

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

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Note 1. Significant accounting policies

This consolidated financial report for the interim half-year reporting period ended 31 December 2021 has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Act 2001.

This half-year financial report does not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2021 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the half-year reporting period ended 31 December 2021.

IFRS Interpretations Committee - Costs Necessary to Sell Inventories (IAS 2 Inventories)
The consolidated entity is continuing to monitor developing practice in relation to the recently released IFRIC agenda item "*Costs Necessary to Sell Inventories*". There is judgement required in the assessment of the costs necessary to make the sale when determining the net realisable value of inventories. Based on the initial assessment management considers these costs to be the direct selling costs associated with the sale. These direct selling costs include, but are not limited to, costs such as commissions, direct advertising and marketing campaigns to sell the inventory. Based on the initial assessment, the consolidated entity would consider the impact of the IFRIC agenda decision as not resulting in a material adjustment to the assessment of the net realisable value of inventory.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are as disclosed in the 30 June 2021 financial statements.

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Note 3. Segment information

Description of segments
The consolidated entity has identified four operating segments based on the internal reports that are reviewed and used by the Acting CEO and CFO (who is identified as the Chief Operating Decision Maker ('CODM')) and is supported by the other members of the executive team and the Board of Directors where required in assessing performance and in determining the allocation of resources including capital allocations.

The operating results of the consolidated entity are currently reviewed by the CODM and decisions are based on four operating segments which also represent the four reporting segments, as follows:

Bapcor Trade	Represents the trade focused automotive aftermarket parts distribution to independent and chain mechanic workshops. Includes the operations of Burson Auto Parts and Precision Automotive Equipment.
Bapcor NZ	Includes the operations of Brake & Transmission ('BNT'), Autolign and HCB Technologies.
Bapcor Specialist Wholesale[1]	Includes the specialised wholesale distribution and network channel areas of the organisation that focus on a specific automotive area. Includes the operations of AAD, Baxters, Bearing Wholesalers, MTQ Engine Systems, Roadsafe, Diesel Distributors, Federal Batteries, JAS Oceania, Premier Auto Trade, Toperformance, Commercial Truck Parts group comprising Truckline and WANO.
Bapcor Retail[1]	Represents the retail focused accessory stores that are positioned as the first choice destination for both the everyday consumer and automotive enthusiast as well as the service areas of Bapcor. Includes the operations of Autobarn, Autopro, Midas, ABS and Opposite Lock.

1 Historically the Opposite Lock business was reported in the Bapcor Specialist Wholesale segment. From 1 July 2021, the Opposite Lock business moved to the Bapcor Retail segment. Prior year comparatives have been restated.

The consolidated entity's Thailand based operations and the results of the associate investment in Tye Soon Limited have been included in the Unallocated/Head Office supporting segment as they are considered immaterial in nature for the half-year financial period.

Segment revenue
Intersegment transactions are carried out at arm's length and eliminated on consolidation. The revenue from external parties reported to the CODM is measured in a manner consistent with that in the statement of comprehensive income.

Segment EBITDA
Segment performance is assessed on the basis of segment EBITDA. Segment EBITDA comprises expenses which are incurred in the normal trading activity of the segments and excludes the impact of depreciation, amortisation, interest and other items which are determined to be outside of the control of the respective segments.

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Note 3. Segment information (continued)

Operating segment information

Consolidated - 31 Dec 2021	Bapcor Trade $'000	Bapcor NZ $'000	Bapcor Specialist Wholesale $'000	Bapcor Retail $'000	Unallocated / Head Office $'000	Total $'000
Revenue						
Sales	323,366	86,140	341,205	197,247	2,205	950,163
Total segment revenue	323,366	86,140	341,205	197,247	2,205	950,163
Intersegment sales						(50,043)
Total revenue						900,120
EBITDA	52,246	16,058	46,867	33,604	(15,304)	133,471
Intersegment EBITDA						(505)
Depreciation and amortisation						(41,969)
Finance costs						(9,305)
Profit before income tax expense						81,692
Income tax expense						(24,017)
Profit after income tax expense						57,675
Assets						
Segment assets	380,658	297,343	618,506	476,097	142,385	1,914,989
Total assets						1,914,989
Liabilities						
Segment liabilities	152,654	60,897	136,264	139,357	358,428	847,600
Total liabilities						847,600

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Note 3. Segment information (continued)

Consolidated - 31 Dec 2020	Bapcor Trade $'000	Bapcor NZ $'000	Bapcor Specialist Wholesale[1] $'000	Bapcor Retail[1] $'000	Unallocated / Head Office $'000	Total $'000
Revenue						
Sales	313,734	85,672	317,720	208,507	2,905	928,538
Total segment revenue	313,734	85,672	317,720	208,507	2,905	928,538
Intersegment sales						(44,926)
Total revenue						883,612
EBITDA	57,409	15,976	44,917	39,841	(10,206)	147,937
Intersegment EBITDA						(2,689)
Depreciation and amortisation						(42,087)
Finance costs						(7,193)
Profit before income tax expense						95,968
Income tax expense						(28,394)
Profit after income tax expense						67,574
Consolidated - 30 Jun 2021						
Assets						
Segment assets	355,371	289,022	587,181	467,478	90,115	1,789,167
Total assets						1,789,167
Liabilities						
Segment liabilities	154,372	67,182	123,169	135,014	266,235	745,972
Total liabilities						745,972

1 The prior year comparatives have been adjusted to reflect the move of the Opposite Lock business from Bapcor Specialist Wholesale segment to the Bapcor Retail segment. The impact of this caused the comparatives for the Bapcor Retail segment to increase and the Bapcor Specialist Wholesale segment to decrease by: revenue $10.7M, EBITDA $1.0M, assets $16.2M and liabilities $1.3M.

	Geographical non-current assets	
	31 Dec 2021 $'000	30 Jun 2021 $'000
Australia	911,650	882,648
New Zealand	189,003	186,290
Other	987	1,019
	1,101,640	1,069,957

The geographical non-current assets above are exclusive of, where applicable, financial instruments, deferred tax assets and balances such as intercompany and investments that are eliminated on consolidation.

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Note 4. Revenue

	Consolidated 31 Dec 2021 $'000	Consolidated 31 Dec 2020 $'000
Revenue from contracts with customers	900,120	883,612

Disaggregation of revenue
The disaggregation of revenue from contracts with customers is as follows:

	Consolidated 31 Dec 2021 $'000	Consolidated 31 Dec 2020 $'000
Geographical regions		
Australia	861,818	839,961
New Zealand	86,140	85,672
Thailand	2,205	2,905
Intersegment sales	(50,043)	(44,926)
	900,120	883,612
Timing of revenue recognition		
Goods transferred at a point in time	934,850	912,418
Services transferred over time	15,313	16,120
Intersegment sales	(50,043)	(44,926)
	900,120	883,612

Revenue is allocated to geographical segments on the basis of where the sale is recorded.

Note 5. Other income and gains

	Consolidated 31 Dec 2021 $'000	Consolidated 31 Dec 2020 $'000
Rental income	828	1,463

Rental income relates to rental recoveries from franchise locations.

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Note 6. Expenses

	Consolidated	
	31 Dec 2021 $'000	31 Dec 2020 $'000
Profit before income tax includes the following specific expenses:		
Depreciation and amortisation expense		
Plant and equipment	6,984	5,897
Motor vehicles	3,363	2,699
Properties right-of-use assets	27,641	29,659
Motor vehicles right-of-use assets	510	753
Amortisation	3,305	2,927
Make good provision	166	152
	41,969	42,087
Finance costs		
Interest and finance charges paid/payable	3,942	4,111
Interest and finance charges paid/payable on lease liabilities	5,363	3,082
	9,305	7,193

Income tax expense
Income tax expense is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year. The estimated average tax rate used for the half-year to 31 December 2021 is 29.5%, compared to 29.6% for the half-year ended 31 December 2020.

Note 7. Trade and other receivables

	Consolidated	
	31 Dec 2021 $'000	30 Jun 2021 $'000
Current assets		
Trade receivables	178,825	166,844
Less: Allowance for credit notes	(1,510)	(1,526)
Less: Allowance for expected credit losses (trade receivables)	(6,888)	(7,068)
	170,427	158,250
Customer loans	245	313
Less: Allowance for expected credit losses (customer loans)	(245)	(313)
	-	-
Other receivables	20,362	23,158
Prepayments	19,073	11,686
	39,435	34,844
	209,862	193,094

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Note 7. Trade and other receivables (continued)

Allowance for expected credit losses (including specific debtor provisions)
The total allowance for expected credit losses of trade receivables and customer loans is $7,133,000 (30 June 2021: $7,381,000). This includes specifically identified provisions of $6,387,000 (30 June 2021: $6,706,000) and an estimated credit loss provision of $746,000 (30 June 2021: $675,000).

Note 8. Inventories

	Consolidated	
	31 Dec 2021 $'000	30 Jun 2021 $'000
Current assets		
Stock in transit - at cost	52,042	31,649
Stock on hand - at cost	487,706	469,202
Less: Provision for slow moving inventory	(53,882)	(53,792)
	433,824	415,410
	485,866	447,059

Total stock on hand and in transit has increased by $38.9M since 30 June 2021, of which new greenfield stores, business acquisitions, unrealised profit in stock and foreign currency translation account for $7.6M. The remaining $31.3M relates to investment in new and existing ranges as well as holdings to minimise supplier, manufacturer and shipping delays as discussed in the 'Review of operations' section of the directors' report.

Movements in provision for slow moving inventory:

	Consolidated	
	31 Dec 2021 $'000	30 Jun 2021 $'000
Opening balance	(53,792)	(55,853)
Additional provisions recognised against profit	(2,576)	(223)
Additions through business combinations	(655)	(413)
Inventory written off against provision	3,215	2,678
Foreign currency translation	(76)	19
Closing balance	(53,884)	(53,792)

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Note 9. Investments accounted for using the equity method

	Consolidated	
	31 Dec 2021 $'000	30 Jun 2021 $'000
Non-current assets		
Investment in Tye Soon Limited	8,809	8,102

Reconciliation
Reconciliation of the carrying amounts at the beginning and end of the current and previous financial half-year are set out below:

Opening carrying amount	8,102	-
Investment	-	12,282
Profit after income tax	607	102
Other comprehensive income	(212)	-
Foreign currency translation	312	97
Impairment	-	(4,379)
Closing carrying amount	8,809	8,102

In March 2021, Bapcor announced an expansion in Asia through the agreement to acquire 25% of the issued equity of Tye Soon Limited, a company listed on the Singapore Securities Exchange. The investment was completed in April 2021, with Bapcor investing $12,282,000 for the 25% stake of the issued equity. Due to the extremely low volume of Tye Soon Limited shares traded on the Singapore Securities Exchange, Bapcor based this investment on the net tangible assets rather than the share price.

Bapcor assessed the recoverable amount of this investment for impairment as at 30 June 2021 under the methodologies prescribed by AASB 136 Impairment of Assets utilising the publicly available share price on that date. The result of this assessment (effectively a mark-to-market revaluation) was the recognition of a $4,379,000 impairment. There was no further impairment or reversal of previously booked impairment in H1 FY22.

The reported total of profit after income tax and other comprehensive income of $395,000, has been estimated using the latest publicly available information on the Singapore Securities Exchange which is the Tye Soon Limited half-year financial report ended 30 June 2021. This estimate will be revised once the Tye Soon Limited year-end financial report ended 31 December 2021 is made publicly available.

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Note 10. Right-of-use assets

	Consolidated 31 Dec 2021 $'000	Consolidated 30 Jun 2021 $'000
Non-current assets		
Properties - right-of-use	352,184	309,545
Less: Accumulated depreciation	(129,714)	(112,852)
	222,470	196,693
Motor vehicles - right-of-use	4,296	4,290
Less: Accumulated depreciation	(3,555)	(3,000)
	741	1,290
	223,211	197,983

Reconciliations
Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

Consolidated	Properties $'000	Motor vehicles $'000	Total $'000
Balance at 1 July 2021	196,693	1,290	197,983
Additions	28,930	-	28,930
Additions through business combinations	642	-	642
Disposals	(2,189)	-	(2,189)
Remeasurement[1]	25,762	(51)	25,711
Foreign currency translation	273	12	285
Depreciation expense	(27,641)	(510)	(28,151)
Balance at 31 December 2021	222,470	741	223,211

1 Remeasurements occur when options to renew that were previously excluded are subsequently included or when rentals change due to non-fixed rent reviews, causing an adjustment to both right-of-use asset and lease liability balances.

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Note 11. Property, plant and equipment

	Consolidated	
	31 Dec 2021 $'000	30 Jun 2021 $'000
Non-current assets		
Plant and equipment - at cost	133,082	134,710
Less: Accumulated depreciation	(60,541)	(55,980)
	72,541	78,730
Motor vehicles - at cost	44,827	41,296
Less: Accumulated depreciation	(21,402)	(20,038)
	23,425	21,258
	95,966	99,988

The amount of work in progress included in plant and equipment is $1,502,000 (30 June 2021: $28,795,000) which relates to projects that are not yet completed and therefore are not being depreciated (30 June 2021: $26,797,000 related to the VIC DC consolidation project).

Reconciliations
Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

Consolidated	Plant and equipment $'000	Motor vehicles $'000	Total $'000
Balance at 1 July 2021	78,730	21,258	99,988
Additions	14,838	5,534	20,372
Additions through business combinations	95	208	303
Disposals[1]	(14,193)	(243)	(14,436)
Foreign currency translation	55	31	86
Depreciation expense	(6,984)	(3,363)	(10,347)
Balance at 31 December 2021	72,541	23,425	95,966

1 Disposals for plant and equipment includes the sale of assets for $13.7M to Australia Pacific Airports (Melbourne) Pty Ltd.

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Note 12. Intangibles

	Consolidated 31 Dec 2021 $'000	Consolidated 30 Jun 2021 $'000
Non-current assets		
Goodwill	673,423	667,879
Trademarks	57,846	59,087
Less: Accumulated amortisation	-	(1,346)
	57,846	57,741
Customer contracts	25,884	25,884
Less: Accumulated amortisation	(11,167)	(10,248)
	14,717	15,636
Software	43,467	36,041
Less: Accumulated amortisation	(15,799)	(13,413)
	27,668	22,628
	773,654	763,884

The amount of work in progress included in software is $6,494,000 (30 June 2021: $5,951,000) and relates to projects that are not yet completed and therefore are not being amortised.

Reconciliations
Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

Consolidated	Goodwill $'000	Trademarks $'000	Customer contracts $'000	Computer software $'000	Total $'000
Balance at 1 July 2021	667,879	57,741	15,636	22,628	763,884
Additions	-	-	-	7,417	7,417
Additions through business combinations (note 19)	3,704	-	-	-	3,704
Foreign currency translation	1,840	105	-	9	1,954
Amortisation expense	-	-	(919)	(2,386)	(3,305)
Balance at 31 December 2021	673,423	57,846	14,717	27,668	773,654

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Note 12. Intangibles (continued)

Impairment testing
All cash generating units (‘CGU’) and brands have been assessed for indicators of impairment without any being identified as requiring an impairment adjustment. Among other indicators, this assessment includes consideration of the current year's performance to determine if there would be any significant changes to the outcome of the previous impairment testing.

As disclosed in the 30 June 2021 financial report, the Retail and Bapcor New Zealand CGUs and ABS brands were relatively more sensitive to changes in trading conditions. Refer to the below table for details of the recoverable amounts of these as presented in the 30 June 2021 financial report.

- The recoverable amount of the Retail CGU was estimated to exceed its carrying amount at 30 June 2021 by $21.9M
- The recoverable amount of the Bapcor New Zealand CGU was estimated to exceed its carrying amount at 30 June 2021 by NZ$25.1M
- The recoverable amount of the ABS brand was estimated to approximate its carrying amount at 30 June 2021

Given the outcome of this indicator assessment and the expected performance of FY22, management have not performed detailed impairment testing and these will be performed in line with accounting policy on the annual testing date of 31 March. Refer to the ‘Review of operations’ and the ‘Likely development and expected results of operations' sections of the directors’ report for further details on the performance of this current financial half-year as well as the FY22 expected results, including the potential of operational difficulties resulting from the Covid pandemic, such as major restrictions on business, consumer confidence, supply chain and staff availability.

Note 13. Provisions

	Consolidated	
	31 Dec 2021 $'000	**30 Jun 2021 $'000**
Current liabilities		
Employee benefits	37,392	36,717
Deferred settlements	2,918	2,046
Lease make good	2,361	2,630
Restructuring	2,250	3,618
	44,921	45,011
Non-current liabilities		
Employee benefits	3,756	4,253
Deferred settlements	-	882
Lease make good	11,503	10,723
	15,259	15,858
	60,180	60,869

Note 14. Borrowings

	Consolidated 31 Dec 2021 $'000	30 Jun 2021 $'000
Non-current liabilities		
Secured bank loans	285,088	205,472
Less: unamortised transaction costs capitalised	(1,919)	(1,241)
	283,169	204,231

Refinancing

In December 2021, Bapcor refinanced its debt facilities in order to re-profile the maturity of the existing $270M three year tranches which was due to mature July 2022. Following the completion of this $270M refinance, Bapcor continues to have access to a $520M debt facility with ANZ, Westpac, MUFG Bank, HSBC and MetLife. The revised debt facility comprises the following tranches:

- $150M five year tranche (existing), available for general corporate purposes - expires July 2024
- $200M three year tranche (revised), available for general corporate purpose - expires July 2025
- $70M four year tranche (revised), available for working capital purposes - expires July 2026; and
- $100M seven year tranche (existing), available for general corporate purposes - expires July 2026

The facility is secured by way of a fixed and floating charge over Bapcor's assets. There were no changes to the debt covenants with the net leverage ratio being less than 3.0X and the fixed cover charge ration being greater than 1.75X (on a pre-AASB 16 basis).

Borrowing costs of $1,012,000 were incurred during the refinancing and capitalised. These are being amortised over the life of the refinanced tranches (extended periods only) and will be expensed to finance costs as effective interest expense in the statement of comprehensive income. As part of the refinancing process, no pre-existing capitalised borrowing costs were required to be expensed as the refinancing costs incurred relate to the extension periods of the tranche tenor only, and as such the pre-existing capitalised borrowing costs will continue to be amortised as per the original amortisation period identified.

Net debt reconciliation

	Consolidated 31 Dec 2021 $'000	30 Jun 2021 $'000
Cash and cash equivalents	79,775	39,598
Lease liabilities	(251,823)	(226,330)
Borrowings excluding unamortised transaction costs capitalised	(285,088)	(205,472)
Net debt	(457,136)	(392,204)
Add: Lease liabilities	251,823	226,330
Add: Net derivative financial instruments	2,360	1,725
Pro-forma net debt as per debt facility agreement	(202,953)	(164,149)

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Note 15. Lease liabilities

	Consolidated	
	31 Dec 2021 $'000	30 Jun 2021 $'000
Current liabilities		
Lease liability - Properties	64,921	63,233
Lease liability - Motor vehicles	627	884
	65,548	64,117
Non-current liabilities		
Lease liability - Properties	186,179	161,816
Lease liability - Motor vehicles	96	397
	186,275	162,213
	251,823	226,330

Note 16. Fair value measurement

Fair value hierarchy
The following tables detail the consolidated entity's financial instruments, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:
Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: Unobservable inputs for the asset or liability.

Consolidated - 31 Dec 2021	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Derivative financial instruments	-	3,081	-	3,081
Total assets	-	3,081	-	3,081
Liabilities				
Derivative financial instruments	-	721	-	721
Deferred consideration	-	-	2,918	2,918
Total liabilities	-	721	2,918	3,639

Consolidated - 30 Jun 2021	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Derivative financial instruments	-	2,732	-	2,732
Total assets	-	2,732	-	2,732
Liabilities				
Derivative financial instruments	-	1,007	-	1,007
Deferred consideration	-	-	2,928	2,928
Total liabilities	-	1,007	2,928	3,935

There were no transfers between levels during the financial half-year.

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Note 16. Fair value measurement (continued)

Derivative financial instruments carried at fair value are forward foreign exchange contracts and floating interest rate to fixed interest rate swaps (prior period only). These are considered to be Level 2 financial instruments because their measurement is derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Deferred consideration is considered to be a Level 3 financial instrument because inputs in valuing this instrument are not based on observable market data. The fair value of this instrument is determined based on an estimated discounted cash flow analysis.

Note 17. Issued capital

	Consolidated			
	31 Dec 2021 Shares	30 Jun 2021 Shares	31 Dec 2021 $'000	30 Jun 2021 $'000
Ordinary shares	339,412,500	339,412,500	878,652	878,652
Treasury shares	-	-	(10,680)	(10,680)
	339,412,500	339,412,500	867,972	867,972

The average purchase price of treasury shares during the financial half year period was nil (2021: $6.86) per share.

Note 18. Dividends

Dividends
Dividends paid during the financial half-year were as follows:

	Consolidated	
	31 Dec 2021 $'000	31 Dec 2020 $'000
Final dividend for the year ended 30 June 2021 (2020: 30 June 2020) of 11 cents (2020: 9.5 cents) per ordinary share *	37,335	32,244

The Board has declared an interim dividend in respect of FY22 of 10.0 cents per share, fully franked. The interim dividend will be paid 14 March 2022 to shareholders registered on 28 February 2022.

Franking credits

	Consolidated	
	31 Dec 2021 $'000	30 Jun 2021 $'000
Franking credits available for subsequent financial years based on a tax rate of 30%	118,725	107,586

The above amounts represent the balance of the franking account as at the end of the financial half-year, adjusted for:
- franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date

Note 19. Business combinations

During the financial half-year, the consolidated entity acquired the net assets of the following businesses:

- Autobarn Rothwell
- Autobarn Traralgon
- Truck and Auto Parts - Inverell & Moree
- Wrights Truck & Trailer Parts

These acquisitions were made to strengthen the Bapcor offering as well as increase network presence.

Total consideration relating to these acquisitions was $5,557,000 (cash of $5,103,000 and debts forgiven of $454,000), acquiring net assets of $1,853,000 and resulting in goodwill of $3,704,000.

These acquisitions are provisional at the time of this report and the fair values are to be finalised within the acquisition period of twelve months from acquisition date.

Note 20. Share-based payments

The Long Term Incentive ('LTI') plan is intended to assist in the motivation, retention and reward of nominated senior executives. The LTI is a payment contingent on three year performance and the payments are rights to acquire shares ('Performance Rights'). Refer to the 30 June 2021 audited remuneration report within the directors' report for further information on the LTI.

In relation to the FY22 year an offer to participate in the LTI was made to eight of Bapcor's senior executives. These allocated Performance Rights have a performance period that ends on 30 June 2024 at which time the performance hurdles are tested.

A summary of the terms for the Performance Rights granted in the current financial half-year are set out in the following tables:

Grant date	30/08/21		19/10/21	
Performance hurdle	Relative TSR	EPS	Relative TSR	EPS
Performance period	1/07/21 to 30/06/24		1/07/21 to 30/06/24	
Test date	30/06/24		30/06/24	
Expiry date	30/08/36		30/08/36	
Quantity granted	115,968	115,968	70,688	70,688
Exercise price	Nil		Nil	
Fair value at grant date[1]	$3.76	$6.80	$4.17	$7.17
Other conditions	Restriction on sale to 30/06/25		Restriction on sale to 30/06/25	
Share price on valuation date	$7.34		$7.68	
Volatility	39.20%		39.42%	
Dividend yield	2.72%		2.60%	
Risk free rate	0.1738%		0.5429%	

1 The fair value represents the value used to calculate the accounting expense as required by accounting standards

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Note 20. Share-based payments (continued)

Relative total shareholder return ('TSR') hurdle

Fifty per cent of the Performance Rights granted to a participant will vest subject to a TSR performance hurdle that assesses performance by measuring capital growth in the share price together with income returned to shareholders, measured over the performance period against a Comparator Group of companies. The Performance Rights will vest by reference to Bapcor's TSR performance ranking against this Comparator Group of companies, as follows:

Bapcor's TSR relative to the Comparator Group over the performance period	Percentage of TSR Rights vesting
Less than 50th percentile	Nil
Equal to 50th percentile	50%
Greater than 50th percentile and less than 75th percentile	Pro-rata straight-line vesting
Equal to or greater than 75th percentile	100%

Earnings per share ('EPS') growth

Fifty per cent of the Performance Rights granted to a participant will vest by reference to an EPS performance hurdle that measures the basic EPS on a normalised basis over the performance period. Each tranche of Performance Rights subject to an EPS hurdle will vest as follows:

Bapcor's compound annual EPS growth over the performance period	Percentage of EPS Rights Vesting
Less than 7.5%	Nil
7.5%	20%
Greater than 7.5% and less than 15%	Pro-rata straight-line vesting
Equal to or greater than 15%	100%

If the vesting conditions are met, the Performance Rights are converted into fully paid ordinary shares of the Company at the election of the Participant.

As per the Bapcor Employee Equity Plan, the expiry date is 6 September 2035, however the Performance Rights lapse if vesting condition are not met.

Shares will be subject to a restriction on sale for twelve months from vesting of the Performance Rights.

Set out below are summaries of Performance Rights granted under the LTIP:

31 Dec 2021

Grant date	Vesting date	Exercise price	Balance at the start of the half-year	Granted	Vested/ Exercised[1]	Expired/ forfeited/ other	Balance at the end of the half-year
26/09/2018	30/06/2021	$0.00	168,900	-	-	(168,900)	-
29/10/2018	30/06/2021	$0.00	170,886	-	-	(170,886)	-
06/09/2019	30/06/2022	$0.00	305,338	-	-	(43,440)	261,898
01/11/2019	30/06/2022	$0.00	209,560	-	-	(39,816)	169,744
10/09/2020	30/06/2023	$0.00	374,574	-	-	(41,666)	332,908
20/10/2020	30/06/2023	$0.00	201,008	-	-	(106,534)	94,474
30/08/2021	30/06/2024	$0.00	-	231,936	-	-	231,936
19/10/2021	30/06/2024	$0.00	-	141,376	-	(121,584)	19,792
			1,430,266	373,312	-	(692,826)	1,110,752

1 Of 210,744 rights vested in prior years, 91,739 rights have not been exercised by the participant as at 31 December 2021.

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Note 21. Contingent liabilities and capital commitments

Commitments

In December 2021, Bapcor entered into a new supply of equipment contract with Schaefer Systems International Pty Ltd ('Schaefer') in relation to a consolidated QLD Distribution Centre for a total of $16,617,000.

As at 31 December 2021, the balance of these contracts not yet paid was $16,617,000.

Contingent liabilities

There are no contingent liabilities as at 31 December 2021 (30 June 2021: nil).

The divestment of the non-core businesses of Footwear and Contract Resources and the TRS business performed in the historical financial years includes standard indemnity and warranty clauses as is customary in these type of transactions.

Note 22. Events after the reporting period

On 8 February 2022, Bapcor announced the appointment of Noel Meehan as Chief Executive Officer (effective 8 February 2022) as well as the appointment of Mark Bernhard as a new Non-Executive Director (effective 1 March 2022).

Apart from these announcements and the dividend declared, no other matter or circumstance has arisen since 31 December 2021 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

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Bapcor Limited
Directors' declaration
31 December 2021

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its performance for the financial half-year ended on that date; and

- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors

Margaret Haseltine
Director

9 February 2022
Melbourne

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Independent auditor's review report to the members of Bapcor Limited

Report on the half-year financial report

Conclusion

We have reviewed the half-year financial report of Bapcor Limited (the Company) and the entities it controlled during the half-year (together the Group), which comprises the consolidated statement of financial position as at 31 December 2021, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, significant accounting policies and explanatory notes and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Bapcor Limited does not comply with the *Corporations Act 2001* including:

1. giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the half-year ended on that date

2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibilities of the directors for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

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Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

PricewaterhouseCoopers

PricewaterhouseCoopers

Jason Perry
Partner

Melbourne
9 February 2022