Bapcor Limited

ABN 80 153 199 912

Appendix 4D and Financial Report - 31 December 2022

Lodged with the ASX under Listing Rule 4.2A

Bapcor Limited
Appendix 4D
Half-year report

1. Company details

Name of entity:	Bapcor Limited ('Bapcor' or the 'company')
ABN:	80 153 199 912
Reporting period:	For the half-year ended 31 December 2022 ('H1 FY23')
Previous period:	For the half-year ended 31 December 2021 ('H1 FY22')

2. Results for announcement to the market

			$'000s	%		$'000s
IFRS financial measures						
Revenue	Statutory	Up	100,664	11.2	to	1,000,784
Net profit after tax[1]	Statutory	Down	2,486	4.3	to	55,239
Earnings per share - basic (cents per share)	Statutory	Down	0.74 cps	4.3	to	16.27 cps
Non-IFRS financial measures[2]						
Earnings before interest, taxes, depreciation and amortisation	Statutory	Up	4,805	3.6	to	137,771
	Pro-forma[3]	Up	9,150	6.7	to	146,307
Net profit after tax[1]	Pro-forma[3]	Up	1,365	2.3	to	62,024
Earnings per share - basic (cents per share)	Pro-forma[3]	Up	0.40 cps	2.3	to	18.27 cps

Revenue in H1 FY23 increased by 11.2% compared to H1 FY22. Pro-forma earnings before interest, taxes, depreciation and amortisation ('EBITDA') and pro-forma net profit after tax ('NPAT') in H1 FY23 increased by 6.7% and 2.3% respectively compared to H1 FY22.

Pro-forma earnings per share for H1 FY23 were 19.27 cents per share, up 2.3% compared to H1 FY22.

Pro-forma net debt[4] at 31 December 2022 was $329.1M, representing a leverage ratio of 1.45X, and providing Bapcor with a sound financial position and flexibility to implement the Better than Before transformation, pursue acquisition opportunities and invest into growth. The increase in net debt of $67.1M compared to 30 June 2022 is driven by temporarily elevated levels of inventory, which is non-perishable in nature, due to prudent operational procurement strategies to mitigate global supply chain disruptions and associated longer lead times.

For a further explanation of the results above, refer to the ASX/Media Announcement for the half-year ended 31 December 2022 and the accompanying directors' report.

[1] Net profit after tax attributable to the members of Bapcor Limited.
[2] 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.
[3] Pro-forma results include adjustments from statutory results for transition costs associated with the new Distribution Centres in Victoria and Queensland of $1.4M after tax and for transformation costs associated with the 'Better than Before' program of $5.3M after tax. Refer to reconciliations provided in the directors' report.
[4] Pro-forma net debt is calculated by dividing pro-forma net debt by the last twelve months' pro-forma EBITDA. Pro-forma net debt is excluding the impact of lease liabilities and adjusting for the net derivative financial instruments relating to forward exchange contracts position. Pro-forma EBITDA excludes any impact of AASB16. This approach is consistent with banking covenant requirements. Refer to note 14 of the financial report for a reconciliation between statutory and pro-forma net debt.

3. Dividends

	Amount per security Cents	Franked amount per security Cents
2022 Interim dividend	10.0	10.0
2022 Final dividend	11.5	11.5
2023 Interim dividend (declared after balance date but not yet paid)	10.5	10.5

Record date for determining entitlements to the dividend	28 February 2023
Date dividend payable	17 March 2023

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 position of Bapcor and in accordance with the DRP rules, the Board decided to continue to suspend the DRP for the 2023 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 2022 Cents	30 Jun 2022 Cents
Net tangible assets per ordinary security	93.0	91.7

6. Attachments

The Financial Report of Bapcor Limited for the half-year ended 31 December 2022 is attached.

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 16 February 2023. The directors have the power to amend and reissue the financial statements.

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 2022 ('H1 FY23').

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
Noel Meehan	Chief Executive Officer and Managing Director (appointed as Managing Director on 1 September 2022)
James Todd	Independent, Non-Executive Director
Mark Powell	Independent, Non-Executive Director
Mark Bernhard	Independent, Non-Executive Director
Brad Soller	Independent, Non-Executive Director (appointed 1 November 2022)
Jennifer Macdonald	Independent, Non-Executive Director (retired 19 October 2022)
Therese Ryan	Independent, Non-Executive Director (retired 30 September 2022)

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. 1,000 locations and employing c. 5,000 team members.

Significant changes in the state of affairs

Bapcor appointed Stefan Camphausen as Chief Financial Officer effective 4 July 2022.

On 2 August 2022, it was announced that Chief Executive Officer ('CEO') Noel Meehan had been appointed to the Board as CEO and Managing Director of Bapcor effective from 1 September 2022. It was also announced that as part of continued Board renewal, Therese Ryan would retire as Independent, Non-Executive Director effective from 30 September.

On 19 September 2022, it was announced that Jenny Macdonald would retire as Independent, Non-Executive Director and Chair of Bapcor's Audit and Risk Committee effective 19 October 2022.

On 12 October 2022, it was announced that Brad Soller would be appointed as Independent, Non-Executive Director effective 1 November 2022 and will serve as Chair of Bapcor's Audit and Risk Committee upon his appointment.

At the Investor Day held on 22 November 2022, Bapcor announced the 'Better than Before' program – a strategic multi-phased transformation program to enable additional, sustainable growth with a goal of at least $100M net earnings before interest and tax benefit, a further improved return on invested capital and an enhanced organisational health. During H1 FY23, Bapcor completed both the diagnostics and planning phases and moved into implementation and execution.

During H1 FY23, the construction of a state-of-the-art distribution centre in Queensland has continued to consolidate seven existing distribution centres into the new location.

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

Review of operations

In H1 FY23, Bapcor has delivered record revenue of $1.0BN, up 11.2% on H1 FY22, with strong growth in all Australian segments demonstrating the resilience of Bapcor's diversified business model. The strong performances in the Trade and Specialist Wholesale segments were partially offsetting temporary margin compression in the Retail and New Zealand segments. This resulted in pro-forma NPAT of $62.0M, up 2.3% on H1 FY23. Bapcor has announced a fully franked interim dividend of 10.5 cents per share, up 5.0% on the FY22 interim dividend, which represents a payout ratio of 57.5% of pro-forma NPAT.

Statutory (versus H1 FY22):

- Revenue increased by 11.2% from $900.1M to $1,000.8M
- Statutory earnings before interest, taxes, depreciation and amortisation ('EBITDA') increased by 3.6% to $137.8M
- Statutory net profit after tax ('NPAT') decreased by 4.3% to $55.2M
- Statutory earnings per share ('EPS') decreased by 4.3% to 16.27 cents per share

Pro-forma (versus H1 FY22):

- Revenue increased by 11.2% from $900.1M to $1,000.8M
- Pro-forma EBITDA increased by 6.7% to $146.3M
- Pro-forma NPAT increased by 2.3% to $62.0M
- Pro-forma EPS increased by 2.3% to 18.27 cents per share

Net debt:

- Pro-forma net debt[5] at 31 December 2022 was $329.1M, representing a leverage ratio of 1.45X and well within debt capacity

The tables below, which are subject to rounding, reconcile the pro-forma results to the statutory results for H1 FY23 and H1 FY22.

		Consolidated	
$M	**Note**	**H1 FY23**	**H1 FY22**
Statutory NPAT	**1**	**55.2**	**57.7**
DC consolidations	2	2.1	4.2
Transformation activities	3	7.6	-
Tax adjustment	4	(2.9)	(1.3)
Pro-forma NPAT		**62.0**	**60.7**

- Note 1: NPAT attributable to members of Bapcor Limited.
- Note 2: DC consolidations relate to the significant transition costs incurred in relation to the Victorian and Queensland DCs.
- Note 3: Transformation activities in current period relate to one-off costs incurred relating to the 'Better than Before' transformation.
- Note 4: Tax adjustment reflects the tax effect of the above adjustments based on local effective tax rates.

[5] Pro-forma net debt is calculated by dividing pro-forma net debt by the last twelve months' pro-forma EBITDA. Pro-forma net debt is excluding the impact of lease liabilities and adjusting for the net derivative financial instruments relating to forward exchange contracts position. Pro-forma EBITDA excludes any impact of AASB16. This approach is consistent with banking covenant requirements. Refer to note 14 of the financial report for a reconciliation between statutory and pro-forma net debt.

$M	Note	Consolidated H1 FY23	Consolidated H1 FY22
Statutory NPBT		**77.8**	**81.7**
Add depreciation and amortisation		48.0	42.0
Add finance costs		12..0	9.3
Statutory EBITDA		**137.8**	**133.0**
DC consolidations	1	0.9	4.2
Transformation activities	2	7.6	-
Pro-forma EBITDA		**146.3**	**137.2**

- Note 1: DC consolidations relate to the significant transition costs incurred in relation to the Victorian and Queensland DCs.
- Note 2: Transformation activities in current period relate to one-off costs incurred relating to the 'Better than Before' transformation.

The table below, which is subject to rounding, reconciles the statutory and pro-forma results for H1 FY23 and H1 FY22 to the earnings per share.

		Consolidated			
		H1 FY23		H1 FY22	
$M	**Note**	**Statutory**	**Pro-forma**	**Statutory**	**Pro-forma**
NPAT	**1**	**55.2**	**62.0**	**57.7**	**60.7**
Weighted average number of ordinary shares		339.4	339.4	339.4	339.4
Earnings per share (cps)		**16.27**	**18.27**	**17.01**	**17.87**

- Note 1: NPAT attributable to members of Bapcor Limited.

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.

Operating and financial review – Segment Overview

The table below, with amounts subject to rounding and change percentages based on non-rounded values, presents revenue and pro-forma EBITDA by segment.

		Revenue			Pro-forma EBITDA		
$M	**Note**	**H1 FY23**	**H1 FY22**	**Change**	**H1 FY23**	**H1 FY22**	**Change**
Trade	1	374.0	325.6	14.9 %	60.1	52.2	15.1%
Specialist Wholesale		377.8	341.2	10.7%	50.1	46.9	6.9%
Retail		219.9	197.2	11.5 %	35.2	33.6	4.9 %
New Zealand		85.8	86.1	(0.3 %)	13.4	16.1	(16.4 %)
Unallocated / Head Office	1, 2	(56.6)	(50.0)	-	(12.6)	(11.6)	-
Total		**1,000.8**	**900.1**	**11.2 %**	**146.3**	**137.2**	**6.7 %**

- Note 1: Comparatives have been amended for the move of the Thailand operation from Unallocated / Head Office to Trade.
- Note 2: Revenue relates to intersegment sales eliminations. EBITDA relates to Bapcor head office costs, intersegment EBITDA elimination and profit from associates.

Operating and financial review – Trade

The Trade segment consists of the Burson Auto Parts, Precision Automotive Equipment and Independents business units in Australia as well as the Thailand operations. 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

The Trade segment achieved revenue growth of 14.9% and EBITDA growth of 15.1% compared to H1 FY22. The increase in revenue of 14.9% included same store sales growth of 12.0% (1.1% in H1 FY22), with the EBITDA margin increasing by 0.1 percentage points compared to H1 FY22.

Trade continued to expand its store network in H1 FY23 with the number of stores increasing from 224 at 30 June 2022 to 226 at 31 December 2023 with the opening of two greenfield Burson stores.

Operating and financial review – Specialist Wholesale

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

The Specialist Wholesale segment achieved revenue growth of 10.7% and EBITDA growth of 6.9% compared to H1 FY22.

EBITDA margins were reasonably stable at 13.3%, supported by growth in own brand penetration and solid volumes in internal supplies into other Bapcor segments.

In H1 FY23, Specialist Wholesale further strengthened its operations with the network expanding from 168 to 172 locations.

Operating and financial review – Retail

The 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 company owned Autobarn and Autopro stores.

The Retail segment achieved revenue growth of 11.5% compared to H1 FY22, driven by same store sales for company owned stores increasing by 10.2% (after declined by 8.2% in H1 FY22), while cost pressures led to a lower EBITDA growth of 4.9% and margin compression.

Retail has continued to grow the number of company-owned stores via both greenfield stores as well as conversion of franchise stores to company-owned stores. The total number of company-owned stores at 31 December 2022 was 115 stores, an increase of 8 from the 107 as at 30 June 2022.

Operating and financial review – New Zealand

The New Zealand segment consists of Trade and Specialist Wholesale businesses based in New Zealand operating across 90 locations, as well as 129 Battery Town and Shock Shop locations.

Brake & Transmission ('BNT') is the predominant business with 77 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.

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

The New Zealand segment revenue declined by 0.3%, notwithstanding a same store sales increase of 6.0% (declined by 1.6% in H1 FY22), while EBITDA declined by 16.4% H1 FY22, mainly due to the generally subdued New Zealand economic climate.

In H1 FY23, New Zealand further strengthened its operations through the opening of two greenfield locations. The overall New Zealand network expanded from 88 to 90 locations (excluding Battery Town and Shock Shop locations).

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. It also includes the elimination of intercompany sales and EBITDA. Intercompany sales increased by 13.2% compared to H1 FY22, reflecting a higher proportion of sourcing product internally and increasing the volume of own brand product, while the continued build-up of capabilities led to an increase of head office costs.

Financial Position - Capital Raising and Debt

There have been no issues of new shares during the half-year. As a result, ordinary shares on issue remain at 339,412,500 as at 31 December 2022.

During H1 FY23, Bapcor entered into fixed interest rate swaps to hedge the impact of rising interest rates. A total of $120M of swaps were entered into at an average interest rate of 3.79%. Refer to note 14 of the financial report for further details.

AASB 16 *Leases* increases reportable net debt by the inclusion of $268.0M of lease liabilities as at 31 December 2022. Given this is excluded from a banking covenant perspective, pro-forma net debt[6] has also been disclosed. Pro-forma net debt at 31 December 2022 was $329.1M, representing a leverage ratio of 1.45X and well within debt capacity.

[6] Pro-forma net debt is calculated by dividing pro-forma net debt by the last twelve months' pro-forma EBITDA. Pro-forma net debt is excluding the impact of lease liabilities and adjusting for the net derivative financial instruments relating to forward exchange contracts position. Pro-forma EBITDA excludes any impact of AASB16. Refer to note 14 of the financial report for a reconciliation between statutory and pro-forma net debt.

Likely development and expected results of operations

Bapcor has had a robust operational performance in H1 FY23, with growth in revenue and profit and improving intra-period capital efficiency. The Australian Trade and Wholesale markets remain resilient, with ongoing macro headwinds due to challenges in Retail and the weakness of the economy in New Zealand, coupled with a temporary increase in supply chain-related cost.

Bapcor continues to expect a solid underlying[7] performance in FY23 with slight improvements in trading in 2H23 compared to 1H23, subject to market conditions; and more progress required to further reduce the still elevated inventory levels[8]. In line with the plan, Bapcor's 'Better Than Before' transformation is progressing into the implementation phase in H2 FY23.

Bapcor continues to place ongoing focus on operational health, safety and wellbeing as well as team member development and training.

Matters subsequent to the end of the financial half-year

On 30 January 2023, Bapcor announced the appointment of Kate Spargo as a new Independent, Non-Executive Director (effective 1 March 2023).

Apart from this announcement and the dividend declared, no other matter or circumstance has arisen since 31 December 2022 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 10 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.

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
Chair

Noel Meehan
Managing Director and Chief Executive Officer

16 February 2023
Melbourne

[7] Excludes costs / benefits from Better Than Before and DC consolidation.
[8] All other things being equal and subject to global supply chain risk.

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Auditor's Independence Declaration

As lead auditor for the review of Bapcor Limited for the half-year ended 31 December 2022, 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.

Alison Tait Milner

Alison Tait Milner
Partner
PricewaterhouseCoopers

Melbourne
16 February 2023

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Bapcor Limited
Consolidated statement of comprehensive income
For the half-year ended 31 December 2022

	Note	Consolidated 31 Dec 2022 $'000	Consolidated 31 Dec 2021 $'000
Revenue	4	1,000,784	900,120
Share of profits of associate	9	863	395
Other income	5	1,165	828
Expenses			
Cost of sales		(534,526)	(484,443)
Employee expenses		(217,619)	(193,409)
Advertising		(19,851)	(17,033)
Freight		(16,596)	(13,269)
IT and communications		(15,632)	(13,121)
Motor vehicles		(8,803)	(6,493)
Other expenses		(52,014)	(40,609)
Depreciation and amortisation expense	6	(47,978)	(41,969)
Finance costs	6	(12,007)	(9,305)
Profit before income tax expense		77,786	81,692
Income tax expense		(22,773)	(24,017)
Profit after income tax expense for the half-year		55,013	57,675
Other comprehensive income			
Items that may be reclassified to profit or loss			
Foreign currency translation		7,640	2,915
Changes in the fair value of cash flow hedges		(3,948)	448
Share of other comprehensive income of associate		604	-
Other comprehensive income for the half-year, net of tax		4,296	3,363
Total comprehensive income for the half-year		59,309	61,038
Profit for the half-year is attributable to:			
Non-controlling interest		(226)	(50)
Owners of Bapcor Limited		55,239	57,725
		55,013	57,675
Total comprehensive income for the half-year is attributable to:			
Non-controlling interest		(183)	(63)
Owners of Bapcor Limited		59,492	61,101
		59,309	61,038
		Cents	**Cents**
Basic earnings per share		16.27	17.01
Diluted earnings per share		16.24	16.95

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

Bapcor Limited
Consolidated statement of financial position
As at 31 December 2022

	Note	Consolidated 31 Dec 2022 $'000	Consolidated 30 June 2022 $'000
Assets			
Current assets			
Cash and cash equivalents		41,928	80,213
Trade and other receivables	7	227,756	209,955
Inventories	8	561,681	538,688
Derivative financial instruments		2,828	6,393
Income tax receivable		10,747	6,410
Total current assets		844,940	841,659
Non-current assets			
Investments accounted for using the equity method	9	9,864	9,071
Right-of-use assets	10	242,627	230,199
Property, plant and equipment	11	120,078	106,924
Intangibles	12	790,354	779,788
Derivative financial instruments		302	-
Deferred tax		32,819	23,934
Total non-current assets		1,196,044	1,149,916
Total assets		2,040,984	1,991,575
Liabilities			
Current liabilities			
Trade and other payables		219,348	236,561
Provisions	13	50,697	45,958
Lease liabilities	15	68,112	65,067
Derivative financial instruments		2,676	344
Total current liabilities		340,833	347,930
Non-current liabilities			
Provisions	13	17,144	16,744
Borrowings	14	369,831	346,702
Lease liabilities	15	199,870	187,942
Total non-current liabilities		586,845	551,388
Total liabilities		927,678	899,318
Net assets		1,113,306	1,092,257
Equity			
Issued capital	17	867,972	867,972
Reserves		8,174	3,149
Retained profits		236,095	219,888
Equity attributable to the owners of Bapcor Limited		1,112,241	1,091,009
Non-controlling interest		1,065	1,248
Total equity		1,113,306	1,092,257

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

Bapcor Limited
Consolidated statement of changes in equity
For the half-year ended 31 December 2022

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 incremental capital	-	-	-	-	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

Consolidated	Contributed equity $'000	Other $'000	Reserves $'000	Retained profits $'000	Non-controlling Interests $'000	Total equity $'000
Balance at 1 July 2022	878,652	(10,680)	3,149	219,888	1,248	1,092,257
Profit/(loss) after income tax expense for the half-year	-	-	-	55,239	(226)	55,013
Other comprehensive income for the half-year, net of tax	-	-	4,253	-	43	4,296
Total comprehensive income for the half-year	-	-	4,253	55,239	(183)	59,309
Transactions with owners in their capacity as owners:						
Share-based payments	-	-	772	-	-	772
Dividends paid (note 18)	-	-	-	(39,032)	-	(39,032)
Balance at 31 December 2022	878,652	(10,680)	8,174	236,095	1,065	1,113,306

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 2022

	Note	Consolidated 31 Dec 2022 $'000	31 Dec 2021 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		1,093,895	968,239
Payments to suppliers and employees (inclusive of GST)		(994,717)	(873,012)
		99,178	95,227
Payments for new store initial inventory purchases		(6,573)	(5,592)
Payments for restructuring costs		(938)	(5,689)
Payments for transformation costs		(5,587)	-
Transaction costs relating to acquisition of business		-	(194)
Borrowing costs		(5,919)	(4,119)
Income taxes paid		(33,445)	(31,902)
Net cash from operating activities		46,716	47,731
Cash flows from investing activities			
Payments for purchase of business, net of cash and cash equivalents	19	(8,489)	(5,103)
Payments for investments		(386)	-
Payments for property, plant and equipment	11	(25,235)	(20,372)
Payments for intangibles	12	(2,657)	(7,417)
Proceeds from disposal of property, plant and equipment[9]		887	15,077
Net cash used in investing activities		(35,880)	(17,815)
Cash flows from financing activities			
Net proceeds from borrowings		22,500	80,000
Dividends paid	18	(39,032)	(37,335)
Repayment of lease liabilities		(34,001)	(32,011)
Borrowing transaction costs		-	(1,012)
Net cash from/(used in) financing activities		(50,533)	9,642
Net increase/(decrease) in cash and cash equivalents		(39,697)	39,558
Cash and cash equivalents at the beginning of the financial half-year		80,213	39,598
Effects of exchange rate changes on cash and cash equivalents		1,412	619
Cash and cash equivalents at the end of the financial half-year		41,928	79,775

[9] Proceeds from disposal of property, plant and equipment in the prior period 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

Note 1. Significant accounting policies

This consolidated financial report for the interim half-year reporting period ended 31 December 2022 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 2022 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 2022.

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, that 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 2022 financial statements.

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 CEO (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:

Trade	Represents the trade focused automotive aftermarket parts distribution to independent and chain mechanic workshops. Includes the operations of Burson Auto Parts, Precision Automotive Equipment, Blacktown Auto and the Thailand based operation.
Specialist Wholesale	Includes the specialised wholesale distribution and network channel areas that focus on a specific automotive area such as AAD, BaxtersMTQ, Bearing Wholesalers, Roadsafe, Diesel Distributors, Federal Batteries, JAS, Premier Auto Trade, Toperformance, Truckline and WANO.
Retail	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.
New Zealand	Includes the operations of Brake & Transmission ('BNT'), Autolign and HCB Technologies.

The results of the associate investment in Tye Soon Limited as well as the 50.5% controlling interest in FIIVIQ Pty Ltd have been included in the Unallocated/Head Office supporting segment as they are considered immaterial in nature for the half-year financial period.

Note 3. Segment information (continued)

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, tax and other items which are determined to be outside of the control of the respective segments.

Operating segment information

Consolidated – 31 Dec 2022	Trade $'000	Specialist Wholesale $'000	Retail $'000	New Zealand $'000	Unallocated / Head Office $'000	Total $'000
Revenue						
Sales	373,975	377,755	219,863	85,839	-	1,057,432
Total segment revenue	373,975	377,755	219,863	85,839	-	1,057,432
Intersegment sales						(56,648)
Total revenue						1,000,784
EBITDA	60,116	50,124	35,234	13,420	(22,877)	136,017
Intersegment EBITDA						1,754
Depreciation and amortisation						(47,978)
Finance costs						(12,007)
Profit before income tax expense						77,786
Income tax expense						(22,773)
Profit after income tax expense						55,013
Assets						
Segment assets	447,031	656,295	530,192	282,740	124,726	2,040,984
Total assets						2,040,984
Liabilities						
Segment liabilities	150,542	118,942	156,153	54,029	448,012	927,678
Total liabilities						927,678

Note 3. Segment information (continued)

Consolidated – 31 Dec 2021	Trade[10] $'000	Specialist Wholesale $'000	Retail $'000	New Zealand $'000	Unallocated / Head Office[10] $'000	Total $'000
Revenue						
Sales	325,571	341,205	197,247	86,140	-	950,163
Total segment revenue	325,571	341,205	197,247	86,140	-	950,163
Intersegment sales						(50,043)
Total revenue						900,120
EBITDA	52,224	46,867	33,604	16,058	(15,282)	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
Consolidated – 30 June 2022						
Assets						
Segment assets	438,474	633,512	486,240	285,021	148,328	1,991,575
Total assets						1,991,575
Liabilities						
Segment liabilities	153,658	131,630	137,784	48,598	427,648	899,318
Total liabilities						899,318

	Geographical non-current assets	
	31 Dec 2022 $'000	30 June 2022 $'000
Australia	972,669	911,650
New Zealand	189,430	189,003
Other	824	987
	1,162,923	1,101,640

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

[10] Comparatives have been amended for the move of the Thailand operation from Unallocated / Head Office to Trade.

Note 4. Revenue

	Consolidated	
	31 Dec 2022 $'000	31 Dec 2021 $'000
Revenue from contracts with customers	1,000,784	900,120

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

	Consolidated	
	31 Dec 2022 $'000	31 Dec 2021 $'000
Geographical regions		
Australia	968,143	861,818
New Zealand	85,839	86,140
Thailand	3,450	2,205
Intersegment sales	(56,648)	(50,043)
	1,000,784	900,120
Timing of revenue recognition		
Goods transferred at a point in time	1,040,832	934,850
Services transferred over time	16,600	15,313
Intersegment sales	(56,648)	(50,043)
	1,000,784	900,120

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

Note 5. Other income

	Consolidated	
	31 Dec 2022 $'000	31 Dec 2021 $'000
Rental income	1,165	828

Rental income relates to rental recoveries from franchise locations.

Note 6. Expenses

	Consolidated 31 Dec 2022 $'000	31 Dec 2021 $'000
Profit before income tax includes the following specific expenses:		
Depreciation and amortisation expense		
Plant and equipment	8,171	6,984
Motor vehicles	3,674	3,363
Properties right-of-use assets	31,821	27,807
Motor vehicles right-of-use assets	353	510
Amortisation	3,959	3,305
	47,978	41,969
Finance costs		
Interest and finance charges paid/payable	6,004	3,942
Interest and finance charges paid/payable on lease liabilities	6,003	5,363
	12,007	9,305

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 2022 is 29.6%, compared to 29.5% for the half-year ended 31 December 2021.

Note 7. Trade and other receivables

	Consolidated 31 Dec 2022 $'000	30 June 2022 $'000
Current assets		
Trade receivables	177,617	181,609
Less: Allowance for credit notes	(1,576)	(1,574)
Less: Allowance for expected credit losses (trade receivables)	(4,668)	(6,783)
	171,373	173,252
Customer loans	172	210
Less: Allowance for expected credit losses (customer loans)	(172)	(210)
	-	-
Other receivables	35,900	24,220
Prepayments	20,483	12,483
	56,383	36,703
	227,756	209,955

Note 8. Inventories

	Consolidated	
	31 Dec 2022 $'000	30 June 2022 $'000
Current assets		
Stock in transit – at cost	41,050	46,878
Stock on hand – at cost	580,149	550,246
Less: Provision for slow moving inventory	(59,518)	(58,436)
	520,631	491,810
	561,681	538,688

Total inventories increased by $23.5M since 30 June 2022, of which new greenfield stores, business acquisitions, inflation and foreign currency translation account for $21.1M of the movement, with the remainder relating to business-as-usual movements.

Movements in provision for slow moving inventory:

	Consolidated	
	31 Dec 2022 $'000	30 June 2022 $'000
Opening balance	(58,436)	(53,792)
Provision recognised against profit	249	(5,751)
Additions through business combinations	(2,045)	(3,594)
Inventory written off against provision	964	4,512
Foreign currency translation	(250)	189
Closing balance	(59,518)	(58,436)

Note 9. Investments accounted for using the equity method

	Consolidated	
	31 Dec 2022 $'000	30 June 2022 $'000
Non-current assets		
Investment in Tye Soon Limited	9,864	9,071

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

	31 Dec 2022 $'000	30 June 2022 $'000
Opening carrying amount	9,071	8,102
Profit after income tax	863	1,296
Other comprehensive loss	(604)	(721)
Foreign currency translation	534	394
Closing carrying amount	9,864	9,071

Note 9. Investments accounted for using the equity method (continued)

In March 2021, Bapcor acquired 25% of the issued equity of Tye Soon Limited, a company listed on the Singapore Securities Exchange. The reported total of profit after income tax of $0.9M and other comprehensive loss of $0.6M 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 2022.

Note 10. Right-of-use assets

	Consolidated 31 Dec 2022 $'000	Consolidated 30 June 2022 $'000
Non-current assets		
Properties – right-of-use	431,761	387,719
Less: Accumulated depreciation	(189,638)	(158,149)
	242,123	229,570
Motor vehicles – right-of-use	4,664	4,626
Less: Accumulated depreciation	(4,160)	(3,997)
	504	629
	242,627	230,199

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 2022	229,570	629	230,199
Additions	8,673	-	8,673
Additions through business combinations	816	-	816
Disposals	(3,215)	-	(3,215)
Remeasurement	37,273	212	37,485
Foreign currency translation	827	16	843
Depreciation expense	(31,076)	(353)	(31,429)
Accelerated depreciation expense	(745)	-	(745)
Balance at 31 December 2022	242,123	504	242,627

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. Accelerated depreciation relates to the DC Consolidation projects and is based on the estimated exit dates of each site.

Note 11. Property, plant and equipment

	Consolidated	
	31 Dec 2022 $'000	30 June 2022 $'000
Non-current assets		
Plant and equipment – at cost	172,645	150,817
Less: Accumulated depreciation	(75,862)	(67,348)
	96,783	83,469
Motor vehicles – at cost	48,587	47,404
Less: Accumulated depreciation	(25,292)	(23,949)
	23,295	23,455
	120,078	106,924

The amount of work in progress included in plant and equipment is $15.3M (30 June 2022: $8.7M) and relates to projects that are not yet completed and therefore are not being depreciated; predominately in relation to the Queensland 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 2022	83,469	23,455	106,924
Additions	21,492	3,743	25,235
Additions through business combinations	42	-	42
Disposals	(248)	(330)	(578)
Foreign currency translation	200	101	301
Accelerated depreciation	(411)	-	(411)
Depreciation expense	(7,760)	(3,674)	(11,434)
Balance at 31 December 2022	96,783	23,295	120,078

Accelerated depreciation relates to the DC Consolidation projects and is based on the estimated exit dates of each site.

Note 12. Intangibles

	Consolidated	
	31 Dec 2022 $'000	30 June 2022 $'000
Non-current assets		
Goodwill	689,053	677,382
Trademarks	59,161	58,973
Less: Accumulated amortisation	(1,346)	(1,346)
	57,815	57,627
Customer contracts	25,900	25,899
Less: Accumulated amortisation	(12,991)	(12,091)
	12,909	13,808
Software	52,502	49,837
Less: Accumulated amortisation	(21,925)	(18,866)
	30,577	30,971
	790,354	779,788

The amount of work in progress included in software is $4.0M (30 June 2022: $12.4M) and relates to several eCommerce and inventory management projects that are not yet completed and therefore are not yet 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 2022	677,382	57,627	13,808	30,971	779,788
Additions	-	-	-	2,657	2,657
Additions through business combinations (note 19)	6,135	-	-	-	6,135
Disposals	-	-	-	(11)	(11)
Foreign currency translation	5,536	188	1	19	5,744
Amortisation expense	-	-	(900)	(3,059)	(3,959)
Balance at 31 December 2022	689,053	57,815	12,909	30,577	790,354

Note 12. Intangibles (continued)

Impairment testing
All cash generating units ('CGU') and brands have been assessed for indicators of impairment. 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 a result, the New Zealand CGU was assessed as having impairment indicators, so impairment testing was performed. Cash flow projections were based on management forecast expectations based on the H1 FY23 actuals and forecast for H2 FY23 as well as the latest five-year forecast model and strategy outlook. This has been compiled based on experience, current performance and market position as well as structural changes and economic factors which have been derived based on external data and internal analysis.

The following key assumptions were used in testing for impairment:

- Pre-tax discount rate: 13.8% (2022: 12.6%)
- Terminal value growth rate beyond 5 years: 2.50% (2022: 2.65%)
- Forecast year on year revenue growth average of 5.5% and EBITDA margin growth average of 0.2 percentage points

The result of the testing was that the recoverable amount of the New Zealand CGU was estimated to exceed its carrying amount at 31 December 2022 by NZ$23.9M, an increase of $1.7M from the 30 June 2022 test.

The following table show sensitivities based on a set of possible changes in assumptions to major financial metric percentages within the calculations, and the resulting change to the headroom:

Financial Metric	+5% Change	-5% Change	-10% Change	-15% Change
Discount Rate	Decrease headroom to $7.3M	Increase headroom to $42.8M		
Revenue growth (average)	Increase headroom to $25.7M	Decrease headroom to $22.1M	Decrease headroom to $20.3M	Decrease headroom to $18.5M
EBITDA margin (average)	Increase headroom to $37.6M	Decrease headroom to $10.2M	Impairment of $3.4M	Impairment of $17.1M
Terminal growth rate	Increase headroom to $27.1M	Decrease headroom to $20.8M		

Impairment indicators will continue to be monitored, with the annual impairment testing to be performed in line with accounting policy on the annual testing date of 31 March.

Note 13. Provisions

	Consolidated	
	31 Dec 2022 $'000	**30 June 2022 $'000**
Current liabilities		
Employee benefits	44,182	39,154
Deferred settlements	1,006	1,006
Lease make good	2,618	2,884
Restructuring	2,891	2,914
	50,697	45,958
Non-current liabilities		
Employee benefits	3,581	3,661
Deferred settlements	125	125
Lease make good	13,438	12,958
	17,144	16,744
	67,841	62,702

Note 14. Borrowings

	Consolidated	
	31 Dec 2022 $'000	**30 June 2022 $'000**
Non-current liabilities		
Secured bank loans	371,159	348,287
Less: unamortised transaction costs capitalised	(1,328)	(1,585)
	369,831	346,702

Refinancing
Bapcor continues to have access to a $520M debt facility with ANZ, Westpac, MUFG Bank, HSBC and MetLife. The debt facility comprises the following tranches:

- $150M five year tranche, available for general corporate purposes – expires July 2024
- $200M three year tranche, available for general corporate purpose – expires July 2025
- $70M four year tranche, available for working capital purposes – expires July 2026; and
- $100M seven year tranche, 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 have been no changes to the debt covenants with the net leverage ratio being less than 3.0X and the fixed cover charge ratio being greater than 1.75X (on a pre-AASB 16 basis).

Note 14. Borrowings (continued)

Net debt reconciliation

	Consolidated	
	31 Dec 2022 $'000	**30 Jun 2022 $'000**
Cash and cash equivalents	41,928	80,213
Lease liabilities	(267,982)	(253,009)
Borrowings excluding unamortised transaction costs capitalised	(371,159)	(348,287)
Net debt	(597,213)	(521,083)
Add: Lease liabilities	267,982	253,009
Add: Net derivative financial instruments for forward exchange contracts	152	6,049
Pro-forma net debt as per debt facility agreement	(329,079)	(262,025)

Interest rate swaps
During H1 FY23, Bapcor entered into a total of $120M interest rate swaps across ANZ, Westpac, MUFG Bank and HSBC in order to hedge against interest rate changes. These have an average fixed interest payable of 3.79% and mature in July 2024 ($50M) and July 2025 ($70M). These have been determined to be cash flow hedges and have been treated as such.

Note 15. Lease liabilities

	Consolidated	
	31 Dec 2022 $'000	**30 June 2022 $'000**
Current liabilities		
Lease liability – Properties	67,736	64,544
Lease liability – Motor vehicles	376	523
	68,112	65,067
Non-current liabilities		
Lease liability – Properties	199,723	187,834
Lease liability – Motor vehicles	147	108
	199,870	187,942
	267,982	253,009

The increase in property lease liabilities in H1 FY23 was due to liabilities being recognised on rental commencement and remeasurement. There was a corresponding increase to the right-of-use assets by the same amount (refer to note 10).

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 2022	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Derivative financial instruments	-	3,130	-	3,130
Total assets	-	3,130	-	3,130
Liabilities				
Derivative financial instruments	-	2,676	-	2,676
Deferred consideration	-	-	1,131	1,131
Total liabilities	-	2,676	1,131	3,807

Consolidated – 30 June 2022	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Derivative financial instruments	-	6,393	-	6,393
Total assets	-	6,393	-	6,393
Liabilities				
Derivative financial instruments	-	344	-	344
Deferred consideration	-	-	1,131	1,131
Total liabilities	-	344	1,131	1,475

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

Derivative financial instruments carried at fair value are forward foreign exchange contracts and floating interest rate to fixed interest rate swaps (current 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 2022 Shares	30 June 2022 Shares	31 Dec 2022 $'000	30 June 2022 $'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 (2022: nil) per share.

Note 18. Dividends

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

	Consolidated	
	31 Dec 2022 $'000	31 Dec 2021 $'000
Final dividend for the year ended 30 June 2022 (2022: 30 June 2021) of 11.5 cents (2022: 11.0 cents) per ordinary share	39,032	37,335

The Board has declared an interim dividend in respect of H1 FY23 of 10.5 cents per share, fully franked. The interim dividend will be paid 17 March 2023 to shareholders registered on 28 February 2023.

Franking credits

	Consolidated	
	31 Dec 2022 $'000	30 June 2022 $'000
Franking credits available for subsequent financial years based on a tax rate of 30%	138,964	118,725

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:

- Absolute Spares
- Autobarn Altona
- Autobarn Cranbourne
- Autobarn Dandenong
- Autobarn Ferntree Gully
- Autobarn Frankston
- Autobarn Mornington
- MJF Truck and Trailer Parts

These acquisitions were made to strengthen the Bapcor offering as well as increase network presence. Total consideration relating to these acquisitions was $9.1M (cash of $8.5M and debts forgiven of $0.6M), acquiring net assets of $3.0M and resulting in goodwill of $6.1M. 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 a three year performance period and the payments are rights to acquire shares ('Performance Rights'). Refer to the 30 June 2022 audited Remuneration Report within the Directors' Report for further information on the LTI.

In relation to the FY23 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 2025 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 table:

Grant Date	12/10/22		19/10/22	
Performance Hurdle	TSR	ROIC	TSR	ROIC
Performance Period	01/07/22 – 30/06/25		01/07/22 – 30/06/25	
Test Date	30/06/25		30/06/25	
Expiry Date	12/10/37		19/10/37	
Quantity Granted[11]	171,711	171,716	92,148	92,149
Exercise Price	Nil		Nil	
Fair Value at Grant Date[12]	$2.46	$6.02	$2.46	$6.02
Other Conditions	Sale restriction to 30/06/26		Sale restriction to 30/06/26	
Share Price on Value Date	$6.35		$6.34	
Volatility	40.55%		40.55%	
Dividend Yield	5.75%		5.76%	
Risk-free Rate	3.41%		3.41%	

[11] Due to rounding the total shares per tranche are not an exact 50/50 split but approximate that.
[12] The fair value represents the value used to calculate the accounting expense as required by accounting standards.

Note 20. Share-based payments (continued)

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 (being the S&P/ASX 200 index as at 30 June 2022). 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 Comparator Group	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 or greater than 75th percentile	100%

Return on Invested Capital ('ROIC')
Fifty per cent of the Performance Rights granted to a participant will vest by reference to a ROIC performance hurdle over the performance period (being the simple average of the ROIC as at 30 June 2023, 30 June 2024 and 30 June 2025). Each tranche of Performance Rights subject to the ROIC hurdle will vest as follows:

Bapcor's ROIC	Percentage of ROIC Rights vesting
Less than 11.5%	Nil
11.5%	50%
Greater than 11.5% and less than 12.0%	Pro-rata straight-line vesting
Equal or greater than 12.0%	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 2022

Grant date	Vesting date	Exercise price	Balance at the start of the half-year	Granted	Vested/ Exercised	Expired/ forfeited/ other	Balance at the end of the half-year
10/09/2020	30/06/2023	$0.00	264,030	-	-	-	264,030
20/10/2020	30/06/2023	$0.00	134,006	-	-	(134,006)	-
30/08/2021	30/06/2024	$0.00	201,434	-	-	-	201,434
19/10/2021	30/06/2024	$0.00	47,126	-	-	(47,126)	-
29/03/2022	30/06/2024	$0.00	27,040	-	-	-	27,040
12/10/2022	12/10/2022	$0.00	-	41,122	(41,122)	-	-
12/10/2022	30/06/2025	$0.00	-	343,427	-	-	343,427
19/10/2022	30/06/2025	$0.00	-	184,297	-	-	184,297
			673,636	568,846	(41,122)	(181,132)	1,020,228

Note 20. Share-based payments (continued)

The Performance Rights with a grant and vesting date of 12 October 2022 relate to the FY22 deferred STI which was to be issued as Performance Rights as detailed in the Remuneration Report within the 30 June 2022 Financial Report. They vested on the same day they were granted with no incremental performance hurdles (as the performance hurdles were met as part of the FY22 STI offer).

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 the Queensland Distribution Centre. The total of this contract (with subsequent amendments) was $20.5M. As at 31 December 2022, the balance not yet paid was $7.2M.

Contingent liabilities
There are no contingent liabilities as at 31 December 2022 (30 June 2022: nil).

Note 22. Events after the reporting period

On 30 January 2023, Bapcor announced the appointment of Kate Spargo as a new Independent, Non-Executive Director (effective 1 March 2023).

Apart from this announcement and the dividend declared, no other matter or circumstance has arisen since 31 December 2022 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.

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 2022 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
Chair

Noel Meehan
Managing Director and Chief Executive Officer

16 February 2023
Melbourne

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 2022, 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 2022 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.

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

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and fair view of the Group's financial position as at 31 December 2022 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

Alison Tait Milner

Alison Tait Milner
Partner

Melbourne
16 February 2023