

Investor Conference Call Presentation. Acquisition of Hellaby Holdings – Optimisation Program

10.30 am, 26th July 2017



Hellaby



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Note: all numbers are AUD



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Hellaby Holdings Head Office Costs

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Hellaby Holdings Group Office Costs

- Hellaby Holding Ltd group office costs were approx. \$6m to \$7m per year
- Over the last six months as Bapcor has transitioned Hellaby businesses into the Bapcor group. The head office costs have been progressively reduced.
- The Hellaby group office staff have been very co-operative in the transition.
- By October 2017, the costs will have been reduced to retained costs of approx. \$1.5m pa
 - Of the \$1.5m, \$1m are considered ongoing, with the head office building subject to potential subleasing or cancellation of lease (runs to March 2021).
- This reduction in costs is separate to the optimisation benefits that Bapcor expect to achieve as detailed in the rest of this presentation .

1 Hellaby Holdings Head Office Costs

2 Bapcor Optimisation Program – synergy benefits

Optimisation Program Process

- In assessing major acquisition opportunities, Bapcor has traditionally not assessed any material amounts of synergies into the returns to justify the acquisition. Announcements of expected returns in acquisitions exclude any material synergy benefits.
- Since acquiring Hellaby Holdings in January 2017, management has been transitioning the Hellaby businesses into Bapcor group. This includes understanding the business and looking at opportunities to optimise the new Bapcor group.
- Late April all automotive business units managers (~45) met to discuss optimisation opportunities. This was an amazingly powerful and motivating session.
 - Around 75 opportunities were identified across the group (the majority emanating from the Hellaby acquisition)
 - These have been consolidated down to nine categories.

Optimisation Program Process (continued)

- Each project has been allocated to be led by one of the Group Leadership Team (“GLT”).
- Business units are now working through delivering each project
 - Some projects are reasonably straightforward
 - Some projects will be implemented over a number of years.
 - Benefits over the next three years have been estimated.
 - Not all projects have financial outcomes that can be quantified.
 - Each project has a specific goal, deliverable and timeframe.
- Each month the progress of the projects are reviewed by the GLT and Board.
- The projects do not include warehouse consolidation opportunities – these are being reviewed separately.
- Excludes reduction in Hellaby head office costs as referred to early in presentation.

Optimisation Benefits - Summary Categories

| # | Project / Area |
|---|----------------------------------------------|
| 1 | Intercompany Sourcing / product substitution |
| 2 | Direct Procurement / Buy Better |
| 3 | Freight Negotiation |
| 4 | Indirect Procurement |
| 5 | Increased End User Sales – range expansion |
| 6 | Increased Direct Sourcing / home brand |
| 7 | Strategic Growth |
| 8 | People Development |
| 9 | Shared Services |

Estimated Identified EBIT Benefits

| <u>Year</u> | <u>Low</u> | <u>High</u> |
|--------------------------------|--------------------|---------------------|
| FY18 | \$2m | \$3m |
| FY19 | \$3m | \$4m |
| FY20 | \$3m | \$5m |
| Total EBIT benefit | \$8m | \$11m |
| Less retained HO costs | \$1m | \$1m |
| <u>Net EBIT benefit</u> | <u>\$7m</u> | <u>\$10m</u> |

Optimisation Benefits

- Bapcor had indicated during the acquisition it expected earnings per share from the acquisition of the Hellaby automotive business to be in low double digit on a proforma annual basis.
- The optimisation benefits are in addition to the returns previously indicated, which would result in an indicative annual eps growth in the low 20's by FY20.

Other matters

- Bapcor will announce its FY17 results at 2.30pm on Wednesday 23rd August 2017.
- The process to divest non core assets is underway – announcements will be made at an appropriate time.

Thank You

