



Bapcor Limited

(ASX: BAP)

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2017 Annual General Meeting – Chairman’s Address

Good afternoon ladies and gentlemen. My name is Robert McEniry, Chairman of Bapcor Limited, and I welcome you to Bapcor’s 2017 Annual General Meeting.

On behalf of the Board, I am proud to report on another very successful and transformative year for Bapcor Limited. Financial year 2017 was another record year for Bapcor in terms of growth and profitability.

Bapcor has become a major participant in the Australasian Automotive Aftermarket with revenues now exceeding \$1.2 billion. Its businesses cover the end-to-end automotive aftermarket supply chain in Trade, Specialist Wholesale, Retail and Service segments, with operations now on both sides of the Tasman.

In addition to the areas I will cover in my address, our Managing Director and Chief Executive Officer, Darryl Abotomey, will deliver a presentation on the Group’s performance strategy and outlook immediately following me.

At last year’s AGM, I spoke of the Bapcor takeover offer to acquire 100% of the shares in Hellaby Holdings Limited, a New Zealand public company, and in fact the offer documents were sent to Hellaby shareholders on the actual day of the 2016 AGM. I also spoke about how well the Hellaby Automotive business would complement the existing Bapcor businesses and the opportunities it would bring to Bapcor, the employees of Hellaby Automotive and to the New Zealand market.

We have not been disappointed since taking control of Hellaby in January 2017. We have been extremely pleased with the performance of the Hellaby Automotive businesses, and the opportunities presented by bringing together the collective strengths of Bapcor and Hellaby have exceeded our expectations. The quality of the people within Hellaby has also been a highlight.

Bapcor is now well into the process of integrating Hellaby Automotive, which is now known as Bapcor New Zealand. We have a detailed plan in place to deliver between \$8M to \$11M EBIT of annual benefit per annum by 2020, that includes programs such as increased intercompany sourcing and private label programs. In addition, we have reduced Hellaby corporate costs by over \$5M per annum by winding down the Hellaby Holdings Limited head office.

We are extremely confident of achieving our integration targets and this comes off the back of successfully executing a similar program when we purchased the previous Metcash Automotive business in August 2015.

As you are aware, as part of the Hellaby acquisition we also acquired the non-core business of Resource Services, consisting of the Contract Resources and TBS, and also a non-core Footwear business. We have now successfully completed the sale of the Footwear and Contract Resources business (excluding North America), have signed a sale agreement for Contract Resources North America and we are well progressed on the divestment of the remaining non-core business, TBS.

We would like to thank all the Hellaby people in Head Office, Automotive, Resource Services and Footwear for the spirit in which they have approached the acquisition of Hellaby by Bapcor and the cooperation they have shown Bapcor's management.

For those that are leaving Bapcor through the divestment process or have left due to the closing of the Hellaby head office, we wish you all the best for the future. To the employees of Hellaby Automotive, we are very glad to have you as part of the Bapcor team and we look forward to many years of success with you.

Whilst the Hellaby acquisition was transformative, the performance of the existing Trade, Specialist Wholesale, Retail and Service businesses in financial year 2017 should not be taken for granted. Each business segment recorded very solid improvements compared to 2016.

In financial year 2017:

- Our largest business segment, Trade, delivered revenue growth of 11% and increased its EBITDA by 22%.
- The Specialist Wholesale business segment increased its revenue by 106% and EBITDA by 141%.
- The Trade and Specialist Wholesale segments combined now represent approximately 80% of Bapcor Group's revenue and EBIT and are the engine of the Bapcor Group.
- Our Retail and Service segment also performed well increasing revenues and by 28% and 30% respectively.

These strong performances as well the benefit of the Hellaby acquisition resulted in Bapcor's continuing operations recording an increase in revenue of 48%, net profit after tax growth of 51% and earnings per share growth of 36%. This culminated in the Board declaring a final dividend of 7.5 cents per share taking the total dividend in relation to the 2017 financial year to 13 cents per share, an increase of 18% compared to 2016.

Bapcor has had a very clear and consistent growth strategy since its IPO. That is to profitably grow our company in its core areas of competency. This strategy remains unchanged and we have a long pipeline of growth opportunities ahead of us. We will continue to expand both the Trade and Retail store networks, increase private label and grow specialist wholesale businesses in key growth categories such as auto-electrical.

We have also announced we are looking to revolutionise our warehouse and distribution systems so they become the most efficient and cost effective in the industry.

Through implementing these initiatives and our focus on customer service, this will enable Bapcor to continue to grow well into the future.

On all measures, the performance of Bapcor since its IPO in April 2014 has been outstanding. We have grown sales from \$340 million to over \$1.2 billion and increased market capitalisation from \$300M to over \$1.5 billion, with net profit increasing 340%.

It has been a great journey in a relatively short period. We would like to thank shareholders for their support during over this time, and in particular for supporting the major acquisitions.

Financial year 2018 also promises to be another exciting year for Bapcor as we consolidate our recent acquisitions and continue to grow our network.



Bapcor's success does not happen without outstanding management and dedicated employees. The skills and effort required to successfully execute an acquisition such as Hellaby as well as continue to grow our base businesses does not go unrecognised by the Bapcor Board.

We would like to sincerely thank our Chief Executive Darryl Abotomey and all of the Bapcor team including employees and franchisees for their efforts in making us Australasia's leading provider of aftermarket parts, accessories, equipment and service.

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