



Bapcor Limited

(ASX: BAP)

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2018 Annual General Meeting – Chairman’s Address

Good afternoon ladies and gentlemen. My name is Andrew Harrison, Chairman of Bapcor Limited, and I welcome you to Bapcor’s 2018 Annual General Meeting.

On behalf of the Board I am proud to report on another very successful year for Bapcor. Financial year 2018 was another record year for our business in terms of growth and profitability, with every segment delivering improved results.

In the four years since listing on the ASX, the Group has delivered improved results, creating a record performance year after year. The strategy of the Group is clear and consistent, the objectives and five-year targets are well documented and communicated. The Group knows what it does best and focuses on disciplined execution in order to achieve growth.

Bapcor is now a major participant in the Australasian Automotive Aftermarket with an international presence across multiple sectors and revenues exceeding \$1.2 billion. Our businesses cover the end-to-end automotive aftermarket supply chain in Trade, Specialist Wholesale, Retail and Service segments, with operations on both sides of the Tasman and now also in Thailand.

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

Before providing my report on the business, on behalf of the Board, management and staff of Bapcor I would like to acknowledge the significant contribution of Bapcor’s inaugural Chairman, Robert McEniry. Robert steered the Group from the time of the IPO in April 2014 when our market capitalisation was \$300 million until earlier this year, with the Group having a market capitalisation of approximately \$2 billion. He lost his battle with cancer in July. Robert was a friend, mentor and guiding light for Bapcor and we gratefully acknowledge his contribution to our success and wish his family all the best for the future.

Turning to the business, the 2018 year was largely one of consolidation. Arising from the acquisition of New Zealand’s Hellaby Holdings a number of non-core businesses were successfully divested. While this took some time, we felt it was more important to ensure appropriate processes were followed to generate optimal value, rather than to pursue the most expedient option. The footwear and contract resources businesses have all been disposed of and during the time that they were owned in 2018, they did contribute earnings to the Group. One other business in New Zealand, Tyre and Wheel Services (TRS) has been sold effective 1 July 2018 following an approach to us from a third party to acquire it. The business mainly sells agriculture tyres, which is not a core focus for our automotive businesses. In 2018 TRS generated approximately \$3 million EBITDA and the proceeds we obtained from the sale were \$20 million. We regard this as a solid result from the negotiation process and we are currently seeking alternative businesses to replace the earnings that were generated by TRS.

The automotive businesses of Hellaby Holdings in New Zealand and Australia have now been transitioned and integrated into Bapcor. I am very pleased to report that in 2018 these businesses performed ahead of expectations, with EBITDA 26% above the equivalent corresponding period in the prior year (as if Bapcor had owned the business for the whole prior year).

As I have previously noted, financial year 2018 was a record result for Bapcor. Very pleasingly, every business segment improved on the prior year in sales and EBITDA:

- Our largest business segment “Trade” delivered revenue growth of 8% and increased its EBITDA by 14%.
- Bapcor New Zealand increased sales by 104% and EBITDA by 144%
- The “Specialist Wholesale” business segment increased its revenue by 34% and EBITDA by 38%.
- Retail and Service increased sales by 8% and EBITDA by 4%.

These strong performances resulted in Bapcor’s continuing operations recording an increase in revenue of 22%, proforma net profit after tax growth of 32% and proforma earnings per share growth of 27%. This culminated in the Board declaring a final dividend of 8.5 cents per share taking the total dividend in relation to 2018 financial year to 15.5 cents per share, an increase of 19% compared to 2017.

We are pleased with our record of financial performance since the IPO in 2014. Our average annual growth has been – for revenue 49%, NPAT 55%, earnings per share 32% and dividends 21%.

The Group is not only focussed on short term results but also the long term. That is why in 2018 we opened our first store in South East Asia, in Bangkok, Thailand. A second store has also recently opened, and we plan to have a further 3 stores in Thailand in the next few months. Once these stores prove that they can deliver our expected results, we will look to further expand in Asia. Although there will no doubt be some challenges in executing our Asian expansion strategy, we are at this early stage cautiously optimistic that it represents a significant opportunity for Bapcor.

We have also indicated that we are looking to revolutionise our warehouse and distribution systems so that they become the most efficient and cost effective in the industry. This work has been proceeding, including the recent selection of a new warehouse management system which is currently being implemented and analysis work almost complete regarding the best options for our future warehouse configuration.

We also continue to look for appropriate opportunities to enhance our business that deliver shareholder value, whilst being in line with our strategy and disciplined acquisition criteria.

With these initiatives and our focus on customer service, Bapcor still has a significant runway of growth ahead of it well into the future.

Bapcor’s great journey continued in 2018 and we believe will continue in the coming years. We would like to thank our shareholders for their support during this time, and in particular for supporting the major acquisitions and divestments as we consolidate the automotive aftermarket segment that we operate in.

Financial year 2019 will be a further year of consolidation as we continue to optimise the major acquisitions we have undertaken in recent years, drive efficiencies in our warehouse and distribution systems 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 our strategy in all aspects of our business does not go unrecognised by the Bapcor Board. We would like to sincerely thank our chief executive Darryl Abotomey, his executive team, 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.

As part of our governance processes, the Board has a focus on succession planning as a key to ensuring the future success of the business. To that end, I am pleased to announce today that our CEO and Managing Director Darryl Abotomey has agreed to an additional three-year contract extension which will run until April 2022.

The Board and I are delighted that our business will continue under Darryl's stewardship for a further three years and look forward to working with him and the entire Bapcor team to bring all stakeholders continuing success.

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