

2021 Bapcor AGM Webcast Transcript - 19 October 2021

Margaret Haseltine:

Good afternoon to everyone. My name is Margie Haseltine, and I'm the chair of the board of Bapcor Limited. And on behalf of the board, it is my pleasure to welcome you to the Bapcor Limited 2021 annual general meeting. I hope you and your family and friends are keeping safe and well in these challenging times, indeed, unprecedented times.

While this online, online format may be familiar to some shareholders, I acknowledge it may be less so for others. However, I assure you that you will have the same opportunity to participate today as you would at a physical meeting. This includes being able to ask questions and vote electronically.

Allow me to begin by introducing my fellow directors and the management team. On the line we have, uh, Darryl Abotomey, Chief Executive Officer and Managing Director, our independent non-executive directors, Jennifer Macdonald, Therese Ryan, James Todd and Mark Powell, and also Noel Meehan the, uh, our CFO and George Sakoufakis, the company secretary.

And for the sake of completeness, I should also note that I am also a non-executive director. Also online today are the company auditors, PWC, represented by Jason Perry, and I also welcome Faith Sullivan representative of the company's share registry, share registry computer investor services.

It is past 1:30 and the company secretary advises me that a quorum is present, so I now declare the meeting open. The notice for this annual general meeting was circulated to shareholders within the required period. If there are no objections, I would like to move that the notice be taken as read.

Today's meeting is being held online by the Lumi platform. This allows shareholders, proxy holders, and guests to attend the meeting virtually. All attendees can watch live webcast of the meeting and in addition, shareholders and proxy holders have the ability to ask questions and submit, submit votes on the Lumi platform.

Before we move to the formal business of the meeting, I'd like to run you through a few process and housekeeping matters so that we can assure that this virtual meeting proceeds smoothly in a conducive manner for everyone's benefit. Today's webcast may be subject to a transition delay of 15 to 30 seconds, and we will ensure that we leave sufficient amount of time, uh, in between each resolution to give shareholders a reasonable opportunity to submit their questions.

At this meeting there will be seven items for business, including five shareholder resolutions and one conditional shareholder resolution. Each resolution will be proposed and voted on as a simple majority except for resolution five, which is a special resolution, which to be, which to be passed requires 75% of the votes cast to be in favour of the resolution.

Before I put each, uh, resolution to shareholders, I'll give shareholders a chance to ask questions on the resolution. And again, to ensure for an orderly meeting, I will only be taking questions that directly relate to the resolution at hand. I will seek to address any other general questions at the end of the meeting.

Questions can be submitted at any time. So you should see there on the screen to ask a question select the messaging tab at the top of your Lumi platform. At the top of that tab, there is a section for you to type your question. Once you finish typing, please hit the arrow symbol to send. If you ask a question, please ensure that you know which resolution it relates to at the beginning of the question.

For example, if you've a query and respect of resolution three, please type resolution three followed by your question. Please note that while you can submit questions from now on, they will not be addressed until the relevant time during the meeting. And I will read out the questions before answering them. We encourage you to start sending written questions, and I see we've got some already today, so that's fabulous.

Um, now, so that they're received, uh, by us before the resolutions are put to all shareholders. For those shareholders who wish to ask a verbal question, an audio question facility is available during this meeting. To use this survey... service, sorry, please pause the broadcast on the Lumi platform and then click on the link, asking audio questions.

A new page will open where you'll be prompted to enter your name and the topic of your question. And I've seen that some people have, have already done that so well done before being connected. You'll listen to the meeting, um, you'll listen to the meeting on this page while waiting to ask your question. If you have any issues using the system pre- please return to the Lumi platform.

Finally, please note that although we will endeavor to address as many questions as possible, there will not be sufficient, um, there may not be sufficient time available to address all of the questions and comments raised. If your question does not get answered, please submit your question via, um, the email to the company secretary, following the meeting, and we will endeavour to provide a response in due course.

Voting today will be conducted by a poll on all items of business. In order to provide you with enough time to vote I will shortly open the voting for all resolutions. At that time if you're eligible to vote at this meeting, a voting icon, uh, will appear. Selecting this icon will bring up a list of resolutions and present you with voting options.

To cast your vote simply select one of the options. There is no need to press a submit or an enter button as the vote is automatically recorded. You do however have the ability to change your vote at any point during the meeting until I declare the meeting is closed.

So I now declare the, um, voting open on all items of business. The voting icon will soon appear. Please submit your votes at any time, and I will give you a warning before I close voting. As well as those shareholders online today, the holders of approximately 239 million ordinary shares or 70% of the company's total issued share capital has already been sent in, um, sorry, have sent in valid proxies.

As I read out each item of business today at today's meeting, I'll announce the total number of valid proxies received for that item and the manner in which those proxies have been directed. These figures will be at the closing time for a receipt of proxies, which is, was at one... sorry, these figures will be at the closing time for a receipt of proxies, which was at 1:30 PM on Sunday, 17th of October.

And in my capacity as chair, I will be voting all available undirected proxies in favour of each of, uh, the business, except for resolution two and resolution six if that resolution is put to the meeting. Before we move on to the formal business, um, of today, I would like to address shareholders in relation to the company's progress in 2021, and our objectives going forward.

A copy of my address to shareholders and as is our CEO and managing director's presentation, uh, which will be delivered today has been lodged with the ASX, uh, this morning and will be published on the Bapcor website. Also, the video we will, video we will show today will be available on the Bapcor website. So now I would be, um, I'm, I'm about to go onto the chair's address.

And I have to say I'm absolutely delighted to present my first chairs report to this annual general meeting of shareholders, which is for the year ended 30th of June, 2021. And that seems like a very long time ago. The 2021 financial year delivered record results across Bapcor, despite ongoing challenges and uncertainty in a COVID-19 environment.

The Bapcor team, once again, delivered record annual, uh, revenue and earnings proving their dedication and adaptability with a strong response to the unprecedented circumstances. The result highlighted, highlighted the resilience of the Bapcor business in a difficult economic conditions.

It is also worth reiterating that Bapcor is predominantly a non-discretionary business, supplying essential parts and supplies to keep vehicles, uh, operating safely. A final fully franked of 11 cents per share was declared and paid in September 2021. This brought the fully year... fully franked dividend to 20 cents per share, representing a 14.3% increase on the prior year.

The safety and wellbeing of our team members remains always at the forefront of that cause priorities. We reviewed our workplace's COVID safe plans, rolled out wellness programs, focused on mental health, introduced paid pa- pandemic leave and encouraged from working from home where possible.

Succession planning and development plans are also completed across the business over the course of the year. At the 2020 Annual General Meeting, shareholders delivered a first strike on Bapcor's remuneration report.

The board acknowledged the sentiments of the shareholders, and in response Bapcor has amended many parts of its remuneration practices which are outlined in detail in the 2021 remuneration report, report and indeed, we've probably spoken to many of you about that.

Bapcor is committed to accelerating our work, to deliver on our ESG, our environmental, social, and governance strategy, And to emphasise the importance of this area, the scope of the nomination and remuneration committee has been expand, expanded to include ESG. The group's initiatives and targets are outlined in the annual report, including the vision that Bapcor's aspires to be net carbon neutral.

In line with the annual review of that core strategy and reflecting the exceptional progress made in 2021, the five year strategic targets for Bapcor have been updated with physical store and own brand targets revised upwards. And the revised five year strategic targets will ensure that Bapcor maintains its very strong and positive growth trajectory.

It would also be remiss of me I, if I did not acknowledge Andrew Harrison's outstanding contribution in shaping Bapcor, uh, to be the business that is today. Andrew retired from his position as chairman after seven years for the company, including four as an independent non-executive, um, in February. And we extend to Andrew and his family our very best wishes for his retirement.

In September, 2020, um, Bapcor welcomed two new independent directors to the board, Mark Powell and James Todd, and as part of the board, uh, and renewal succession planning, we continuously review the needs of Bapcor and will appoint additional directors as appropriate. Uh, I might just add that Mark Powell has also taken over as chair of the nominations remuneration and ESG committee.

Uh, the success of Bapcor is in our people. On behalf of the board, I wish to express my gratitude to our leadership team and, and within that our um, uh, CEO and managing director, Darryl Abotomey, and to all of Bapcor team members for an exceptional year in such difficult circumstances.

We also thank our shareholders, our franchise- franchisees, customer suppliers in all for everyone that contributes ongoing support and contribution for the continued success of Bapcor. So now I'm going to, um, we are going to go to a video that has been pulled together, which, uh, normal circumstances we would have, investor days, we would have all kinds of opportunities to share some of the exciting news.

So I will now ha- um, I will now, uh, be quiet while we play a 10 minute video on Bapcor and after which, uh, Darryl will, um, do the CEO's presentation. So, um, over to Lumi, I think to-

2021 AGM Corporate Video audio:

You've probably never noticed us before, but we're inside cars, we're all over four wheel drives, fitted and fix the trucks big and small, and we help our trades all over the country. Look around and you'll see accessories that are sold, parts that are fitted onto vehicles that are serviced by one of Australia's great auto companies, Bapcor, the unseen parts of every Australian journey.

2021 has been a turning point in Bapcor's growth and efficiency. The opening of the cutting edge DCV at Tullamarine, Melbourne has seen the consolidation of our Victorian DC network into one central location. This new 80,000 square metre site houses the main 47,500 square metre warehouse and will deliver savings across the board.

Environmental efficiencies in water, energy, lighting and packaging waste will be aided by the reduction of transport emissions from this new central location. The DCV features a 24 dock loading bay with a 25 metre canopy for 24/7, all-weather operations. It features 130 racking aisles with 32,000 storage spots.

But the jewel and the crown of the Tullamarine site is the creation of the leading edge goods to person facility. Across six aisles and 25 levels, the GTP carries 85,000 totes with seven picking stations delivering 600 orders an hour per station. This flows on to 12 decanting stations and the custom carton station, which will create, cut and automatically lid the most efficiently sized skew for shipping.

Also helping lead the DC change is some of the latest mobile equipment technology with an electric warehouse fleet second to none and leading wrapping solutions, meaning all loads are leaving the DC in the safest form possible.

The creation and implementation of the DCV will generate cost savings of 10 million dollars per year, while also reducing inventory holdings by eight million to 10 million dollars, making this one of Australia's leading hubs for distribution to the automotive industry and customers alike.

Bapcor remains committed to enhancing our supply chain network with the state of the art distribution centre to be replicated in Queensland. This investment will provide Bapcor with the most modern and

efficient supply chain in the industry and will continue to support growth, drive profitability and be a competitive advantage for Bapcor.

2021 saw a change on several storefronts. With more than 130 stores across the nation, Autobarn has undergone a refresh with a new tagline, "Top Gear, Low Prices", underpinning Autobarn's strong position for the everyday consumer's car needs. Autopro absorbed its fellow brand Sprint, and delivered a chance for new fit outs across Australia's largest independently owned parts store, Autopro - We know these parts.

With over 65 years leading the sales and distribution of truck and trailer parts, 2021 saw a chance for Truckline to also create some great location and fit out changes. The consolidation of seven independent Japanese commercial parts businesses saw the creation of Wano creating a new national solution for Japanese fleet owners. Wano leverages nearly half a century of experience in the last mile sector of the transport industry.

2021 also saw the company at the heart of Bapcor, Burson mark its 50th anniversary. Established in 1971 by Garry Johnson and Ron Burgoine with a focus on the trade automotive aftermarket, they initially conducted business out of vans before opening the first Burson Auto Parts store in Braybrook, Victoria in 1978.

They rapidly expanded to 25 stores by 1996 and 50 stores in 2004. Burson was sold to management and a private equity fund in 2011 before listing on the ASX in 2014. The company changed its name to Bapcor Limited in 2016, following several acquisitions of retail, service and wholesale businesses.

Burson continues to operate as part of Bapcor Trade and has grown to be the largest trade distributor in Australia with a national footprint of over 200 stores, providing the highest quality service to automotive workshops for vehicle parts. EzyParts 2.0 saw an upgrade in our B2B E-commerce platform. This gave workshops a fast, simple and clean user experience, delivering accurate repair times, log book service guidelines, in-depth technical information, and a broad view of parts availability helping create more efficient modern workshops.

Autobarn and their B2C online store also had a refresh. We've improved responsiveness and efficiency. The redesign has created an enhanced and easy online shopping experience for our customers. 2021 saw the release of Enji, Bapcor's service for customers seeking the solution to their car issues. Be it a vehicle service, a flat battery, or that rattle you just can't fix, Enji creates an easy step by step process for quoting, choosing, and booking your car in for that much needed service or repair.

Bapcor recognises that a sustainable and successful business is integrated in the health and safety of our team members and optimising business operations in a socially and environmentally responsible manner.

We have a range of initiatives and targets in place, which are focused on the community, environment, supply chain and our team members. In 2021, Bapcor diverted 6,200 metric tonnes of waste from landfill and continued to offset the emissions of our vehicle fleet through reforestation projects. We have clearly defined diversity targets to achieve over the next five years, and plans to accelerate our ESG efforts as we strive towards being net carbon neutral.

Darryl Abotomey:

Good afternoon, everyone. And thank you for joining us. The video, the video you have just seen provides some highlights of Bapcor. Also, as my slides are published on the ASX this morning, I will move through them rather quickly. In this year's annual report we asked what's at the heart of Bapcor, and I'll cover this in my presentation.

Next slide. As you may have seen in our promotion during the Olympics, we are the unseen parts of every journey as Asia Pacific's leading provider of vehicle parts, accessories, equipment, service, and solutions with over 1100 locations, employing approximately 5000 team members across eight countries in Australia, New Zealand and Asia.

Next slide, we supplied 750,000 parts for cars and 400,000 parts for trucks, trailers, and buses. No one carries more parts than Bapcor. And we do those through the next slide, which shows we are growing our footprint and we continue to grow through the Asia Pacific region.

Next slide, Bapcor is predominantly a distributor and wholesaler of nondiscretionary vehicle parts with 90% of our revenue from parts and accessories coming from vehicle servicing to keep cars and trucks safely operating. Next slide, Bapcor is also comprised of specialist businesses be they trade, retail, truck or wholesale.

And we supply workshops, distributors, resellers, and end consumers. The chart on page six here shows our businesses and the customer groups they supply to. So you can clearly see the different businesses that we operate and the end customer group that we target on those, each of those businesses.

Then turning to page seven, we deliver results. Since listing in 2014, Bapcor has one of the most impressive track records year after year, delivering outstanding results, including in the last financial year 2021 an all time record. These results don't just happen. It is due to our talented and dedicated team members, but it doesn't stop.

And next slide, we have a plan and are well positioned to continue to grow through expansion of our network footprint by physical and online through growing our own brand products. So continuing to grow our own brand products, investing in realising efficiencies and investing in and developing our team members.

On slide nine, we have a strategic, we have strategic priorities and targets with the major targets being clear and public. We update these each year and they are very specific. So we go through the four key areas are to grow our network, to grow our own brand programs, to deliver supply chain initiatives and investing in technology, and to invest in store refurbishments and relocations.

Bapcor investing for the future, next slide. With on road vehicles increasing in Australia and New Zealand by 350,000 per year, this isn't a once up, this has been what occurs and has happened over the years. Between Australia and New Zealand there are over 25 million vehicles on the road. The average age of those vehicles is getting older.

The number of parts required continue to increase, which is normal as a vehicle gets older. We're the only aftermarket business to supply parts for all on road vehicles. We continue to expand our store footprint and we continue to develop state of the art technology. And we have a digital transformation program that supports bricks and mortar as well as making it easier for our customers to do business.

And we continue to expand into new markets with significant growth potential and you saw us invest in Tye Soon, based in Singapore, uh, in April this year. So we've got plenty of opportunities to continue to grow. On the next slide we talk about being responsible and committed.

We have programs and targets that positively impact our community in environmental sustainability, in ethical supply chain and procurement and in good governance supporting and developing our people. And we aspire to be net carbon neutral with a substantial reduction in our footprint and emissions coming from our DC consolidation program as you saw in the video.

Now to the all important trading update on the next page. Sometimes, uh, I think this is the only section that people have a real interest in at times. But, uh, it it's, uh, we, we actually believe we've got a very good update and an outlook. So we've had a solid start to the 2022 financial year with overall group revenue flat compared quarter over quarter.

So the first quarter of this year, group revenue is flat compared to the same quarter last year, which is quite astounding when you consider the impact of prolonged lockdowns. So, and what it does do is demonstrate the resilience, uh, and non-discretionary nature of Bapcor's businesses. So what we've shown on this chart is that we've shown that a number of days impacted in each quarter by government imposed lockdowns.

Now depending on where the lockdown is, which state it is, how, what level it's at, they have different impacts, but this is showing a macro level to show you the sort of impact. So if you look at the first quarter in last year, the impacts were around that 145 days, it over-doubled in the first quarter of this year.

And in particular areas like New Zealand, where, when they do a lockdown it's a lockdown, there's no business whatsoever, whereas other states are slightly different. So what you can see is that there is a substantial increase in the first quarter this year compared to last year, yet our revenue was flat.

So that's a, an amazing, uh, position to be in. And what you'll also see is that in that second quarter of last year, the third quarter, and the fourth quarter there were lockdowns in every quarter. So as we go forward, we're hopefully we'll see less lockdowns in, in the quarter we're now in. We'll see New South Wales coming out of lockdown. We expect to see Victoria coming out of lockdowns.

So that in the second half of the year, we, we're assuming, and we're predicting that we won't have any lockdowns. So that is an upside for our business compared to the prior year. So you can see there is some, some upside for it. And then looking at the next slide, it actually shows by business, um, how our results have looked.

So we've got Burson with 70% of their stores impacted by lockdown, still having their total revenue up by 2% in the quarter versus quarter. In New Zealand, where as I said lockdowns mean no business, as a general we've had hundred percent of our businesses, um, our stores are impacted in some way or another, and they're down 10%.

In retail, in Autobarn, so particularly for Victoria and New South Wales, 50% of our stores have been impacted by lockdowns, yet revenue is down 12% and Autobarn same store sales are down 16%, but they're up 36% the prior year. So net, if you're looking over a two year period, we are up substantial. And our online retail sales we're up 80% in the first quarter.

So you would sort of expect that, um, simply because people are buying more online, uh, but our Click & Collect, uh, has been working extremely well as well. The thing with, uh, retail and with the online purchases and Click & Collect, that does impact our margin because most of the products people are buying are the ones that are advertised or in catalogue, and I'll cover that in a little while too.

So our Specialist Wholesale business is up strongly. So seeing our Auto Electrical business is up, is performing strong. Our Truckline heavy commercial vehicle group is performing strongly and our Wano, which is our light commercial vehicle business is underperforming, but that is as expected due to most of those vehicles are used in the hospitality industry to deliver product then into the cities.

So overall Specialist Wholesale business is up 7% despite the lockdowns. So overall group revenue being in line with the past year, the summary of it is in non-lockdown areas we're over-performing to expectation. In the lockdown areas, as you would expect we're negatively being impacted, uh, so particularly in New Zealand.

Next page, um, a few of the other things to point out for our first quarter and what we would expect to see in our first half of this year, uh, we have got a higher cost base. Um, and that's because of what we're doing in the Victorian distribution center. We still have the old, the old warehouses still online so you've got a duplication of cost.

Now we've got a new group office at Mount Waverly in Melbourne. Um, unfortunately, we haven't been able to move everybody into it because of lockdowns. So once, and we're still carrying our, all the existing businesses. So once we're properly, we expect to properly transition that once we get through lockdowns.

And we have also significantly supported our team members during lockdowns through pa- pandemic leave and retaining team members despite the lower revenue. Our gross margins have been stable in wholesale and in New Zealand. Um, however in trade and retail as I mentioned before the, the average margin is down about 0.5% and that's simply due to the, people buying promotional items and online pricing.

Um, and again, we expect margins to revert when lockdown ceases. That's a, a thing that we expect to happen. Um, and we, we, we're seeing that already when New South Wales come out of lockdown, we see a surge back even when parts of New Zealand came out lockdown, we see the surge come back. So we're quite comfortable with that.

But we have continued our initiatives. So our store roll-outs and refurbishments have continued. They're largely on track, but a little bit delayed, um, because of, um, the restrictions we've been under, but for the full year we're comfortable we will achieve our targets.

We have our biggest three DCs into the distribution center at Tullamarine, um, not without challenges. Um, and it would be, we would be remiss not to point out that we, we have had challenges in the teething side of converting across to the DC when you're taking, um, you're putting in a completely new system that is a semi-automated picking system and goods to person, um, at a 50,000 square meter facility and you're moving all the big businesses into it, you expect to have some challenges.

However, we have dispatched every single day, even though at times we've got 20% of our people off due to the pandemic, um, requirements because of the restrictions with being tier one or tier two people. Um, and that has had an impact in what we, we're doing as well. But that's starting to, to, we're getting on top of it, it'll continue to improve.

Now Brisbane DC project that we announced when we announced our full year results is underway and digital transformation is continuing and our own brand, uh, products are continuing to grow. So on the next page, so what do we expect the result for the full financial year to be? Well, the fundamentals of our vehicle aftermarket continue to remain strong.

Notably the fact that there are 350,000 additional vehicles are added to the Australian and New Zealand roads every year. The average age of vehicles continue to increase and consequently more maintenance is required. The trends during COVID are likely to continue. And that's where we're seeing an increase in secondhand vehicle sales, and that leads to more cars on the road.

People have moved away from public to transport due to social distancing, and more people are spending their holidays domestically utilising their vehicles. In that recent time they haven't had a lot of choice. So, um, but we expect to see that continue for some time.

So in this current financial year Bapcor continues to aim to deliver proforma earnings at least at the level of the previous year in 2021. This remains our objective, um, particularly on the basis that we do not expect to see any further significant lockdowns in the second half.

What we do expect though is the first half of FY22 in a, in a profit sense will be softer than for the first half of FY21 would be expected. Uh, especially when you look at that graph that I showed that showed the relative number of days that are in lockdown. And we expect the second half of the year as we get out of lockdown to be stronger than the first.

Um, and we expect to see that, because profit will be supported by strong rebounds, which we have seen as each area comes out of lockdown. So in summary, if I go to the page 16, um, which is the final page, which is what again, what is at the heart of Bapcor? We are a group of specialist businesses.

We focus on the distribution and wholesaling of non-discretionary vehicle parts, uh, required for repairs, maintenance and servicing in the automotive aftermarket where our team members are the heart and soul of our business. We are a business that continuous- continuously delivers results and will continue to do so. A business that has a well thought out and proven plan for growth.

We've got plenty of identified growth opportunities. We operate in a resilient market, a business that is responsible and committed and proud of our history and excited by our future. Uh, it's genuine, down to earth practical values. We have specific clear strategy and growth targets, and we have a track record of delivering increasing shareholder value.

So just in closing, I'd like to thank all our team members and franchisees who are Bapcor, who are Bapcor and make it the outstanding company that it is today. So thank you for listening and I will pass back to Margie.

Margaret Haseltine:

Thanks Darryl. Okay. So, and now to the formal business of the meeting. Um, and the first order of business is the consideration of the company's audited financial statements and related reports for the year ended 30th of June, 2021. The corporations act requires that audited financial statements and related reports for the 2021 financial year be laid before the meeting.

I now declare that these reports which were made available to shareholders on the 18th of August, 2021 via the ASX and Bapcor's website have been laid before the meeting. Although shareholders are

not formally, um, sorry are not required to formally vote on the company's financial related reports, I would welcome any discussion or questions on the reports.

And as I mentioned previously, the company auditors of, uh, PWC, Jason Perry, the partner responsible for the company's 2021 audit is online today and is willing and able to answer any questions on the conduct of the audit or the intent of the auditor's report. Um, Jason, I think just on the case I'm advised by the auditors that no relevant questions for your attention were received prior to the meeting.

Jason Perry:

That's right.

Margaret Haseltine:

Um, I just wanna question though, because there is a comment, I think from, uh, Mr. Stephen Mayne on, on resolution one, which I think Stephen was probably redirect... resolution one is my re-election. So I'll take that comment. Um, and Scott, look, I'm, do you wanna read that comment, the resolution on about JobKeeper? I'm very happy to answer that question. So Scott, did you wanna read that out? I, I think it is-

Scott Elliott:

Of course, Chair.

Margaret Haseltine:

... Sorry?

Scott Elliott:

How much JobKeeper did Bapcor claim? How much was paid back? And why don't we pay back more given that that Bapcor is going so well with the sh- shares now trading at \$7.76 and a market capitalisation of over \$2.5 billion?

Margaret Haseltine:

Yeah. So I'm very happy to answer that. And it's a, um, part of it is a dusty memory, but, um, Australia did not claim JobKeeper. The Bapcor business, uh, absolutely claimed not one cent of, of JobKeeper and nor have we.

The only business that claimed, uh, JobKeeper money was in the 2020 year was New Zealand and that money got, it was I think, circa Stephen around two million and it was paid directly to all the New Zealand, um, employees.

In addition to that, we, as a board and company topped up that, that payment so that that no employee in New Zealand was, uh, we made them whole basically. So there has been no, um, JobKeeper. And I'm assuming, and it's an assumption, um, that the New Zealand, uh, employees are still, uh, will be obtaining a JobKeeper currently as they, they're in lockdown. And we will have the same approach.

So, no, just to reiterate, we, we claimed no JobKeeper in, in Australia in Bapcor. Um, okay. So I'm assuming now I think, um, I don't see any other, Scott, correct me if I'm wrong. There are some other questions around electric EV and stuff, but I think they're related to general questions.

We've got the, next question is around, um, the resolution is, is number three. So at this point, uh, because, um, this, um, next resolution one is with regards to my, my reappointment. Um, I'm going to hand over to Mark, um, Mark Powell, who will take you through this resolution. So over to you, Mark.

Mark Powell:

Okay. Thank you, Margie. And, uh, good afternoon, everyone. Um, so this next item of business resolution one relates to the reelection of Margie Haseltine as director. Uh, Margie was appointed to the board on the 30th of May, 2016, uh, as an independent non-executive director. And her qualifications and background and experience are summarised in the notice of meeting.

I'll now read out Margie's biography as set out in the notice of meeting. During her career, Margie gained extensive leadership and human capital management skills, which she brings to her role as chair of the board.

Margie has spent more than 30 years in various senior executive roles in, in FMCG including senior roles at Mars Food Australia, subsidiary of Mars Inc., where she was responsible for strategy, risk management, product innovation, and brand launching under implementation of new systems.

From 2002 to 2007, Margie served as CEO of Mars Food Australia with a responsibility for the APAC market, and was also responsible for ensuring sustainability of the business and its supply chain. Margie currently serves as a non executive director of ASX listed Metcash Limited and was a director of various government and not-for-profit boards, including National Food precinct, Central Coast Grammar School and AGRIFOOD Skills.

And I'd also add on a personal note that Margie has done an outstanding job since taking over as chair. The resolution now appears on, on the screen and I will take it as being read. Also appearing on the screen are details of the valid proxy votes on this resolution. I don't think there's any questions on this. Scott, can you confirm whether any questions have been received?

Scott Elliott:

One question has just come through Mark from Mr. Stephen Mayne, um, relating to, uh, the chair's reelection. Um, with the benefit of hindsight, um, does Margie agree that last year's institutional placement, uh, was a mistake?

Margaret Haseltine:

I'm, I'm happy to take that Mark.

Mark Powell:

Okay. You take it Margie.

Margaret Haseltine:

Yeah, absolutely. Um, no, I do not think it was a mistake. I think that when most of, um, all companies was going into unprecedented times of COVID, none of us knew what was ahead of us and we needed to prepare the responsible thing to do, um, for all companies was to make sure or we had options and all kinds of options from, um, from financial, financial options to making sure that we had room to breathe.

So, um, my, my answer is absolutely, um, no. Um, there's another question from Stephen given that Metcash is also in the auto business, is there any conflict of interest in how is that managed?

Um, Stephen, that was obviously a very, um, well asked question and was, um, uh, there was a, a view taken both by, um, chairs and company secretaries at both companies that, that at the level of competition is, is no more than, than what you're gonna, a lot of these products you'd find in, in any company, whether...

It would actually preclude me from almost being on any board because these, a lot of these tools and items are right across many businesses. So no is the answer to that. Um, I think.

Mark Powell:

Yeah, I'd also add to that question. There might be some confusion there. Metcash did have an auto business that we acquired. Uh, they now have a business, uh, in do it yourself and home wares that sells a few overlapping products, but very little, we discussed that, uh, at the time of Margie's appointment and we all agreed there was no conflict there at all.

Okay. Um, I now formally put this resolution to the meeting. And I'll hand back to Margie who will take you through the remaining resolutions.

Margaret Haseltine:

Thank you, Mark. Uh, resolution two. Resolution two relates to the election of a non-board endorsed director, Mr. Uh, Daniel Wallis. Mr. Wallis has nominated himself for election as a director of the company in accordance with clause 6.1(n) of the Bapcor constitution. A statement provided by Mr. Wallis, setting out his qualifications, background experiences set out in the notice of meeting.

I note that the company also provided Mr. Wallis with the opportunity to address the meeting by way of a video recording, which has not been provided. So I, I decided, to be consistent, I would now read out Mr. Wallis's statement as set out of the, out in the notice of meeting.

Daniel holds a bachelor of computing from Monash, Monash University, Melbourne. Daniel was the founder of DWS Limited an IT company established in 1991. DWS specialises in providing IT solutions to Australia's largest companies. Danny successful list- successfully listed DWS on the ASX in 2006.

Under Danny's stewardship, DWS grew in revenue and profits and employed over 800 people when it was successfully sold to Indian company, HCL Technologies Limited in 2021. Danny has over 40 years experience in IT and has considerable knowledge and experience in complex IT systems having worked on many large installations and transformations.

Danny was a 42% sh- shareholder and a director of Autobarn prior to its, its sale to Metcash in 20- 2012. He has intimate knowledge of all aspects of auto parts industry. Danny has considerate experience as a

director and a chairman of private and public companies. He is presently a director of the phila-... I can't do that today (laughs), philanthropic trusts.

Danny has management and leadership skills of the highest levels. Throughout his career he has interacted with all levels of management supplies and customers to achieve optimal outcomes. He has been instrumental in negotiating, securing and delivering on contracts in both the private and public sector across diverse industries.

Uh, I Scott, if, um, the resolution appears on the screen and I will take it as being read, also appearing on the screen are the details of the valid proxy votes on the resolution. Are there questions Scott, I need to scroll or not?

Scott Elliott :

No questions have been received that are directed to the company on resolution two.

Margaret Haseltine:

Thank you. Um, I will now formally put this resolution to the meeting. I'm giving my allocated time I think (laughs) for voting. Thank you. I will now move, uh, to resolution three. Resolution three is a non-binding resolution to adopt Bapcor's remuneration report, remuneration report which is set out in the company's 2021 annual report.

I know, as I said earlier, that the 2020 AGM the company received a first strike in relation to its remuneration re- report. As such of 25% of the votes validly cast on resolution, resolution three today are against the resolution. This will constitute a second strike.

Um, I have been advised that that, that is not the case in that, um, that resolution six is, is no longer, uh, no longer valid for this AGM. So, uh, what I would like to say though, is since the strike against the remuneration, uh, report last year, the board took that, that strike very, very seriously and also acknowledge there was much work to do to, um, overhaul the, the remuneration report.

And, uh, we, we listened, we did a listening tour, we've done further tours and we, we've taken many steps to address the concerns that were raised and, and some of them very rightfully so by the shareholders. And so as outlined in the 2021 remuneration report, you'll see a lot of those questions and answers and changes.

The resolution also appears on the screen and I'll take it as being read. Also appearing on the screen are the details of the valid, valid proxy votes on the resolution. Now I do know there's questions there, Scott. Can you just, um, perhaps that read that out for me, I saw that before.

Scott Elliott:

First question is from the Australian Shareholders Association. Um, the Australian Shareholders Association prefers that at least 50% of any short term incentive be paid in equity within a 12 month holding lock. Will Bapcor's remuneration plan transition to this approach?

Margaret Haseltine:

Thanks for that question. And, uh, we have actually been having, um, a lot of conversation and questions. Uh, I'm not giving any guarantee that we are going to transition to that, but we, we do understand that we are working towards best practice.

In the first year we did as much change as, as possible to, uh, I guess direct the concerns of our shareholders without also impacting our senior staff, given the, um, environment that we live in today, our staff have worked tirelessly and we also put through a lot of change.

So in this first year, we went to, um, an, an equity deferral of 25%, which in the first year to, um, not impact too significantly, it was a choice of cash or equity. We understand that a lot of companies our size migrate to, um, equity as deferral, and there are ratios from where, you know, 25, uh, up to 50%.

So we, we we've listened, we've heard and we are currently reviewing. But I, at this point in time, I'm not gonna guarantee, but that is our, that is, um, an intention. So, um, unless Scott are there other questions?

Scott Elliott:

There's one, there's one further question Chair, uh, it's from Mr. Stephen Mayne. What caused last year's strike? And what changes have been made? Will you disclose the proxies on the spill vote as well?

Margaret Haseltine:

Um, yeah. Oh, that's a big question, Stephen (laughs). We could talk for quite some time on that. Um, the, uh, sorry, the, the proxies are all for, um, our remuneration report. Last year they were all against. And the reasons that we, the strike occurred... so we, if you looked at the rem report, there was a number of reasons and they were all, there was a Q&A there and they're all being addressed.

There was two main things, and it was mainly around the, um, the threshold, um, on of the STI. So by, uh, because it's all being laid out in the annual general report and there's, um, a lot of, um, you know, I hope that answers the question, but we have certainly addressed all the, um, concerns of proxies and shareholders as laid out in the AGM... uh, sorry, in the annual report.

It's fair to say we perhaps, we, we, we did, we weren't keeping up with best market practice, but now we believe we absolutely are. Okay. I've gotta go back and we have to, if that's it, Scott, um, I will now formally put this resolution to the meeting. (silence). Thank you. I will now move on to resolution four.

Uh, resolution four, seek shareholder approval for the issue of performance rights to Mr. Darryl Abotomey, the company's CEO and managing director in relation to FY22. The resolution appears on the screen and I will take it as being read. Also appearing on the screen are the details of valid proxy votes on the resolution. Over to my trusted, Scott, are there questions? I don't think so.

Scott Elliott:

No questions for this resolution.

Margaret Haseltine:

Okay, fabulous. Thank you. I formally put this resolution to the meeting. (silence). Okay. I will now move to resolution five. Um, interesting resolution. We've had a lot of feedback, um, and I've noted you've got some questions, yes, Stephen, which we will address.

Resolution five is a special resolution seeking shareholder approval to amend the company's constitution, to facilitate the holding of virtual general meetings. For this resolution to be passed it requires 75% of the votes, um, uh, cast to be in favour of the resolution.

The resolution appears on the screen and I will take it as being read. Also appearing on the screen are the details of the valid proxy votes on the resolution, and I know there's questions. So Scott, maybe you can read that out for me please.

Scott Elliott:

Perhaps we start with the first audio question, it's from Stephen Mayne, uh, the topic of AGM transparency.

Margaret Haseltine:

Is that a resolution question for this or is that a general one, Scott? 'Cause I thought Stephen had one around the constitutional amendment.

Stephen Mayne:

Hi, Margie. Can you hear me?

Scott Elliott:

There is, there are, there is more than one question.

Margaret Haseltine:

Oh, sorry. Okay, go. I'll leave it to you. Away you go. Sorry, go for it.

Stephen Mayne:

Uh, Margie, can you hear me?

Margaret Haseltine:

Yes, I can.

Stephen Mayne:

Yeah. Great. Okay. Look, I, I, most of my questions are, are written. I just wanted to raise a couple of transparency things, uh, on audio 'cause there may be a bit of back and forth. The first one is, um, uh, can you undertake to make sure that a full, uh, archive of the webcast is available on your website after the meeting along with a full transcript?

Margaret Haseltine:

Um, I'll pass that one straight to maybe I, I, my assumption is that, that was in place but I cannot answer that. I, so can I... we've got some feedback-

Darryl Abotomey:

Yes, Margie the webcast will certainly go up on the website.

Margaret Haseltine:

Okay. That'd be... the answer is yes then Stephen.

Stephen Mayne:

Okay. So the likes of ASX, AGL, Woolworths, Crown are also doing transcripts. So, um, that would be great if you could also spend a couple hundred bucks on a transcript for all shareholders. My second request is to replicate what both Metcash and Southern Cross Media have done as a recent innovation.

Stephen Mayne:

And that is whilst not doing this in the ASX announcement of the poll results, in terms of what they put on their website the following day, they've included the total number of shareholders voting for and against each resolution in the poll just like would happen at a scheme meeting.

So I'm asking if you will also commit to do that so that we don't just get swamped by institutional shareholders and we can get a sense of retail shareholders sentiment by seeing how many shareholders voted for and against the constitution change, for and against the rem report, et cetera.

Um, though as retail, we just feel swamped. We don't bother to vote. And if we can get companies to voluntarily disclose the turnout, including the for and against, it will stimulate more retail, uh, participation in corporate democracy in Australia.

Margaret Haseltine:

Yes. Stephen look, absolutely. I'm, I hundred percent believe in transparency. Uh, so yes is the answer to that, that question. Um, whether we're... I, I'm not sure about the mechanics of getting there tomorrow, but, but, but we'll get them there. So yes is the answer.

Stephen Mayne:

Okay. Now I have to jump off shortly and go to the Dexu AGM. I'm trying to set a world record today with, uh, six AGMs in one day. Uh, so I've, I've got a couple more written ones which you can work through over time and I can go back and listen to later. Uh, I just on the constitution, I'm a bit surprised you've run the gauntlet here, uh, because the likes of Bendigo and Rambles and Dexu have all pulled the plug when the proxy advisors and the institutions have come out against online only AGMs.

I personally love online AGMs 'cause it saves my travel bill and I can get to multiple AGMs in the one day like this. But the proxy advisors have taken a position. They like to look at the whites of the eyes of the directors, et cetera, et cetera. Um, so why didn't you withdraw this resolution and rather running the gauntlet and, and it's very hard to read the proxies on my desktop, even though it's a big screen, somehow the display is not very good.

How big is the protest vote against the new constitution and, and which of the proxy advisors or how many of them recommended against? And have I summarised the reason correctly that they, they, they insist on having a physical AGM when there's no pandemic, is that the issue?

Margaret Haseltine:

Yes, it is. And look, all of them voted against, but to their, to be fair, we had a really good, fabulous conversation with them. And most of them actually as a courtesy said to me, "Look, Margie we have to, we... as a principal we are voting against." Why did we actually not withdraw it? For the very thing that you've talked about with regard to transparency.

Transparency for us is that we put the resolution. We, I would far rather be, trust me, not sitting in a room by myself, but with my fellow colleagues around, you know, and talking to people. So we put it there for tra- we thought if we actually withdrew it, it was like, we, we, we had something to hide, we don't. We put it up.

We, we prefer and absolutely to have face-to-face, but we, we decided to just let it fall. And, um, you know, it, it's, I'm not sure of the exact votes, but it's, it's not got up and, and we are fine with that. There's no games here. It's just a matter of full transparency that, you know, it was the sort of the thing everybody thought we should do to basically give ourselves options because of the, the, the environment we live in.

But our intention is always to hold, um, face-to-face whenever possible, AGMs it's much more beneficial for all of us.

Stephen Mayne:

Okay. Thanks, Maggie. I need to sign off shortly now 'cause I've got... Dexus have got a 65% protest vote against their rem report so they need a little bit of a rhetorical attention.

Margaret Haseltine:

(laughs).

Stephen Mayne:

Um, but as I sign off by saying that, uh, I served two years on the audit committee at city of Melbourne with Therese Ryan, and she was one of the best audit committee members that I've ever served with. And I've served on three or four of those committees over the years. So I'm very pleased to see you've got Therese on this board.

Therese, uh, she's an excellent director and, uh, and good luck in continuing to be a very successful company. And I'm looking forward to listening back later to your comments about potential merger or takeover activity with, uh, ARB and uh, the colourful characters at Ultra Tune. Anyway, have a good day.

Margaret Haseltine:

Thanks. Happy AGM dancing. Um, I will now, um, sorry, was there another question, uh, Scott, that was a distraction for me trying to pay attention. Um, there are other questions. I think I noted that the

Australian shareholders supported virtual, but is there any other relevant questions before I formally put the resolution to the meeting?

Scott Elliott:

You covered off on, on everything on your last answer, Margie.

Margaret Haseltine:

Okay. Thank you very much. I now formally put this resolution to the meeting. (silence). I'll now move to the next item of business. Um, resolution six. Oh, I do know need to do this one, but I will, um, so I'll read this out. The share... resolution six, the share registry has now counted all votes for resolution three and informs me that over 75% of the votes validly cast on this resolution are in favour of it, and there is no second strike.

Uh, as such resolution six, the spill resolution does not need to be put to shareholders. So, um, and that's a, a fabulous result for a lot of hard work. Anyway, um, final questions. Um, all resolutions at this meeting have now been put to shareholders. Before I close the polling, I'm now addressing any questions received in relation to Bapcor's business generally.

Um, we have got some question and I think I, what I would choose to do is answer Stephen's other questions around, um, a little bit later and, and open it to others who haven't had the chance. Um, maybe-

Scott Elliott:

And we've got, um, we've got two questions, um, from the Australian Shareholders Association. The first one being, how are the global supply chain issues affecting Bapcor? And the second one, how will a transition to electric vehicles affect Bapcor's business? So supply chain and electric vehicles.

Margaret Haseltine:

Thank you. I could pass these on, but I don't think there's need to, um, unless Darryl, if you, you indicate to me, if you've got something to add. In terms of global supply chain, I mean, this is a topic that we are always constantly talking around at Bapcor and we are holding, um, sufficient inventory to cover this, but like any other company, we are all being impacted by an imbalance of containers globally positioned around the world.

And secondly that from a, from a freight and container point of view, you know, what was a \$2,000, um, you know, a box is now 10,000 to move them. So we have taken the, um, situation where we are in a fortunate position to have continued to have, um, a significant industry stocking to actually make sure that we have no shortfalls and we are not shorting to the market.

This is going to take 18 to 24 months to roll out. And I, I think that comes in a very good situ- uh, position and situation and alternatively if there is sourcing issues, we look for backup sourcing. So I, I think, um, Darryl unless you've got anything to add, I, um, I think that covers that one.

Um, and the second one was how does the transition to electric vehicles affect, uh, Bapcor's business? I think Darryl has covered that off quite significantly in his report, but, but throughout it, it's, it's high

on our, on our strategy. It's high up board discussion and, um, the car parc, secondhand car parc is, is, is around for a long time.

And EVs are just like the hydrogen are just another vehicle and we will have a parts strategy and, um, strategies to, to meet that need as every change affects every business, but Darryl do you have something else to add there?

Darryl Abotomey:

Yeah, probably a few, a couple of things. Number one, um, just to, um, for people to be aware that we, we have been, um, as part of our business sort of our precision equipment business, we have actually been installing the workshops for some of the electric vehicle businesses such as Tesla.

So we are their provider, um, and, uh, we'll continue to do things like that, which gives us good learnings as to what they're doing and how they're doing it. We also have a program in place where we're, ourselves are acquiring electric vehicles, um, and identifying what, uh, parts do where and what parts don't.

We already supply some parts for some electric vehicles, but recognising that over 40% of the value of an internal combustion engine today is electronics, it is a significant part of our business is the electronics for vehicles. So it doesn't matter whether they're electric or internal combustion.

And for us, uh, we'll continue to, to get parts vehicles, um, for every type of vehicle on the road, whether it's electric or it's anything else. Um, and we, as time goes on, the business is involved and the business will continue to evolve whether it's electric vehicles, hydrogen vehicles or whatever comes next.

Margaret Haseltine:

Thanks Darryl. Uh, we've got-

Scott Elliott:

Margie, there's been another follow question from, um, the Australian Shareholders Association, which goes back to, um, hybrid meetings, um, for the AGM. I'll just read that out for you. The Australian Shareholders Association advocates for hybrid, hybrid meetings, a combination of virtual and physical meetings. We also acknowledge that in the current once in a lifetime circumstances, a pure virtual meeting is necessary. However, despite the insurance of the current board that proposed constitutional amendments, an amendment a future board may opt for only virtual meetings under normal circumstances. How can you prevent that from happening under these proposed amendments?

Margaret Haseltine:

Oh, okay. Thank you. Um, firstly, the amendments have not got through that we, um, we will be with... there's really bad feedback. Um, we will be compliant with current, uh, legislation and, and that will be of the day.

So our, I would think that we will, um, we will, under that legislation, we will be face-to-face and if it's face to face and virtual, we will also do that. So we, we will comply. Does that answer the question? If any other board member jumps in if I'm missing it.

Mark Powell:

I will just add, you know, I think you have answered it Margie. But you know, in some ways it's a moot point now, uh, in that it's highly unlikely, the resolution is passed in with what we've seen and therefore we'll just, we'll take stock on it. Uh, we've had the feedback and the Australian Shareholders Association feedbacks clear in their questions as well. And so it's, you know, sort of mute where we're at, then we'll take stock on that for the future. Simple as that.

Margaret Haseltine:

Thanks, thanks Mark for jumping in. Um, we also now have the, um, an audio question by Danny. But Scott, before we go to Danny's question, uh, Stephen did have two other questions that he wanted answered as part of the AGM and then was part of the transcript. So I see you've removed them. Um, I don't know whether we want to do that.

There's just an answer on the transcript. Uh, but anyway, I'll just put that there and maybe, can we now please go to Danny's question?

Scott Elliott:

Yeah. One of those is more personal in nature, the other one we can cover after the meeting, I think.

Margaret Haseltine:

Okay. Thank you... go on.

Scott Elliott:

But there is, as you said, there is an audio question from Mr. Danny Wallis and it relates to governance. (silence).

[Note: Transcript reflects content of 2021 AGM Webcast available at Bapcor's website. Content at 1:06:02 of webcast has been removed, pending legal review.]

Daniel Wallis:

Well, second question again I'll direct to yourself and again, you can, uh, pass it on to whoever you think is appropriate. Uh, this is a different question. Our question concerns the issue of what is now known as wages theft across Australia.

Margaret Haseltine:

And the question is? What, sorry, what's the question? Okay. Well, for, for the record, um, there was no question and if it was a more generic question, I would hand that automatically to PWC and our auditors because, uh, own our audit chair, because this is something that we spend enormous amount of time and very proud of, of living by the best, best standards of governance. So there would absolutely be no, no, no, no room for truth there, so...

Darryl Abotomey:

Can I, I answer that? Um, that, um, we, we have a whole lot of processes in place and we have had, um, internal, external reviews of wages. There have been no, uh, material, any way, shape or form. Um, and we also have a process in place to go out and audit and verify franchisee payments to their team members.

Uh, and it's a consulting, more of consulting and advisory because it's entirely their, their role that we go through that entire process, um, to assist the franchisees as well.

Margaret Haseltine:

Thanks, Darryl. Absolutely. Okay, Danny, we... I don't know if you heard us answering what we thought your question was. Um, so would you like to ask your question?

Daniel Wallis:

Can you hear me?

Margaret Haseltine:

Now we can. We, we lost you.

Daniel Wallis:

Can you hear me?

Margaret Haseltine:

We lost you.

Daniel Wallis:

Uh, yes, the question got cut off halfway through. Um, no, I think they've answered the question. The question went on to say that, uh, what if anything, have you done to audit, um, perhaps at the corporate level, at the corporate store level and at the franchise level to satisfy yourself that there is no wage to theft going on, 'cause it'd be terrible situation if there was found wages theft have been happening in the past and uh, you know, we had to pay out money.

Margaret Haseltine:

Uh, absolutely. No we go through, um, but, um, Jason, sorry to put you on the spot, but as an auditor, I mean, you've been very close to, uh, Bapcor. And I would be great to have an insurance as our company auditor that this is something that is, you know, that we look at and take very seriously.

Jason Perry:

Yeah. It is. Hi, Margie and, uh, hi, Danny, thanks for your question, um, and your interest in, uh, in the audit. Um, look, the audit is, and the audit opinions on the account overall are not really designed to give sort of specific opinions on individual elements, but in relation to the question, Danny, uh, on wages, we did perform procedures around that and we obtained evidence as we're required to do under the auditing standards.

Jason Perry:

And based on the procedures that we perform and the evidence we, um, we obtain around that we're satisfied that wages were recorded in accordance with the accounting standards. Um, and Darryl, when you dropped off Darryl to give, um, a bit of colour around the sorts of things that were being done by the company in relation to.

Margaret Haseltine:

Thanks, Jason.

Daniel Wallis:

Thank you.

Margaret Haseltine:

Thanks, Danny. So unless there are no questions, I have no further questions. Um, that concludes our discussion on the items of business. In a couple of minutes, I will close the voting system. Please ensure that you have cast your vote on all resolutions. And I will now pause to allow you to finalise your votes. (silence).

Voting is now closed. Rather than keep you waiting for the result, I proposed to close the meeting at this point. The results, results of the poll will be notified at the ASX and published on the Bapcor's website, um, following this meeting. And as that concludes the business of the meeting, I firstly wanna thank members, uh, um, and, and everyone who's attended today, including my, um, fellow directors, staff, Jason, et cetera.

And I'm, and thank you very much. And I now declare the meeting closed. And thanks to Lumi, and, um, to Faith and, um, the Lumi guys as well, you've been a great help. I appreciate it. Thank you. The meeting is now closed.

- End -

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