

ASX/Media Announcement Bapcor Limited (ASX:BAP)

13 February 2019

Bapcor Ltd today announced its results for the six months ended 31 December 2018 (H1 FY19);

Revenue from continuing operations of \$636.1M, up 3.2%.

Pro-forma Net Profit after Tax from continuing operations of \$43.1M, up 6.6%.

Pro-forma Earnings Per Share of 15.34 cents per share, up 5.9%.

Statutory Net Profit after Tax from continuing operations of \$45.5M, up 12.6%.

Statutory Earnings Per Share of 16.20 cents per share, up 3.4%.

Bapcor divested TRS in New Zealand on 3 July 2018. TRS was not a “discontinued operation” and is therefore included in the prior year results. For comparative purposes, excluding TRS from the prior year, the results are;

- ***Revenue from continuing operations up 5.5% to \$636.1M.***
- ***Pro-forma EBITDA from continuing operations up 10.4% to \$76.0M.***
- ***Pro-forma Net Profit after Tax from continuing operations up 9.2% to \$43.1M.***

Highlights of the H1 FY19 financial results compared to the 6 months ended 31 December 2017 (H1 FY18) are:

\$ million	H1 FY19	H1 FY18	Variance
<u>Continuing Operations</u>			
Revenue	636.1	616.1	3.2%
EBITDA – Pro-forma	76.0	70.2	8.2%
NPAT – Pro-forma	43.1	40.4	6.6%
EPS (cps) – Pro-forma	15.34	14.48	5.9%
EBITDA – Statutory	79.4	70.2	13.2%
NPAT – Statutory	45.5	40.4	12.6%
EPS (cps) – Statutory	16.20	14.48	11.9%
Interim Dividend (cps)	7.5	7.0	7.1%

Notes: “Continuing Operations” includes TRS which was divested on 3 July 2018. For comparison purposes TRS is included in the prior period in the above table. TRS contributed in 1H FY2018 revenue of \$12.9M, EBITDA \$1.3M and NPAT of \$1.0M.

Proforma results include adjustments for mergers, acquisitions and restructuring activities and any unusual one off transactions to reflect the underlying performance of the business.

Net debt at 31 December 2018 was \$350.9M, an increase of \$61M compared to June 2018. This increase reflects the investment in the Commercial Truck Parts Group on 30th November 2018. In addition inventory increased by \$40M due to acquisitions, network growth, inventory range investment and the impact of cyclical purchasing. The leverage ratio at 31 December was 2.1X (Net Debt: last twelve months EBITDA). The leverage ratio is expected to decrease to <2X by the end of the FY19.

An interim fully franked dividend of 7.5 cents per share has been declared, up 7.1% compared to the interim FY18 dividend. 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. The DRP will be in operation for the FY19 interim dividend.

Comments from Bapcor's CEO & MD

Bapcor CEO & Managing Director Mr. Darryl Abotomey said "In H1 FY19, Bapcor has delivered its biggest ever first half result in revenue, earnings and EPS despite experiencing challenging market conditions that have resulted in the rate of growth slowing compared to previous reporting periods. Good profit growth has been achieved across its Trade and Specialist Wholesale businesses in both Australia and New Zealand and these segments make up more than 80% of Bapcor's revenue and profit.

"The Burson Trade segment, consisting of Burson Auto Parts and Precision Automotive Equipment, grew revenue by 4.8% with same store sales up 2.1%. EBITDA grew by 8.2% and EBITDA margin was up 0.4 percentage points compared to H1 FY18. The Burson store network expanded to 178 stores nationwide, an increase of 8 stores in the 6 month period.

"Bapcor New Zealand continue to perform solidly. Excluding the impact of the divestment of TRS, in H1 FY19 revenue increased by 4.9% and EBITDA increased 20.6%. Bapcor New Zealand's largest business, the BNT trade business, achieved same store sales growth of 4.1%.

"The Specialist Wholesale segment, consisting of twelve Specialist Wholesale business units, increased revenue by 7.8% and EBITDA by 11.4% reflecting good growth, particularly in the auto-electrical/engine management businesses.

Intercompany sales across Bapcor grew by 37% which mainly reflects increased intercompany sales from the Specialist Wholesale segment into the Trade networks in Australia and New Zealand and into Retail. The increase in intercompany sales reflects the strategy to increase the proportion of "own brand" product sold through Trade and Retail, sourced via our wholesale businesses. There are a number of programs in place that will see the level of intercompany sales continue to increase.

Bapcor significantly grew its presence in the Truck and Trailer market in December with the purchase of the Commercial Truck Parts Group (Don Kyatt (Qld) and four other related truck parts businesses). The Commercial Truck Parts Group is predominantly focussed on trucks less than 10 tonnes which is a significant growth sector.

"The Retail & Service segment makes up less than 20% of Bapcor's revenue and earnings and consists of Autobarn, AutoPro and Sprint Auto Parts retail stores, as well as Midas and ABS service workshops. Revenue for H1 FY19 increased by 8.8% compared to H1 FY18 largely due to an increase in the number of company owned stores as well as network growth. The Autobarn store network consisted of 131 stores at December 2018, up by 3 compared to June 2018. The number of Autobarn company owned stores over the same period grew from 48 to 61 and now represent 47% of the Autobarn network. Same stores sales in Autobarn company owned stores was 4% and 0.2% for franchise stores. EBITDA growth was flat compared to the comparative 6 month period due to challenging retail market conditions, lower wholesale sales and due to the expansion of company stores either via greenfield or in some cases via underperforming franchise store conversions being negative contributors to earnings in the initial phase.

“ We remain confident in the future growth prospects and strategic direction of all our businesses. Bapcor is forecasting FY19 proforma NPAT of circa 9% above FY18, which will deliver a record full year result in revenue, earnings and earnings per share. Whilst at the lower end of previous guidance, the forecast reflects the market conditions that Bapcor is experiencing.

“I would like to thank all employees and franchisees of Bapcor who work tirelessly and passionately to deliver these outcomes. We are also grateful for the support of our customers and suppliers”.

Bapcor is Australasia’s leading provider of automotive aftermarket parts, accessories, equipment and services, with a network of over 850 locations across Australia and New Zealand.

For further details refer to the Investor Presentation and Financial Statements contained in the Investor Centre section in the Bapcor Ltd website (www.bapcor.com.au/presentations).

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