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Bapcor Limited

(ASX: BAP)

ASX Release

16th April 2020

Bapcor announces a capital raising to strengthen its balance sheet and increase funding flexibility

Key points:

- **Bapcor is raising capital to strengthen its balance sheet and place the Company in a strong position to continue to execute its 5 year strategy and any other growth initiatives that may arise**
- **The capital raising complements multiple operational initiatives implemented by Bapcor to preserve and manage cash flow**
- **Financial performance through January and February 2020 remained strong with YTD revenue to end of February increasing 12.7% vs. pcp. The trading performance in March was below expectations with revenue growth of 11.5% vs. pcp reflecting the benefit of acquisitions in Australia, offset by the impact of COVID-19 restrictions in Australia and with New Zealand materially impacted by COVID-19 disruptions**
- **The institutional placement will reduce Bapcor's pro forma net debt as at 31 December 2019 to \$226m¹ and pro forma leverage ratio (net debt / CY19 EBITDA) to approximately 1.3x²**

Bapcor (ASX:BAP) ("Bapcor" or the "Company") today announces the launch of an equity capital raising comprising:

- a fully underwritten \$180m pro-rata Institutional placement ("Placement"); and
- a non-underwritten share purchase plan ("SPP"), to raise up to \$30m, (together with the Placement, the "Offer").

Proceeds of the capital raising will be used to reduce Bapcor's net debt position and gearing. Bapcor is seeking to maintain increased levels of cash on balance sheet to provide liquidity and flexibility in the current operating environment.

Upon completion of the Placement, Bapcor will have pro forma net debt as at 31 December 2019 of \$226m¹ and pro forma leverage ratio (net debt / CY19 EBITDA) to approximately 1.3x². As at 31 March 2020, the company had net debt of \$429m³, which on a pro forma basis will be reduced to \$252m¹, including \$231m¹ of cash. Additional proceeds are expected to be raised via the non-underwritten SPP.

1 Pro forma after tax-effected transaction costs and excluding any funds raised through the non-underwritten share purchase plan.
2 Based on pro-forma net debt at 31 December 2019 of \$226m and LTM EBITDA for the purpose of leverage calculation of \$177m.
3 Based on unaudited management accounts.

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Response to COVID-19

As disclosed on 24 March 2020, Bapcor has moved swiftly to implement measures to ensure the safety of its employees, franchisees and customers across its network and to allow its stores to continue to trade notwithstanding COVID-19. These measures ensure Bapcor can continue to deliver its essential service to communities, ensuring that replacement and service parts are available for vehicles, including vehicles used for essential and emergency services. Currently all stores remain open, except for New Zealand where Bapcor has elected to close approximately two thirds of its stores which are not required to service current customer needs during the stringent government restrictions.

Bapcor continues to review and implement multiple operational levers to optimise cash flow and preserve liquidity as economic conditions are impacted by COVID-19. Bapcor has:

- Closed stores;
- Eliminated all discretionary expenditure;
- Reduced Board and Executive salaries;
- Stood down staff or placed staff on leave with total staff costs reduced in proportion to revenue decline;
- Approached main suppliers for extended terms;
- Approached landlords for rent relief;
- Obtained Government subsidies (in New Zealand);
- Ceased acquisitions and greenfield activity, where possible;
- Reduced all non-essential capital expenditure; and
- Increased close monitoring of debtor payments.

Business Update⁴:

Trading and operating results remained in line with management expectations across January and February 2020 with YTD⁵ revenue to February 2020 growing 12.7% vs. pcp.

In March 2020, Bapcor's Australian businesses continued to perform solidly with revenue increasing 15.6% vs. pcp albeit with trading conditions deteriorating towards the end of March and into April. Bapcor New Zealand's revenue declined 16.1% vs. pcp in March 2020 as a result of store closures and the impact on customer demand of more extensive lockdown measures. Gross margins have, and continue to, remain stable across all business segments.

Bapcor's Chief Executive Officer & Managing Director, Darryl Abotomey, said:

"Bapcor is closely monitoring the impact of COVID-19 on our trading performance and swiftly responding to deteriorating business conditions. We are benefiting from the diversity across our business segments. Our largest business segment, Bapcor Trade, performed well through March but has seen the impact of COVID-19 government imposed restrictions in April with month to date⁶ revenue down approximately 20% vs. expectations. April⁶ revenue in our Specialist Wholesale and Retail segments were below expectation and pcp, excluding the acquisition of the Commercial Vehicle Group. Bapcor New Zealand trading continues to be significantly impacted by lockdown measures with revenue down approximately 85% in April⁶."

"Bapcor is utilising multiple operational and financial levers to manage cash flow and liquidity. These include reducing all non-essential expenditure, reductions in Board and Executive salaries, managing working capital, deferring all non-essential capex, reducing staff costs in proportion to revenue declines, discussing with landlords rent relief and obtaining government subsidies."

⁴ Revenue based on audit reviewed results for the 6 months ended 31 December 2019 and unaudited management accounts for the period from 1 January 2020.

⁵ July 2019 to February 2020 inclusive.

⁶ First 7 days of April 2020.



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“As a market leader with scale and a solid financial position, Bapcor is well positioned to respond to the changes caused by the COVID-19 disruptions and continue to serve our customers through this period. Australia has 19 million vehicles, New Zealand 5 million and Thailand 16 million – these vehicles are ageing and need servicing. Our 5 year strategy and targets remain unchanged and this capital raising strengthens our position to execute on these plans and any other opportunities that arise.”

Offer Details

Fully Underwritten Placement

Bapcor is undertaking a fully underwritten \$180m institutional Placement of new fully paid ordinary shares in Bapcor (“New Shares”) to eligible professional and sophisticated institutional investors.

The Placement will be conducted at \$4.40 per New Share (“Placement Price”) which represents a 8.5% discount to the last closing price of \$4.81 on Wednesday 15 April 2020. The Placement will result in approximately 40.9 million New Shares being issued, representing approximately 14.3% of Bapcor’s existing issued capital.

New Shares issued under the Placement will rank equally with existing Bapcor shares and are expected to settle on Tuesday, 21 April 2020 and be issued, and commence trading on the following business day, Wednesday, 22 April 2020.

The Placement is fully underwritten.

Non-Underwritten Share Purchase Plan

Following the completion of the Institutional Placement, Bapcor will offer all eligible shareholders, (being those persons registered as ordinary shareholders as at 7pm (AEDT) on Wednesday 15 April 2020 with a registered address in Australia or New Zealand) the opportunity to participate in a non-underwritten SPP. The SPP is capped at \$30,000 per shareholder and \$30m in aggregate. Bapcor reserves the right to increase the size of the SPP or scale back applications under the SPP at its absolute discretion.

The SPP will provide eligible Bapcor shareholders the opportunity to subscribe for additional shares in Bapcor. The offer will be priced at the lesser of:

- the Placement Price;
- a 2% discount to the 5 day volume weighted average price of Bapcor shares up to the SPP closing date; and
- a 2% discount to the volume weighted average price of Bapcor shares on the SPP close date.

Further details of the SPP will be provided to eligible shareholders in due course.



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Indicative Timeline

The timetable below is indicative only and subject to change. Bapcor reserves the right to alter the below dates at its full discretion and without prior notice, subject to the ASX Listing Rules and the Corporations Act. All times below are Sydney, Australia time.

Event	Date
SPP record date	7:00pm (AEDT) on Wednesday, 15 April 2020
Trading halt and announcement of the Placement and SPP	Thursday, 16 April 2020
Placement bookbuild	Thursday, 16 April 2020
Announcement of the outcome of the Placement	Friday, 17 April 2020
Trading halt lifted – trading resumes on the ASX	Friday, 17 April 2020
Settlement of New Shares under the Placement	Tuesday, 21 April 2020
Issue and normal trading of New Shares issued under the Placement	Wednesday, 22 April 2020
SPP offer opens and SPP offer booklet is dispatched	Friday, 24 April 2020
SPP closing date	5:00pm (AEDT) on Friday, 15 May 2020
Announcement of results of SPP	Wednesday, 20 May 2020
SPP Allotment Date	Friday, 22 May 2020
SPP issue date, dispatch of holding statements and normal trading of New Shares issued under the SPP	Monday, 25 May 2020

Additional Information

Further details of the Offer are set out in the Investor Presentation also provided to the ASX today. The Investor Presentation contains important information including key risks and foreign selling restrictions with respect to the Placement.

Ends

This announcement was authorised by the Board of Bapcor Limited.

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IMPORTANT NOTICE

Forward Looking Statements

The information in this announcement is subject to change without notice and Bapcor is not obliged to update or correct it. This announcement contains statements that constitute "forward-looking statements". The forward-looking statements include statements regarding Bapcor's intent, belief or current expectations with respect to the timetable, conduct and outcome of the Offer and the use of proceeds therefore, statements about the plans, objectives and strategies of the management of Bapcor, statements about the industry and markets in which Bapcor operates, statements about the future performance of Bapcor's business and its financial condition, indicative drivers, forecasted economic indicators and the outcome of the Offer and the use of proceeds. Words such as "will", "may", "expect", "indicative", "intent", "seek", "would", "should", "could", "continue", "plan", "probability", "risk", "forecast", "likely", "estimate", "anticipate", "believe", "aim" or similar words are used to identify forward-looking statements.

You are strongly cautioned not to place undue reliance on forward-looking statements, particularly in light of the current economic climate and the significant volatility, uncertainty and disruption caused by the outbreak of COVID-19. Any such statements, opinions and estimates in this announcement speak only as of the date hereof and are based on assumptions and contingencies subject to change without notice, as are statements about market and industry trends, projections, guidance and estimates. Forward-looking statements are provided as a general guide only. The forward-looking statements contained in this announcement are not indications, guarantees or predictions of future performance and involve known and unknown risks and uncertainties and other factors, many of which are beyond the control of Bapcor, its officers, employees, agents and advisers, and may involve significant elements of subjective judgement and assumptions as to future events which may or may not be correct. Forward-looking statements may also assume the success of Bapcor's business strategies. The success of any of these strategies is subject to uncertainties and contingencies beyond Bapcor's control, and no assurance can be given that any of the strategies will be effective or that the anticipated benefits from the strategies will be realised in the period for which the forward looking statements may have been prepared or otherwise.

There can be no assurance that actual outcomes will not differ materially from these statements. A number of important factors could cause actual results or performance to differ materially from the forward-looking statements, including (without limitation) the risks and uncertainties associated with the ongoing impacts of COVID-19, the Australian and global economic environment and capital market conditions and other risk factors set out in this announcement. Investors should consider the forward-looking statements contained in this announcement in light of those risks and disclosures. The forward-looking statements are based on information available to Bapcor as at the date of this announcement.

To the maximum extent permitted by law, responsibility for the accuracy or completeness of any forward-looking statements whether as a result of new information, future events or results or otherwise is disclaimed. Bapcor disclaims any responsibility to update or revise any forward-looking statement to reflect any change in Bapcor's financial condition, status or affairs or any change in the events, conditions or circumstances on which a statement is based, except as required by law.

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This announcement may not be distributed or released in the United States. This announcement does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States. The New Shares to be offered and sold under the Offer have not been, and will not be, registered under the U.S. Securities Act of 1933 (the "U.S. Securities Act") or the securities laws of any state or other jurisdiction of the United States. Accordingly, the New Shares in the Placement may not be offered or sold, directly or indirectly, to any person in the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and any other



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applicable U.S. state securities laws. New Shares issued under the SPP described in this announcement may not be offered or sold, directly or indirectly, to any person in the United States or any person that is acting for the account or benefit of a person in the United States.