

Bapcor Limited

(ASX: BAP)

ASX Release

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2020 Annual General Meeting – Chairman's Address

Good afternoon ladies and gentlemen. My name is Andrew Harrison, Chairman of Bapcor Limited. On behalf of the Bapcor board, it is my pleasure to welcome you to our first virtual AGM. I hope you, your family and friends are keeping safe and well in these challenging and uncertain times.

While this online format may be familiar for some shareholders, I acknowledge that 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 through the through the Lumi online platform.

Bapcor operates in an industry that is generally resilient to economic conditions. This was borne out again in the FY20 year and in the performance of the business in the last three months, which we announced on 12th October. Following my address, Darryl will cover this in more detail. The group continues to focus on the implementation of its strategy that has been clearly outlined, with specific targets and deliverables over the next five years. With the COVID-19 restrictions in FY20, some of the expansion targets were unable to be pursued, however there has been no change to the long term targets.

In the 2020 financial year Bapcor delivered a strong result, particularly given the challenges caused by external events during the year, which included both the devastating bushfires and the outbreak of COVID-19. The revenue was a new record, with Proforma NPAT of \$88.7 million – our second highest result. In the face of the events of the last year, we consider this an extremely good performance.

One notable achievement in FY20 was the addition to the group in December 2019 of Truckline which supplies replacement parts for heavy trucks, trailers and buses. This now makes Bapcor unique in that we provide replacement parts for all on road vehicles in Australia. Truckline performed ahead of expectations in its first seven months and its performance remains on track with our business case. We see good expansion opportunities in this segment.

Another major achievement was the improvement in the Retail business. The retail business, which now operates a majority of its Autobarn stores as company run stores, delivered revenue growth of 15% and EBITDA growth of 13%. This segment continues to improve and grow.

Across the Bapcor Group major investments are underway in technology, including retail point of sale, warehouse management, eCommerce and CRM systems. However our biggest project is a new state of the art 50,000 square metre distribution facility at Tullamarine in Melbourne. This new warehouse is expected to open in the 3rd quarter of the current financial year and once fully operational, is expected to deliver significant efficiency and operational benefits to the group and will ensure that Bapcor is well positioned for the years to come.

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.

In April and May we undertook an equity raising to bolster the balance sheet. This was strongly supported by both our institutional and retail shareholders and was done approximately in proportion to existing shareholdings. The equity was issued at \$4.40 per share, with shareholders already benefitting in that the current share price is circa \$8 per share. The share price at 30 June 2020 was 6% higher than June 2019. In addition dividends in relation to FY20 of 17.5 cents per share were an increase of 2.9% above the prior year. Importantly the dividends were paid out of cash flow from operations for that year – not from the equity raising. Cash flow from operations was extremely strong in FY20 – representing a conversion ratio of 125%. Bapcor has continued to deliver strong returns to shareholders, amidst a period of general economic uncertainty. These results do not just happen, but are the result of the work of our dedicated team.

I would like to take a moment to comment on Bapcor's remuneration framework and outcomes for the 2020 financial year. As set out in our remuneration report, Bapcor has strong systems and a robust process to ensure that the Group attracts, motivates and retains high calibre talent, and that they are appropriately rewarded for performance in the current year through a short term variable pay program, and through a long term variable pay program for long term sustainable performance that delivers shareholder returns. The board takes formal external advice in relation to setting remuneration and sets appropriately challenging targets for management. In FY20, given the extraordinary external circumstances that arose during the year and the outstanding performance of the management team in responding to these circumstances, the Board elected to exercise its discretion to reduce the threshold for one of the short term variable pay financial targets. I recognise that some believe that targets and thresholds once set should never be varied, however the board believes that this action was an appropriate response to the extraordinary circumstances which appropriately recognised the performance of the team.

During the year, together with our team members, we articulated Bapcor's core values to capture the spirit of how we conduct ourselves in business. Our values – 'We Give a Damn, We are in it together, We get it done, We do the right thing' – are at the centre of everything we do and guide our behaviours, interactions and decisions each and every day.

The health and safety of all of the Bapcor family remains our utmost priority. In FY20, we invested in team member well-being, with the launch of support programs, with a primary focus on mental-health, and their professional development, through face to face and online learning and training programs. We made improvements to our safety processes, including the roll-out of a new online compliance and safety portal, and achieved a reduction in lost-time injury frequency rates over the last 12 months.

Consistent with our progress toward our ESG strategic commitments, we continued our work in advancing responsible sourcing practices, with a primary focus on modern slavery and human rights risk mitigation within our supply chain. We renewed and expanded our carbon offset program for Burson's fleet of more than 1,000 vehicles. Our energy-saving LED replacement initiative continued throughout our store network.

Bapcor became a signatory to the UN Global Compact, joining more than 10,000 companies and organisations that are committed to promoting Global Compact's Ten Principles on human and workers' rights, the environment and anti-corruption efforts. We will continue to embed the UN's guiding principles into our environmental, social and governance strategy.

Bapcor continues to support the communities in which our businesses operate through a wide range of local and grass-root initiatives which are outlined in our annual report.

We have continued our process of board renewal and I am delighted to welcome to the Bapcor board Mark Powell and James Todd. Mark is a professional company director who has accrued over 30 years' executive experience in retail, logistics and wholesale in the UK, Spain, North America, Australia and New Zealand. As well as currently being a director of JB Hi-Fi Group and Kiwi Property Group, Mark was formerly Group CEO for the NZX listed retail business, The Warehouse Group. James is an experienced company director, corporate adviser and investor. He commenced his career in investment banking and has taken active roles in a range of private and public companies. He was until recently Managing Director of Wolseley Private Equity, an independent private equity firm he co-founded in 1999. He is also currently on the boards of IVE Group, Coventry Group and HRL Holdings.

Mark and James bring complementary skills to the current board and I look forward to working with them going forward.

A core part of any business is to ensure succession planning and renewal, including at Board level and the appointment of Mark and James is part of that process. I have had the privilege of being on the Board of Bapcor since it listed in April 2014, have been Chairman since April 2018, and have immensely enjoyed the opportunity to participate in the substantial journey of this great business. It is my intention to retire from the Bapcor Board this financial year following the announcement of the six months results in February 2021. As part of our board succession plan, my colleague Ms Margie Haseltine will then take over as Chairman of Bapcor.

Bapcor's has an outstanding and dedicated team throughout including management and all team members. They are the ones that deliver on our strategy and achieve commendable results – despite circumstances such as COVID-19, bushfires and economic uncertainty. We would like to sincerely thank our chief executive Darryl Abotomey, his executive team, and all of the Bapcor team members, our great franchisees and supplier partners for their efforts in making us Asia Pacific's leading provider of vehicle parts, accessories, equipment, service and solutions.

Over the coming financial year 2021 (FY21), the Board will work to ensure the continued growth and sustained success of the Bapcor Group on behalf of our shareholders. While the year ahead will continue to present challenges within an uncertain operating environment, we are well placed to continue our organic growth trajectory and network expansion, take advantage of strategic acquisition opportunities, invest in infrastructure, and progress toward our strategic targets.

Thank you for your ongoing support.

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This announcement was authorised by the Board of Bapcor Limited.

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