

## ASX Announcement Bapcor Limited (ASX:BAP)

19 October 2022

### 2022 Annual General Meeting

#### Chair's Address

I am delighted to present Bapcor Limited's Chair's report which is for the year ended 30 June 2022.

The 2022 financial year delivered another record financial result for Bapcor. The team delivered record revenue and earnings demonstrating our team members' focus on the customer, the resilience of our business and the favourable fundamentals in the automotive aftermarket. Bapcor benefitted from its diversification, demonstrating adaptability and resilience in a challenging year with global supply chain disruptions and uncertainty as a result of Covid. It is worth reiterating that Bapcor is predominately a trade based business which mainly supplies non-discretionary parts to keep vehicles operating safely.

As a consequence of Bapcor's strong FY22 performance, a fully franked, final dividend of 11.5 cents per share was declared and paid in September 2022. This brought the full year, fully franked dividend to 21.5 cents per share, representing a 7.5% increase on the prior year.

We are committed to accelerating our work to deliver on our environmental, social and governance (ESG) strategy. The Group's initiatives and targets are outlined in the annual report including the vision that Bapcor aspires to become net carbon neutral. Last year, the Group has undertaken important work to measure our baseline carbon footprint. This will inform the development of our roadmap to be net carbon neutral and will inform future decision making for the Nomination, Remuneration, Environmental, Social and Governance Committee (NRESGC).

I'd like to take the opportunity to welcome Mark Bernhard as a new Independent Director. Mark joined Bapcor in March 2022 and brings significant board and executive management experience in the automotive industry. I'd also like to welcome Noel Meehan, our Chief Executive Officer (CEO), to the Board as Managing Director. With Darryl Abotomey's retirement in December 2021, the Board enacted the existing succession plan, which included a comprehensive global search process, and resulted in the appointment of Noel as CEO and subsequently Managing Director. On behalf of the Board, I would like to thank Darryl Abotomey for his 10 years of service as Bapcor's inaugural CEO and the significant commitment and contribution he has made to the business over that time. This includes Bapcor's listing on the ASX in 2014, driving the strong performance of the Company and executing on its strategic growth plan.

Further, I would also like to acknowledge both Therese Ryan's and Jenny Macdonald's outstanding contribution in shaping Bapcor to be the business it is today. Therese retired from her position as Independent Non-Executive Director after 8 years with the company, while Jenny served on Board since 2018, including as Chair of the Audit and Risk Committee. We wish Therese and Jenny all the best for their future, and will appoint new directors to the Bapcor Board in light of our continuous review of our Board's mix of skills, experience and diversity.



In closing, on behalf of the Board I would like to thank all our stakeholders, including our shareholders, customers, suppliers and franchisees, for your ongoing support. Most importantly, I wish to express my deepest appreciation to the Bapcor team for their exceptional contribution to deliver the 2022 results.

Margaret Haseltine  
Chair

### **CEO Presentation**

I'm delighted to present to the 2022 Annual General Meeting after my first year leading Bapcor as Group CEO.

Bapcor is a group of Specialist businesses, with scale, operating in a resilient industry and rational marketplace. We continue to strengthen our market position and our reach now extends to approximately 1,100 locations, employing more than 5,000 team members across Australia, New Zealand and Asia.

Bapcor provides a comprehensive range of vehicle parts required to safely keep cars and trucks on Asia Pacific roads with around 90% of revenue attributable to these non-discretionary items. This significant proportion of revenue linked to non-discretionary spend and our integrated business model across Wholesale, Trade, Retail and Networks differentiates Bapcor in the marketplace and enabled Bapcor's FY22 record results despite challenging economic conditions due to Covid and global supply disruption.

The safety and well-being of our team members continues to be of paramount importance for Bapcor. To ensure it remains front of mind for all team members, the Group continues to invest in resourcing, systems and training to ensure an appropriate and effective safety culture is in place and applied. An example of our focus on safety and wellbeing is the group's paid parental leave, paid pandemic leave policy and flexible working arrangement policies initiated during the year. Our performance in safety is improving but there is always more to do to ensure the safety and well-being of our team members.

FY22 was a successful year for Bapcor and I would like to thank each and every one of our team members for their hard work and contributions to delivering these record results. Revenue increased 4.6% to \$1.84B and NPAT increased 1.2% to \$132M, with all business segments delivering revenue growth and increasing own brand sales proportions from the prior year. The sustainability of our growth is also evident over a two-year horizon with revenues increasing 26% and NPAT increasing 48% over this period.

Bapcor has been a highly successful business since listing on the ASX in 2014 – with FY22 being another outstanding year. In line with our long-term record of delivering sustainable shareholder returns, we have paid an FY22 dividend of 21.5 cents per share, an increase of 7.5% from the prior year, with a payout ratio of 55.4%.

Capital efficiency is a key area of focus and priority to ensure we further optimise Bapcor's full potential. Additional focus on return on invested capital will enable us to continue our long-term record of consistently delivering shareholder returns.



FY22's record results were achieved against the ongoing global, disruptions of supply chains as manufacturing, transportation and staff shortages increased product unavailability in the market and brought ordering lead times to unprecedented levels. As inventory availability is one of Bapcor's key competitive advantages, we applied prudent operational procurement strategies to mitigate this risk, which lead to temporarily elevated inventory levels. Importantly though, Bapcor's inventory is durable and non-perishable, which means it does not easily become obsolete over time and will generate future revenues for Bapcor as it is being sold to customers.

Inventory availability remains one of Bapcor's key competitive advantages. Therefore, Bapcor's objective is to have the most efficient and effective supply chain capability in the industry. Our meeting today takes place at Bapcor's state of the art Victorian distribution centre which has significantly ramped-up in the second half of 2022 and is on track to achieve steady-state performance. I am excited by the opportunity ahead as Bapcor progresses the construction, commissioning and ramp-up of our Queensland distribution centre. Enhancing our supply chain capability will provide Bapcor with a competitive advantage as markets and customer requirements continue to evolve.

Bapcor continued to expand our network through acquisitions. In FY22 we welcomed new team members from Blacktown Auto Spares in New South Wales into the Bapcor Trade family. We also strengthened our commercial vehicle business through the acquisitions of Gibbs Truck & Trailer Parts, Peninsula Truck Parts, Truck & Auto Parts and Wrights Truck and Trailer Parts.

Growing our footprint in Asia remains a strategic option for Bapcor. Despite covid challenges in Thailand we opened one new Burson Thailand store in Siracha, our first location outside Bangkok. Our 25% equity investment in Tye Soon Limited, a listed Singaporean entity, delivered strong half-year results in August 2022 demonstrating good operational and financial performance.

Our team members have always been the heart and soul of Bapcor. We will continue to invest in our people and their training and development making it easier for team members to do their jobs and enabling them to unleash the full potential of the team.

During the year, Bapcor concluded its first workplace culture review, which confirmed that the awareness of the Bapcor values is strong and generally team members expressed positive views about their teammates, their leaders and standards of workplace behaviour. The review also highlighted areas of potential concern and long term risk to the organisation. A series of recommendations have been formulated with initiatives implemented in response to the findings. Bapcor is committed to being a great place to work and a sustainable employer of choice and always doing the right thing

Turning to Bapcor's future direction, and based on Bapcor's solid foundations and record results, we have potential to be an even more outstanding business by unlocking new ways of working and realising the full potential of Bapcor's talented team members. At this time, given the history of business acquisitions Bapcor's group efficiencies have not been fully leveraged and therefore significant opportunities exist.

To realise Bapcor's long-term strategic goals, we have commenced a transformation program, focussing both on Bapcor's culture as well as the integration of our operations, making it easier for our people and enabling better, sustainable business outcomes.



While Bapcor's transformation is already underway, we will also continue to perform operationally. Bapcor has started positively into FY23 with revenue up in the "low double digit percentage", mostly driven by higher like-for-like sales compared to the same time last year. Profit has increased in the "mid single digits", as we continue to build critical capability, invest in safety, grow our team and expand our geographic footprint. All together we expect a solid underlying trading result in FY23. In summary, Bapcor remains focused on improving operating efficiencies, team performance and delivering results – for all our stakeholders, including customers, our people and shareholders.

I am excited by what the future holds for Bapcor. The opportunity before us to make Bapcor "Better than Before" will enable sustainable growth for both the mid and long-term. I look forward to providing more details about The Road Ahead— Better than Before at our upcoming Investor Day on 22nd November 2022.

Noel Meehan  
CEO and Managing Director

Attached are the slides, which will be presented by Noel Meehan (CEO and Managing Director) at the 2022 Annual General Meeting.

- Ends -

**Authorisation:**

This announcement has been approved by the Board of Bapcor.

**For further information, please contact:**

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# ANNUAL GENERAL MEETING 2022

19 OCTOBER 2022





# CEO & MANAGING DIRECTOR PRESENTATION

# WE ARE ASIA PACIFIC'S LEADING PROVIDER OF VEHICLE PARTS, ACCESSORIES, EQUIPMENT, SERVICE AND SOLUTIONS



**c.\$1.8B**  
FY22 REVENUE



**1,100+**  
LOCATIONS IN AUSTRALIA,  
NEW ZEALAND AND  
THAILAND



**5,000+**  
TEAM MEMBERS



Australia's leading trade focused  
automotive parts distributor



Industry leaders in specialist product  
categories



Premium parts and accessories retailer  
including automotive service centres



Serves New Zealand's trade, service  
and specialist wholesale automotive  
segments



Trusted provider of premium-quality  
aftermarket parts, accessories and  
workshop equipment

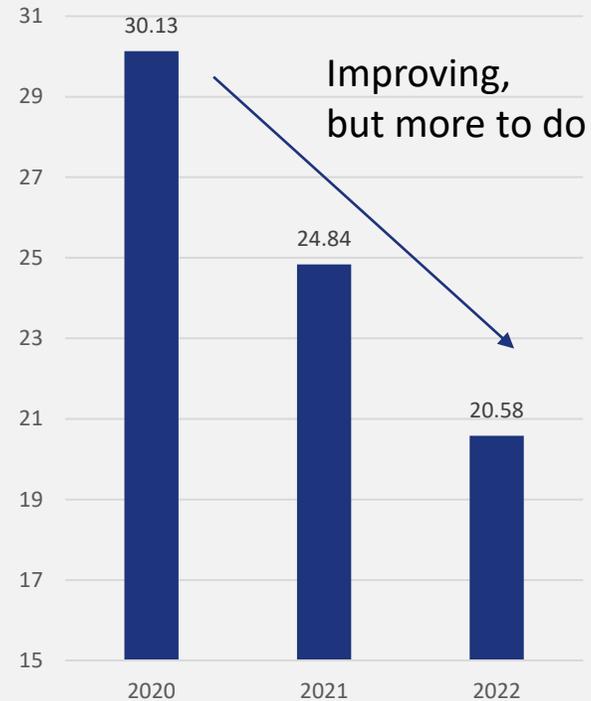
Bapcor - A Group of Specialist businesses in a resilient industry, we are ~80% Trade based business with ~90% non discretionary spend

# BAPCOR HEALTH AND SAFETY

## One Bapcor Safety Culture

- Establishment of Bapcor Zero Harm plan with a focus on high-risk activities and controls
- Cascaded into segment-wide safety plans, underpinned by roll-out of Bapcor wide IT platform solution
- Focus on Lead Indicators
- Investing in resource and uplifting capability
- Embedded into Bapcor's Wellbeing and Diversity programs

## Safety Performance - TRIFR



## Covid-Update

- Business impact from both Covid and regular influenza still ongoing
- Weekly monitoring of restrictions continues, with most restrictions lifted (including for overseas travel)
- Bapcor introduced both a paid pandemic leave policy as well as a flexible work policy to allow team members to react to changing circumstances, e.g. work from home

Health and Safety of our team members is paramount

# FY22 - KEY PERFORMANCE INDICATORS

## REVENUE

**\$1,842M**

4.6% increase

25.9% increase

## NPAT

**\$132M**

1.2% increase

48.3% increase

## RETURN ON INVESTED CAPITAL

**10.6%**

versus 11.6% in FY21

## EBITDA

**\$292M**

4.3% increase

34.3% increase

## EPS

**38.8 cents**

1.2% increase

28.3% increase

## CASH CONVERSION

**63.6%**

versus 74.3% in FY21

## EBIT

**\$206M**

2.5% increase

42.4% increase

## DIVIDEND (Full year)

**21.5 cps**

7.5% increase

## NET LEVERAGE RATIO

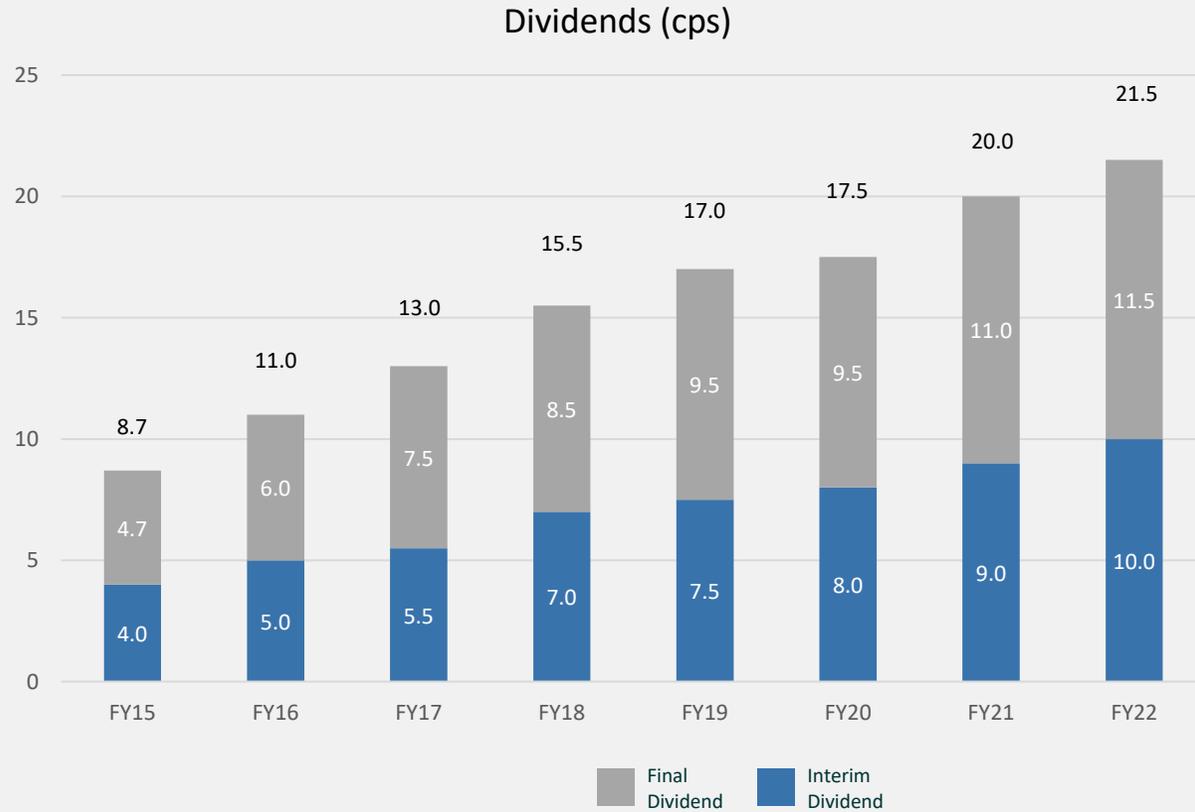
**1.2x**

up from 0.7x at 30 June 21

- FY22 record Pro Forma NPAT of \$131.6M in line with guidance, with revenue and profit growth year-on-year
- Increased FY22 dividend of 21.5 cents per share, up 7.5%, with a FY22 payout ratio of 55.4%
- Cash conversion impacted by global supply chain disruption and prudent inventory management to ensure inventory availability
- Debt facilities and maturity profile provides Bapcor with financial flexibility to pursue acquisition opportunities and invest in growth

■ Vs FY21  
■ Vs FY20

# DIVIDENDS



- Fully franked final dividend of 11.5 cents per share
- Dividends paid for FY22 increased to 21.5 cents per share, up 7.5% year-on-year
- FY22 payout ratio of 55.4%

## INVESTMENT FOR THE FUTURE – SUPPLY CHAIN



Victorian Distribution Centre



Queensland Distribution Centre

- Supply chain capability remains core competence for Bapcor to safeguard inventory availability as a key competitive advantage and mitigate global supply chain risks
- Operationalisation of Bapcor’s supply chain strategy through network of state-of-the-art distribution centres, commencing with facility in Victoria
- Victorian DC had a significant ramp-up and improvement in 2H22, on track to achieve steady-state performance with emergency fill rate of >98% in last quarter and full realisation of targeted opex savings of \$10M expected in FY23
- Queensland Distribution Centre will consolidate seven existing warehouses in the Greater Brisbane area targeting steady-state annual EBITDA benefits of \$4M-\$6M during the second half of FY24

## INVESTMENT FOR THE FUTURE – NETWORK EXPANSION



Acquisition: Blacktown Auto Spares



Bapcor Asia: Thailand team members

- Network expansion remains a key strategic priority and Bapcor continued to grow our physical footprint in FY22 with the opening of 10 new Trade branches, seven new Retail stores and 14 new Specialist Wholesale branches
- Completed the acquisition of Blacktown Auto Spares, two large independent auto parts branches with strong roots in local markets in Western Sydney, and Gibbs Truck & Trailer Parts, five branches under a leading Queensland commercial vehicle brand
- Thailand opened one new store, located in Siracha, the first location outside Bangkok
- Our 25% equity investment in Tye Soon, a listed Singapore entity recently released half-year results demonstrating good operational and financial performance

# WORKPLACE CULTURE – FOCUS ON TEAM MEMBERS & CUSTOMERS

## EMPOWER THE FRONT LINE

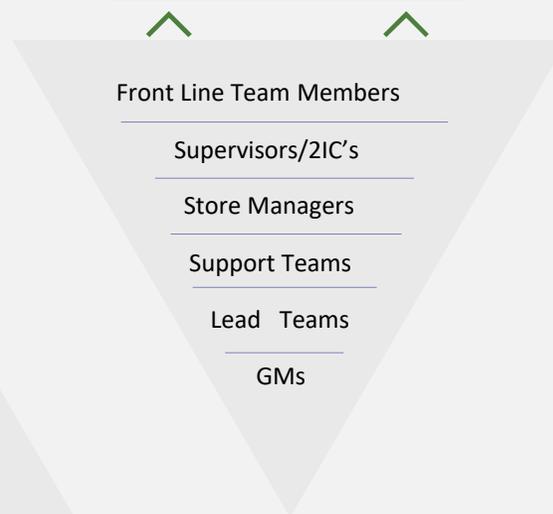
### THE PAST

CORPORATE LEADERSHIP



### THE FUTURE

CUSTOMERS



CORPORATE LEADERSHIP

### BAPCOR VALUES



We do the right thing



We are in it together



We give a damn



We get it done

- Bapcor's employees are at the heart and soul of our business and focusing on improving our culture remains a priority
- In FY22, Bapcor has finalised a workplace culture review, actions implemented where issues were identified around individual behaviors

Team members – Heart and Soul of Bapcor

# THE OPPORTUNITY BEFORE US

A more sustainable future focused business that can:



**Deliver even more for our customers**

Maintain our absolute focus on the customer  
Serve additional customer needs over time



**Unleash the power of our people**

“Bapcor Way”  
Learning and development  
Growth pathways across the business



**Drive value for shareholders**

Realise efficiencies of scale  
Collaborating across the value chain  
Smart analytics

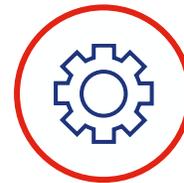
***MAKING BAPCOR “BETTER THAN BEFORE”***

# THE ROAD AHEAD – “BETTER THAN BEFORE” : BAPCOR’S STRATEGIC TRANSFORMATION

- Focus on maintaining operational performance alongside Better than Before transformation
- Further details about The Road Ahead— Better than Before will be provided at an Investor day to be held on 22<sup>nd</sup> November 2022

## Better Than Before: Sustainable Transformation

### SIMPLICITY



- > Make it easier
- > Unleash the power
- > IT & Technology
- > Org design and processes

### PROFITABILITY



- > Pricing & Category Management
- > Procurement
- > Property
- > Smart cost

### EFFICIENCY



- > Distribution Capability
- > Return-based Investment
- > Labour & Inventory Management
- > Growth

TEAM MEMBERS

CUSTOMERS

SUPPLIERS



## TRADING UPDATE

- Record performance in FY22 demonstrates strength and resilience of Bapcor’s operating model
- Good start into Q1 FY23 with both revenues and profit up compared to prior year, mostly driven by increased like-for-like sales
- Bapcor continues to expect a solid underlying<sup>1</sup> trading performance in FY23, subject to market conditions:
  - Trading will continue to benefit from positive fundamentals of the vehicle aftermarket
  - Currently elevated working capital levels expected to reduce during FY23
  - Enhanced distribution capabilities with Victorian DC targeted to achieve steady-state performance and good progress on construction of Queensland DC
  - Ongoing focus on workplace culture and the Bapcor team
- Priority for FY23 is to improve operational efficiency and progress strategic initiatives to make Bapcor “Better than Before”

**Notes:**

1. Excludes costs/benefits associated with “Better than Before”



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