

# BURSON GROUP LTD

## H1 FY2016 Results Presentation



## Disclaimer

The material in this presentation has been prepared by Burson Group Limited ("Burson") ABN 80 153 199 912 and is general background information about Burson's activities current at the date of this presentation. The information is given in summary form and does not purport to be complete. Information in this presentation, including forecast financial information should not be considered as advice or a recommendation to investors or potential investors and does not take into account investment objectives, financial situation or needs of any particular investor. These should be considered, with or without professional advice when deciding if an investment is appropriate.

Persons needing advice should consult their stockbroker, solicitor, accountant or other independent financial advisor.

The release, publication or distribution of this presentation in certain jurisdictions may be restricted by law and therefore persons in such jurisdictions into which this presentation is released, published or distributed should inform themselves about and observe such restrictions.

This presentation does not constitute, or form part of, an offer to sell or the solicitation of an offer to subscribe for or buy any securities, nor the solicitation of any vote or approval in any jurisdiction, nor shall there be any sale, issue or transfer of the securities referred to in this presentation in any jurisdiction in contravention of applicable law.

Certain statements made in this presentation are forward-looking statements. These forward-looking statements are not historical facts but rather are based on Burson's current expectations, estimates and projections about the industry in which Burson operates, and beliefs and assumptions. Words such as "anticipates", "expects", "intends", "plans", "believes", "seeks", "estimates", and similar expressions are intended to identify forward-looking statements. These statements are not guarantees of future performance and are subject to known and unknown risks, uncertainties and other factors, some of which are beyond the control of Burson, are difficult to predict and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements. Burson cautions investors and potential investors not to place undue reliance on these forward-looking statements, which reflect the view of Burson only as of the date of this presentation. The forward-looking statements made in this presentation relate only to events as of the date on which the statements are made. Burson will not undertake any obligation to release publicly any revisions or updates to these forward-looking statements to reflect events, circumstances or unanticipated events occurring after the date of this presentation except as required by law or by any appropriate regulatory authority.

# Agenda

---

- 1 H1 FY2016 Results Highlights
- 2 H1 FY2016 Result Details
- 3 Strategy
- 4 Outlook



1 H1 FY2016 Result Highlights

2 H1 FY2016 Result Details

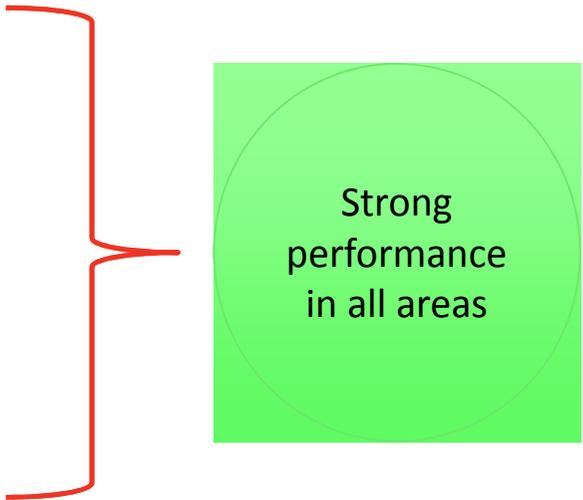
3 Strategy and Outlook

4 Outlook



## FY2015 Result Highlights

\$ million	H1 FY2016	H1 FY2015	Variance
Revenue	322.2	185.0	74.1%
Gross Margin %( <sup>1</sup> )	44.0%	43.2%	0.8
EBITDA	34.5	19.8	74.1%
NPAT	19.3	10.9	77.9%
EPS <sup>(2)</sup> (cps)	7.97	6.41	24.3%
Interim dividend (cps)	5.0	4.0	25.0%



Strong performance in all areas

- Strong result underpinned by continued steady growth in Burson Trade, and ANA performing well. Both businesses are ahead of expectation.
- Results include 5 months ANA trading which was acquired on 31 July 2015.
- Total company EPS growth ahead of ANA acquisition business case.

**Note:**

1. Gross margin presented consistently with historical presentation and excludes freight expense. Statutory accounts gross margin includes freight expense

2. H1FY2016 and H1FY2015 EPS is based on the TERP adjusted weighted number of shares on issue during the year as per accounting standard AASB -133. EPS calculated on "pre TERP adjusted" weighted average shares is 7.98 CPS H1FY2016 and 6.64 CPS H1FY2015, a 20.2% increase.

## Business Contribution to Results

	Revenue			EBITDA		
	H1 FY2016	H1 FY2015	Change	H1 FY2016	H1 FY2015	Change
Burson Trade	202.9	185.0	9.7%	23.4	21.2	10.3%
ANA*	120.6	-	-	13.9	-	-
Group	(1.3)	-	-	(2.8)	(1.4)	-
<b>Total</b>	<b>322.2</b>	<b>185.0</b>	<b>74.1%</b>	<b>34.5</b>	<b>19.8</b>	<b>74.1%</b>

- Burson Trade continues consistent growth rate in sales and EBITDA
- ANA solid result and excludes July which is traditionally a large profit month
- Group EBITDA includes initial impact of intercompany purchases profit in stock eliminations of \$0.7M.

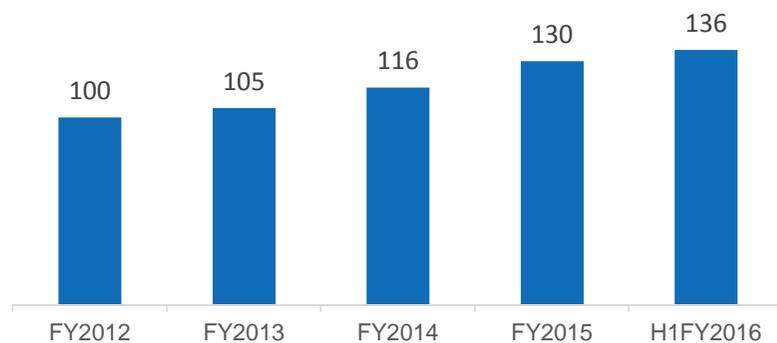
\* Represents 5 months trading since acquisition on 31 July 2015

## Burson Trade

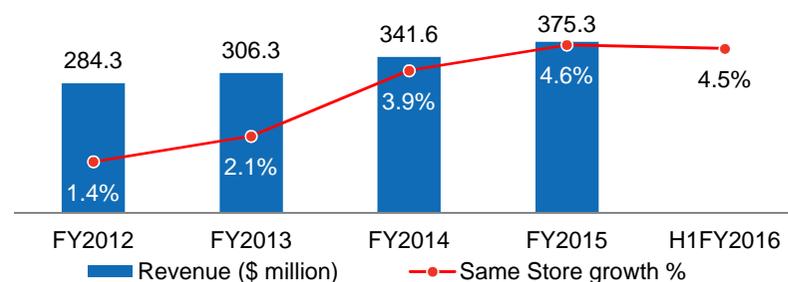
- ✓ 136 stores at the end December 2015, up 6 since June 2015. Now operating 6 stores in WA.
- ✓ Total revenue up 9.7%
- ✓ Same store sales growth of 4.5%
- ✓ Supplier price increases successfully passed through to market
- ✓ Gross Margin 45.0%, up 0.8% on H2 FY2015.
- ✓ General price increase implemented January 2016.
- ✓ Queensland DC now services 40+ stores.
- ✓ Overall market conditions are steady although some aggressive pricing competition, particularly with targeted customers and in WA.

## Burson Trade - Summary of Key Performance Indicators

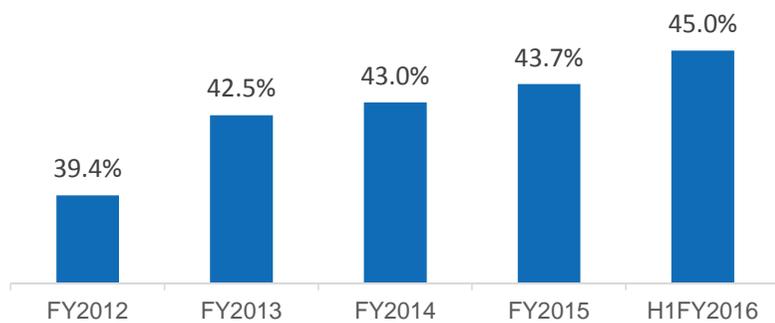
Store Numbers



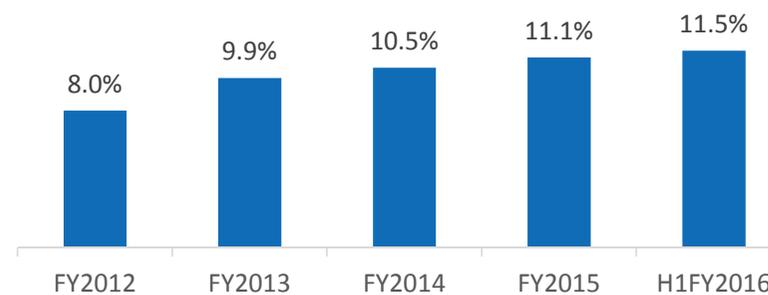
Revenue and "Same Store" growth



Gross Profit Margin



EBITDA Margin



## Aftermarket Network Australia (ANA)

- ✓ ANA (formally Metcash Automotive) purchased 31 July 2015.
- ✓ Sales for 5 months ending 31 December 2015 are above expectations
- ✓ Autobarn YTD same store sales up 5.0%.
- ✓ Store numbers relatively flat as focus on strategy definition, internal processes (including IT consolidation) and optimisation projects. Autobarn 112 stores (+1), Autopro 108 stores (no change), Opposite Lock 54 (no change), Opposite Lock Store in Store 10 (+8), Service 140 (+1).
- ✓ Good performance in retail operations, particularly Autobarn and flow through impact to retail wholesale business.
- ✓ Specialist wholesale operations of AAD, sales solid but impacted by lower GP% as a result of lower AUD – not yet fully passed through to customers.
- ✓ Overall performance above expectations and transition has gone smoothly.



- 1 H1 FY2016 Result Highlights
- 2 H2 FY2016 Result Details**
- 3 Strategy
- 4 Outlook



## Summary Income Statement

- **Revenue growth of 74.1% delivered by**
  - ANA acquisition contributing 64.4%
  - Burson Trade up 9.7%
  - Same Store sales growth
    - Burson Trade 4.5%
    - Autobarn 5.0%
  
- **Gross margin % up 0.8**
  - GM% up 0.8 compared to H1 FY2015 with underlying Burson Trade GP% up 1.7
  - Supplier price increases passed through to market H1 FY2016. Burson Trade fully. Specialist wholesale partially.
  - GM% is a continuous focus
  
- **CODB as a % of sales up 0.8**
  - Burson CODB% up 1.0% due to store overheads related to start ups, particularly WA, and costs related to Brisbane DC.
  - Includes additional corporate costs
  
- **Depreciation as a % of sales up 0.2**
  - Reflects FY15 and H1FY16 capex and amortisation of franchise contracts
  
- **NPAT up 77.9%**
- **EPS up 24.3%**

Pro forma, \$ million	H1 FY2016	H1 FY2015	Change
<b>Revenue</b>	<b>322.2</b>	<b>185.0</b>	<b>74.1%</b>
Gross Profit	141.8	79.9	77.5%
<i>Margin (%)</i>	<i>44.0%</i>	<i>43.2%</i>	<i>0.8</i>
CODB	(107.3)	(60.1)	78.6%
<i>Margin (%)</i>	<i>(33.3%)</i>	<i>(32.5%)</i>	<i>0.8</i>
<b>EBITDA</b>	<b>34.5</b>	<b>19.8</b>	<b>74.1%</b>
<i>Margin (%)</i>	<i>10.7%</i>	<i>10.7%</i>	
Depreciation and Amortisation	(4.9)	(2.5)	95.6%
<b>EBIT</b>	<b>29.6</b>	<b>17.3</b>	<b>71.1%</b>
Finance Costs	(1.8)	(1.8)	
<b>Profit Before Tax</b>	<b>27.8</b>	<b>15.5</b>	<b>79.1%</b>
Income Tax Expense	(8.5)	(4.6)	84.8%
<b>NPAT</b>	<b>19.3</b>	<b>10.9</b>	<b>77.9%</b>
<i>Margin (%)</i>	<i>6.0%</i>	<i>5.9%</i>	<i>0.1</i>
<i>EPS<sup>(1)</sup> (CPS)</i>	<i>7.97</i>	<i>6.41</i>	<i>24.3%</i>

**Notes:**

1. H1FY2016 and H1FY2015 EPS is based on the TERP adjusted weighted number of shares on issue during the year as per accounting standard AASB-133. EPS calculated on pre TERP adjusted weighted average shares is 7.98 CPS H1FY2016 and 6.64 CPS H1FY2015.
2. Allocation of freight expense included in CODB as per proforma accounts rather than COGS.

## Summary Cash Flows

- **Working capital**
  - Working capital movement reflects increase in sales
  - Overall working capital % increase from 11.4% to 15.5% due nature of ANA's franchise business not including end store sales
  - Strong debtor collections
  
- **Capex and Acquisitions**
  - Capex mainly reflects investment in new stores, purchase of motor vehicles, IT development and front of store refurb
  
- **Net cash generated (before ANA transaction)**
  - Tax includes a deferred amount of \$5.9M relating to the FY2015 financial year.
  - Excluding FY2015 deferred tax payment, cash generation was positive after payments of dividends.
  
- **ANA transaction**
  - ANA acquisition funded by retail capital raising, cash on hand as a result of the institutional capital raising and new debt

**Note:**

1. Acquisitions and Greenfield stores include inventory

Pro forma, \$ million	H1 FY2016
<b><u>Cash flows excluding ANA associated cash flows</u></b>	
<b>EBITDA</b>	<b>34.5</b>
Change in working capital	(4.7)
Capital expenditure (excluding new stores)	(4.6)
<b><u>Operating Cash Flow</u></b>	<b><u>25.2</u></b>
Business acquisitions and greenfield stores (1)	(4.6)
Financing costs	(1.2)
Tax Paid	(10.6)
Dividend paid	(11.5)
<b>Cash generated excluding ANA acquisition cash flows</b>	<b>(2.7)</b>
<b><u>ANA associated cash flows</u></b>	
Payment to acquire ANA	(270.5)
Capital raising (retail)	54.3
Transaction costs paid	(1.4)
<b>Net cash outflow from ANA transaction</b>	<b>(217.6)</b>
<b>Opening cash on hand</b>	<b>107.9</b>
<b>Cash acquired</b>	<b>6.3</b>
<b>New borrowings</b>	<b>134.0</b>
<b>Net cash movement</b>	<b>(220.3)</b>
<b>Closing cash on hand</b>	<b>27.9</b>

## Summary Balance Sheet

- **ANA acquisition**
  - Balance sheet reflects impact of ANA acquisition
  - Fair value exercise undertaken with third party valuation of intangibles
  - \$223M intangibles relate to the ANA acquisition
  
- **Net Debt/Cash**
  - Net debt at Dec 15 is \$106.1M
  - Represents annualised leverage ratio of 1.4X
  - Interest cover ratio circa 12X
  
- **Dividends**
  - Interim dividend declared for H1 FY2016 of 5.0 cents per share fully franked. Represents 63% of NPAT.
  - Dividend up 25% compared to previous interim dividend
  - Record date 18 March 2016
  - Pay date 8 April 2016

\$ million	Dec 2015	June 2015
Cash	27.9	107.9
Trade and Other Receivables	78.6	33.4
Inventories	148.5	77.2
PP&E	32.1	23.1
Deferred Tax Assets	17.2	11.8
Intangible Assets	324.6	99.9
Other Assets	4.8	0.9
<b>Total Assets</b>	<b>633.7</b>	<b>354.2</b>
Trade and Other Payables	123.1	68.5
Tax Liabilities	3.3	5.1
Provisions	25.1	13.7
Borrowings	133.3	-
Other	0.6	-
<b>Total Liabilities</b>	<b>285.4</b>	<b>87.3</b>
<b>Net Assets</b>	<b>348.3</b>	<b>266.9</b>

- 1 H1 FY2015 Result Highlights
- 2 H1 FY2015 Result Details
- 3 Strategy**
- 4 Outlook





## **BURSON GROUP STRATEGY**

**5 year vision**

Specialist,  
Knowledgeable  
Staff

Vehicle Parts and  
Accessories

Supporting the  
Industry

Excelling in  
Customer Service

**Australasia's Leading Provider of Aftermarket  
Parts, Accessories and Services**

# Key Highlights of the new Burson Group



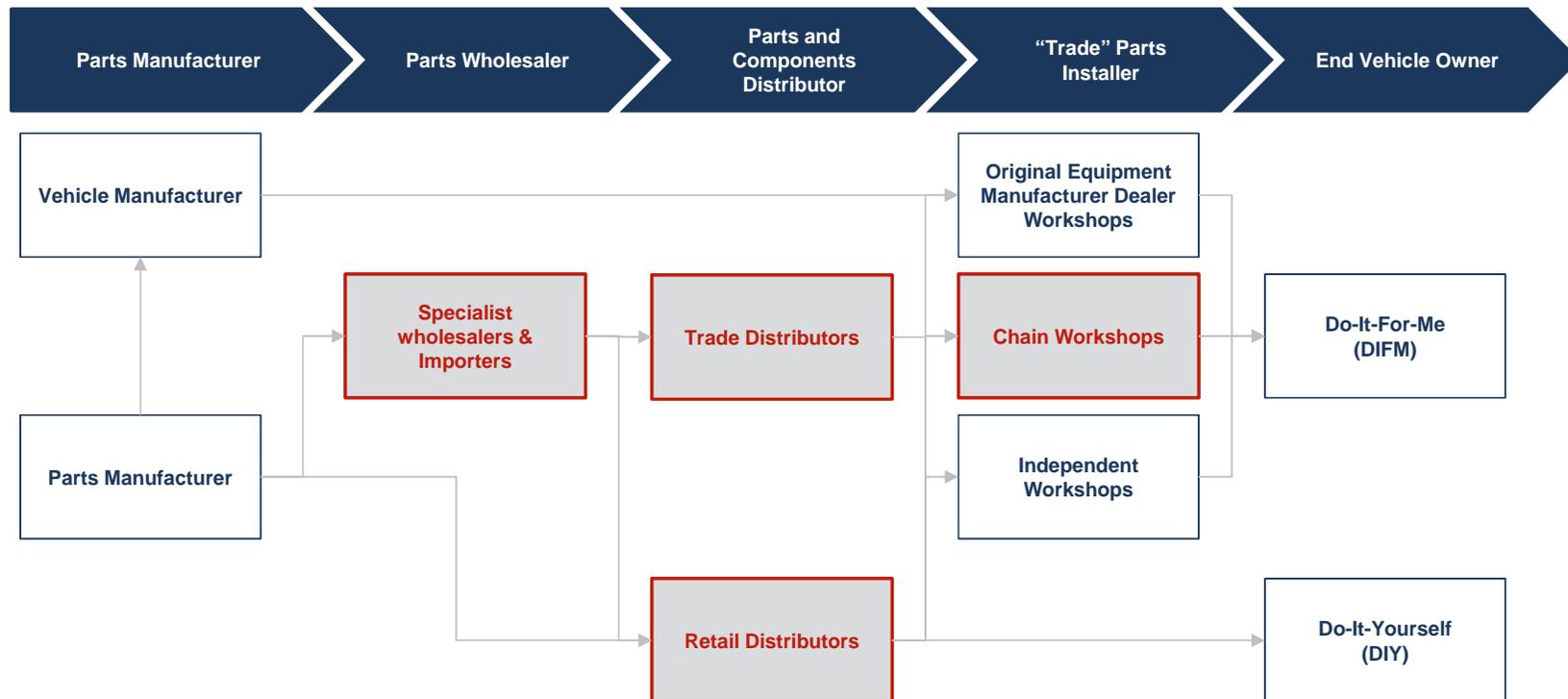
The leading **Australian owned** automotive aftermarket business which **spans the supply chain**

✓ Market Leader	The leading Australian supplier of automotive aftermarket parts, accessories and service
✓ Scale	Group distribution platform has significant scale and competitive position – over 600 locations Australia wide
✓ Core Business Segments	Specialist wholesale, trade, retail, independents and service. <ul style="list-style-type: none"><li>• Each core segment has clearly defined, focused strategy and targets.</li><li>• Knowledgeable experts in each core segment.</li><li>• Supported by a comprehensive infrastructure.</li></ul>
✓ Growth	Significant opportunity to continue expansion in each core segment.
✓ Resilient Industry	Continues to grow in line with population and cars on road

# Strategic Rationale of Group Structure



Burson Group's growth strategy covers the core supply chain areas.

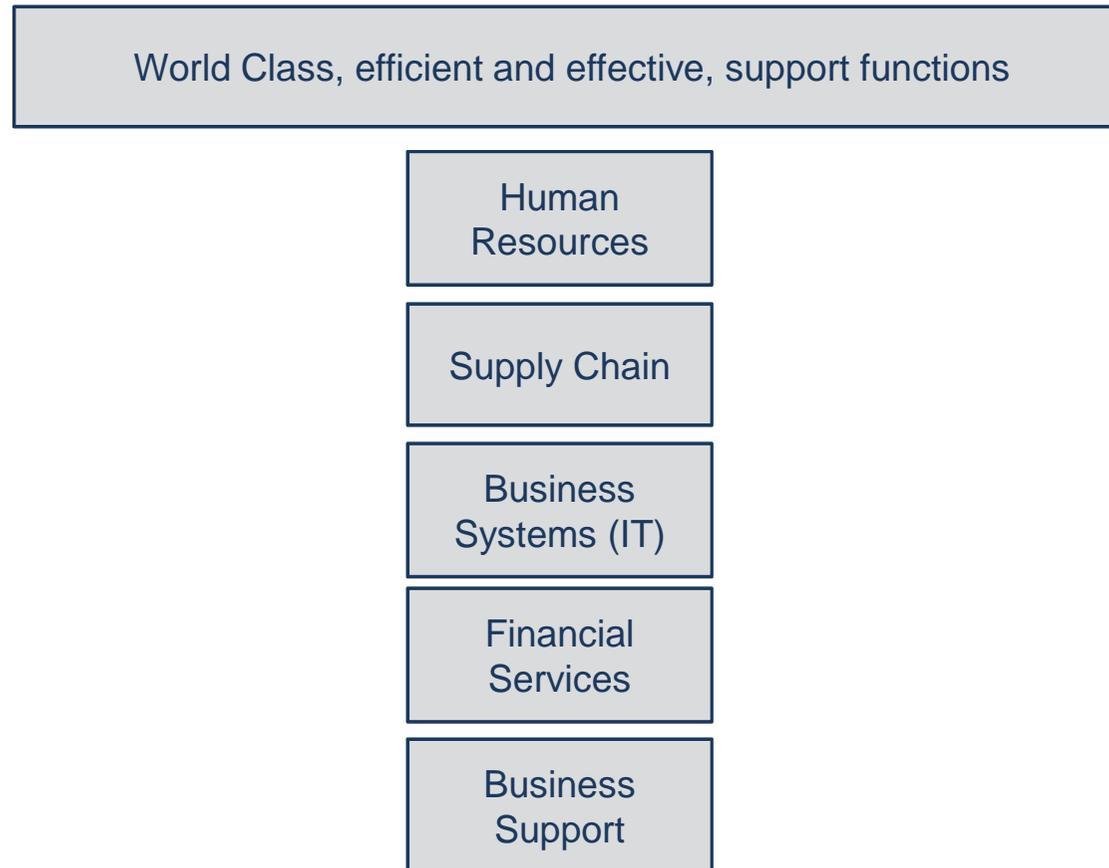


# Group Business Structure



<p>SPECIALIST (Wholesale)</p>	   	<p>#1 or #2 Industry Category specialists in parts programs</p>	<p>Brake</p>	<p>Engine</p>	<p>+</p>	<p>Target \$200M Turnover</p>	
			<p>Suspension</p>	<p>Bearings</p>	<p>+</p>		
			<p>Cooling</p>	<p>Gaskets</p>	<p>+</p>		
<p>TRADE</p>	 	<p>Trade focussed “parts professionals” supplying workshops</p>				<p>25% Home brands</p>	<p>AUS Target 200 Stores</p>
<p>RETAIL</p>	 	<p>Premium Retailer of Automotive Accessories</p>	<p>35% Home brands</p>	<p>AUS Target 200 AB Stores</p>	<p>AUS Target 120 OL Stores</p>		
<p>INDEPENDENTS</p>	 	<p>Service the independent parts stores via the extensive supply chain capabilities and brand support</p>				<p>Over 200 Stores</p>	
<p>SERVICE</p>	 	<p>Experts at scheduled car servicing at affordable prices</p>	<p>Strategic Review</p>	<p>Currently 140 Stores</p>			

# Group Support Structure

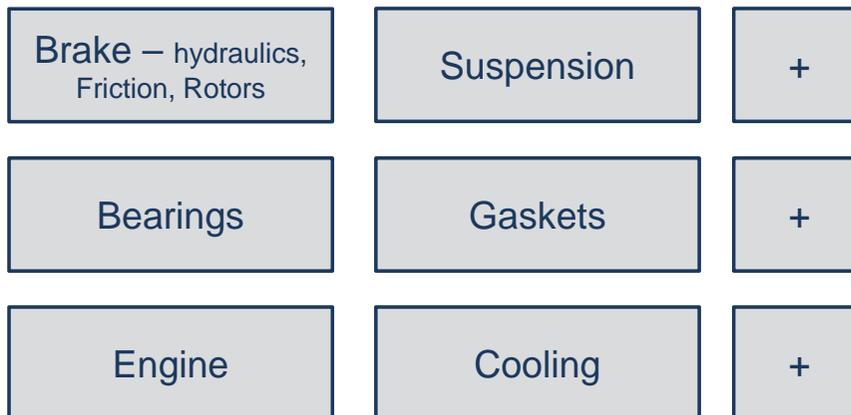
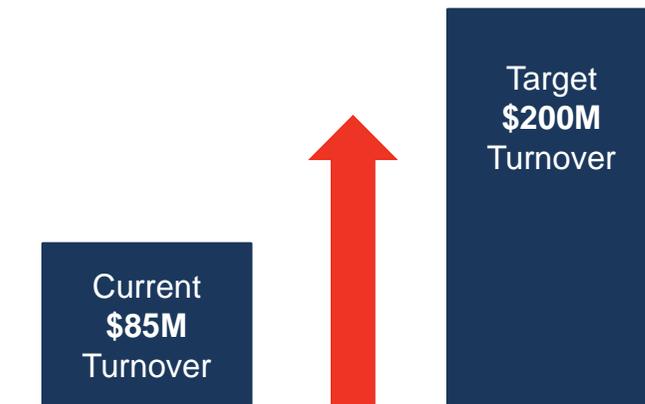


CORE BUSINESS  
CHANNELS

# Specialist Wholesale



- Category expertise – being the most knowledgeable in the category.
- #1 or #2 in the category.
- Sources and imports own branded, extensive range of products, supported by locally sourced premium brands.
- Predominately “own brands”
- Supply to the entire industry
- Also sells complementary products

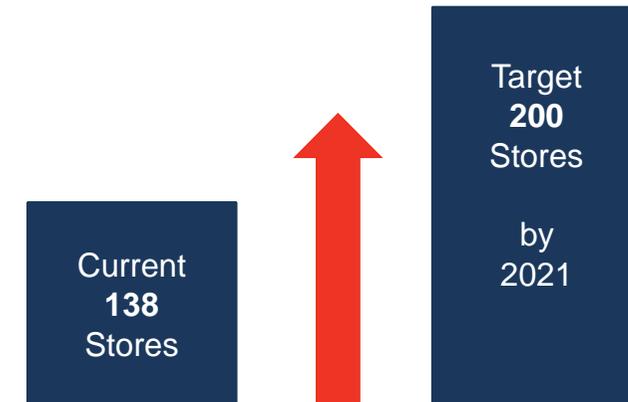


# Trade - Burson Auto Parts



Australia's leading **trade focused** automotive aftermarket parts distributor

- Core focus on distribution of auto parts to independent and chain **mechanic workshops** throughout Australia for routine servicing of vehicles, and do-it-yourself vehicle owners;
  - Supply routine service such as filters, brake pads, oil, spark plugs
  - Supply breakdown parts – water pumps, starter motors, alternators
- Distributes over 500,000 stock keeping units from in excess of 1,000 suppliers to 30,000 customers via 138 stores nationally with 1,400 knowledgeable employees and over 550 delivery vehicles.
- Operates an extensive distribution network – unique scale of inventory range and extensive distribution network is **difficult to replicate**



# Retail Channel

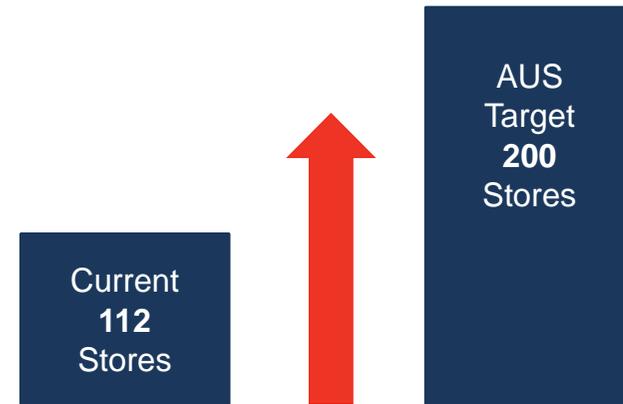


# Retail - Autobarn



Australia's premium **full service** retail accessories store

- Every store has fitment capabilities to make shopping and installing parts easier
- Knowledgeable and experienced staff in every store differentiating it from the competition
- Focussed on the “general consumer”
- Mix of franchised and company owned
- Full service offer;
  - Network Development
  - Product Management
  - POS/Computer Management
  - Marketing
  - Learning and Development / Training
  - Store Financials / Insights
  - Operational support via Retail Field Team

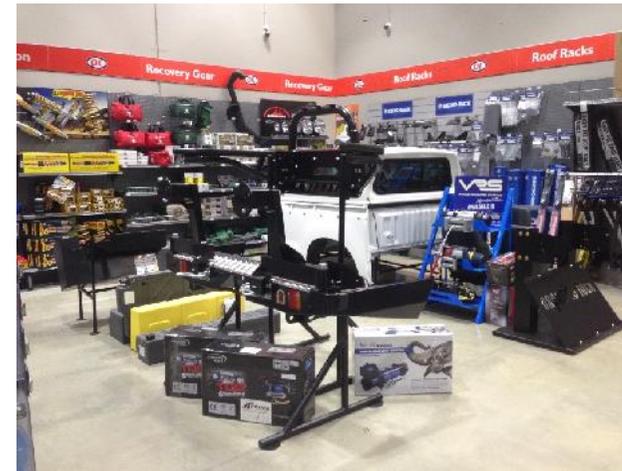
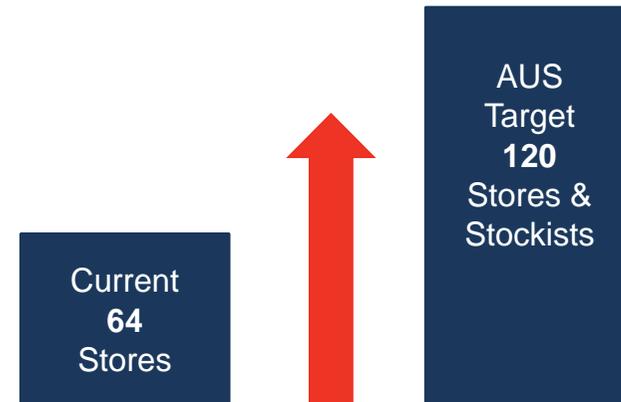


# Retail - Opposite Lock



Australia's **widest range** of 4WD accessories

- Specialist 4x4 automotive part and accessory stores
- Extensive private label bar work program, designed and engineered by local team. Range includes: bullbars, sidesteps, side rails and rear bars
- Newly developed private label suspension program
- Integrated supply chain distributing from Melbourne, Brisbane, Perth, Sydney and Townsville.
- Export customers in New Zealand, South Africa, Saudi Arabia, Philippines, Mongolia, Dubai, UAE, with further extension possible
- Franchised network
- Currently 64 stores - 54 stores, 10 store in-store (Autobarn and Midas) and some stockists



# Independents



Servicing the broader **independent sector**

- Core focus on;
  - Full merchandise range supply to independents and dealers
  - Retail and Trade mix
  - Catalogue and advertising support
  - No frills, low cost structure, pay for service



Currently Supplying  
**200**  
Stores



# Service



Experts at **scheduled car servicing** at affordable prices

- Core focus on;
  - Routine service for vehicles, including logbook service, warranty repairs
  - Breakdown repairs
  - Currently 140 stores – predominately franchised.
  - Aus has in excess of 30,000 workshops
  - Midas has strategic partnership with Virgin Velocity & Red Bull Racing Australia
  - Trial Opposite Lock store within-store underway



**Strategic Review** to be undertaken as to potential for business and best focus





- 1 H1 FY2015 Result Highlights
- 2 H1 FY2015 Result Details
- 3 Strategy
- 4 Outlook**



## Outlook

- ✓ Burson Trade to maintain steady growth. H2 FY2016 will include additional new stores and the benefit of the improved margins offset by competitive pricing
- ✓ ANA to continue to track in line with expectations during H2 FY2016
- ✓ Benefit of optimization programs to begin flowing in FY2017
- ✓ No material profit from Bearing Wholesalers & Precision Automotive Equipment acquisitions in FY2016 after acquisition costs.
- ✓ Expecting full year NPAT in the range of \$41.5M to \$43.0M.
- ✓ Full year FY2016 NPAT guidance would result in proforma EPS between 17.04 cps and 17.66 cps representing annual EPS growth of between 24.5% and 29.0%.

**Thank You**