

24 February 2021

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Eagers Automotive

Consumer Discretionary

UNDERPERFORM

APE A\$13.29 **TARGET PRICE A\$11.53**

Selling of new and used motor vehicles, distribution and sale of parts and accessories and car care products, repair and servicing of vehicles, provision of extended warranties, facilitation of finance and leasing in respect of motor vehicles, and ownership of property and investments.

Company Data

Number of shares	256.9 M
Market Capitalisation	\$3414.6M
Free float (%)	58.4
12-month high/low	\$14.65/\$2.9
Average Daily Turnover (\$m)	5.95
% S&P/ASX200	0.18%
DDM Ranking	288
% All Ordinaries	0.15%
GICS Industry Group	Retailing

Source: FactSet, Barclay Pearce Capital

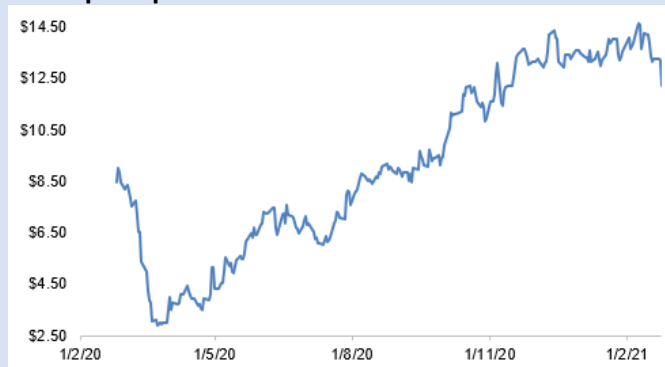
Earnings Summary (AUD)

Year end December	2020A	2021F	2022F
Revenue (\$M)	8,749.7	8,799.1	9,150.6
EBITDA (\$M)	284.2	324.9	342.3
Reported NPAT (\$M)	156.2	177.3	175.9
Adjusted NPAT (\$M)	140.4	169.0	173.9
Reported EPS (c)	57.6	68.7	68.2
Adjusted EPS (c - FD)	51.8	61.9	65.3
Adjusted EPS growth (%)	64.4	20.0	5.6
Adjusted P/E (x)	23.7	21.5	20.3
Dividend (c/sh)	25.0	37.5	43.7
Gross yield (%)			
Net yield (%)	2.0	3.0	3.5
ROIC (%)	5.7	6.8	6.8

Source: Barclay Pearce Capital

Barclay Pearce Capital contributes all company estimates to Thomson Reuters, FactSet, Nucleus 195, Capital IQ and Bloomberg.

Share price performance.



Source: FactSet, Barclay Pearce Capital

Full Year Results Press Release

On 24th February, Eagers Automotive (APE) released their results for the full year ended 31 December 2020 with the following highlights:

Financial highlights	Full year to 2020 (\$m AUD)	Full year to Dec 2019 (\$m AUD)
Statutory NPAT	156.2	(13.6)
Underlying NPAT	140.4	69.2
Sales Revenue	8749.7	5,817.0
EBITDAI (underlying)	284.2	163.2
Total dividend per share (cents)	25.0	25.3

APE Highlights

- 2020 represents the first full year of trading for the enlarged company following the transformative merger with Automotive Holdings Group Limited (AHG);
- Significant cost reductions of \$100 million in annualised savings and post-AHG merger annualised synergies of \$35.8 million achieved, exceeding the targeted \$30.0 million and within the targeted timeframe;
- Divestment progress through continued rationalisation of dealership portfolio and completion of sale of the Refrigerated Logistics business;
 - Agreement for sale of Daimler truck operations and an associated property, a key step in ongoing simplification of our automotive retail business.
- Growth in new vehicle market share and stronger truck retailing performance, despite COVID-19 impacted trading, demonstrating the strength of our national footprint; and
- Statutory result impacted by non-cash impairments of \$90.7 million including leased assets associated with Holden exit, restructuring of our dealership portfolio and downward property revaluations in South Australia and Queensland.

Outlook

- APE expresses that it has the scale and geographic diversity to ensure it is well positioned to withstand short-term and isolated challenges associated with the impacts of COVID-19; and
- Despite the ongoing uncertainty surrounding COVID-19, the company's strong balance sheet and fortified liquidity position provides an optimal platform to pursue further growth opportunities as it accelerates execution of its Next100 strategy.

Managing Director and CEO of APE, Martin Ward, said:

"Our FY20 financial performance reflects the first full year reporting as an enlarged group following our transformative merger with AHG.

Despite the extremely challenging conditions caused by COVID-19, the Group rebounded from historic trading lows in April and May to deliver a strong full year performance supported by the resurgence in new car sales and the effectiveness of our omni-channel strategy in pre-owned vehicles in the second half."

Earnings changes

For FY20, APE reported an underlying NPAT of \$140.4 million, which is below the market consensus NPAT of \$147.7 million. Hence, we expect a negative earnings revisions of 5.0% for FY21 and for future years.

Valuation

We are initiating on APE with a price target of \$11.53 and an UNDERPERFORM recommendation. The price target is underpinned by our valuation.

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Barclay Pearce Capital provides research services to its client. Mr Wright is General Manager of Research and has over twenty (26) years' experience in the financial services industry, particularly in financial analysis and research report writing. Mr Wright joined the Barclay Pearce team in 2017 where he has been involved in the research and publication of reports. Prior to this Mr Wright worked at a number of entities where he held Director/Head of Research and General Manager of Research positions. Mr Wright holds a Bachelor of Mathematics (Honours) from Edinburgh University and has completed the SDIA Accreditation Program (RG146) through DeakinPrime.

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Buy – Describes stocks that we expect to provide a total return (price appreciation plus net yield) of 15% or more within a 12-month period.

Hold – Describes stocks that are neither a buy nor underperform.

Underperform – Describes stocks that we expect to provide a total return (price appreciation plus net yield) of less than minus 10% within a 12-month period.

NR – The investment rating and price target have been temporarily suspended. Such suspensions are in compliance with applicable regulations and/or Barclay Pearce Capital policies.

Speculative Buy – Describes stocks we research with a positive bias, whose company fundamentals and/or financials are being covered, but for which there is insufficient information for Barclay Pearce Capital to assign a Buy or Underperform rating.

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Valuation Methodology

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Barclay Pearce Capital Recommendation Proportions

Buy	40.2%	(0.0% of stocks with recommendations are Barclay Pearce clients)
Speculative Buy	0.4%	(100.0% of stocks with recommendations are Barclay Pearce clients)
Hold	19.5%	(0.0% of stocks with recommendations are Barclay Pearce clients)
Underperform	40.0%	(0.0% of stocks with recommendations are Barclay Pearce clients)