

21 January 2021

Russell Wright | T+02 8288 6900 | E:russell@barclaypearce.com.au

## Autosports Group Limited

### Automotive Retail

#### BUY

**ASG A\$1.68**
**TARGET PRICE A\$1.99**

Autosports Group Limited (ASG) is a retail automotive industry that focuses on the sale of new and used motor vehicles, distribution of finance and insurance products on behalf of retail financiers and automotive insurers, sale of aftermarket products and spare parts, motor vehicle servicing and collision repair services.

#### Company Data

Number of shares	201.0M
Market Capitalisation	\$311.6M
Free float (%)	39.5
12-month high/low	\$1.73/0.54
Average Daily Turnover (\$m)	0.0037
% S&P/ASX200	0.02%
DDM Ranking	18
% All Ordinaries	0.01%
GICS Industry Group	Automotive Retail

Source: FactSet, Barclay Pearce Capital

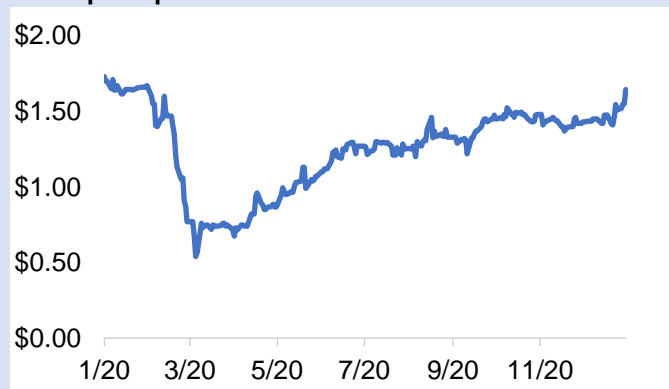
#### Earnings Summary (AUD)

Year end June	2020A	2021F	2022F	2023F
Revenue (\$M)	1,699.3	1,835.2	1,982.1	2,140.6
EBITDA (\$M)	44.3	150.7	113.9	126.3
Reported NPAT (\$M)	-102.4	48.8	36.1	47.3
Adjusted NPAT (\$M)	18.5	58.8	43.1	50.8
Reported EPS (c)	-51.0	24.8	19.0	24.2
Adjusted EPS (c - FD)	9.2	29.2	21.5	25.3
Adjusted EPS growth (%)	-15.4	218.2	-26.4	17.7
Adjusted P/E (x)	16.9	5.3	7.2	6.1
Dividend (c/sh)	0.0	7.7	11.6	13.7
Gross yield (%)	0.0	3.5	7.1	8.4
Net yield (%)	0.0	2.5	5.0	5.9
ROIC (%)	2.1	3.2	3.1	3.6

Source: Barclay Pearce Capital

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

#### Share price performance.



Source: FactSet, Barclay Pearce Capital

## FY21 H1 Trading Update

On 21st January 2021, Autosports Group Limited (ASG) provided a half year results update with the following highlights:

- The Australian new car market has continued to recover faster than expected throughout the months of November and December 2020;
- According to Vfacts industry data November saw the overall new car market grow 12.4% on November 2019 and December continued this growth up 13.5% on December 2019;
- These improved market conditions were supported with well managed gross margins at ASG despite the impact of the Victorian Stage 4 lockdown in the period July-October 2020;
- Disciplined cost control combined with strong new and used car demand saw inventory levels tighten, operating leverage increase and forward vehicle order levels increase;
- It is expected that total revenue for the half year will be approximately \$905.0m up 8.2% on H1 2020;
- Normalised Net Profit Before Tax (NPBT) (excluding the impact of AASB16, acquisition amortisation and one off costs associated with acquisitions and the closure of discontinued businesses) is expected to fall in the range of \$28.5-29.5m;
- The impact of the Level 4 Lockdown in Victoria was approximately \$7.0m at NPBT;
- During the September quarter ASG received approximately \$10.4m in Jobkeeper support on behalf of its employees.

## Earnings changes

ASG is expecting total revenue for H1 2021 to increase to \$905.0M, an increase of 8.2% from H1 2020. They are also expecting net profit before tax to be within the range of \$28.5M and \$29.5M, an increase of 159% from the previous comparable period. Hence, we expect a positive earnings revision of 100% for FY21 and 50% for future periods.

## Valuation

We are initiating on Autosports Group Limited with a 12-month price target of \$1.99 and a BUY 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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**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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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)