

17 February 2021

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## Bapcor Limited

### Retailing

#### UNDERPERFORM

**BAP A\$7.95 TARGET PRICE A\$7.32**

Bapcor Limited (BAP) is engaged in sales and distribution of vehicle parts, accessories, automotive equipment, service and solutions. Bapcor is one of the largest suppliers of vehicle parts, accessories, equipment, service and solutions in Asia Pacific with an operational network covering over 1,000 locations.

#### Company Data

Number of shares	339.4 M
Market Capitalisation	\$ 2,739.1 M
Free float (%)	96.2
12-month high/low	\$8.45/\$3.15
Average Daily Turnover (\$m)	8.6994
% S&P/ASX200	0.14%
DDM Ranking	333
% All Ordinaries	0.12%
GICS Industry Group	Retailing

Source: FactSet, Barclay Pearce Capital

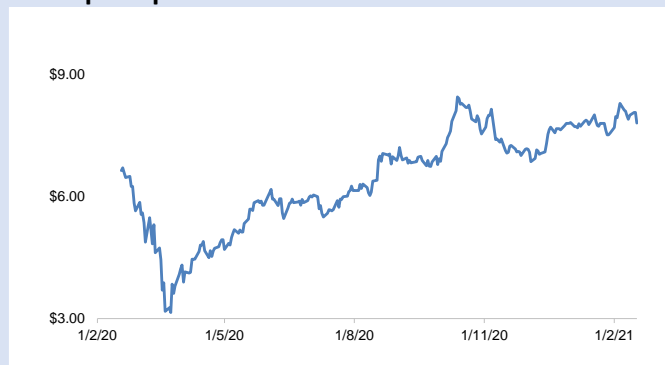
#### Earnings Summary (AUD)

Year end June	2020A	2021F	2022F	2023F
Revenue (\$M)	1,462.7	1,656.6	1,743.6	1,842.0
EBITDA (\$M)	214.0	243.4	257.7	279.9
Reported NPAT (\$M)	79.2	116.4	126.8	139.8
Adjusted NPAT (\$M)	89.1	118.2	127.8	140.5
Reported EPS (c)	26.9	34.5	37.6	41.8
Adjusted EPS (c - FD)	30.4	34.6	37.0	40.5
Adjusted EPS growth (%)	-9.2	13.9	7.1	9.5
Adjusted P/E (x)	26.6	23.3	21.8	19.9
Dividend (c/sh)	17.5	19.4	20.2	22.5
Gross yield (%)	3.1	3.5	3.7	4.1
Net yield (%)	2.2	2.5	2.6	2.9
ROIC (%)	7.9	10.7	11.4	12.4

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

## FY21 Half Yearly Report

On 17<sup>th</sup> February, Bapcor Ltd (BAP) released their interim results for the half year ended 31 December 2020 with the following highlights:

- BAP has delivered a record half year result in H1 FY21 driven by growth in revenue, operating leverage and profitability in all business segments;
- Along with the strong financial performance, BAP has continued to progress major projects that will underpin the group's future success. The company is in a very solid financial position and capable of capitalising on opportunities as they arise;
- The fundamentals of the vehicle aftermarket continue to remain strong. Trends established during COVID-19 will likely continue, especially increased second-hand vehicle sales, travellers seeking social distancing and a moving away from public transport, more people spending their holidays domestically utilising their vehicles and more cars on the road;
- There are significant opportunities within BAP to drive growth including further network growth, procurement and supply chain efficiencies as well as own brand growth; and
- The mean market consensus for BAP's pro-forma full year net profit after tax is currently c.\$122m, which prima facie does not appear unreasonable, albeit economic uncertainties could impact future earnings.

\$M	H1 FY21	H1 FY20	YoY %
Revenue	883.6	702.5	25.8
EBITDA proforma	145.6	106.7	36.5
EBIT proforma	106.8	73.7	45.0
NPAT proforma	70.2	45.6	54.0
NPAT	67.7	45.2	49.7
EPS proforma	20.7 cps	16.1 cps	28.9
DPS – Interim	9.0 cps	8.0 cps	12.5
Cash conversion	84%	87%	
Leverage (ND/EBITDA)	0.6x	2.3x	

BAP CEO & Managing Director, Darryl Abotomey said:

*“BAP's talented team members have delivered another outstanding record result in the first half of FY21. Every one of our business segments increased revenue and earnings, capitalising on the increased demand during the period.*

*The team have delivered a record result for H1 FY21, with Revenue up 25.8%, Proforma EBITDA up 36.5% and Proforma Net Profit After Tax being 54.0% above the previous corresponding period.*

*The group added 27 new company locations throughout our network resulting in our business now having over 1,100 locations throughout Australia, New Zealand and Thailand.”*

### Earnings changes

For H1 FY21 BAP reported revenue of \$883.6M and adjusted NPAT of \$70.2M. There is an expected seasonality decrease in earnings for the second half. Hence, we expect negative earnings revisions of 3% for FY21 and future periods.

### Valuation

We are initiating on BHP with a price target of \$7.32 and a 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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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)