

Bapcor Limited

ABN 80 153 199 912

Appendix 4D and Financial Report - 31 December 2023

Lodged with the ASX under Listing Rule 4.2A

For personal use only

1. Company details

Name of entity:	Bapcor Limited('Bapcor' or the 'company')
ABN:	80 153 199 912
Reporting period:	For the half-year ended 31 December 2023 ('H1 FY24')
Previous period:	For the half-year ended 31 December 2022 ('H1 FY23')

2. Results for announcement to the market

			\$'000s	%		\$'000s
IFRS financial measures						
Revenue	Statutory	Up	16,706	1.7	to	1,017,490
Net profit after tax ¹	Statutory	Down	8,298	15.0	to	46,941
Earnings per share - basic (cents per share)	Statutory	Down	2.44 cps	15.0	to	13.83 cps
Non-IFRS financial measures²						
Earnings before interest, taxes, depreciation and amortisation	Statutory	Down	4,228	3.1	to	133,543
	Pro-forma ³	Down	2,467	1.7	to	143,840
Net profit after tax ¹	Pro-forma ³	Down	7,818	12.6	to	54,206
Earnings per share - basic (cents per share)	Pro-forma ³	Down	2.30 cps	12.6	to	15.97 cps

Revenue in H1 FY24 increased by 1.7% compared to H1 FY23. Pro-forma earnings before interest, taxes, depreciation and amortisation ('EBITDA') and pro-forma net profit after tax ('NPAT') in H1 FY24 decreased by 1.7% and 12.6% respectively compared to H1 FY23.

Pro-forma earnings per share for H1 FY24 were 15.97 cents per share, down 12.6% compared to H1 FY23.

Pro-forma net debt⁴ at 31 December 2023 was \$332.7M, representing a leverage ratio of 1.51X and well within debt capacity and debt covenants. Net debt increased \$3.6M compared to 31 December 2022.

For a further explanation of the results above, refer to the ASX/Media Announcement for the half-year ended 31 December 2023 and the accompanying Directors' report.

(1) Net profit after tax attributable to the members of Bapcor Limited.

(2) The directors believe the presentation of non-IFRS financial measures are useful for the users of the financial report as they provide additional and relevant information that reflect the underlying financial performance of the business. Non-IFRS financial measures contained within this report are not subject to audit or review. Refer to the directors' report for further details.

(3) Pro-forma results include adjustments from statutory results for transition costs associated with the Distribution Centre consolidation projects and for transformation costs associated with the 'Better than Before' program. Refer to reconciliations provided in the directors' report.

(4) Pro-forma net debt is calculated as statutory net debt excluding the impact of lease liabilities and adjusting for the net derivative financial instruments position. This approach is consistent with banking covenant requirements. Pro-forma EBITDA excludes the impact of AASB16 lease accounting. Refer to note 14 of the financial report for a reconciliation between statutory and pro-forma net debt.

3. Dividends

	Amount per security Cents	Franked amount per security Cents
2023 Interim dividend	10.5	10.5
2023 Final dividend	11.5	11.5
2024 Interim dividend (declared after balance date but not yet paid)	9.5	9.5
Record date for determining entitlements to the dividend	8 March 2024	
Date dividend payable	28 March 2024	

4. Dividend reinvestment plans

Bapcor operates a Dividend Reinvestment Plan ('DRP'), which provides shareholders with the opportunity to utilise all or part of their dividends to purchase shares in the company. Given the financial position of Bapcor and in accordance with the DRP rules, the Board decided to continue to suspend the DRP for the 2024 interim dividend.

5. Net tangible assets

A large proportion of the consolidated entity's assets are intangible in nature, consisting of goodwill, customer contracts and trademarks acquired on business combination as well as software. These assets as well as any deferred taxes, right-of-use assets and lease liabilities are excluded from the calculation of net tangible assets per share.

	31 Dec 2023 Cents	30 Jun 2023 Cents
Net tangible assets per ordinary security	<u>92.6</u>	<u>96.8</u>

6. Attachments

The Financial Report of Bapcor Limited for the half-year ended 31 December 2023 is attached.

Bapcor Limited
Contents
31 December 2023

Directors' report	4
Auditor's independence declaration	10
Consolidated statement of comprehensive income	11
Consolidated statement of financial position	12
Consolidated statement of changes in equity	13
Consolidated statement of cash flows	14
Notes to the consolidated financial statements	15
Directors' declaration	31
Independent auditor's review report to the members of Bapcor Limited	32

General information

The financial statements cover Bapcor Limited as a consolidated entity consisting of Bapcor Limited and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is Bapcor Limited's functional and presentation currency.

Bapcor Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is 127-139 Link Road, Melbourne Airport VIC 3045 Australia.

A description of the nature of the consolidated entity's operations and its principal activities are included in the Directors' Report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 23 February 2024. The Directors have the power to amend and reissue the financial statements.

For personal use only

The Directors present their report, together with the financial statements, on the consolidated entity ('consolidated entity') consisting of Bapcor Limited ('company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2023 ('H1 FY24').

Directors

The following persons were directors of Bapcor Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Margaret Haseltine	Independent, Non-Executive Chair
Noel Meehan	Managing Director and Chief Executive Officer (retired 5 February 2024)
Mark Bernhard	Independent, Non-Executive Director (appointed Interim CEO and Managing Director effective 5 February 2024)
Rebecca Dee-Bradbury	Independent, Non-Executive Director (appointed 1 September 2023 and resigned 31 December 2023)
Mark Powell	Independent, Non-Executive Director
Brad Soller	Independent, Non-Executive Director
Kathryn Spargo	Independent, Non-Executive Director
James Todd	Independent, Non-Executive Director

Principal activities

The principal activities of Bapcor were the sale 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 c. 1,000 locations and employing c. 5,600 team members.

Significant changes in the state of affairs

During H1 FY24, Bapcor continued with the execution of the "Better than Before" ('BTB') transformation program to deliver longer-term growth.

Further, the new state-of-the-art distribution centre in Redbank, Queensland commenced operations and the first three warehouses transitioned during the half, including the Trade business.

There were no other significant changes in the state of affairs of the consolidated entity during the half year.

Review of operations

In H1 FY24, Bapcor has delivered revenue of \$1.0BN, up 1.7% on H1 FY23, with resilient growth across the Trade and Wholesale segments in Australia and New Zealand while the Retail segment was negatively impacted by a decline in consumer confidence which reduced discretionary spending.

Operating margins in all Trade and Wholesale segments improved in H1 FY24 versus H1 FY23 while margins declined in the Retail segment. In addition, cost of doing business inflation impacted margins with Bapcor's Pro-forma EBITDA of \$143.8M down 1.7% on H1 FY23. Higher finance costs due to higher interest rates, as well as higher depreciation and amortisation resulted in a 12.6% decline in Pro-forma NPAT to \$54.2M.

During H1 FY24 Bapcor continued commissioning the new Distribution Centre Queensland ('DCQ'), including the successful integration of the Trade business with performance at target levels since inception.

During the half, the Better than Before (BTB) transformation program progressed resulting in gross EBIT benefits of \$7.6M in H1 FY24. In addition, a number of improvement plans were implemented in H1 FY24 to address the lower than expected sales volumes and cost inflation.

Statutory (versus H1 FY23):

- Revenue increased by 1.7% from \$1,001M to \$1,018M
- Statutory earnings before interest, taxes, depreciation and amortisation ('EBITDA') decreased by 3.1% to \$133.5M
- Statutory NPAT decreased by 15.0% to \$46.9M and statutory earnings per share ('EPS') decreased by 15.0% to 13.83 cents per share ('cps')

Pro-forma (versus H1 FY23):

- Revenue increased by 1.7% from \$1,001M to \$1,018M
- Pro-forma EBITDA decreased by 1.7% to \$143.8M
- Pro-forma NPAT decreased by 12.6% to \$54.2M and pro-forma EPS decreased by 12.6% to 15.97 cps

Net debt:

- Pro-forma net debt⁶ at 31 December 2023 was \$332.7M representing a leverage ratio of 1.51X and well within debt capacity and debt covenants.

The tables below, which are subject to rounding, reconcile the H1 FY24 and H1 FY23 pro-forma results to the statutory results.

\$M	Note	Consolidated	
		H1 FY24	H1 FY23
Statutory NPAT	1	46.9	55.2
DC consolidations	2	3.6	2.1
Restructuring costs	3	1.8	-
Transformation activities	4	5.0	7.6
Tax adjustment	5	(3.1)	(2.9)
Pro-forma NPAT		54.2	62.0

- Note 1: NPAT attributable to members of Bapcor Limited.
- Note 2: DC consolidations relate to the significant transformation activities and transition costs incurred in relation to DCV and DCQ.
- Note 3: Restructuring costs relate to costs incurred in the process of restructuring the operations.
- Note 4: Transformation activities relate to one-off costs incurred as part of the 'Better than Before' transformation.
- Note 5: Tax adjustment reflects the tax effect of the above adjustments based on local effective tax rates.
- Note 6: Pro-forma net debt is calculated as statutory net debt excluding the impact of lease liabilities and adjusting for the net derivative financial instruments position. This approach is consistent with banking covenant requirements. Pro-forma EBITDA excludes the impact of AASB16 lease accounting. Refer to note 14 of the financial report for a reconciliation between statutory and pro-forma net debt.

	Note	Consolidated		
		\$M	H1 FY24	H1 FY23
Statutory NPBT			65.4	77.8
Add depreciation and amortisation			48.9	48.0
Add finance costs			19.3	12.0
Statutory EBITDA			133.5	137.8
DC consolidations	1		3.6	0.9
Restructuring costs	2		1.8	-
Transformation activities	3		5.0	7.6
Pro-forma EBITDA			143.8	146.3

- Note 1: DC consolidations relate to the significant transformation activities and transition costs incurred in relation to DCV and DCQ.
- Note 2: Restructuring costs relate to costs incurred in the process of restructuring the operations.
- Note 3: Transformation activities relate to one-off costs incurred as part of the 'Better than Before' transformation.

The table below, which is subject to rounding, reconciles NPAT for H1 FY24 and H1 FY23 to earnings per share.

	Consolidated			
	H1 FY24		H1 FY23	
	Statutory	Pro-forma	Statutory	Pro-forma
NPAT (\$M)	46.9	54.2	55.2	62.0
Weighted average number of ordinary shares (million)	339.4	339.4	339.4	339.4
Earnings per share (cps)	13.83	15.97	16.27	18.27

The directors' report includes references to pro-forma results to exclude the impact of the adjustments detailed above. The directors believe the presentation of non-IFRS financial measures are useful for the users of this financial report as they provide additional and relevant information that reflect the underlying financial performance of the business. Non-IFRS financial measures contained within this report are not subject to audit or review.

Operating and financial review – Segment Overview

The table below, with amounts subject to rounding and change percentages based on non-rounded values, presents revenue and pro-forma EBITDA by segment.

	Note	Revenue			Pro-forma EBITDA			
		\$M	H1 FY24	H1 FY23	Change	H1 FY24	H1 FY23	Change
Trade			382.7	374.0	2.3%	62.3	60.1	3.7%
Specialist Wholesale			390.6	377.8	3.4%	52.5	50.1	4.7%
Retail			213.9	219.9	(2.7%)	31.0	35.2	(11.9%)
New Zealand			88.7	85.8	3.3%	14.4	13.4	7.2%
Unallocated / Head Office	1		(58.3)	(56.6)	-	(16.4)	(12.6)	-
Total			1,017.5	1,000.8	1.7%	143.8	146.3	(1.7)%

- Note 1: Revenue relates to intersegment sales eliminations. EBITDA relates to Bapcor head office costs, intersegment EBITDA elimination and profit from associates.

Operating and financial review – Trade

Bapcor's Trade segment is Australia's leading distributor of vehicle parts and equipment solutions for the Trade market. It consists of the Burson Auto Parts, Precision Automotive Equipment and Independents business units in Australia as well as the Thailand operations. This segment is a distributor of:

- Automotive aftermarket parts and consumables to trade workshops for the service and repair of passenger cars
- Automotive workshop equipment such as vehicle and scanning equipment, including servicing of the equipment
- Automotive accessories and maintenance products to do-it-yourself vehicle owners

The Trade segment achieved revenue growth of 2.3% compared to H1 FY23 driven by increased demand for core service parts partly offset by softer demand for parts whose replacement can be deferred. Trade's EBITDA grew 3.7% compared to H1 FY23, with EBITDA margins increasing in H1 FY24 compared to H1 FY23 as cost inflation was mitigated through pricing activities and cost discipline. The Trade network remained at 226 locations.

Operating and financial review – Specialist Wholesale

Bapcor's Specialist Wholesale segment is a leader in both the Australian truck and specialist wholesale markets; and acts as aggregator and importer for One Bapcor. It consists of the Specialist Networks business including the Commercial Vehicle Group comprising Truckline as well as the auto electrical businesses of JAS Oceania and Baxters/MTQ; and the Wholesale business that is a specialised leader in automotive aftermarket wholesale operations through brands such as AAD, Bearing Wholesalers, Roadsafe, Premier Auto Trade, Diesel Distributors, and AADi.

The Specialist Wholesale segment achieved revenue growth of 3.4% compared to H1 FY23, driven by strong sales growth in the truck market which more than offset sales challenges in the wholesale market with some customers temporarily destocking. EBITDA increased by 4.7% compared to H1 FY23 with a slight improvement in profitability.

The Specialist Wholesale network remained at 168 locations with 2 new sites in the commercial vehicle and electrical businesses, including a commercial vehicle acquisition in Brisbane, offset by 2 site consolidations.

Operating and financial review – Retail

Bapcor's Retail segment is one of Australia's leading full-offer retailers and service centre providing best-in-class consumer shopping and fitment experiences. It consists of business units that are retail customer focused, and include the Autobarn, Autopro and Opposite Lock brands as well as the Midas and ABS workshop service brands. This segment is comprised of mostly company-owned flagship stores in the Autobarn channel, with a mix of company-owned and franchised stores and workshops across Retail's other brands.

The Retail segment revenue declined 2.7% compared to H1 FY23 partially due to a decline in consumer confidence which reduced discretionary spending, as well as lower fitment and installation volumes in some categories such as bull bars and roof racks. EBITDA declined 11.9% and margins declined 151bps as a consequence of volume reductions and product mix changes in discretionary product demand.

Bapcor Retail has continued to grow the number of company-owned stores via both greenfield stores as well as conversion of some franchise stores to company-owned stores. The total number of company-owned stores at 31 December 2023 was 123, an increase of 5 stores from 30 June 2023.

Operating and financial review – New Zealand

Bapcor's New Zealand segment is the leading integrated trade and wholesale group providing parts and equipment solutions across New Zealand. It consists of Trade and Specialist Wholesale businesses operating across 89 locations, as well as 127 Battery Town and Shock Shop locations. Brake & Transmission ('BNT') is the predominant business supplying automotive parts and accessories to workshops, as well as truck and trailer parts through the Truck and Trailer Parts brand. New Zealand also includes the Specialist Wholesale businesses of HCB – batteries, Autolign – steering and suspension, JAS – auto electrical and Precision Equipment NZ – vehicle workshop equipment.

The New Zealand segment revenue increased by 3.3% compared to H1 FY23, supported by same store sales growth and the recovery in repair volumes. EBITDA grew 7.2% compared to H1 FY23, with EBITDA margins increasing due to better core product line performance and increased private label penetration. The New Zealand network remained at 89 locations (excluding Battery Town and Shock Shop locations), with one new BNT store in Canterbury offset by a store consolidation in Dunedin.

Operating and financial review – Unallocated / Head Office

The Unallocated / Head Office segment consists of all elimination and head office costs or adjustments that are not in the control of the other segments. It also includes the elimination of intercompany sales and EBITDA.

Financial Position – Capital Raising and Debt

There have been no issues of new shares during the year. As a result, ordinary shares on issue remain at 339,412,500 as at 31 December 2023.

AASB 16 *Leases* increases reportable net debt by the inclusion of \$306.5M of lease liabilities as at 31 December 2023. Given this is excluded from a banking covenant perspective, pro-forma net debt has also been disclosed. Pro-forma net debt at 31 December 2023 was \$332.7M, representing a leverage¹ ratio of 1.51X which is well within debt capacity.

Likely development and expected results of operations

Looking forward and subject to general market conditions which remain uncertain, Bapcor expects Pro-forma NPAT² in H2 FY24 to further benefit from:

- \$7M-10M benefits from Better than Before; and
- approximately \$2M run rate benefits from the Q2 FY24 improvement plans.

Bapcor remains positive on the longer-term outlook in the automotive aftermarket, and particularly the continued growth in the Trade and Wholesale businesses.

Matters subsequent to the end of the financial half-year

On 17 January 2024, Bapcor announced the resignation of Chief Financial Officer Stefan Camphausen.

On 29 January 2024, Bapcor provided a trading update for the six months ended 31 December 2023.

On 1 February 2024, Bapcor announced that the Chief Executive Officer (CEO) and Managing Director, Noel Meehan, would retire from his role with effect from 5 February 2024 and the appointment of Non-Executive Director Mark Bernhard as Interim CEO and Managing Director. Bapcor also announced the appointment of Paul Dumbrell as the CEO and Managing Director commencing on 1 May 2024. Further, Bapcor announced that the current Chair Margaret Haseltine had advised the Board that she will not seek re-election to the Board at the 2024 AGM.

Apart from these announcements and the interim dividend declared, no other matter or circumstance has arisen since 31 December 2023 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 10 of the directors' report.

Indemnity of auditor

The company has agreed to indemnify their auditors, PricewaterhouseCoopers, to the extent permitted by law, against any claim by a third party arising from the company's breach of their agreement with PricewaterhouseCoopers. The indemnity stipulates that the company will meet the full amount of any such liabilities including a reasonable amount of legal costs. No liability has arisen under this indemnity.

¹ Leverage is calculated by dividing pro-forma net debt by the last twelve months' pro-forma EBITDA. Pro-forma net debt is excluding the impact of lease liabilities and adjusting for the net derivative financial instruments relating to forward exchange contracts position. Pro-forma EBITDA excludes any impact of AASB16. Refer to note 14 of the financial report for a reconciliation between statutory and pro-forma net debt.

² Excludes one-off costs from Better Than Before, DC consolidation and restructuring.

Rounding of amounts

The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors



Margaret Haseltine
Chair



Mark Bernhard
Interim Chief Executive Officer and Managing Director

23 February 2024
Melbourne

For personal use only



Auditor's Independence Declaration

As lead auditor for the review of Bapcor Limited for the half-year ended 31 December 2023, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Bapcor Limited and the entities it controlled during the period.

A handwritten signature in black ink that reads 'Alison Tait Milner'.

Alison Tait Milner
Partner
PricewaterhouseCoopers

Melbourne
23 February 2024

Bapcor Limited
Consolidated statement of comprehensive income
For the half-year ended 31 December 2023

	Note	Consolidated 31 Dec 2023 \$'000	31 Dec 2022 \$'000
Revenue	4	1,017,490	1,000,784
Share of profits of associates accounted for using the equity method	9	620	863
Other income	5	645	1,165
Expenses			
Cost of sales		(545,234)	(534,526)
Employee expenses		(233,036)	(217,619)
Freight		(15,064)	(16,596)
Advertising		(17,567)	(19,851)
Other expenses		(49,321)	(52,014)
Motor vehicles		(9,147)	(8,803)
IT & communications		(15,843)	(15,632)
Depreciation and amortisation expense	6	(48,884)	(47,978)
Finance costs	6	(19,290)	(12,007)
Profit before income tax expense		65,369	77,786
Income tax expense		(18,455)	(22,773)
Profit after income tax expense for the half-year		46,914	55,013
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Foreign currency translation		1,087	7,640
Changes in the fair value of cash flow hedges		(5,070)	(3,948)
Share of other comprehensive income of associates		393	604
Other comprehensive income for the half-year, net of tax		(3,590)	4,296
Total comprehensive income for the half-year		43,324	59,309
Profit for the half-year is attributable to:			
Non-controlling interest		(27)	(226)
Owners of Bapcor Limited		46,941	55,239
		46,914	55,013
Total comprehensive income for the half-year is attributable to:			
Non-controlling interest		(59)	(183)
Owners of Bapcor Limited		43,383	59,492
		43,324	59,309
		Cents	Cents
Basic earnings per share		13.83	16.27
Diluted earnings per share		13.71	16.24

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes

Bapcor Limited
Consolidated statement of financial position
As at 31 December 2023

		Consolidated	
	Note	31 Dec 2023	30 Jun 2023
		\$'000	\$'000
Assets			
Current assets			
Cash and cash equivalents		88,001	78,634
Trade and other receivables	7	223,411	239,593
Inventories	8	563,597	519,659
Derivative financial instruments		274	3,381
Income tax receivable		19,566	17,149
Total current assets		<u>894,849</u>	<u>858,416</u>
Non-current assets			
Investments accounted for using the equity method	9	10,483	10,997
Right-of-use assets	10	281,200	283,775
Property, plant and equipment	11	128,284	115,218
Intangibles	12	807,751	798,740
Deferred tax		32,994	25,229
Total non-current assets		<u>1,260,712</u>	<u>1,233,959</u>
Total assets		<u>2,155,561</u>	<u>2,092,375</u>
Liabilities			
Current liabilities			
Trade and other payables		234,102	259,940
Provisions	13	50,656	47,506
Lease liabilities	15	70,389	72,095
Derivative financial instruments		2,476	243
Total current liabilities		<u>357,623</u>	<u>379,784</u>
Non-current liabilities			
Provisions	13	15,734	17,164
Borrowings	14	416,512	331,138
Lease liabilities	15	236,160	239,184
Total non-current liabilities		<u>668,406</u>	<u>587,486</u>
Total liabilities		<u>1,026,029</u>	<u>967,270</u>
Net assets		<u>1,129,532</u>	<u>1,125,105</u>
Equity			
Issued capital	17	867,722	867,972
Reserves		1,283	4,458
Retained profits		259,574	251,665
Equity attributable to the owners of Bapcor Limited		<u>1,128,579</u>	<u>1,124,095</u>
Non-controlling interest		953	1,010
Total equity		<u>1,129,532</u>	<u>1,125,105</u>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

Bapcor Limited
Consolidated statement of changes in equity
For the half-year ended 31 December 2023

Consolidated	Contributed equity \$'000	Other \$'000	Reserves \$'000	Retained profits \$'000	Non-controlling Interests \$'000	Total equity \$'000
Balance at 1 July 2022	878,652	(10,680)	3,149	219,888	1,248	1,092,257
Profit/(loss) after income tax expense for the half-year	-	-	-	55,239	(226)	55,013
Other comprehensive income for the half-year, net of tax	-	-	4,253	-	43	4,296
Total comprehensive income for the half-year	-	-	4,253	55,239	(183)	59,309
<i>Transactions with owners in their capacity as owners:</i>						
Share-based payments	-	-	772	-	-	772
Dividends paid (note 18)	-	-	-	(39,032)	-	(39,032)
Balance at 31 December 2022	<u>878,652</u>	<u>(10,680)</u>	<u>8,174</u>	<u>236,095</u>	<u>1,065</u>	<u>1,113,306</u>

Consolidated	Contributed equity \$'000	Other \$'000	Reserves \$'000	Retained profits \$'000	Non-controlling Interests \$'000	Total equity \$'000
Balance at 1 July 2023	878,652	(10,680)	4,458	251,665	1,010	1,125,105
Profit/(loss) after income tax expense for the half-year	-	-	-	46,941	(27)	46,914
Other comprehensive income for the half-year, net of tax	-	-	(3,560)	-	(30)	(3,590)
Total comprehensive income for the half-year	-	-	(3,560)	46,941	(57)	43,324
<i>Transactions with owners in their capacity as owners:</i>						
Share-based payments	-	-	385	-	-	385
Treasury shares (note 17)	-	(250)	-	-	-	(250)
Dividends paid (note 18)	-	-	-	(39,032)	-	(39,032)
Balance at 31 December 2023	<u>878,652</u>	<u>(10,930)</u>	<u>1,283</u>	<u>259,574</u>	<u>953</u>	<u>1,129,532</u>

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

Bapcor Limited
Consolidated statement of cash flows
For the half-year ended 31 December 2023

	Note	Consolidated	Consolidated
		31 Dec 2023	31 Dec 2022
		\$'000	\$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		1,143,444	1,093,895
Payments to suppliers and employees (inclusive of GST)		<u>(1,049,823)</u>	<u>(994,717)</u>
		93,621	99,178
Payments for new store initial inventory purchases		(4,655)	(6,573)
Payments for restructuring costs		(3,564)	(938)
Payments for transformation costs		(4,959)	(5,587)
Borrowing costs		(9,283)	(5,919)
Income taxes paid		<u>(28,213)</u>	<u>(33,445)</u>
Net cash from operating activities		<u>42,947</u>	<u>46,716</u>
Cash flows from investing activities			
Payments for purchase of business, net of cash and cash equivalents		(929)	(8,489)
Payments for investments		(227)	(386)
Payments for property, plant and equipment	11	(27,062)	(25,235)
Payments for intangibles	12	(10,881)	(2,657)
Proceeds from disposal of property, plant and equipment		<u>1,715</u>	<u>887</u>
Net cash used in investing activities		<u>(37,384)</u>	<u>(35,880)</u>
Cash flows from financing activities			
Purchase of treasury shares	17	(250)	-
Net proceeds from borrowings		85,000	22,500
Dividends paid	18	(39,032)	(39,032)
Repayment of lease liabilities		(41,905)	(34,001)
Borrowing transaction costs		<u>(25)</u>	<u>-</u>
Net cash from/(used in) financing activities		<u>3,788</u>	<u>(50,533)</u>
Net increase/(decrease) in cash and cash equivalents		9,351	(39,697)
Cash and cash equivalents at the beginning of the financial half-year		78,629	80,213
Effects of exchange rate changes on cash and cash equivalents		<u>21</u>	<u>1,412</u>
Cash and cash equivalents at the end of the financial half-year		<u>88,001</u>	<u>41,928</u>

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

Note 1. Significant accounting policies

This consolidated financial report for the interim half-year reporting period ended 31 December 2023 has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Act 2001.

This half-year financial report does not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2023 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory have not been early adopted by the consolidated entity for the half-year reporting period ended 31 December 2023.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, that management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are as disclosed in the 30 June 2023 financial statements.

Note 3. Segment information

Description of segments

The consolidated entity has identified four operating segments based on the internal reports that are reviewed and used by the Interim CEO (who is identified as the Chief Operating Decision Maker ('CODM')) and is supported by the other members of the executive team and the Board of Directors where required in assessing performance and in determining the allocation of resources including capital allocations.

The operating results of the consolidated entity are currently reviewed by the CODM and decisions are based on four operating segments which also represent the four reporting segments, as follows:

Trade	Represents the trade focused automotive aftermarket parts distribution to independent and chain mechanic workshops. Includes the operations of Burson Auto Parts, Precision Automotive Equipment, Blacktown Auto and the Thailand based operation.
Specialist Wholesale	Includes the specialised wholesale distribution and network channel areas that focus on a specific automotive area such as AAD, BaxtersMTQ, Bearing Wholesalers, Roadsafe, Diesel Distributors, Federal Batteries, JAS, Premier Auto Trade, Topperformance, Truckline and WANO.
Retail	Represents the retail focused accessory stores that are positioned as the first choice destination for both the everyday consumer and automotive enthusiast as well as the service areas of Bapcor. Includes the operations of Autobarn, Autopro, Midas, ABS and Opposite Lock.
New Zealand	Includes the operations of Brake & Transmission ('BNT'), Autolign and HCB Technologies.

The results of the associate investment in Tye Soon Limited as well as the 50.5% controlling interest in FIIVIQ Pty Ltd have been included in the Unallocated/Head Office supporting segment as they are considered immaterial in nature for the half-year financial period.

Note 3. Segment information (continued)

Segment revenue

Intersegment transactions are carried out at arm's length and eliminated on consolidation. The revenue from external parties reported to the CODM is measured in a manner consistent with that in the statement of comprehensive income.

Segment EBITDA

Segment performance is assessed on the basis of segment EBITDA. Segment EBITDA comprises expenses which are incurred in the normal trading activity of the segments and excludes the impact of depreciation, amortisation, interest, tax and other items which are determined to be outside of the control of the respective segments.

Operating segment information

Consolidated - 31 Dec 2023	Trade \$'000	Specialist Wholesale \$'000	Retail \$'000	New Zealand \$'000	Unallocated / Head Office \$'000	Total \$'000
Revenue						
Sales	382,674	390,581	213,851	88,688	40	1,075,834
Total segment revenue	382,674	390,581	213,851	88,688	40	1,075,834
Intersegment sales						(58,344)
Total revenue						<u>1,017,490</u>
EBITDA	62,340	52,461	31,033	14,380	(28,958)	131,256
Intersegment EBITDA						2,287
Depreciation and amortisation						(48,884)
Finance costs						(19,290)
Profit before income tax expense						<u>65,369</u>
Income tax expense						(18,455)
Profit after income tax expense						<u>46,914</u>
Assets						
Segment assets	446,230	666,317	544,336	272,207	226,471	2,155,561
Total assets						<u>2,155,561</u>
Liabilities						
Segment liabilities	133,313	180,617	146,176	51,344	514,579	1,026,029
Total liabilities						<u>1,026,029</u>

Note 3. Segment information (continued)

Consolidated - 31 Dec 2022	Trade \$'000	Specialist Wholesale \$'000	Retail \$'000	New Zealand \$'000	Unallocated / Head Office \$'000	Total \$'000
Revenue						
Sales	373,975	377,755	219,863	85,839	-	1,057,432
Total segment revenue	373,975	377,755	219,863	85,839	-	1,057,432
Intersegment sales						(56,648)
Total revenue						<u>1,000,784</u>
EBITDA	60,116	50,124	35,234	13,420	(22,877)	136,017
Intersegment EBITDA						1,754
Depreciation and amortisation						(47,978)
Finance costs						(12,007)
Profit before income tax expense						<u>77,786</u>
Income tax expense						(22,773)
Profit after income tax expense						<u>55,013</u>
Consolidated - 30 Jun 2023						
Assets						
Segment assets	431,262	659,678	500,051	286,373	215,011	2,092,375
Total assets						<u>2,092,375</u>
Liabilities						
Segment liabilities	147,986	158,274	157,065	51,188	452,757	967,270
Total liabilities						<u>967,270</u>
					Geographical non-current assets	
					31 Dec 2023	30 Jun 2023
					\$'000	\$'000
Australia					1,038,047	1,022,573
New Zealand					189,007	185,408
Other					664	734
					<u>1,227,718</u>	<u>1,208,715</u>

The geographical non-current assets above are exclusive of, where applicable, derivative financial instruments, deferred tax assets and balances such as intercompany and investments that are eliminated on consolidation.

Note 4. Revenue

	Consolidated	
	31 Dec 2023	31 Dec 2022
	\$'000	\$'000
Revenue from contracts with customers	<u>1,017,490</u>	<u>1,000,784</u>

Note 4. Revenue (continued)

Disaggregation of revenue

The disaggregation of revenue from contracts with customers is as follows:

	Consolidated	
	31 Dec 2023	31 Dec 2022
	\$'000	\$'000
<i>Geographical regions</i>		
Australia	982,837	968,143
New Zealand	88,688	85,839
Thailand	4,309	3,450
Intersegment sales	<u>(58,344)</u>	<u>(56,648)</u>
	<u>1,017,490</u>	<u>1,000,784</u>
<i>Timing of revenue recognition</i>		
Goods transferred at a point in time	1,059,121	1,040,832
Services transferred over time	16,713	16,600
Intersegment sales	<u>(58,344)</u>	<u>(56,648)</u>
	<u>1,017,490</u>	<u>1,000,784</u>

Revenue is allocated to geographical segments on the basis of where the sale is recorded.

Note 5. Other income

	Consolidated	
	31 Dec 2023	31 Dec 2022
	\$'000	\$'000
Rental income	<u>645</u>	<u>1,165</u>

Rental income relates to rental recoveries from franchise locations.

For personal use only

Note 6. Expenses

	Consolidated	
	31 Dec 2023	31 Dec 2022
	\$'000	\$'000
Profit before income tax includes the following specific expenses:		
<i>Depreciation and amortisation expense</i>		
Plant and equipment	8,562	8,171
Motor vehicles	4,369	3,674
Properties right-of-use assets	31,400	31,821
Motor vehicles right-of-use assets	132	353
Amortisation	4,421	3,959
	48,884	47,978
<i>Finance costs</i>		
Interest and finance charges paid/payable	10,440	6,004
Interest and finance charges paid/payable on lease liabilities	8,850	6,003
	19,290	12,007
<i>Income tax expense</i>		
Income tax expense is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year. The estimated average tax rate used for the half-year to 31 December 2023 is 28.2%, compared to 29.3% for the half-year ended 31 December 2022.		

Note 7. Trade and other receivables

	Consolidated	
	31 Dec 2023	30 Jun 2023
	\$'000	\$'000
<i>Current assets</i>		
Trade receivables	173,472	199,873
Less: Allowance for credit notes	(1,688)	(1,726)
Less: Allowance for expected credit losses (trade receivables)	(4,661)	(4,694)
	167,123	193,453
Customer loans	81	129
Less: Allowance for expected credit losses (customer loans)	(81)	(129)
	-	-
Other receivables	41,307	35,733
Prepayments	14,981	10,407
	56,288	46,140
	223,411	239,593

Note 8. Inventories

	Consolidated	
	31 Dec 2023	30 Jun 2023
	\$'000	\$'000
<i>Current assets</i>		
Stock in transit - at cost	34,612	23,722
Stock on hand - at cost	582,955	550,102
Less: Provision for slow moving inventory	(53,970)	(54,165)
	528,985	495,937
	563,597	519,659

Movements in provision for slow moving inventory:

	Consolidated	
	31 Dec 2023	30 Jun 2023
	\$'000	\$'000
Opening balance	(54,165)	(58,436)
Provision recognised against profit	(1,169)	4,523
Additions through business combinations	-	(2,518)
Inventory written off against provision	1,436	2,378
Foreign currency translation	(72)	(112)
	(53,970)	(54,165)
Closing balance	(53,970)	(54,165)

Note 9. Investments accounted for using the equity method

	Consolidated	
	31 Dec 2023	30 Jun 2023
	\$'000	\$'000
<i>Non-current assets</i>		
Investment in Tye Soon Limited	10,483	10,997
	10,483	10,997

Reconciliation

Reconciliation of the carrying amounts at the beginning and end of the current and previous financial half-year are set out below:

Opening carrying amount	10,997	9,071
Profit after income tax	620	1,937
Other comprehensive income	(393)	(672)
Foreign currency translation	(741)	661
	10,483	10,997
Closing carrying amount	10,483	10,997

The reported total of profit after income tax of \$0.6M and other comprehensive loss of \$0.4M has been estimated using the latest publicly available information on the Singapore Securities Exchange which is the Tye Soon Limited half-year financial report ended 30 June 2023.

Note 10. Right-of-use assets

	Consolidated	
	31 Dec 2023	30 Jun 2023
	\$'000	\$'000
<i>Non-current assets</i>		
Properties - right-of-use	534,258	504,785
Less: Accumulated depreciation	(253,187)	(221,275)
	<u>281,071</u>	<u>283,510</u>
Motor vehicles - right-of-use	4,447	4,531
Less: Accumulated depreciation	(4,318)	(4,266)
	<u>129</u>	<u>265</u>
	<u><u>281,200</u></u>	<u><u>283,775</u></u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

Consolidated	Properties \$'000	Motor vehicles \$'000	Total \$'000
Balance at 1 July 2023	283,510	265	283,775
Additions	1,300	-	1,300
Disposals	(1,292)	-	(1,292)
Remeasurement	28,671	(7)	28,664
Foreign currency translation	421	3	424
Depreciation expense	(31,148)	(132)	(31,280)
Accelerated depreciation expense	(391)	-	(391)
	<u>281,071</u>	<u>129</u>	<u>281,200</u>

Remeasurements occur when options to renew that were previously excluded are subsequently included or when rentals change due to non-fixed rent reviews, causing an adjustment to both right-of-use asset and lease liability balances.

Accelerated depreciation relates to the DC Consolidation projects and is based on the estimated exit dates of each site.

Note 11. Property, plant and equipment

	Consolidated	
	31 Dec 2023	30 Jun 2023
	\$'000	\$'000
<i>Non-current assets</i>		
Plant and equipment - at cost	191,804	173,195
Less: Accumulated depreciation	(92,019)	(83,455)
	<u>99,785</u>	<u>89,740</u>
Motor vehicles - at cost	59,194	51,804
Less: Accumulated depreciation	(30,695)	(26,326)
	<u>28,499</u>	<u>25,478</u>
	<u><u>128,284</u></u>	<u><u>115,218</u></u>

Note 11. Property, plant and equipment (continued)

The amount of work in progress included in plant and equipment is \$20.2M (30 June 2023: \$10.4M) and relates to projects that are not yet completed and therefore are not being depreciated; predominately in relation to the Queensland DC consolidation project ahead of reaching steady-state operations.

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

Consolidated	Plant and equipment \$'000	Motor vehicles \$'000	Total \$'000
Balance at 1 July 2023	89,738	25,480	115,218
Additions	19,142	7,920	27,062
Disposals	(636)	(569)	(1,205)
Foreign currency translation	102	39	141
Accelerated depreciation	(468)	-	(468)
Depreciation expense	(8,095)	(4,369)	(12,464)
Balance at 31 December 2023	<u>99,783</u>	<u>28,501</u>	<u>128,284</u>

Accelerated depreciation relates to the DC Consolidation projects and is based on the estimated exit dates of each site.

Note 12. Intangibles

	Consolidated 31 Dec 2023 \$'000	30 Jun 2023 \$'000
<i>Non-current assets</i>		
Goodwill	<u>699,894</u>	<u>697,374</u>
Trademarks	59,132	59,058
Less: Accumulated amortisation	(1,346)	(1,346)
	<u>57,786</u>	<u>57,712</u>
Customer contracts	25,900	25,900
Less: Accumulated amortisation	(14,791)	(13,891)
	<u>11,109</u>	<u>12,009</u>
Software	68,267	57,436
Less: Accumulated amortisation	(29,305)	(25,791)
	<u>38,962</u>	<u>31,645</u>
	<u>807,751</u>	<u>798,740</u>

The amount of work in progress included in software is \$12.0M (30 June 2023: \$5.5M) and relates to several eCommerce and inventory management projects that are not yet completed and therefore are not yet being amortised.

Note 12. Intangibles (continued)

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

Consolidated	Goodwill \$'000	Trademarks \$'000	Customer contracts \$'000	Computer software \$'000	Total \$'000
Balance at 1 July 2023	697,374	57,712	12,009	31,645	798,740
Additions	-	20	-	10,861	10,881
Additions through business combinations	929	-	-	-	929
Disposals	-	-	-	(32)	(32)
Foreign currency translation	1,591	54	7	2	1,654
Amortisation expense	-	-	(907)	(3,514)	(4,421)
Balance at 31 December 2023	699,894	57,786	11,109	38,962	807,751

Impairment testing

All cash generating units ('CGU') and brands have been assessed for indicators of impairment. Among other indicators, this assessment includes consideration of the current year's performance to determine if there would be any significant changes to the outcome of the previous impairment testing.

As a result, the Retail CGU and New Zealand CGU were assessed as having impairment indicators, so impairment testing was performed. Cash flow projections were based on management forecast expectations based on the H1 FY24 actuals and forecast for H2 FY24 as well as the latest five-year forecast model and strategy outlook. This has been compiled based on experience, current performance and market position as well as structural changes and economic factors which have been derived based on external data and internal analysis.

The following key assumptions were used in testing for impairment:

- Pre-tax discount rate: 12.6% (2023: 13.0%) for Retail CGU; 12.8% (2023: 13.8%) for New Zealand CGU.
- Terminal value growth rate beyond 5 years: 2.5% (2023: 2.5%) for Retail CGU; 2.0% (2023: 2.0%) for New Zealand CGU.
- Forecast year on year revenue growth average of 3.7% and EBITDA margin growth average of 1.1 percentage points respectively for the Retail CGU; 2.8% and 0.2 percentage points respectively for the New Zealand CGU.

The result of the testing was that the recoverable amount of the Retail CGU was estimated to exceed its carrying amount at 31 December 2023 by \$69.4M, a decrease of \$14.0M from the 30 June 2023 test. The recoverable amount for New Zealand CGU was estimated to exceed its carrying amount at 31 December 2023 by NZ\$50.5M, an increase of NZ\$30.3M from the 30 June 2023 test.

The following table show sensitivities based on a set of possible changes in assumptions to major financial metric percentages within the calculations, and the resulting change to the headroom:

Retail CGU

Financial metric	+5% Change	-5% change
Discount rate	Decrease headroom to \$41.4m	Increase headroom to \$101.6M
Revenue	Increase headroom to \$107.0M	Decrease headroom to \$31.9M
EBITDA	Increase headroom to \$114.0M	Decrease headroom to \$24.9M
Terminal growth rate	Increase headroom to \$73.5M	Decrease headroom to \$65.5M

Note 12. Intangibles (continued)

The recoverable amount of the Retail CGU would equal its carrying amount if the key assumptions were to change as follows:

Financial metric	From	To
Discount rate	12.6%	14.3%
Revenue	Reduced by 9.4%	
EBITDA	Reduced by 7.8%	
Terminal value growth rate	2.5%	0.2%

New Zealand CGU (NZD)

Financial metric	+5% Change	-5% change
Discount rate	Decrease headroom to \$33.9M	Increase headroom to \$69.2M
Revenue	Increase headroom to \$69.0M	Decrease headroom to \$31.8M
EBITDA	Increase headroom to \$70.9M	Decrease headroom to \$30.0M
Terminal growth rate	Increase headroom to \$53.1M	Decrease headroom to \$47.9M

The recoverable amount of the New Zealand CGU would equal its carrying amount if the key assumptions were to change as follows:

Financial metric	From	To
Discount rate (pre-tax)	12.8%	15.0%
Revenue	Reduced by 13.6%	
EBITDA	Reduced by 12.4%	
Terminal value growth rate	2.0%	-0.5%

Impairment indicators will continue to be monitored, with the annual impairment testing to be performed in line with accounting policy on the annual testing date of 31 March.

Note 13. Provisions

	Consolidated	
	31 Dec 2023	30 Jun 2023
	\$'000	\$'000
<i>Current liabilities</i>		
Employee benefits	47,573	40,940
Deferred settlements	1,125	-
Lease make good	1,958	3,675
Restructuring	-	2,891
	<u>50,656</u>	<u>47,506</u>
<i>Non-current liabilities</i>		
Employee benefits	3,709	3,649
Deferred settlements	-	1,125
Lease make good	12,025	12,390
	<u>15,734</u>	<u>17,164</u>
	<u>66,390</u>	<u>64,670</u>

Note 14. Borrowings

	Consolidated	
	31 Dec 2023	30 Jun 2023
	\$'000	\$'000
<i>Non-current liabilities</i>		
Secured bank loans	418,463	333,468
Less: unamortised transaction costs capitalised	(1,951)	(2,330)
	<u>416,512</u>	<u>331,138</u>

Refinancing

Bapcor continues to have access to a \$620M debt facility with ANZ, Westpac, MUFG Bank, HSBC, NAB, Citi and MetLife. The debt facility comprises the following tranches:

- \$200M three year tranche, available for general corporate purposes - expires July 2025
- \$100M three year tranche, available for general corporate purpose - expires July 2026
- \$70M four year tranche, available for working capital purposes - expires July 2026
- \$135M four year tranche, available for general corporate purposes - expires July 2027; and
- \$115M three year tranche, available for general corporate purposes – expires July 2028.

The facility is secured by way of a fixed and floating charge over Bapcor's assets. There have been no changes to the debt covenants with the net leverage ratio being less than 3.0x and the fixed cover charge ratio being greater than 1.75x (on a pre-AASB 16 basis).

Net debt reconciliation

	Consolidated	
	31 Dec 2023	30 Jun 2023
	\$'000	\$'000
Cash and cash equivalents	88,001	78,634
Lease liabilities	(306,549)	(311,279)
Borrowings excluding unamortised transaction costs capitalised	(418,463)	(333,468)
Add: Lease liabilities	306,549	311,279
Add: Net derivative financial instruments	(2,202)	3,138
Pro-forma net debt as per debt facility agreement	<u>(332,664)</u>	<u>(251,696)</u>

Note 15. Lease liabilities

	Consolidated	
	31 Dec 2023 \$'000	30 Jun 2023 \$'000
<i>Current liabilities</i>		
Lease liability - Properties	70,290	71,863
Lease liability - Motor vehicles	99	232
	70,389	72,095
<i>Non-current liabilities</i>		
Lease liability - Properties	236,121	239,138
Lease liability - Motor vehicles	39	46
	236,160	239,184
	306,549	311,279

Note 16. Fair value measurement

Fair value hierarchy

The following tables detail the consolidated entity's financial instruments, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

Consolidated - 31 Dec 2023	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<i>Assets</i>				
Derivative financial instruments	-	386	-	386
Total assets	-	386	-	386
<i>Liabilities</i>				
Derivative financial instruments	-	2,476	-	2,476
Deferred consideration	-	-	1,125	1,125
Total liabilities	-	2,476	1,125	3,601
Consolidated - 30 Jun 2023	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<i>Assets</i>				
Derivative financial instruments	-	3,381	-	3,381
Total assets	-	3,381	-	3,381
<i>Liabilities</i>				
Derivative financial instruments	-	243	-	243
Deferred consideration	-	-	1,125	1,125
Total liabilities	-	243	1,125	1,368

There were no transfers between levels during the financial half-year.

Note 16. Fair value measurement (continued)

Derivative financial instruments carried at fair value are forward foreign exchange contracts and floating interest rate to fixed interest rate swaps. These are considered to be Level 2 financial instruments because their measurement is derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Deferred consideration is considered to be a Level 3 financial instrument because inputs in valuing this instrument are not based on observable market data. The fair value of this instrument is determined based on an estimated discounted cash flow analysis.

Note 17. Issued capital

	Consolidated			
	31 Dec 2023 Shares	30 Jun 2023 Shares	31 Dec 2023 \$'000	30 Jun 2023 \$'000
Ordinary shares	339,412,500	339,412,500	878,652	878,652
Treasury shares	-	-	(10,930)	(10,680)
	<u>339,412,500</u>	<u>339,412,500</u>	<u>867,722</u>	<u>867,972</u>

Movements in treasury shares

Details	Date	Shares	\$'000
Balance	1 July 2023	-	(10,680)
Purchase of treasury shares	05 October 2023	41,122	(250)
Utilisation of treasury shares	10 October 2023	(41,122)	-
Balance	31 December 2023	<u>-</u>	<u>(10,930)</u>

The average purchase price of treasury shares during the financial half year period was \$6.75 (2023: nil) per share.

Note 18. Dividends

Dividends

Dividends paid during the financial half-year were as follows:

	Consolidated	
	31 Dec 2023 \$'000	31 Dec 2022 \$'000
Final dividend for the year ended 30 June 2023 of 11.5 cents (2022: 11.5 cents) per ordinary share	<u>39,032</u>	<u>39,032</u>

The Board has declared an interim dividend in respect of H1 FY24 of 9.5 cents per share, fully franked. The interim dividend will be paid on 28 March 2024 to shareholders registered on 8 March 2024.

Note 18. Dividends (continued)

Franking credits

	Consolidated	
	31 Dec 2023 \$'000	30 Jun 2023 \$'000
Franking credits available for subsequent financial years based on a tax rate of 30%	145,288	138,964

The above amounts represent the balance of the franking account as at the end of the financial half-year, adjusted for:

- franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date

Note 19. Share-based payments

The Long Term Incentive ('LTI') plan is intended to assist in the motivation, retention and reward of nominated senior executives. The LTI is a payment contingent on a three year performance period and the payments are rights to acquire shares ('Performance Rights'). Refer to the 30 June 2023 audited Remuneration Report within the Directors' Report for further information on the LTI.

In relation to the FY24 year an offer to participate in the LTI was made to eight of Bapcor's senior executives. These allocated Performance Rights have a performance period that ends on 30 June 2025 and 30 June 2026 at which time the performance hurdles are tested.

A summary of the terms for the Performance Rights granted in the current financial half-year are set out in the following table:

Grant date	17/10/2023		27/10/2023		03/11/2023	
	ROIC	EBIT	ROIC	EBIT	TSR	ROIC
Performance hurdle						
Performance period	22/11/2022 to 30/06/2025		22/11/2022 to 30/06/2025		01/07/2023 to 30/06/2026	
Test date	30/06/2025		30/06/2025		30/06/2025	
Expiry date	17/10/2035		27/10/2035		03/11/2035	
Quantity granted ¹	150,234		156,268		1,054,627	
Exercise price	Nil		Nil		Nil	
Fair value at grant date ²	\$5.55		\$5.04		\$2.88 \$5.00	
Other conditions	Restriction on sale to 30/06/2026		Restriction on sale to 30/06/2026		Restriction on sale to 30/06/2027	
Share price on valuation date	\$5.91		\$5.40		\$5.54	
Volatility	N/A		N/A		28.45%	
Dividend yield	3.72%		4.07%		3.97%	
Risk free rate	N/A		N/A		4.30%	

(1) Due to rounding the total shares per tranche are not an exact 50/50 split but approximate that.

(2) The fair value represents the value used to calculate the accounting expense as required by accounting standards.

Note 19. Share-based payments (continued)

Total shareholder return ('TSR') hurdle

Fifty per cent of the Performance Rights granted to a participant will vest subject to a TSR performance hurdle that assesses performance by measuring capital growth in the share price together with income returned to shareholders, measured over the performance period against a Comparator Group of companies (being the S&P/ASX 200 index as at 30 June 2023). The Performance Rights will vest by reference to Bapcor's TSR performance ranking against this Comparator Group of companies, as follows:

Bapcor's TSR relative to the Comparator Group	Percentage of TSR Rights vesting
Less than 50th percentile	Nil
Equal to 50th percentile	50%
Greater than 50th percentile and less than 87.5th percentile	Pro-rata straight-line vesting
Equal to or greater than 87.5th percentile	100%

Return on Invested Capital ('ROIC')

Fifty per cent of the Performance Rights granted to a participant will vest by reference to a ROIC performance hurdle over the performance period (being the simple average of the ROIC as at 30 June 2024, 30 June 2025 and 30 June 2026). Each tranche of Performance Rights subject to the ROIC hurdle will vest as follows:

Bapcor's ROIC	Percentage of ROIC Rights Vesting
Less than 12.5%	Nil
12.5%	50%
Greater than 12.5% and less than 13.5%	Pro-rata straight-line vesting
Equal to or greater than 13.5%	100%

Metrics for Performance Rights granted

Vesting of Performance Rights granted on 17/10/2023 and 27/10/2023 are subject to continued service and meeting the return on invested capital (ROIC) hurdle and net earnings before interest and tax (EBIT) hurdle as set out below.

Satisfaction of the net EBIT benefit hurdle applies on a straight-line vesting basis between threshold and maximum EBIT performance.

The Board has determined that the ROIC Hurdle will be calculated as the simple average of the ROIC as at 30 June 2023, 30 June 2024 and 30 June 2025.

The Board has determined that the Net EBIT Hurdle will be calculated as the EBIT benefit in FY25 from initiatives included in 'Better than Before' and after deducting the costs of this incentive program.

If the vesting conditions are met, the Performance Rights are converted into fully paid ordinary shares of the Company at the election of the Participant. As per the Bapcor Employee Equity Plan, the expiry date is during 2035 (12 years subsequent to the closing date), however the Performance Rights lapse if vesting condition are not met.

Shares will be subject to a restriction on sale for twelve months from vesting of the Performance Rights.

Note 19. Share-based payments (continued)

Set out below are summaries of Performance Rights granted under the LTIP:

31 Dec 2023

Grant date	Vesting date	Exercise price	Balance at the start of the half-year	Granted	Vested/ Exercised	Expired/ forfeited/ other	Balance at the end of the half-year
30/08/2021	30/06/2024	\$0.00	186,782	-	-	-	186,782
29/03/2022	30/06/2024	\$0.00	27,040	-	-	-	27,040
12/10/2022	30/06/2025	\$0.00	343,427	-	-	-	343,427
19/10/2022	30/06/2025	\$0.00	184,297	-	-	-	184,297
08/03/2023	30/06/2025	\$0.00	1,716,516	-	-	(161,339)	1,555,177
17/10/2023	30/06/2025	\$0.00	-	150,234	-	-	150,234
27/10/2023	30/06/2025	\$0.00	-	156,268	-	-	156,268
03/11/2023	30/06/2026	\$0.00	-	1,054,627	-	-	1,054,627
			<u>2,458,062</u>	<u>1,361,129</u>	<u>-</u>	<u>(161,339)</u>	<u>3,657,852</u>

For personal use only

Bapcor Limited
Directors' declaration
31 December 2023

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2023 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



Margaret Haseltine
Chair

23 February 2024
Melbourne



Mark Bernhard
Interim Chief Executive Officer and Managing Director

For personal use only



Independent auditor's review report to the members of Bapcor Limited

Report on the half-year financial report

Conclusion

We have reviewed the half-year financial report of Bapcor Limited (the Company) and the entities it controlled during the half-year (together the Group), which comprises the consolidated statement of financial position as at 31 December 2023, the consolidated statement of changes in equity, consolidated statement of cash flows and consolidated statement of comprehensive income for the half-year ended on that date, selected explanatory notes and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Bapcor Limited does not comply with the *Corporations Act 2001* including:

1. giving a true and fair view of the Group's financial position as at 31 December 2023 and of its performance for the half-year ended on that date
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibilities of the directors for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

PricewaterhouseCoopers, ABN 52 780 433 757
2 Riverside Quay, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999

Liability limited by a scheme approved under Professional Standards Legislation.

For personal use only



Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the Group's financial position as at 31 December 2023 and of its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

A handwritten signature in black ink that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in black ink that reads 'Alison Tait Milner'.

Alison Tait Milner
Partner

Melbourne
23 February 2024

For personal use only