



Auto Partner Group
April 2020

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1. About the Group
2. Market environment
3. Financial performance
4. Covid-19





Aleksander Górecki

President of the Management Board/Founder



Andrzej Manowski

Vice President of the Management Board



Piotr Janta

Vice President of the Management Board

ca. **10%**

share in the Polish market of spare parts distribution

ca. **200,000**

references available

12m

parts stored in warehouses throughout Poland

over **200**

global suppliers

22

sale markets

62%

online orders

GlobalOne

international GPO membership

Key developments in 2019 – business growth

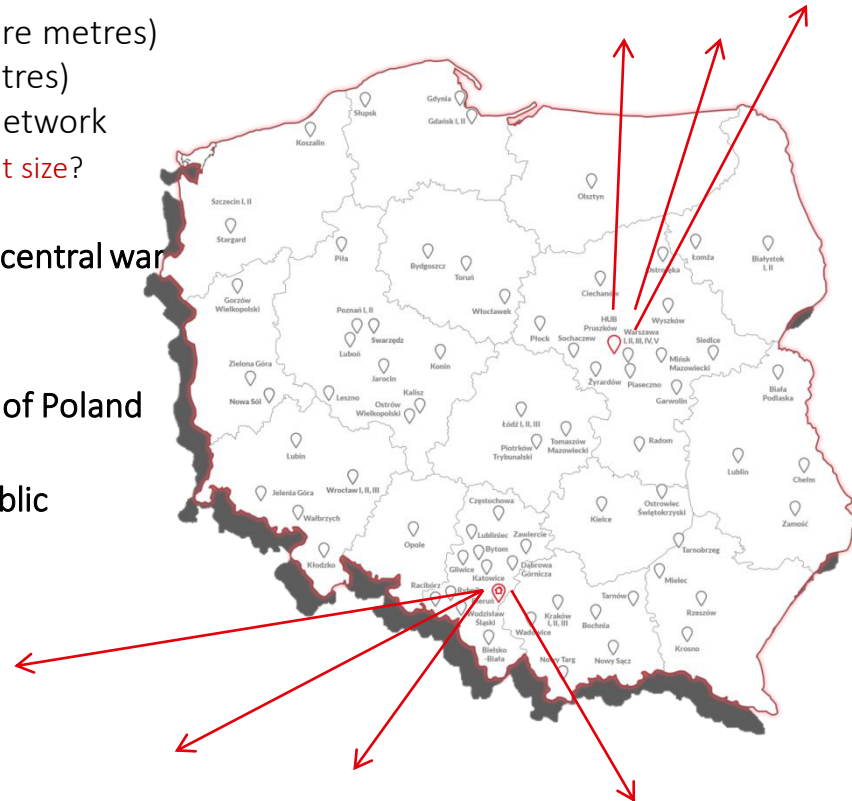
- Record annual sales posted by the Group (PLN 1.48bn)
- **Seven** new branches opened in Poland
- Launch of expanded warehousing centre in Bieruń
- Expansion into new markets (exports, new market segments)

- Continued strong deployment of IT tools to support processes:
 - Invoice Control Panel
 - Packer mobile app for motorists
 - AP CAT advanced online ordering catalogue

- Strong expansion of the product mix, including new segments: vehicle lighting, tools



- IT-supported logistics – just-in-time deliveries to geographically dispersed customers at a frequency **of 3-5** times per day
- Total warehousing space at the Group (held under leases) – **over 100,000 square metres**:
 - Distribution centre in Bieruń (41,000 square metres)
 - Warehouse in Pruszków (8,500 square metres)
 - Local storage facilities within the branch network (ca. 48,000 square metres) – what is their current size?
- Domestic and export sales handled from the central warehouse in Bieruń
- **90 branch offices** covering all regions of Poland
- Subsidiary and warehouse in the Czech Republic





POLAND

- Approximately 17.6m passenger cars in Poland
- Average car age: 13.2 years ([according to IBRM SAMAR](#))
- High number of passenger car registrations (2019: +4% y/y, according to PZPM)
- Record low unemployment
- Growing purchasing power, rising wages, 500+ family support scheme
- Poland's GDP in 2019: +4% y/y
- Good GDP growth forecasts according to EC (**+3.3% in 2020**) – forecast of February 2020

EUROPE

- Approximately 268m passenger cars in Europe ([according to ACEA](#))
- Average car age: 11.1 years (according to ACEA)
- Number of EU car registrations in H1 2019: -3.1% (according to ACEA)
- Record low unemployment
- Growing purchasing power (+3.5% in 2019 according to GfK)
- Eurozone GDP in 2019: 1.4% y/y
- Forecast growth of euro area economies despite a slowdown in Germany, France and Italy, and onset of the coronavirus epidemic (**+1.2% in 2020**) - forecast of February 2020 according to EC.

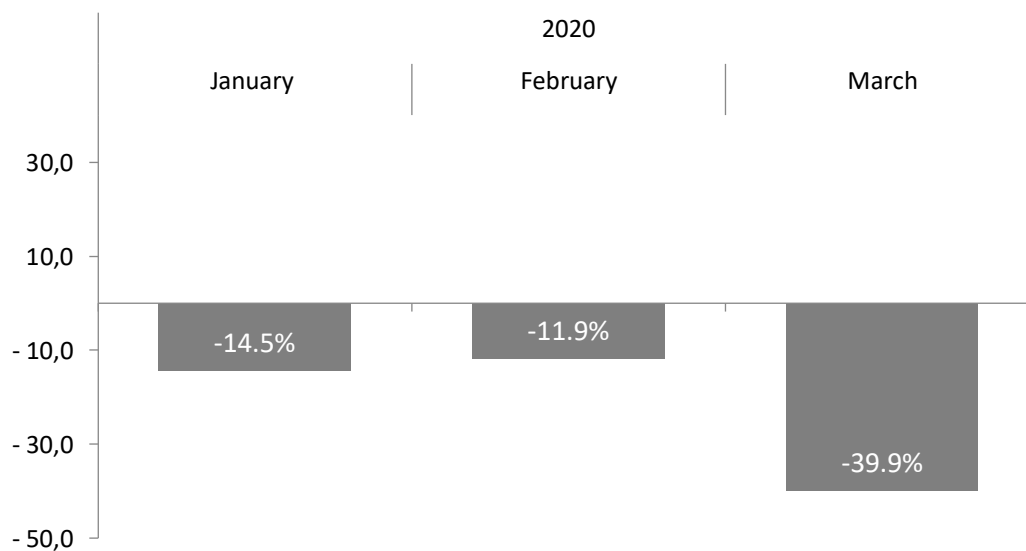
Supportive regulations:

- EU fuel consumption and exhaust emission tests
- Regulations to fix vehicle defects prior to roadworthiness checks



POLAND, PZPM data	Total number (as at Dec 31 2019)	% change y/y
Registrations of passenger cars	555,598	+4.5%
Registrations of light commercial vehicles (< 3.5 t)	69,872	1.5%
Total registrations (passenger cars and light commercial vehicles)	625,470	4.1%

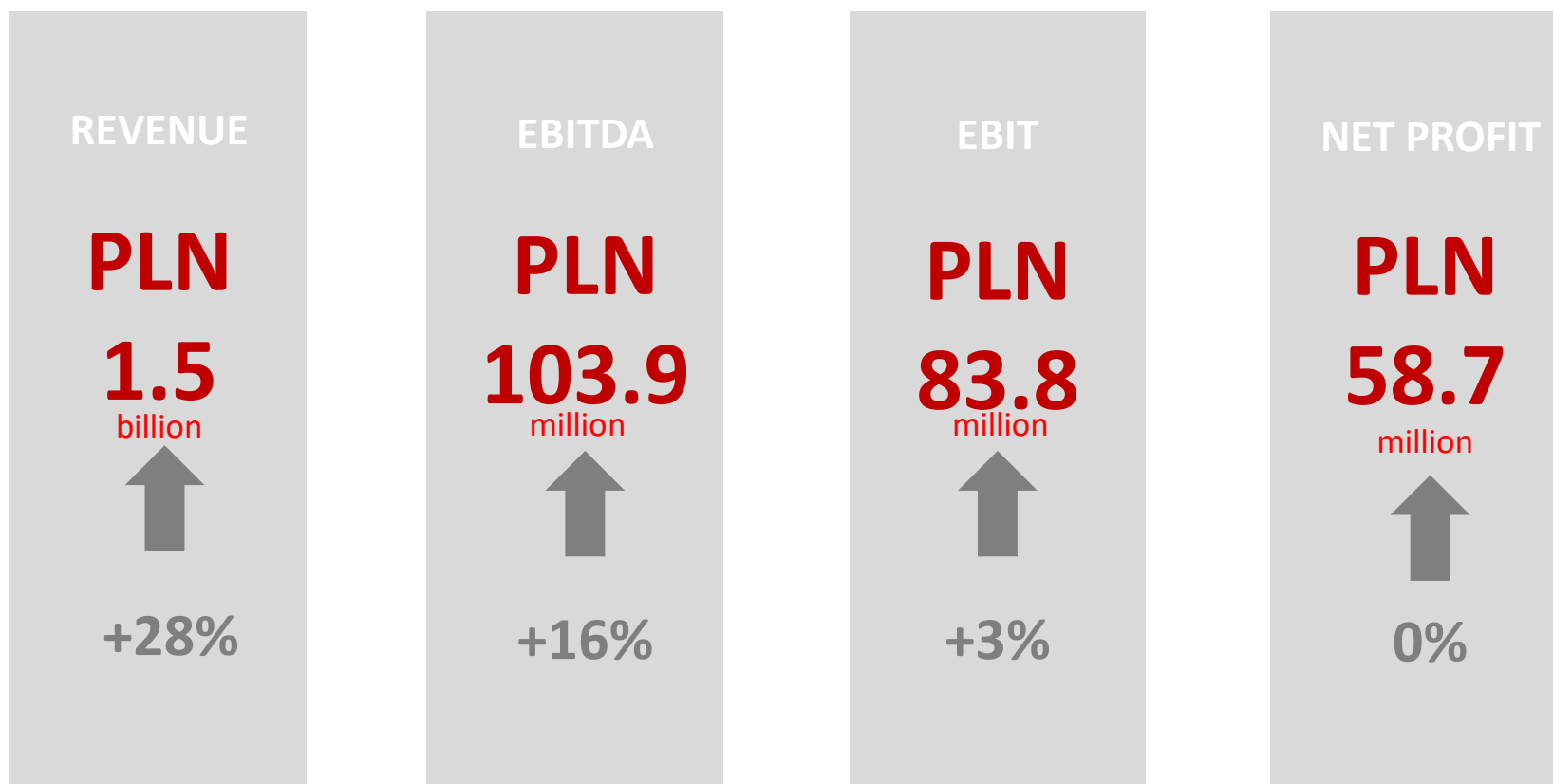
Change in registrations – passenger cars and light commercial vehicles (< 3.5 t) in 2020 (PZPM data)



- **Good beginning of 2020:**
 - Favourable conditions and positive market trends in the automotive parts distribution sector despite economic slowdown across Europe
 - Purchasing power staying solid in Poland and Europe
 - High inflation
 - Good GDP growth forecasts for Poland and Europe according to the European Commission (upheld on February 13th 2020)
 - Strong and relatively old car park in Poland
 - Strong demand for automotive parts
- Average age of vehicles imported in Q1 2020: 11 years and 6 months (according to BMR Samar)

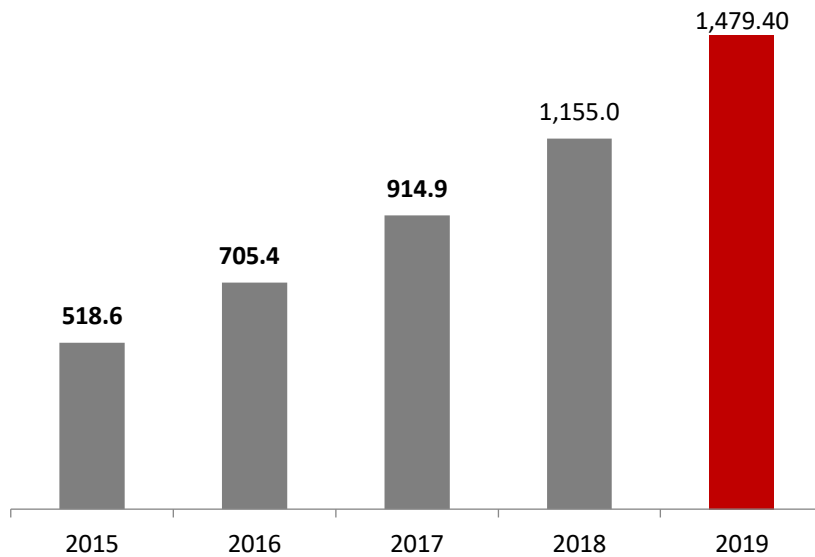
- **March / April 2020:**
 - Restricted mobility of customers, exporters as a result of lockdown measures imposed in Europe, worldwide
 - Sharp decline in car imports in the second half of March
 - GDP forecast updated after the coronavirus pandemic was declared (March 2020, including: Fitch, Goldman Sachs)
 - Successive revisions of GDP forecasts for Poland:
 - Goldman Sachs (April 4th): downgrade to -3.5% from -2.1%
 - Fitch (April 2nd): upgrade to -0.6% from -1.8%



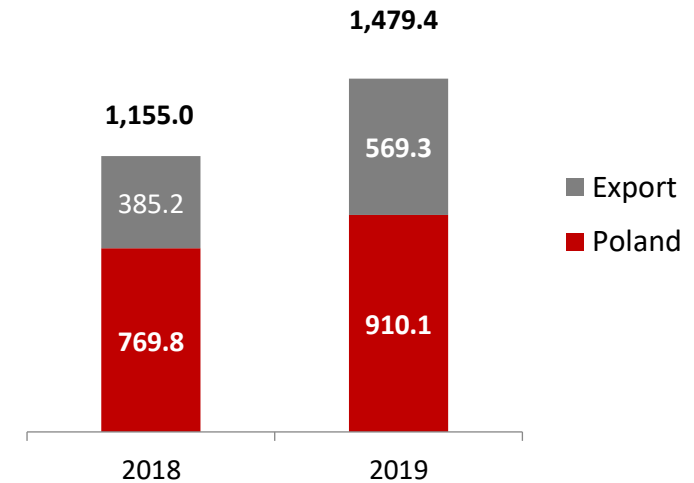


Double-digit sales growth recorded for years

Annual sales [PLNm]



Sales by geographies [PLNm]

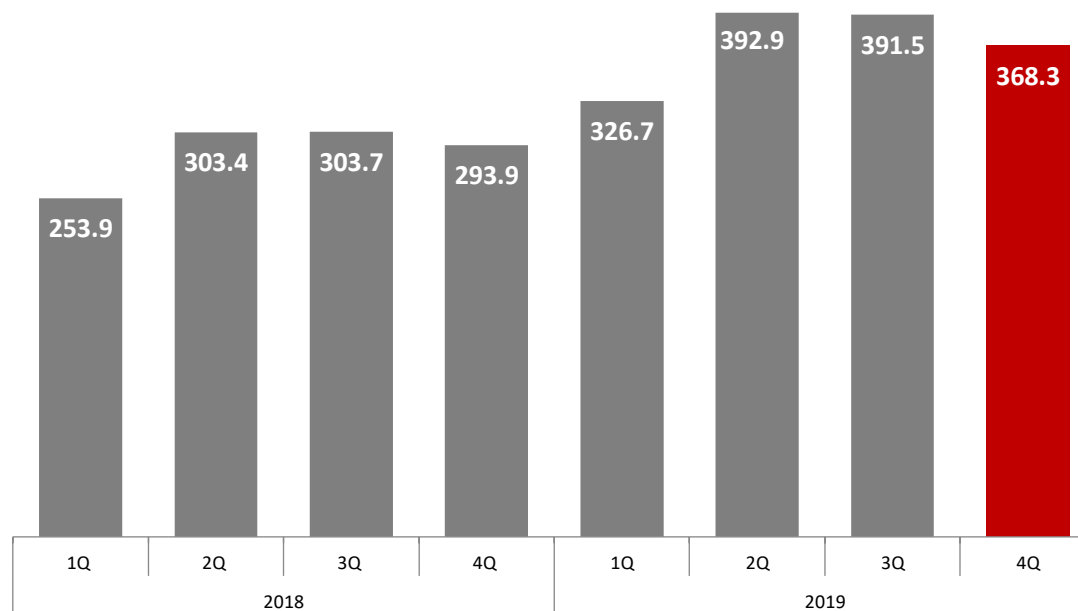


- Record annual sales posted in 2019 (+28% y/y)
- 2018: +26% y/y
- 2017: +30% y/y
- 2016: +36% y/y

Proponuje tu omówić geograficznie poszczególne kraje/ potencjał sprzedaży

- Increase in exports to 38% of total sales on the back of strong foreign expansion
- Increase in exports: +48% y/y
- Entry into several new sale markets (in Central and Western Europe)
- Strong domestic sales (+18% y/y) – on successful efforts to solidify market position and achieve countrywide coverage

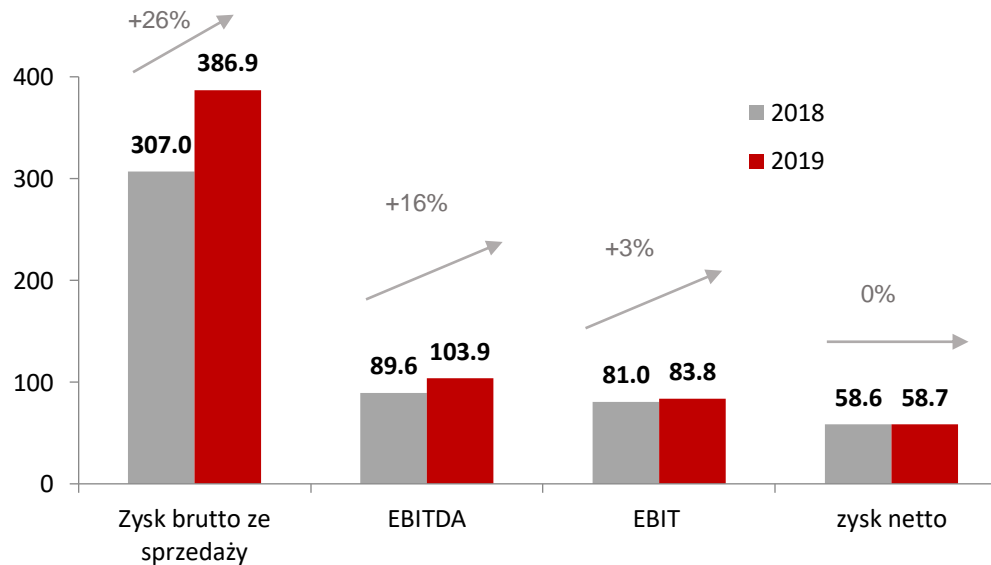
Quarterly sales 2018 – 2019 [PLNm]



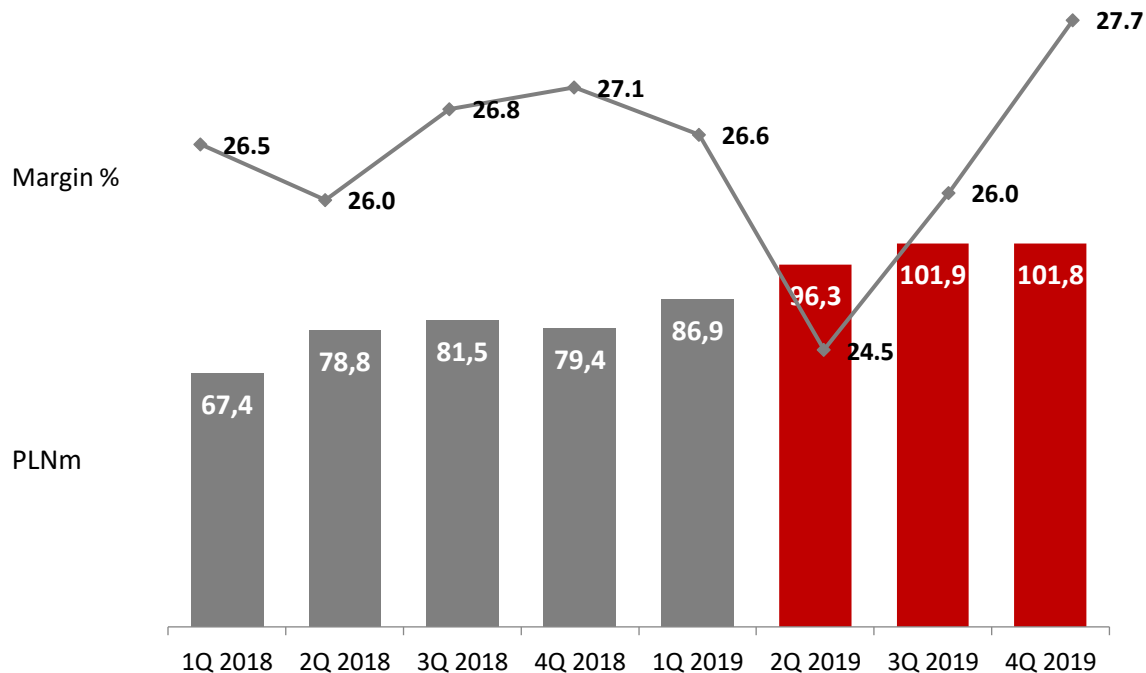
- High sales recorded in all quarters of 2019
- Rapid development of the product mix, including new categories (lighting, tools)
- Expansion of distribution network (branch offices+warehouses)
- Supportive market environment
- Launch of new sales catalogue (AP CAT) in September 2019 (Q3)

Profitability squeezed by higher costs

2019 profit figures [PLNm]



- **26% growth in gross profit in 2019**
- Net profit broadly unchanged year over year
- Significant increase in costs driven by strong business growth (new foreign markets, new branches in Poland) coupled with wage pressures



- Lower profit margins YTD, due mainly to weaker Q2, with a temporary performance drop reflecting strong expansion into new sale markets
- After Q2 2019, the Group's profit margins have steadily increased q/q
- YTD and quarterly y/y increase in gross profit
- Robust gross profit levels relative to assets employed, equity
- Growth in export sales translating into a lower gross margin, but also reduced operating expenses

%	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Gross margin	27.65%	26.03%	24.51%	26.59%
EBITDA margin	7.37%	6.94%	6.09%	7.84%
EBIT margin	5.69%	5.66%	4.89%	6.57%
Net margin	3.83%	4.01%	3.43%	4.74%

%	2019	2018
Gross margin	26.15%	26.58%
EBITDA margin	7.02%	7.76%
EBIT margin	5.70%	7.00%
Net margin	3.97%	5.08%

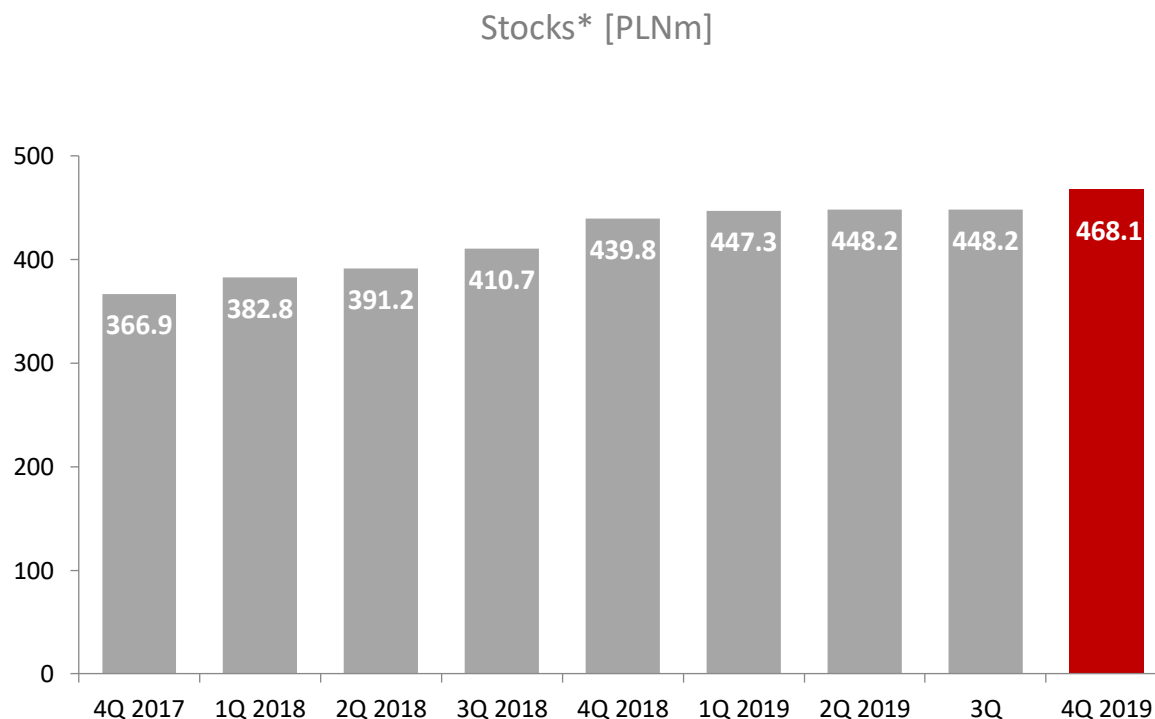
- Lower y/y profit margins chiefly as a result of:
 - Strong business growth: entry into new markets and expansion of the branch network
 - Strong increase in export sales marked by a lower gross margin, but also reduced operating expenses
 - Higher headcount of employees and wage pressures
 - Rising transport /fuel costs

Mitigating the impact of costs on result in 2019

- Further automation/ deployment of IT tools to support processes at the company
(warehousing, invoicing, transport)
- Steadily growing share of online orders (new AP CAT catalogue)
- Rising costs passed on through product prices



Stable stock levels at year end 2019



- Stock levels at year end 2019: PLN 468.1m (slight increase +6.4% y/y)
- Stable stock levels despite the Group's strong business growth, extension of the product range, storage space addition, opening of new branches and expansion into new markets
- Inventory turnover at the end of 2019: down to 152 days, from 174 days the year before

* Inventories and right of return assets



- Minimising the risk of SARS-CoV-2 infections by ensuring the safety of staff at offices, warehouses, branches and repair shops in accordance with GIS and WHO recommendations
- Funds allocated to build up adequate stocks – to prepare for sales after lockdown restrictions are lifted in Poland, Europe
- Negotiations of extended payment terms and other terms of business with suppliers
- Special discounts – supplier discounts leveraged to maximise margins, at the expense of deferred payment terms, which affects the average days payable outstanding
- Increase in foreign exchange rates passed on through product prices
- Information on cost cuts... worth adding
- Other measures ...

THANK YOU!



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