



Q1 2020 results  
May 19th 2020

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1. About the Group
2. Market environment
3. Financial performance
4. Mitigating the impact of 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

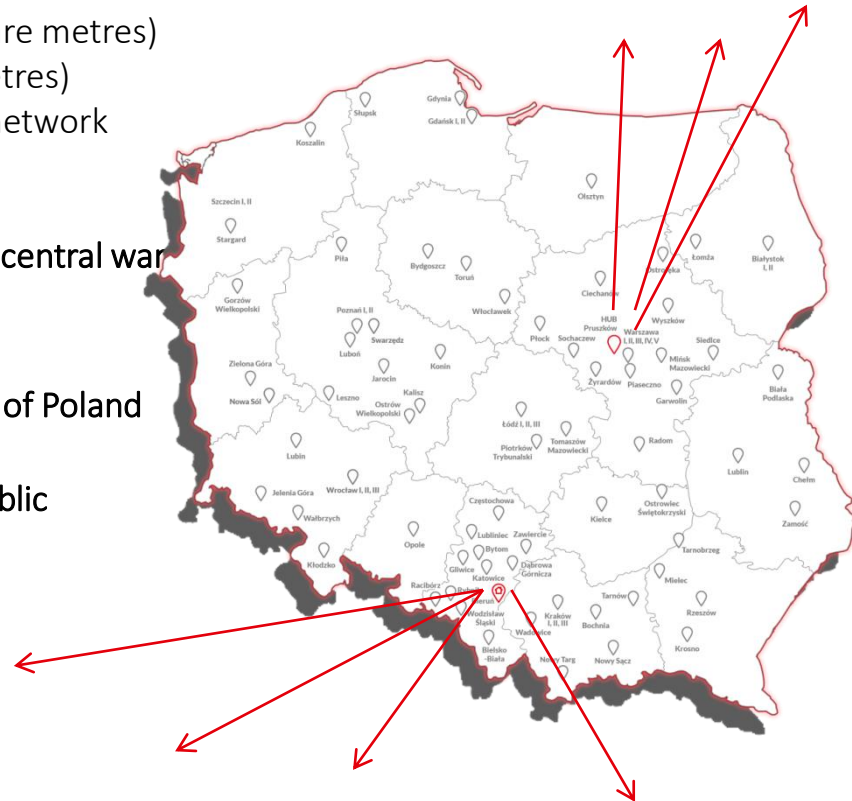
# Key developments in Q1 2020

- Nearly 14% growth in sales
- Product mix expansion
- Safety measures implemented in response to the COVID-19 pandemic, based on WHO recommendations
- Continued deployment of IT tools to support processes, as a factor helping mitigate the impact of costs on performance
- Growth in exports (January, February)
- Business continuity maintained despite the pandemic





- 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 (more than 48,000 square metres)
- Domestic and export sales handled from the central warehouse in Bieruń
- **91 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](#))
- Drop in passenger car registrations in Q1 2020: -22.8% y/y (according to PZPM)
- Unemployment staying low: 5.4% (according to Statistics Poland) 3.4% (according to Eurostat)
- GDP growth decelerating in Q1 2020: +1.9% y/y (vs +3.2% at the end of 2019)

## EUROPE

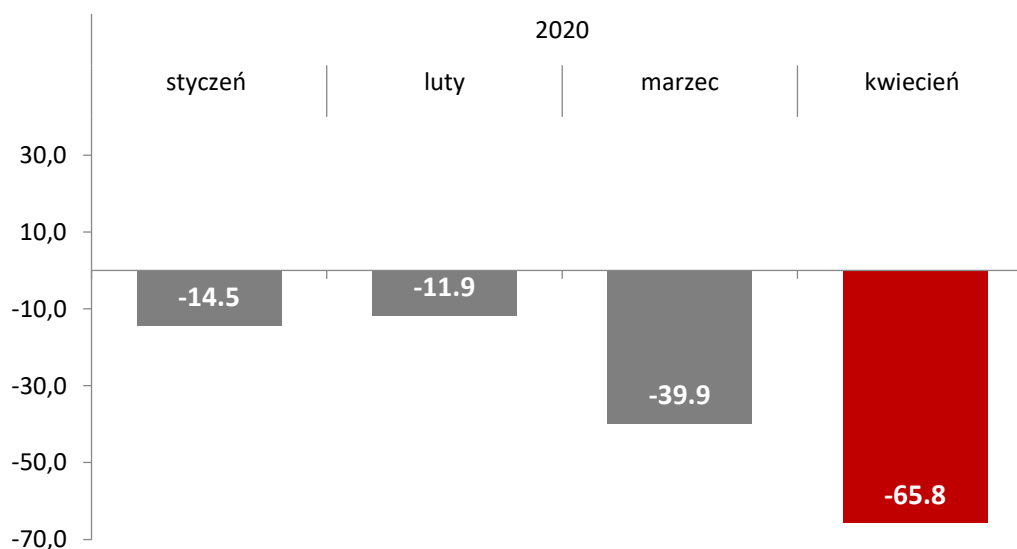
- Approximately 268m passenger cars in Europe ([according to ACEA](#))
- Average car age: 11.1 years (according to ACEA)
- EU-wide drop in passenger car registrations in Q1 2020: -25.6% (according to ACEA)
- Unemployment rate: 6.4% (according to Eurostat)
- EU GDP in Q1 2020: -2.7% y/y, -3.3% y/y in the euro area (according to Eurostat)

Global pandemic of COVID-19 since March 11th 2020



POLAND - registrations, PZPM data	Total number (as at Mar 31 2020)	% change y/y	Total number (as at Apr 30 2020)	% change y/y
Registrations of passenger cars	29,657	-40.8%	15,239	-67.1%
Registrations of light commercial vehicles (< 3.5 t)	4,328	-32.7%	2,626	-55.6%
Total registrations (passenger cars and light commercial vehicles)	33,985	-39.9%	17,865	-65.8%

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

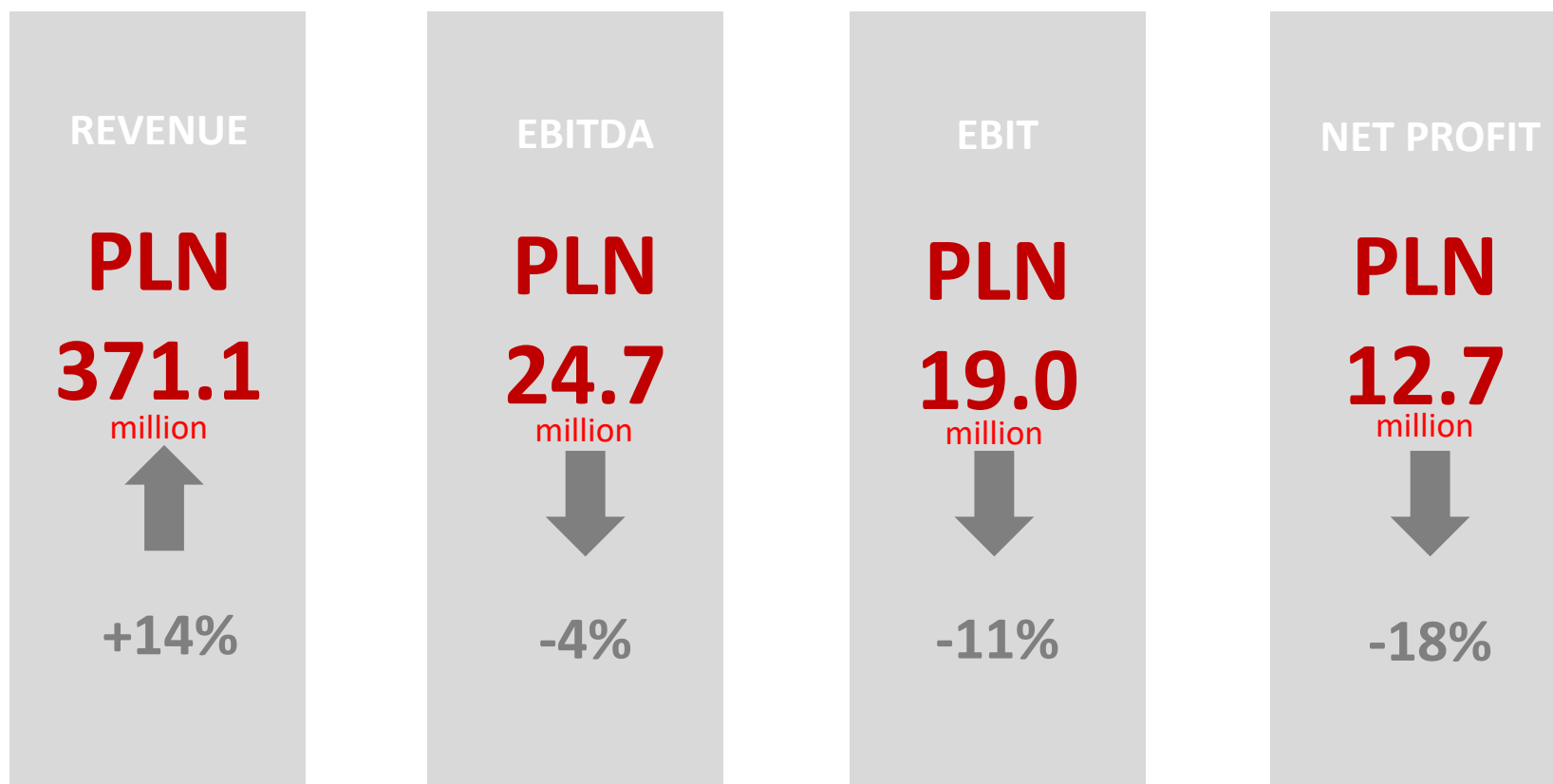


- **Good beginning of 2020:**
  - Favourable conditions and positive market trends in the automotive parts distribution sector despite economic slowdown across Europe
  - Purchasing power staying solid in Poland and Europe
  - High inflation
  - Good GDP growth forecasts for Poland and Europe according 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
  - Marked decline in car imports in the successive weeks of March
  - GDP forecasts updated after the coronavirus pandemic was declared
  - Successive revisions of 2020 GDP forecasts for Poland:
    - EBRD (May 13th): projected decline -3.5%
    - Goldman Sachs (April 4th): downgrade to -3.5% from -2.1%
    - Fitch (April 2nd): upgrade to -0.6% from -1.8%
  
- **May 2020:**
  - For the time being, the Group has not identified any impediments to its business, although the environment is still marked by subdued consumer demand.



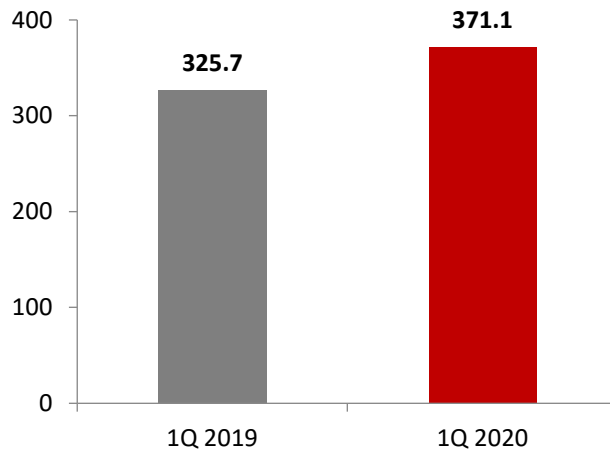




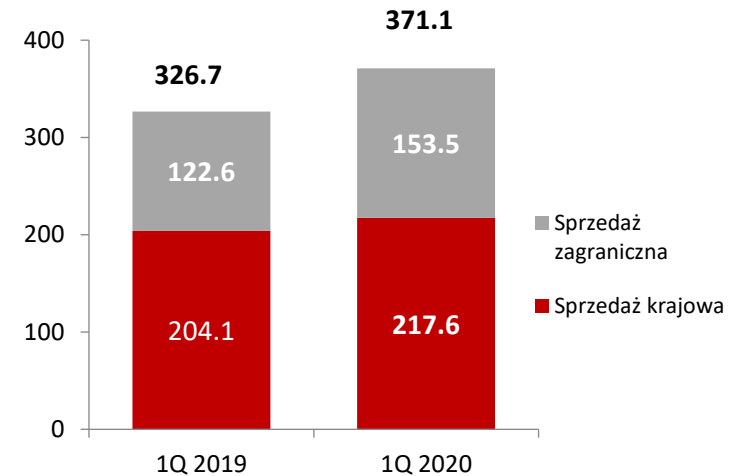


# Double-digit sales growth sustained

Q1 sales y/y [PLNm]



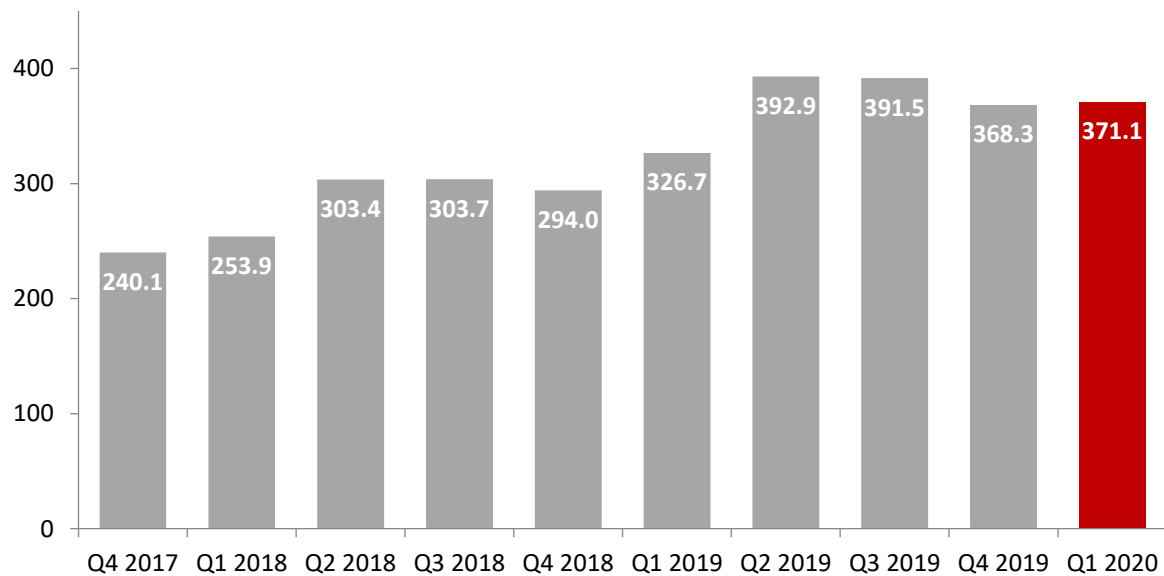
Sales by geographies [PLNm]



- Double-digit sales growth sustained despite weaker March, weighed down by the pandemic

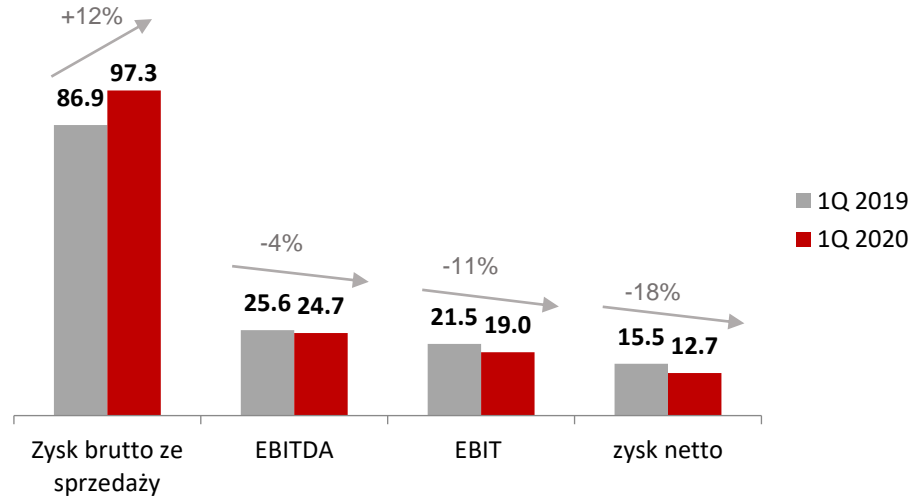
- Solid domestic sales (+7% y/y) – on successful efforts to solidify market position and achieve countrywide coverage
- Increase in exports: +25% y/y
- In March, foreign sales fell on pandemic-induced restrictions in Poland and Europe

Quarterly sales [PLNm]

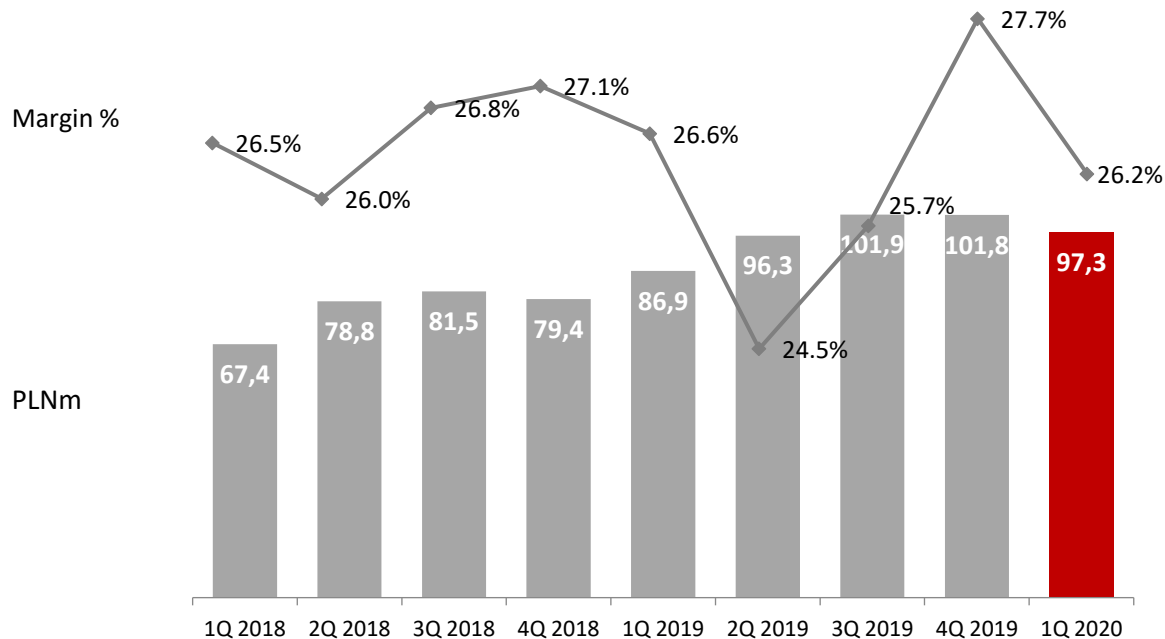


- Sales supported by the well-developed distribution network (branch offices + warehouses)
- Development of the product mix, including new categories (lighting, tools)

## Q1 2020 profit figures [PLNm]



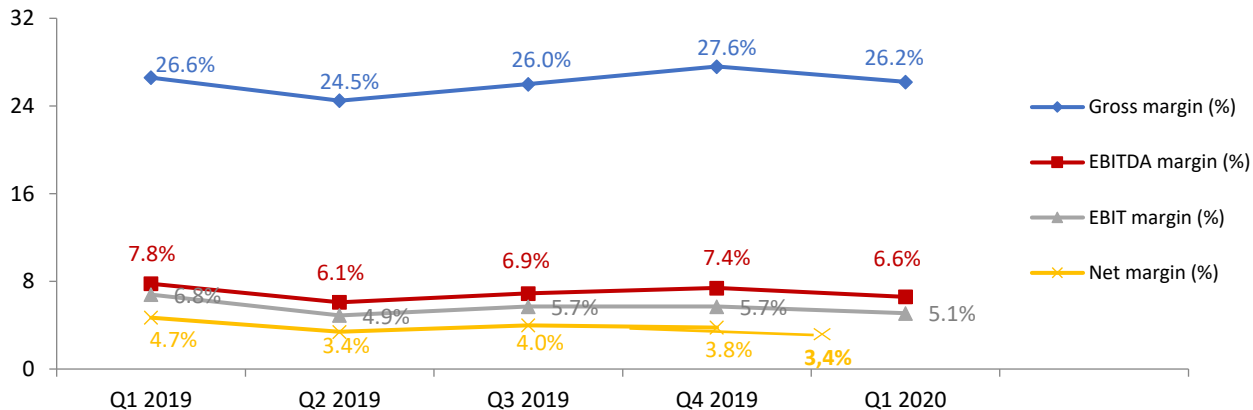
- 12% growth in gross profit in Q1 2020
- Profitability eroded, mainly by the pandemic, which drove down revenue in March with operating expenses adjusted to accommodate a larger scale of business, and by adverse changes in exchange rates, which resulted in foreign exchange losses on financing activities (PLN 1.1m)



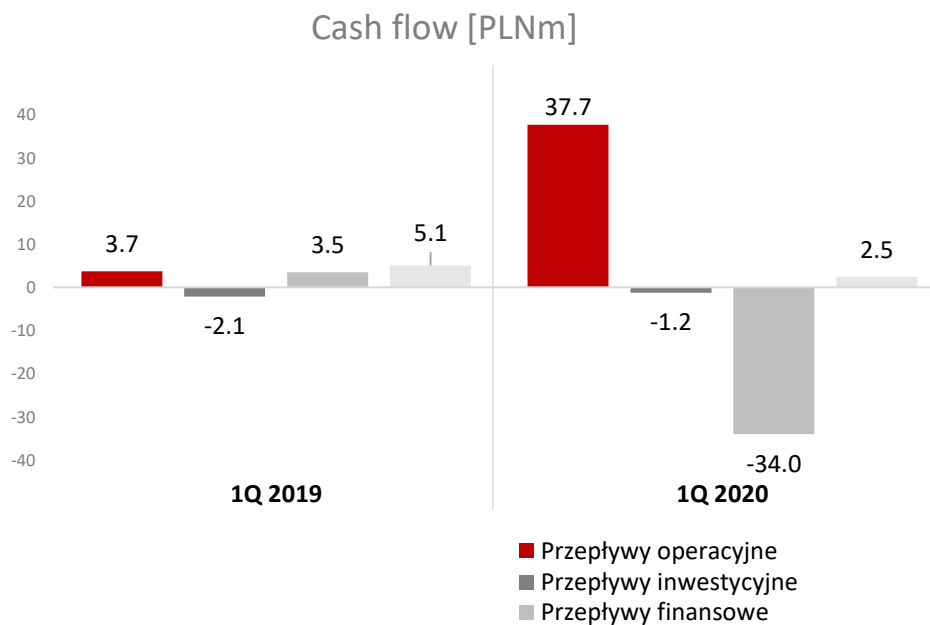
- Gross margin largely unchanged year over year, despite a significantly higher share of export sales
- Growth in export sales translating into a lower gross margin, but also reduced fixed costs



# Profit margins

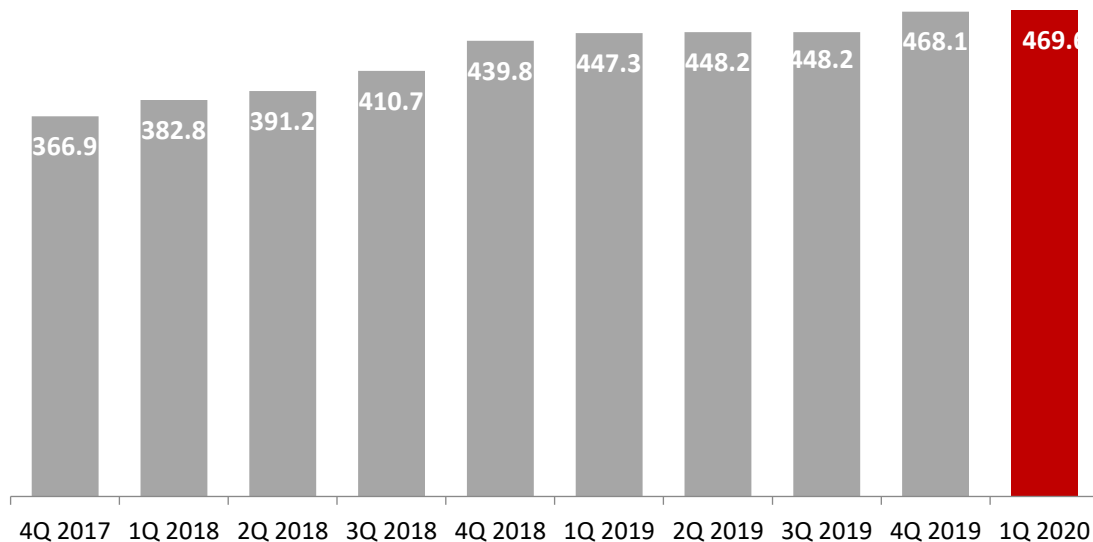


- Continued strong growth in export sales (January and February)
- Lower EBIT margin y/y, as operating expenses incurred in March 2020 were at a level similar to those recorded in previous months (especially in the case of distribution and marketing costs), with a concurrent decline in sales
- The decrease in gross and net margins was partly attributable to adverse changes in the EUR/PLN exchange rate (foreign exchange losses on loans and reverse factoring of PLN 1.1m)



- The Group's liquidity position remained stable
- Significant decrease in liabilities under borrowings and factoring facilities
- Good rating and lender banks staying calm amid the pandemic (amendment executed to an agreement with Santander in late March 2020)

Stocks\* [PLNm]



- Inventory turnover as at Mar 31 2020: 156 days, vs 166 days the year before
- Stable stock levels
- Current purchases (after Mar 31) intended solely to maintain stocks at levels sufficient to accommodate demand after gradual reopening of the economy

\* Inventories and right of return assets



### 3. Mitigating the impact of COVID-19 on business

- Swift response by the company, safety procedures put in place and business continuity maintained across all areas
- Cost savings (e.g. non-renewal of fixed-term contracts, renegotiation of rents)
- Stable stock levels maintained to prepare for sales after all lockdown restrictions are lifted in Poland, Europe
- Increase in foreign exchange rates passed on to customers
- Strengthening of online sales channel (AP CAT)



THANK YOU!



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