



Financial Results

Six Months to 31 December 2020



Important Information and Disclaimer



- ❑ This presentation may contain certain unaudited financial information in relation to National Tyre & Wheel Limited (“NTD” or the “Company” or “the “Group”). As such, it has not been subject to an audit or an audit process or otherwise independently verified.
- ❑ This presentation may contain forward looking statements. Such statements are inherently subject to uncertainties in that they may be affected by a variety of known and unknown risks, variables and other factors which could cause actual values or results, performance or achievements to differ materially from anticipated results, implied values, performance or achievements expressed, projected or implied in the statements. The Company gives no assurance that the anticipated results, performance or achievements expressed or implied in those forward-looking statements will be achieved.
- ❑ None of the Company or any of its directors or any other party associated with the preparation of this presentation guarantee that any specific objective of the Company will be achieved or that any particular performance of the Company or of its shares will be achieved.
- ❑ The information in this presentation does not take into account the objectives, financial situation or particular needs of any person. Nothing contained in this presentation constitutes investment, legal, tax or other advice.

Building a new growth platform

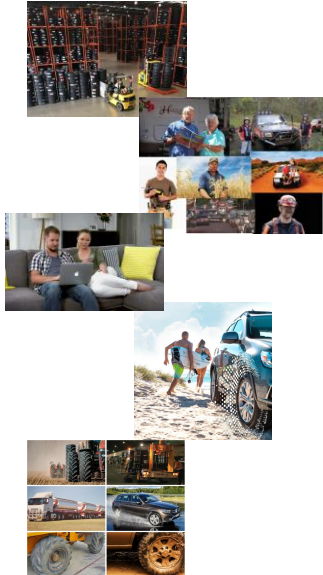


When NTAW listed on the ASX in December 2017, it announced its intention to seek diversity and scale. Having achieved that objective, the Group is now focussed on building a new platform for growth that will respond to important changes that are occurring in the tyre and wheel industry. Opportunities arise from changes in:

- the vehicle fleet (particularly electric and autonomous vehicles);
- consumer product preferences and purchase pathways;
- distribution channels (particularly the opportunities to assist traditional tyre specialty retailers); and
- technologies impacting data analytics, service levels and information flows.

The Group is well placed to pursue these opportunities with a strong balance sheet, substantial marketing, sales and distribution capabilities, existing value adding services as well as an extraordinary amount of industry experience and know how.

The new growth platform will involve more innovation (generational investment in IT and new talent), continuing focus on market segments in which a leading position can be obtained and the delivery of customer experiences that set a benchmark for the industry.



Financial Results



1H21 includes 5 months ownership of Tyres4U (Australia and NZ). FY21 Revenue is on track to reach about \$460m – 1H21 Revenue of \$212m with Group revenue (ex Tyres4U) up by 19% on pcp.



1H21 Operating EBITDA¹ of \$15.4m compared to \$5.0m in pcp. Over 50% of this improvement came from NTAW business units (ex Tyres4U). Tyres4U maintained its 4Q20 EBITDA momentum.



1H21 Gross Margin up to 28.4% from 27.0% in pcp with less discounting and favourable FX. Tyres4U margins consistent with Group margin.



Strong balance sheet with Net debt of \$18.2m at 31 December 2020 (Cash = \$22.2m and Bank Debt = \$40.4m).



At 31 December 2020 Net Assets: \$83.9m, Net Tangible Assets²: \$64.3m. Net operating cash flow was up on the pcp. Fully franked interim dividend of 3.00c declared.

¹ Underlying EBITDA has been adjusted for unrealised FX, gain on bargain purchase, non-recurring transaction costs and the classification of Occupancy costs due to adopting AASB 16.

² Net Tangible Assets includes all right-of-use assets and lease liabilities.

Trading Highlights



Demand for some key 4WD and passenger tyres increased with lower prices resulting from near source procurement.



Record sales achieved in agricultural tyres due to robust rural economies in Australia.



Strong wheel sales growth from new products, geographic expansion and strong consumer demand.



Tyres4U maintains profit levels from 4Q20 delivering a strong turn around in performance over 1H20.



Tyrelife Solutions (South Africa) remaining modestly profitable despite severe pandemic related trading restrictions.

Trading Highlights



Gross margins improved with favourable FX movement and supply issues from shipping delays reducing the level of discounting in the industry.



Growth in Tyres4U NZ market share for existing products and ETD NZ growth from new products as well as near source procurement.



Growth in key product categories despite reduced promotional activity.



Growth in Statewide Tyre Distribution volumes generally and solid contributions from the Industrial Tyres Service business in WA (acquired in February 2020).



Strong consumer demand despite the pandemic.

Summary of Results



Statement of Profit or Loss \$'000	1H21	1H20
Sales revenue	212,403	80,446
Cost of goods sold	(152,154)	(58,757)
Gross profit	60,249	21,689
Other income	1,201	8
Gain on bargain purchase	1,058	-
Employee benefits	(26,254)	(8,684)
Occupancy	(3,551)	(548)
Marketing	(1,813)	(2,591)
Other expenses	(10,121)	(3,511)
EBITDA	20,769	6,363
Depreciation & amortisation	(6,645)	(2,313)
Finance costs (net)	(1,158)	(375)
Net profit before tax	12,966	3,675
Income tax expense	(3,134)	(1,169)
Net profit after tax	9,832	2,506
Addback:		
Non-controlling interest loss/(gain)	(111)	8
Amortisation ¹	504	558
NPATA attributable to NTAW	10,225	3,072

¹ Amortisation add-back is net of tax effect.

Comments

- 1H21 includes 5 months contribution from Tyres4U businesses in Australia and New Zealand
- 1H21 gross margin higher due to favourable FX movements and less discounting.
- Other income includes JobKeeper payments received for some businesses and the Gain on bargain purchase represents the positive difference between the fair value of net assets acquired and the consideration paid in the Tyres4U acquisition.
- 1H21 marketing expenses lower than prior period with less activity due to pandemic lock downs and uncertainty about consumer demand.
- NPATA attributable to NTD shareholders excludes non-controlling interests (representing the residual 50% interest in Top Draw) & adjusted for amortisation.

\$m	1H21	1H20
Reported EBITDA	20.8	6.4
Impact on Overhead costs due to AASB 16	(5.0)	(1.5)
Gain on Bargain Purchase	(1.1)	-
Impact of Acquisition Costs	1.4	-
Unrealised FX loss/(gain)	(0.7)	0.1
Operating EBITDA	15.4	5.0

Balance Sheet & Key Operating Metrics



Statement of Financial Position \$'000	Dec-20	June-20
Current assets		
Cash and cash equivalents	22,246	25,859
Receivables	61,622	23,215
Inventory	96,677	41,487
Other	3,492	1,580
	184,037	92,141
Non-current assets		
Property, plant and equipment	10,638	3,615
Right-of-use assets	35,850	11,800
Intangible assets	16,216	16,739
Deferred tax assets/(liabilities)	3,368	900
Other	171	-
	66,243	33,054
Total assets	250,280	125,195
Current liabilities		
Payables	71,929	24,930
Borrowings	2,500	-
Lease liabilities	10,276	3,298
Provisions	10,756	3,652
Other financial liabilities/(assets)	1,752	943
Current tax liability/(asset)	2,496	902
	99,709	33,725
Non-current liabilities		
Borrowings	37,912	12,223
Lease liabilities	26,854	9,172
Provisions	1,922	1,230
	66,688	22,625
Total liabilities	166,397	56,350
Net assets	83,883	68,845

Comments

- **Tyres4U assets & liabilities** – the 31 December 2020 balances include assets and liabilities of the Tyres4U businesses acquired on 4 August 2020.
- **Cash and cash equivalents** – The Group has cash of \$22.2m at 31 Dec-20, down from \$25.9m at 30 Jun-20. Net debt balance of \$18.2m at 31 Dec-20.

Key Operating Metrics	1H21	1H20
Gross profit margin	28.4%	27.0%
Operating costs as % of revenue	18.6%	19.1%
Reported EBITDA margin	9.8%	7.9%
Operating EBITDA margin	7.2%	6.2%

1H21 – Key strategic objectives achieved



In FY20 the Group made some key strategic decisions in relation to product sourcing and mix, sales management, customer contact centre operations and geographic expansion. The Group also persevered with the pursuit of earnings accretive acquisitions.

1H21 results reflect the successful execution of these strategies. The impact of the pandemic in 1H21 is difficult to quantify – the impacts have been both positive and negative.

The following factors contributed to positive outcomes in 1H21:

- a reduction in the intensity of price competition in most segments;
- moving to near sourced manufacture of some key products;
- adding the Blacklion range in the passenger tyre segment;
- decisions to scale back certain promotional activity due to uncertain market conditions;
- the contribution made by the Industrial Tyre Services business acquired by Statewide in February 2020;
- new wheel products, promotional activity and inventory management all contributing to growth in wheel market share in NZ, NSW, WA and SA;
- favourable movement in the value of the Australian Dollar relative to the US Dollar;
- robust rural economic activity driving demand for truck and agricultural tyres; and
- consumer demand exceeding the level that was expected having regard to the disruption caused by the pandemic.

1H21 – Debt facilities & merger synergies in 1H21



Debt Facilities

As part of the Tyres4U acquisition, the Group obtained a new debt facility from Commonwealth Bank of Australia.

The facility includes fixed elements for equipment finance, contingent liabilities and credit cards as well as an amortising term loan relating to prior acquisitions. In addition, the Group obtained a working capital facility used to fund most of the cash consideration of the Tyres4U acquisition. This working capital facility will rise and fall with the Group cash flow, supplier invoices and inventory levels.

At 31 December 2020, the Group had net debt of \$18.2m.

Synergies

In 1H21, NTAW continued to operate as a holding company, allowing each of its operating subsidiaries to carry on businesses that address particular market segments and/or involve different business models. While there has been some limited cross-selling between Tyres4U and other Group companies, the 1H21 result does not include any material revenue or cost synergies arising from the Tyres4U acquisition.

The Group has announced that it expects to save about \$2.5m per annum in run rate occupancy costs in FY22-23 and deliver other run rate revenue/cost synergies of \$3-5m per annum in FY22.

Outlook – Cooper Supply Agreement



Exclusive Tyre Distributors Pty Limited (“ETD” - a wholly owned subsidiary of NTAW) and Cooper are parties to an Agreement that appoints ETD as the exclusive distributor of certain Cooper branded products in Australia, New Zealand and PNG (the “Cooper Supply Agreement”). This Agreement has an initial term that expires in September 2022. The Cooper Supply Agreement is automatically renewed for a further 5 years (i.e. until September 2027) without any amendments unless **both parties** agree that it should not be extended. Accordingly, the Cooper Supply Agreement will continue until 2027 unless ETD agrees to an earlier termination date.

Continuity of the Cooper Supply Agreement is subject to ETD meeting certain performance targets each year. These targets are set by an annual negotiation and the targets for 2021 have been agreed. If a negotiation fails to reach agreement for a new target, then the prior year target plus 3.5% becomes the new target. The Group is confident that the 2021 targets will be achieved and that a 3.5% increase over subsequent years is also readily achievable. The Cooper Supply Agreement also includes provisions requiring the parties to act in good faith with each other.

ETD is also the exclusive distributor of the Mickey Thompson tyre range under arrangements that are reviewed annually. The 2021 review has been completed and arrangements remain in place. Tyrelife Solutions (the Group’s 50% owned subsidiary in South Africa) is also the exclusive distributor of Cooper products in Southern Africa. Any changes to the distribution of Cooper products in South Africa will not have a material impact on the financial performance of the Group.

On 22 February 2021 (US time) Goodyear Tire & Rubber Company (“Goodyear”) and Cooper Tire & Rubber Company (“Cooper”) announced that an agreement had been reached for Goodyear to purchase Cooper. The Cooper Supply Agreement does not include any provision giving rise to a right for either party to terminate if there is a change in control or ownership of Cooper.

In addition to the contractual rights described above, ETD has been successfully distributing Cooper branded products in Australia for nearly 30 years and in New Zealand for 10 years. The Cooper brand has achieved a leading market position under ETD’s stewardship and, based on this history, the world class distribution infrastructure NTD has developed and its long standing customer connections, the Group is confident in its continuing role as the exclusive distributor of Cooper and Mickey Thompson products in Australia and New Zealand.

In all the circumstances, NTD will continue to carry on the important work of distributing Cooper and Mickey Thompson products on the basis that the proposed purchase of Cooper by Goodyear will not adversely affect that distribution or the way in which ETD goes about that business. Given the scale of NTD’s operations following the purchase of Tyres4U, the proposed Cooper purchase is expected to present new opportunities for NTD.

It is noted that the proposed transaction is not expected to be completed until the second half of calendar 2021 and Cooper has advised that it will be carrying on business as usual until completion occurs. Accordingly, the proposed transaction is not expected to have any impact on earnings in FY21. Based on ETD’s contractual rights and the commercial success of its distribution activities over many years, the outlook for the distribution of Cooper family products remains positive. The Group has the time and capacity to enter into alternative arrangements if, over the next 5 years, any doubts emerge about its continuing role in the distribution of Cooper family products.

Outlook - Operations



NTAW remains confident that improved trading performance in 1H21 can mostly be attributed to the successful execution of various strategies, including the initiatives taken over the past 18 months. Confidence that the earnings trajectory evident in 1H21 will continue would be higher but for the uncertainties arising from the pandemic.

Limited benefits from restructuring some business units are expected to accrue in 2H21 – volume growth is expected to come from cross-selling within the Group, more focussed sales and marketing activities for Tyres4U commercial products, merging the original equipment business of MPC and Tyres4U and combining the sales effort relating to the Group’s exclusive passenger and light truck brands. The full impact of these changes will be felt in FY22 and beyond.

Some cost synergies will be achieved in 2H21 as a result of some redundancies, consolidating corporate services at the parent company level and sharing those services amongst operating entities. However, costs associated with establishing these support service units (mostly IT, sales & operations process changes and new people) will most likely offset cost savings in 2H21.

Four Sydney premises will amalgamate into one location by the end of 2H21, delivering lower occupancy costs and better customer service levels. The Group expects to complete other warehouse combinations in FY22.

In ordinary circumstances, the second half of a financial year produces a result at least on par with the first half. Having regard to the combined impact of continuing uncertainty and the costs associated with some of the restructuring activity the Group is expecting 2H21 earnings result to be less than twice the 1H21 result.

In the longer term, the new growth platform described earlier is expected to deliver sustained and material growth in earnings.

Outlook – Shareholder value



NTD Share Price



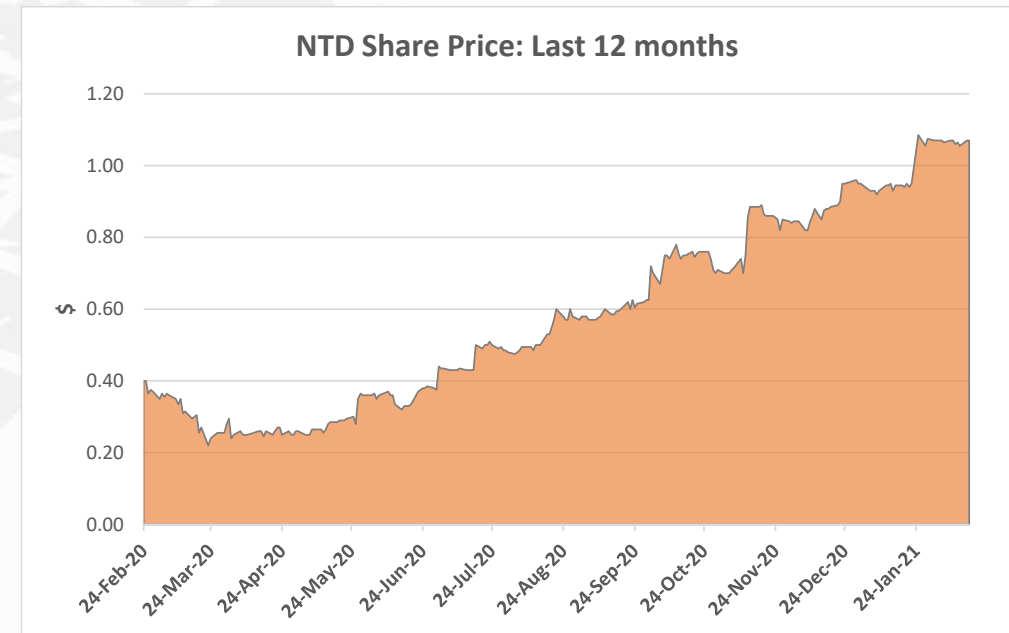
Market Cap ≈ \$122.2m @ \$1.06 per share
(based on closing price on 22 February 2021).



Basic EPS for 1H21: 8.67c



Net tangible assets at 31 Dec-20: \$64.3m, or
\$0.56 per share.



National Tyre & Wheel

Thank You



- Specialised brand building business focussed on tyre and wheel importing & distribution
- Leading position in 4WD, SUV tyres, steel wheels & OEM wheels and tyres to caravan manufacturers, with the acquisition of Tyres4U giving the Group a leading position in Truck & Bus, Agricultural & Off the Road and Industrial segments.
- Strong history of earnings and dividends
- Track record of organic growth and successful M&A – shared customers, suppliers and operating systems
- Future growth to be driven by organic strategies, acquisitions and geographic expansion
- Established distribution footprint in Australia, New Zealand and South Africa
- Low customer concentration. Exclusive, long standing supplier relationships
- Experienced Board and management team

Experienced Management Team & Board



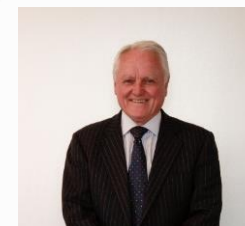
Peter Ludemann
Chief Executive Officer and Managing Director

- CEO since 2013 with stewardship of NTAW expansion into new products and markets, culminating in the 2017 IPO.
- M&A background, successful integration of acquisitions



Jason Lamb
Chief Financial Officer and Company Secretary

- CFO for 13 years
- Integral part of NTD senior management



Murray Boyte
Chairman

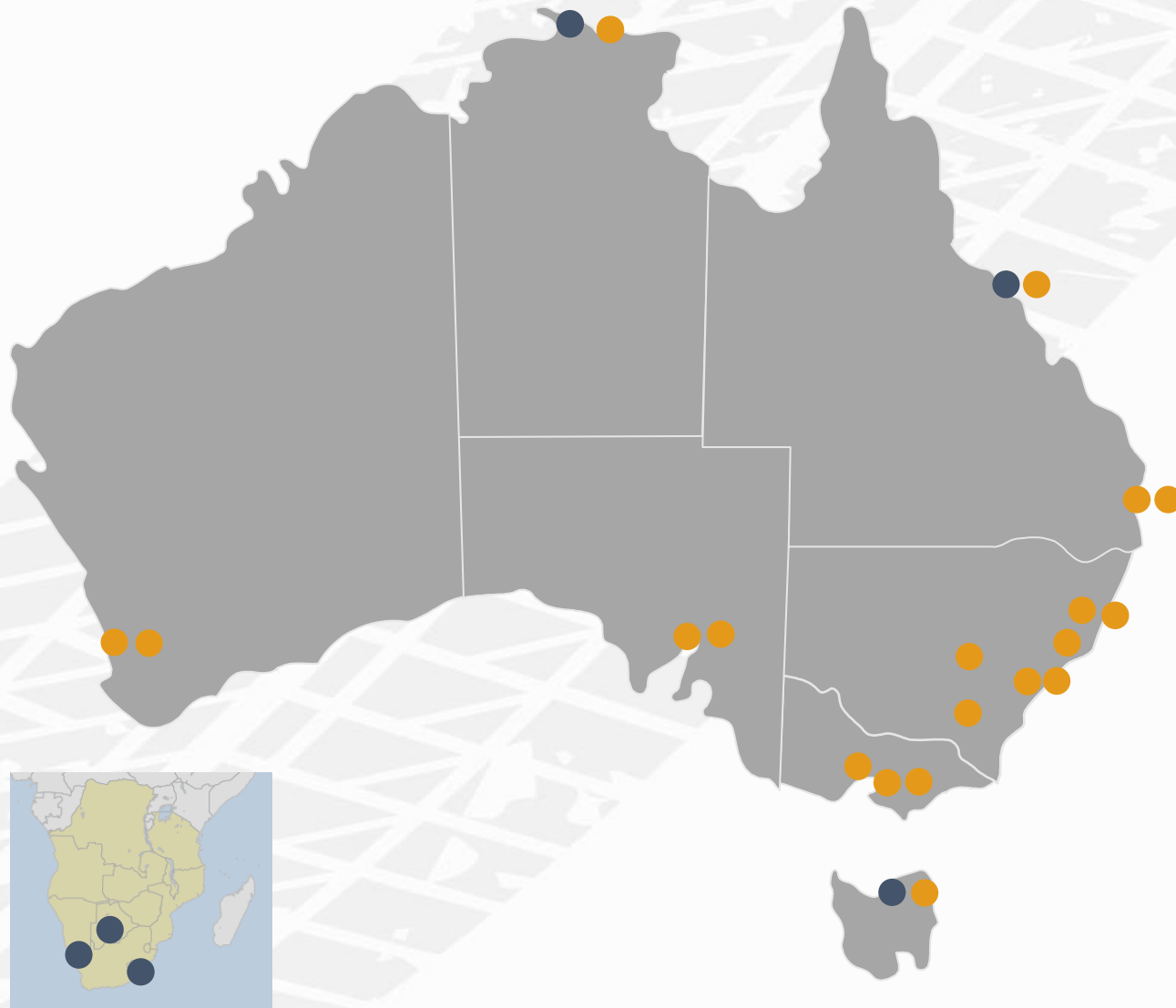
- Experienced and distinguished public Company Director
- Extensive merchant banking and management experience



Terry Smith
Co-founder & Executive Director

- Co-founder of NTD in 1989 from a tyre retail store in Brisbane
- 40+ years experience in tyre wholesale & retail.

NTAW Distribution Platform



30 Distribution Centres

- NTAW
- 3rd Party Logistics

Over time, the Group will combine warehouses and offices in Sydney, Melbourne, Adelaide, Brisbane and Perth (22 facilities to 13).

A diversified brand building business



Business Units



Exclusive Brands



TYRES WORTH OWNING

