



National Tyre & Wheel Limited
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ASX Announcement

12 November 2020

2020 Annual General Meeting and Presentations

National Tyre & Wheel Limited (ASX: NTD) ('the Company') releases the following documents which will be presented at this morning's Annual General Meeting, commencing at 11am Brisbane time:

- the welcome address by Mr Murray Boyte, Chairman; and
- the presentation by Mr Peter Ludemann, Managing Director.

This announcement was approved, and authorised for release, by NTD's Board of Directors.

ENDS

For further information, please contact:

National Tyre & Wheel Limited
Mr Peter Ludemann
Chief Executive Officer
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Important Information and Disclaimer

This announcement may contain forward-looking statements, which include all matters that are not historical facts. Without limitation, indications of, and guidance on, future earnings and financial position and performance are examples of forward-looking statements.

Forward-looking statements, including projections or guidance on future earnings and estimates, are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. No representation, warranty or assurance (express or implied) is given or made in relation to any forward-looking statement by any person (including NTD). In particular, no representation, warranty or assurance (express or implied) is given that the occurrence of the events expressed or implied in any forward-looking statements in this announcement will actually occur. Actual results, performance or achievement may vary materially from any projections and forward looking statements and the assumptions on which those statements are based.



Chairman's Address

2020 Annual General Meeting of National Tyre & Wheel Limited (ACN 095 843 020)

12 November 2020

Good morning and welcome to National Tyre and Wheel Limited's virtual 2020 Annual General Meeting.

The 2020 financial year has been like no other in recent memory. Your Company has emerged from this turbulent period in a very sound position.

The Company generated annual revenue of \$158.9 million in FY20 from its business base covering tyre and wheel importing and original equipment supplying, with a sectoral focus on 4WD, SUV and passenger cars. This activity was converted to an Operating EBITDA of \$11.8 million.

The tyre and wheel industry has been recognised in most of our geographic markets as partly or wholly essential, ameliorating the potential negative consequences of Government imposed trading restrictions introduced to deal with the COVID-19 pandemic. The breadth of the Company's operations across many segments of the tyre and wheel industry is another important hedge against the risks of trading restrictions coming and going in different places and to varying degrees over the next 12 months.

Even before the acquisition of Tyres4U in August 2020, the Company benefitted from operating a diverse range of businesses. At the height of Australia's pandemic-induced trading restrictions, our budget tyre and wheel businesses operated at or above budget levels. In fact, both Statewide Tyre Distribution and Dynamic Wheel Co broke monthly revenue and profit records during the 4th quarter of FY20.

Although the pandemic interrupted the delivery of benefits from a number of important strategic initiatives, including new products, near source procurement, sales process improvements and brand building promotional activity, the management team responded quickly and decisively by reducing costs and scaling back procurement, conserving cash in the process.

During this period, the Company worked collaboratively with suppliers and customers. It was very pleasing to see all parties take a long-term view of key relationships with sensible short-term compromises and accommodations being made by everyone to suit the difficult circumstances. Ultimately, all involved met their commitments and we emerged with stronger relationships with customers and suppliers.

Our priority during the pandemic has, of course, been the health and safety of our employees. We are grateful for the way employees rose to the challenges presented, from dealing with the stresses arising from many uncertainties, changing the way people work and having to work remotely while staying connected.

On 3 August 2020, the Company acquired the Tyres4U businesses in Australia and New Zealand. This transaction makes NTAW the largest independent tyre and wheel wholesaler in both countries, with combined revenue of more than \$400 million. Commonwealth Bank of Australia provided new debt facilities to fund the Tyres4U acquisition.

Peter will discuss the Tyres4U acquisition in some depth including the proposed re-organisation of the Group to create a new growth platform. The management team is committed to ensuring that the new business contributed by Tyres4U delivers diversity and scale to your Company and positions it to grow earnings per share in FY21 and beyond.

The Group's trading for the first four months of FY21 has exceeded expectations and the Board is pleased to advise that operating EBITDA for the six months to 31 December 2020 is expected to be between \$11.5 million and \$12.5 million, as announced to the ASX this morning.



The Company's balance sheet is strong with cash of \$28.6 million and net debt of \$12.8 million at 31 October 2020, representing a net debt to equity ratio of 16%.

A fully franked interim dividend of 1.25 cents per share was paid to shareholders in March 2020. No final dividend was declared for FY20 as cash was used to partly fund the Tyres4U acquisition. The increased leverage in the Group will be relevant in any consideration of dividends in FY21.

Your Board and management have worked diligently and constructively during a difficult period and that effort is appreciated.

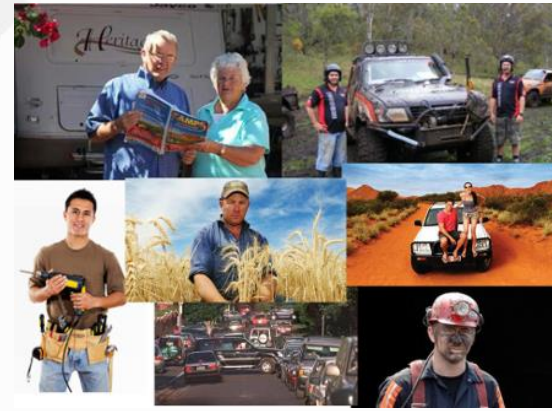
I would also like to thank our customers, suppliers and shareholders for the support they have delivered over what has been a challenging year for all stakeholders.

Thank you.



Managing Director's Presentation

12 November 2020



Important Information and Disclaimer



- ❑ This presentation may contain certain unaudited financial information in relation to National Tyre & Wheel Limited (“NTD” and the “Company”). 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.

FY20 Results Highlights



Operating EBITDA* of \$11.8m.

*Reported EBITDA bridge to Operating EBITDA

\$m	FY20	FY19
Reported EBITDA	12.2	12.8
Impact on Occupancy costs due to adopting AASB 16	(3.1)	
Impairment charges on intangible assets related to South African subsidiary	2.2	
Unrealised foreign exchange losses	0.5	(0.1)
Operating EBITDA	11.8	12.7



Pre COVID-19 pandemic volume down due to competitive pressure, sluggish demand for premium products and changing the product mix in South Africa. Post pandemic results strong, demonstrating industry and business resilience.



Gross margin (%) lower than last year due to competitive pressure and product mix shift to budget tyres.



Balance Sheet remains strong – net cash: \$13.6m at 30 June 2020. Net debt of \$12.8m at 31 October 2020 (Cash = \$28.6m and Bank Debt = \$41.4m).



Post balance date purchase of Tyres4U will deliver significant diversity and scale, taking Group revenue to more than \$400m. To help fund the purchase and further working capital investment in Tyres4U, there was no final dividend.

FY20 AASB 16 Reconciliation



\$'000	Reported FY20	Remove AASB 16 Depn & Int	Recognise Operating Lease expense	Pre-AASB 16 FY20
Sales revenue	158,857			158,857
Costs of goods sold	(117,594)			(117,594)
Gross Profit	41,263			41,263
Other income	1,144			1,144
Employee benefits & other related costs	(17,106)			(17,106)
Marketing	(3,691)			(3,691)
Occupancy	(1,692)		(2,991)	(4,683)
Professional fees & insurance	(1,478)			(1,478)
Other expenses	(4,046)		(91)	(4,137)
EBITDA & Impairment	14,394		(3,082)	11,312
Impairment loss	(2,210)			(2,210)
EBITDA	12,184		(3,082)	9,102
Depreciation	(3,757)	2,990		(767)
Amortisation	(1,364)			(1,364)
EBIT	7,063	2,990	(3,082)	6,971
Finance costs (net)	(828)	427		(401)
Net profit before tax	6,235	3,417	(3,082)	6,570
Income tax expense	(2,007)	(1,025)	925	(2,107)
Net profit after tax	4,228	2,392	(2,157)	4,463

Financial Results



FY20 Operating EBITDA*: \$11.8m compared to FY19: \$12.7m.

* See page 3



FY20 NPATA: \$5.7m compared to FY19 NPATA of \$8.0m.



FY20 Revenue: \$158.9m compared to FY19 of \$168.4m.



FY20 gross margin: 26.0% compared to FY19 gross margin of 28.7%.



30 June 2020 Net Assets: \$68.8m; 30 June 2019: \$70.6m**

31 October 2020 Net Assets: \$79.5m.

** Net assets at 30 June 2019 has been adjusted to include all right-of-use assets and lease liabilities due to adoption of AASB 16 to provide a like for like comparison as at 30 June 2020.

H1 FY20 Pre-Pandemic Strategy



Product assortment changes including more near sourced passenger tyres and exclusive importation of the budget Blacklion range.



Re-tooling Asian suppliers to produce 4WD products for Australia, NZ and South Africa. Negotiating for production of private label products.



Structural and tactical changes to sales teams and processes, rolling out new customer care initiatives and consolidating management in fewer people.



Target the adventurous and enthusiastic SUV owner.



New product releases and supplier price support grew volume and revenue from wheels and budget tyres.

H2 FY20 Strategy Outcomes



Purchase of Industrial Tyre Service in Western Australia and commencement of due diligence to acquire Tyres4U.



Shipments of near sourced Cooper AT3 4WD tyres resulted in a rebound in sales of that key product. Cooper C5 car tyres also arrived. Near source Asian factory for private label manufacture selected.



Statewide Tyre Distribution (East Coast) launched.



Collaborated with suppliers and customers to manage trading restrictions.



Accelerated new wheel product activity – sizes and models.

H2 FY20 – Other Pandemic Responses



Recalibrate inventory models – orders reduced as we expected demand to fall.



Changing working conditions in response to lock downs and restrictions.



Increased focus on OH&S and people caring for each other.



Increasing remote selling and preparation for that to be a permanent change.



Supporting stakeholders and communities.

H2 FY20 Post-Pandemic Trading Highlights



Marketing expenses and product procurement curtailed in response to the pandemic. Overheads generally managed to reflect activity levels and government support.



Volume and revenue growth in wheels and budget tyres in Australia and NZ recovered well in all categories after lock down. South Africa suffers from an extended economic lock down.



Gross margin % lower in FY20 due to relatively high import prices and intense price competition constraining sell-out price rises in some businesses.



Gross margin % post 30 June trending up with some supplier support, higher AUD and less discounting.



Apart from significant volume and revenue declines in April 2020 in Australia and New Zealand, and for all of Q4 in South Africa, both the tyre industry and group businesses prove to be resilient in response to the pandemic.

Post Balance Date Event – Acquisition of Tyres4U



As a result of the acquisition, the NTAW group becomes the largest independent tyre and wheel wholesaler in Australia and New Zealand.

Acquisition Highlights

- Purchase price calibrated to approximately equal the book value of net working capital and fixed assets;
- Funded by cash, new bank debt and shares (representing about 10% of issued capital) issued to vendors;
- Retained existing management team and personnel; and
- Substantial business improvement opportunities with further synergies available to add value.



The Group's businesses now supply tyres and wheels for all segments (except large mining equipment and motorcycles). Segments include car, SUV, 4WD, light commercial, truck & bus, industrial, agricultural & off the road.



The Group's 4,000 plus customers represent almost the entire field of tyre re-sellers including tyre specialty stores, mechanic workshops, car dealers, online re-sellers, mobile tyre fitters and other retail outlets selling tyres.

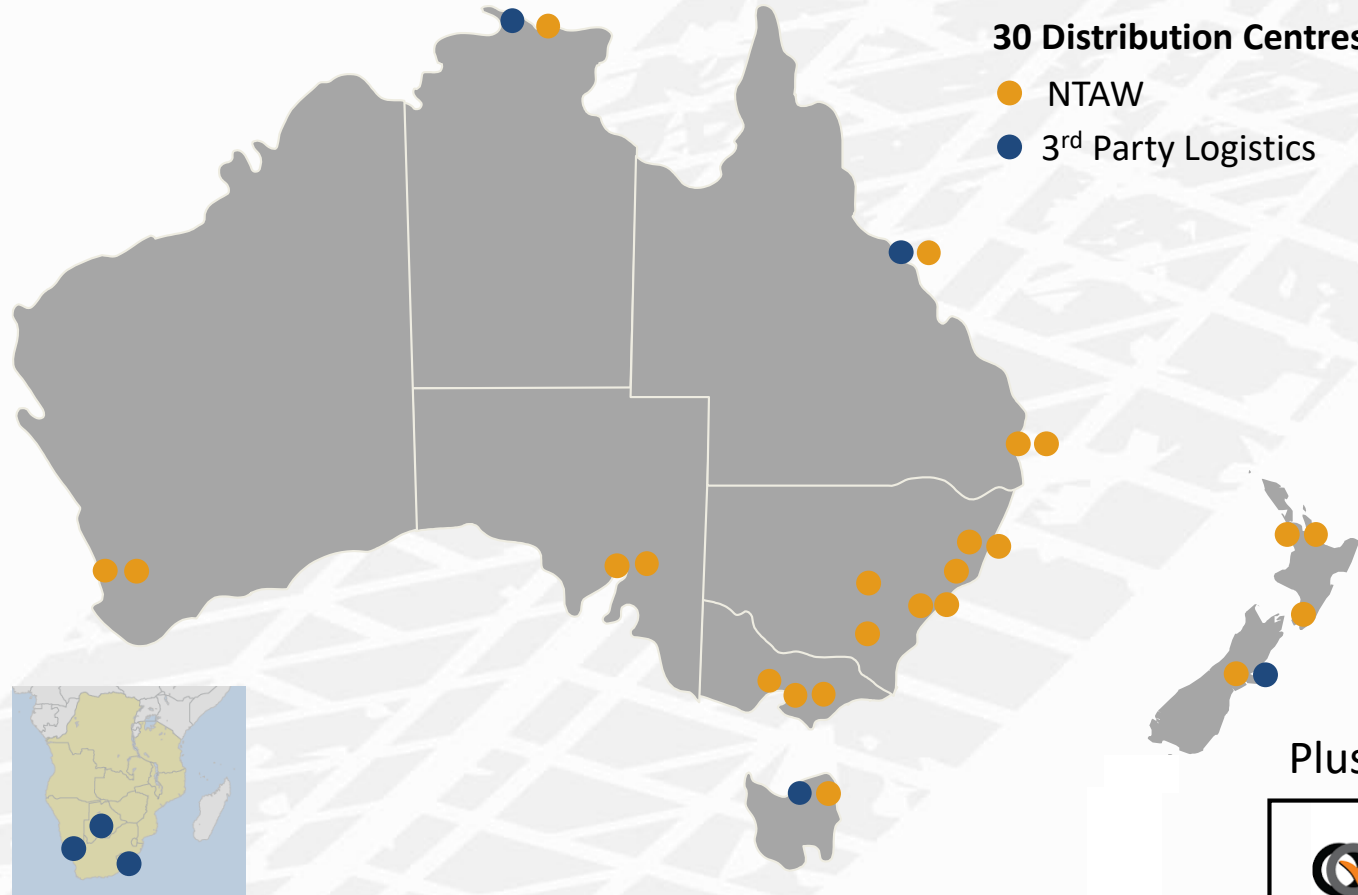


The Group imports and sells over 35 different exclusive brands with no single supplier accounting for more than 10% of COGS.



A strategic and operational review commenced to develop Group growth plans.

Acquisition of Tyres4U – Expanded Distribution Footprint



30 Distribution Centres

- NTAW
- 3rd Party Logistics



Senior Management team with over 200 years combined tyre and wheel industry experience



Over 600 employees in 3 countries



30 Distribution Centres operated by NTAW in 3 countries



Over 4,000 retail customers - touching tyre and wheel consumers everywhere



Over 2,400,000 tyres and wheels sold each year

Plus ...



National retail network – company owned, licensed & affiliated

Outlook – NZ and South Africa Operations



Obvious headwinds and risks from the pandemic but the industry is proving to be resilient in NZ.



Agricultural conditions, truck movements and domestic travel providing tailwinds in NZ. Longer trading restrictions, decline in tourism and less touring suppressing demand in SA.



Increased near sourced Cooper tyres supply and wheel range expansion completed in both NZ and SA will drive revenue growth in FY21.



Investment in assets to facilitate remote selling - B2B in NZ and both B2B and B2C in SA.



H1 FY21 results will include some benefits from blending logistics and cross selling in NZ between NTAW and T4U.

Outlook – Australian Operations



Obvious headwinds and risks from the pandemic but the industry is proving to be resilient. Most Asian suppliers have advised that import prices will rise 1-3% over coming months. Shipping delays from China are affecting all tyre and wheel importers, including NTAW.



Agricultural conditions, truck movements and domestic travel providing tailwinds. Consumer demand remains difficult to predict.



Increased near sourced supply and Statewide expansion driving revenue growth in FY21.



T4U's Q4 FY20 EBITDA run rate has essentially been maintained.



H2 of FY21 will include a re-organisation and integration of T4U and other NTAW businesses.

NTAW & T4U Australia – A Platform for Growth



Post T4U purchase strategic review concludes that re-organisation and integration will best serve the interests of all stakeholders – employees, customers, suppliers, shareholders and communities.



Key objectives – retain people, customers and suppliers while enhancing our ability to deliver outstanding customer experiences and accessing other economies of scale (e.g. logistics).



Organise NTAW into business units focused on market segments in which we can achieve a leading position - top 3 by share of market segment.



Invest in systems (including a Group-wide ERP system) and human resources to serve the business units. Blend duplicated warehouse and logistics operations.

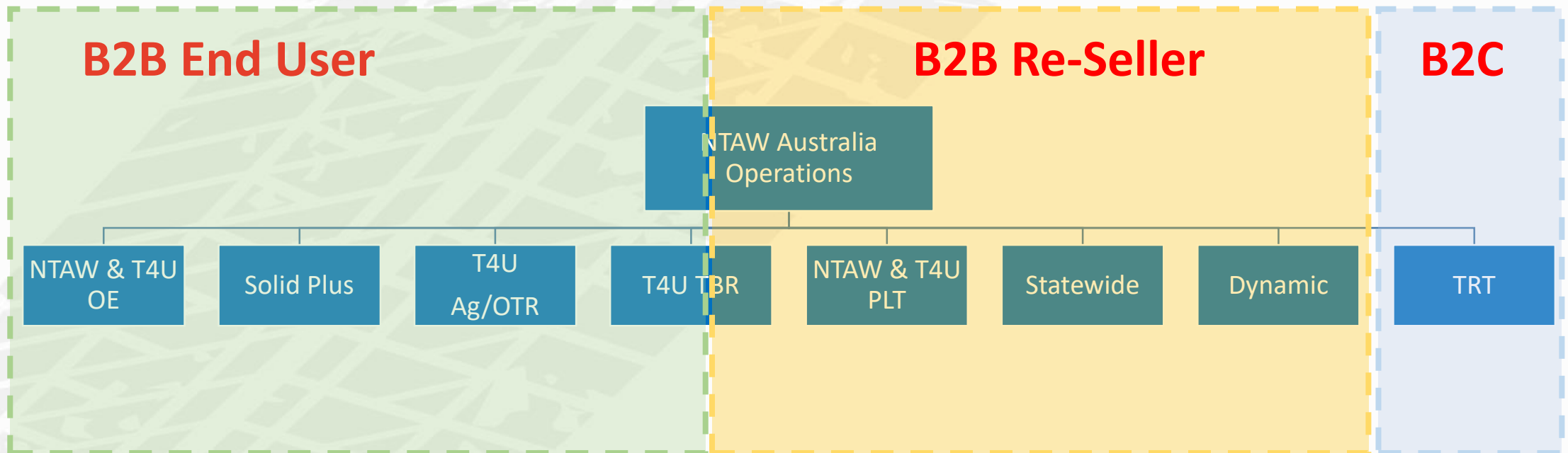


Seek expressions of interest from private and trade parties in re-capitalising and growing the Tyreright retail network (process to commence in Q3 of FY21).

Building a New Growth Platform

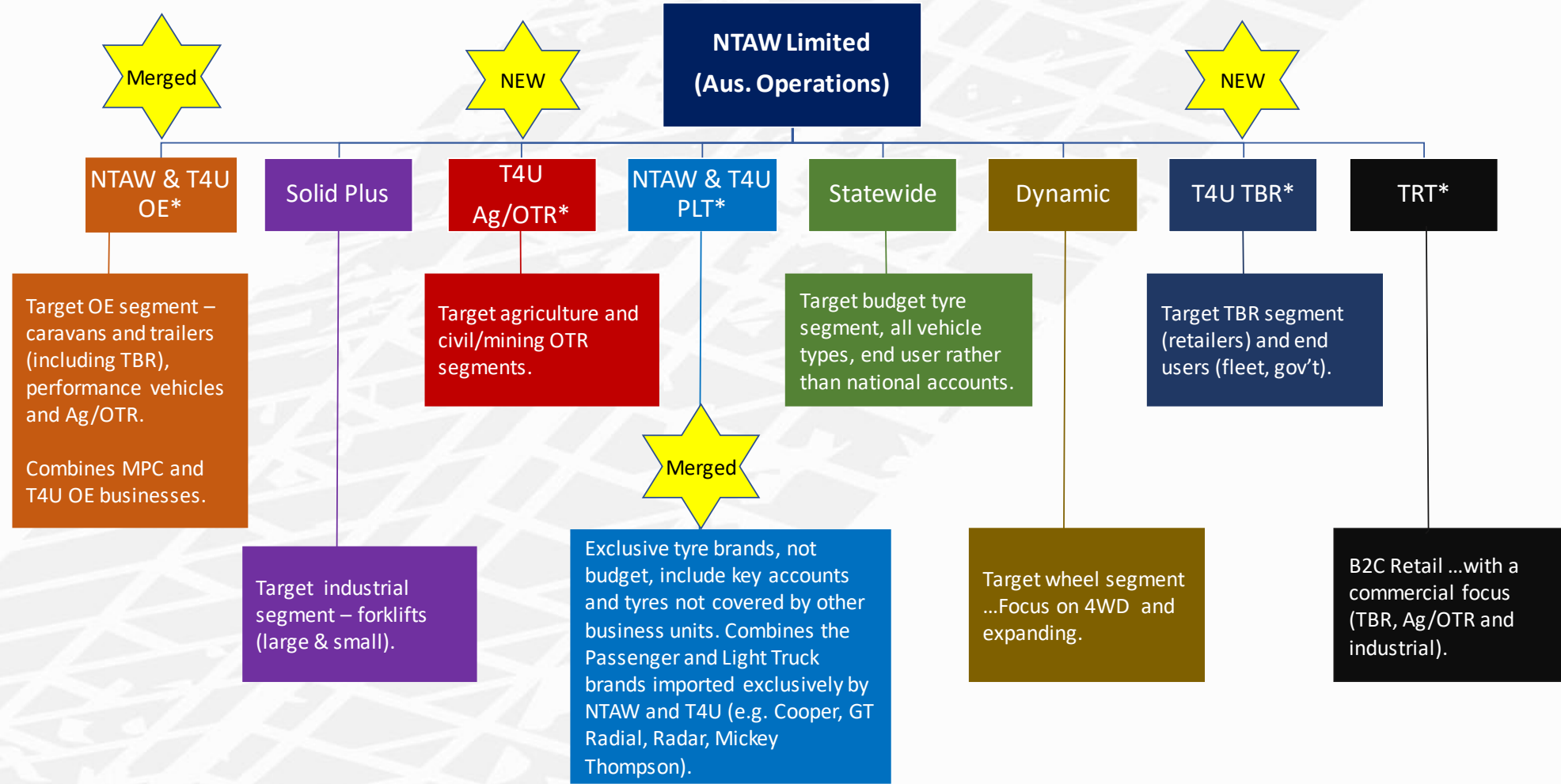


Outstanding Customer Experiences that recognise customer differences.



Note – TRT includes some B2B customers (e.g. truck and government fleets)

Growth Platform – Business Units

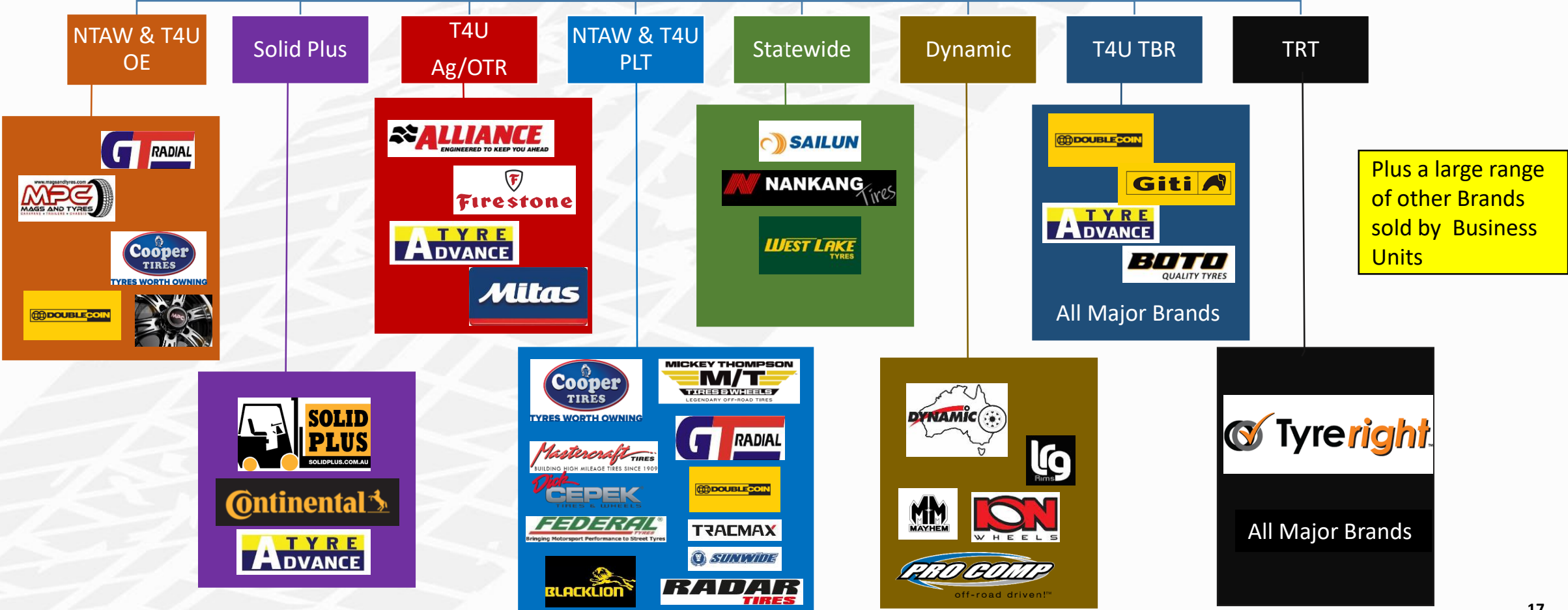


* "OE": Original Equipment, "Ag/OTR": Agricultural and other off the road tyres, "PLT": Passenger, SUV, 4WD and light truck tyres, "TBR": Truck and bus, & "TRT": Tyreright retail stores.

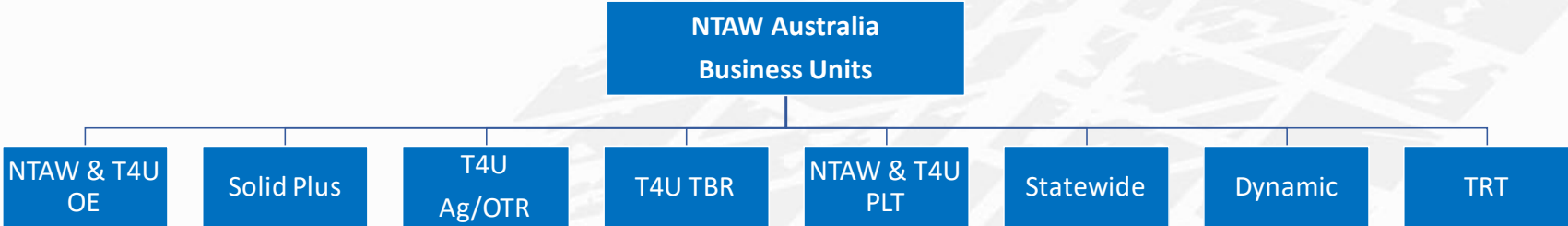
Growth Platform – Exclusive Brands



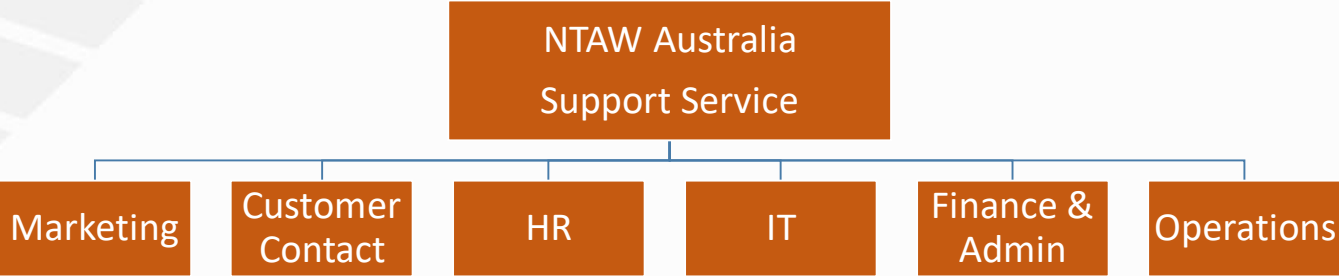
NTAW Limited
(Aus. Operations)



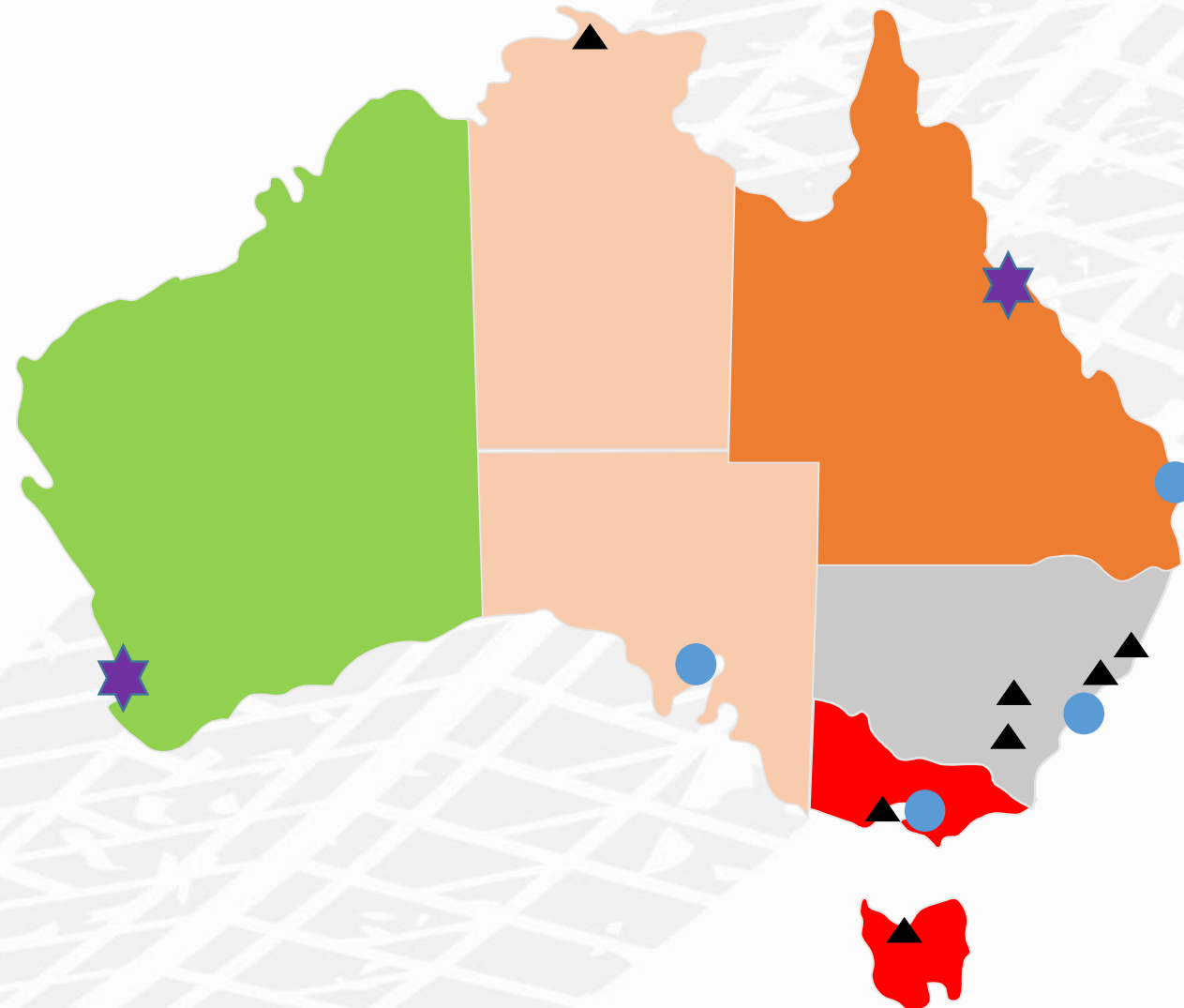
Growth Platform – Shared Services



Shared Services & Customer Service Infrastructure



Growth Platform – Logistics Rationalised



- Business Unit Head Office & Warehouse
- ★ Regional Office & Warehouse
- ▲ Territory Branch & Warehouse

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

By the end of FY22 we expect to reduce occupancy costs by up to \$2.5m.

Growth Platform – Key Milestones



Q2
FY21



Stakeholder engagement – employees, customers, suppliers.



Business planning, systems specifications, business service resourcing, HR decisions, recruitments. Seek expressions of interest in Tyreright.



System building, logistics integration, launch new business units.



Progressively capture synergies – cross selling, new business, cost savings and service infrastructure sharing.

Q1
FY22



All business units launched and operational. Customers interacting seamlessly with all Business Units within a NTAW ecosystem. Shared supporting services all functioning.

Outlook – Growth Platform Impact



We have updated H1 FY21 Operating EBITDA guidance to a range of \$11.5m to \$12.5m. H2 forecasts will be reconsidered after H1 results and progress with the business re-organisation.



FY21 financial results expected to continue H1 trajectory, subject to any non recurring re-organisation costs and unforeseen economic conditions arising from the pandemic.



Post re-organisation, we fulfill our promise to deliver outstanding customer experiences and continue supporting our suppliers.

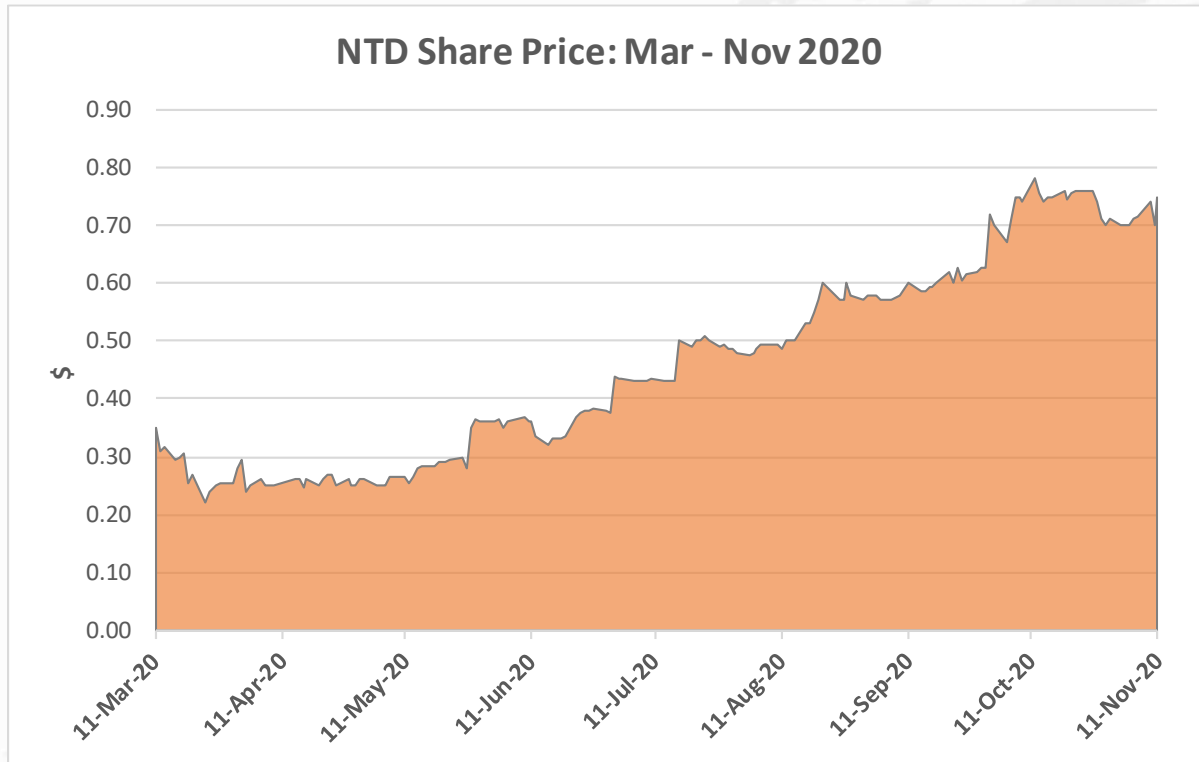


Targeting volume and revenue growth ... customers access an unparalleled array of goods and value adding services from dedicated, focussed teams reinforced by group loyalty programs. Full year cost and revenue synergies (in addition to occupancy cost savings) in FY22 will be calculated as the re-organisation occurs. We are presently estimating these synergy benefits to be between \$3-5m in FY22.

Outlook – Shareholder value



National Tyre & Wheel Limited
ASX: NTD



Shares issued as part of the T4U acquisition increased issued share capital to 114,207,216 shares.

Group debt facilities include a Net Working Capital facility consisting of borrowings against supplier invoices (“NWC Debt”), term debt, an overdraft facility, a contingent liability facility, an asset purchase facility and a credit card facility.

Total net debt is the sum of these facilities (except the contingent liability facility) less uncommitted cash.

On 31 October 2020,

- the drawn NWC Debt represented 16.3% of net working capital;
- Cash on hand was \$28.6m;
- Total Debt was \$41.4m; and
- Total Net Debt was \$12.8m, with a net debt to equity ratio of 16%.
- Assuming the H1 FY21 Operating EBITDA guidance of \$11.5m is annualised, Total Net Debt to EBITDA would be 0.6 times at the end of FY21 (assuming total net debt remains constant).

Thank You



Considering the disruption caused by the pandemic, the Company's performance in FY20 was very gratifying. The resilience shown by the industry and the Company, the arrival of benefits from various strategic initiatives and the Tyres4U acquisition present an enticing mix of opportunities.

In dealing with the pandemic, we have sought help from, and provided help to, our suppliers and customers. Important relationships have been tested and found to be rock solid. Normal commercial imperatives were sometimes suspended as parties rallied to support each other. The memories of this behaviour will surely endure.

Life could hardly have been more difficult for our employees. We will no doubt reflect on the pandemic as a watershed moment when we substantially raised the level of care and collegiality within the organisation. By doing so, we have not had a positive Covid case amongst our employees, avoided lay-offs and kept the businesses operating to deliver a solid result.

I'm honoured to be working with the NTAW cohort and every employee should be extremely proud of what they achieved in very difficult circumstances.

Laura Fanning has guided us as our Company Secretary since the IPO in December 2017. We had much to learn about being a publicly listed company and Laura has been a very patient and enlightening tutor. Laura is leaving us at the end of this month and, on behalf of everyone, because her work truly touches everyone, I say thank you very much indeed for a job brilliantly done.

I extend a hearty thank you to all our stakeholders – suppliers, employees, customers and shareholders for the support and encouragement we have received. We increasingly think of NTAW as a thriving ecosystem and all stakeholders contribute the well being of that ecosystem.