Financial Results

Six Months to 31 December 2018

27 February 2019

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Results Highlights

- H1 Result consistent with November Guidance
- H1 Revenue of $83.8m – Group (including Statewide in the pro forma) down ≈ 1% vs the prior corresponding period (PCP)
- H1 GP = 30.1% (compared to 32.9% in pro forma H1 FY18)
- Group unit sales (including Statewide in the FY18 pro forma) down ≈ 1% PCP
- H1 EBITDA = $6.8m ($6.4m after adjusting for unrealised FX gain). PCP = $8.0m
- H1 NPATA = $4.4m (compared to $5.0m in pro forma H1 FY18).

Results Highlights

- Balance Sheet strong with net assets of $68.8m
- Inventory build ahead of import price rises and for new products
- Net debt of $0.4m (lower than PCP) due to inventory build
- M&A activity on hold to focus on core businesses
- H2 employee expense reduction by restructuring call centre and sales team in February, 2019 (nominal impact in H2 and ≈ $0.4m in a full year all other things being equal)
- H1 dividend of 1.25c per share (fully franked) declared.

Summary of Results

$'000	Pro-Forma	Statutory	
	Actual	Actual	Actual
	H1 FY2018	H1 FY2018	H1 FY2019
Sales revenue	75,375	66,567	83,591
Cost of sales	(50,606)	(44,784)	(58,444)
Gross profit	**24,769**	**21,783**	**25,147**
Other revenue	109	6	230
Employee benefits expense	(8,429)	(9,998)	(9,091)
Advertising & promotions	(3,066)	(2,483)	(3,398)
Occupancy expense	(1,877)	(1,845)	(2,144)
Other expenses	(3,552)	(5,219)	(3,911)
EBITDA	**7,954**	**2,244**	**6,833**
Depreciation	(354)	(338)	(375)
Amortisation of intangibles	(770)	(610)	(931)
EBIT	**6,830**	**1,296**	**5,527**
Share of net profit of associate	-	133	-
Interest (net)	(171)	(153)	(277)
Profit before tax	**6,659**	**1,275**	**5,250**
Income tax expense	(2,145)	(1,297)	(1,402)
NPAT	**4,514**	**(22)**	**3,848**
Non-controlling interests	(173)	(616)	(231)
NPAT attributable to NTAW	**4,341**	**(638)**	**3,617**
Amortisation [addback]	680	568	797
NPATA attributable to NTAW	**5,021**	**(70)**	**4,414**

Note: The H1 FY18 pro forma was prepared to show the financial position of all operating entities (other than Statewide) and the Group as if those operating entities were wholly owned by NTAW during the relevant period.

Comments

- H1 FY19 results represents six months trading for all entities in the NTAW group.
- H1 FY19 gross profit margin lower than the prior period due to discounting and increased import prices flowing from less favourable exchange rates and supplier price rises.
- H1 FY19 marketing expenses higher than prior period due to new product launches.
- EBITDA attributable to NTAW excludes non-controlling interests. The non-controlling interest represents the residual 50% interest in Top Draw held by the Top Draw Vendors (Top Draw now trades as Tyrelife Solutions)
- Pro forma H1 FY18 results exclude any contribution from Statewide.
- The amortisation of finite life intangibles relates to customer relationships and importation rights. The amortisation expense is based on an average useful life of between 5 and 12 years. The add-back to NPAT is presented on a tax-effected basis.
- NPATA excludes non-controlling interests, attributable to NTAW shareholders adjusted for amortisation.

Balance Sheet & Key Operating Metrics

$'000	H1 FY19 Actual 31 December 2018	FY18 30 June 2018
Current assets		
Cash and cash equivalents	13,580	19,608
Receivables	20,530	25,900
Inventories	52,532	47,754
Other assets	2,049	2,242
Total current assets	88,691	95,504
Non-current assets		
Property, plant and equipment	3,925	3,917
Intangible assets	21,237	2,2167
Deferred tax assets	285	4
Total non-current assets	25,447	26,088
Total assets	114,138	121,592
Current liabilities		
Payables	26,586	35,018
Borrowings	1,857	1,615
Provisions	3,203	3,107
Current tax liabilities	0	1,069
Total current liabilities	31,646	40,809
Non-current liabilities		
Borrowings	12,088	12,820
Deferred tax	286	0
Provisions	1,338	1,300
Total non-current liabilities	13,712	14,120
Total liabilities	45,358	54,929
Net assets	68,780	66,663
Equity		
Issued capital	65,150	64,761
Reserves	18	(215)
Retained earnings	290	(974)
Equity attributable to owners of NTAW	65,458	63,572
Non-controlling interests	3,322	3,091
Total equity	68,780	66,663

Comments

- **Cash and cash equivalents –** The Group has cash of $13.6 million at 31 December 2018 down from $19.6 million at 30 June 2018 (see page 7).
- **Inventory –** Temporary increase in inventory to build stock of new products and purchase ahead of supplier price rises.
- **Receivables** – lower due to the weaker than expected sales in October and the shorter December trading period.

Net Debt at 31 December 2018 of $0.4 million.

	Pro forma Actual H1 FY2018	Statutory Actual FY2018	Statutory Actual H1 FY2019
Number of tyres sold	380,264		486,112
Gross profit margin	32.90%	32.70%	30.10%
Operating costs as % of total revenue	22.10%	29.40%	22.20%
EBITDA margin	11.00%	3.37%	8.20%

Cash Flow

$'000	H1 FY19 Actual 31 December 2018	H1 FY18 Actual 31 December 2017
Profit/(loss) after income tax expense for the half-year	3,848	(22)
Adjustments for:		
Depreciation and amortisation	1,306	948
Write off of non-current assets	(61)	9
Share-based payments	0	2,657
Bad debts	0	10
Foreign exchange differences	166	(258)
Change in operating assets and liabilities:		
Decrease in trade and other receivables	5,370	3,712
Decrease/(increase) in inventories	(4,778)	1,102
Decrease/(increase) in deferred tax assets	290	(798)
Decrease/(increase) in prepayments	397	(134)
Decrease in trade and other payables	(8,432)	(5,630)
Decrease in provision for income tax	(1,421)	(17)
Increase in other provisions	134	122
Decrease in other operating liabilities	0	(38)
Net cash from/(used in) operating activities	(3,181)	1,663

Comments

- **Receivables** – lower due to weaker than expected sales in October and the shorter December trading period.
- **Inventory** – Increase resulting from stocking new products and purchasing ahead of supplier price rises. Inventory will reduce to normal levels in H2.
- **Payables –** Supplier purchases reduced in Q2 in line with inventory build up.
- **Net cash from operating activities** – return to positive as inventory reduces.

Share price and market capitalisation

Market Cap at ≈ $46m @ $0.45 per share (based on closing price on 22 February, 2019)

Net assets at 31 December 2018 = $68.8m

NTD Share Price

National Tyre & Wheel – Strong Foundations

- Specialised brand building business focused on tyre & wheel importing and distribution
- Leading position in 4WD/SUV tyres, steel wheels & OEM wheels and tyres to caravan manufacturers
- Long term history of earnings and dividends
- Track record of organic growth and successful M&A – targets have similar customers, suppliers and operating systems
- Future growth to be driven by organic strategies, geographic expansion and M&A opportunities
- Established national distribution footprints in Australia, New Zealand and South Africa
- Low customer concentration. Exclusive long term supplier relationships

Experienced Management Team & Board

Peter Ludemann
Chief Executive Officer and Managing Director

- CEO since 2013 as NTD grew, diversified and listed on ASX
- M&A background, successful integration of 6 key acquisitions since 2013

Murray Boyte
Chairman

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

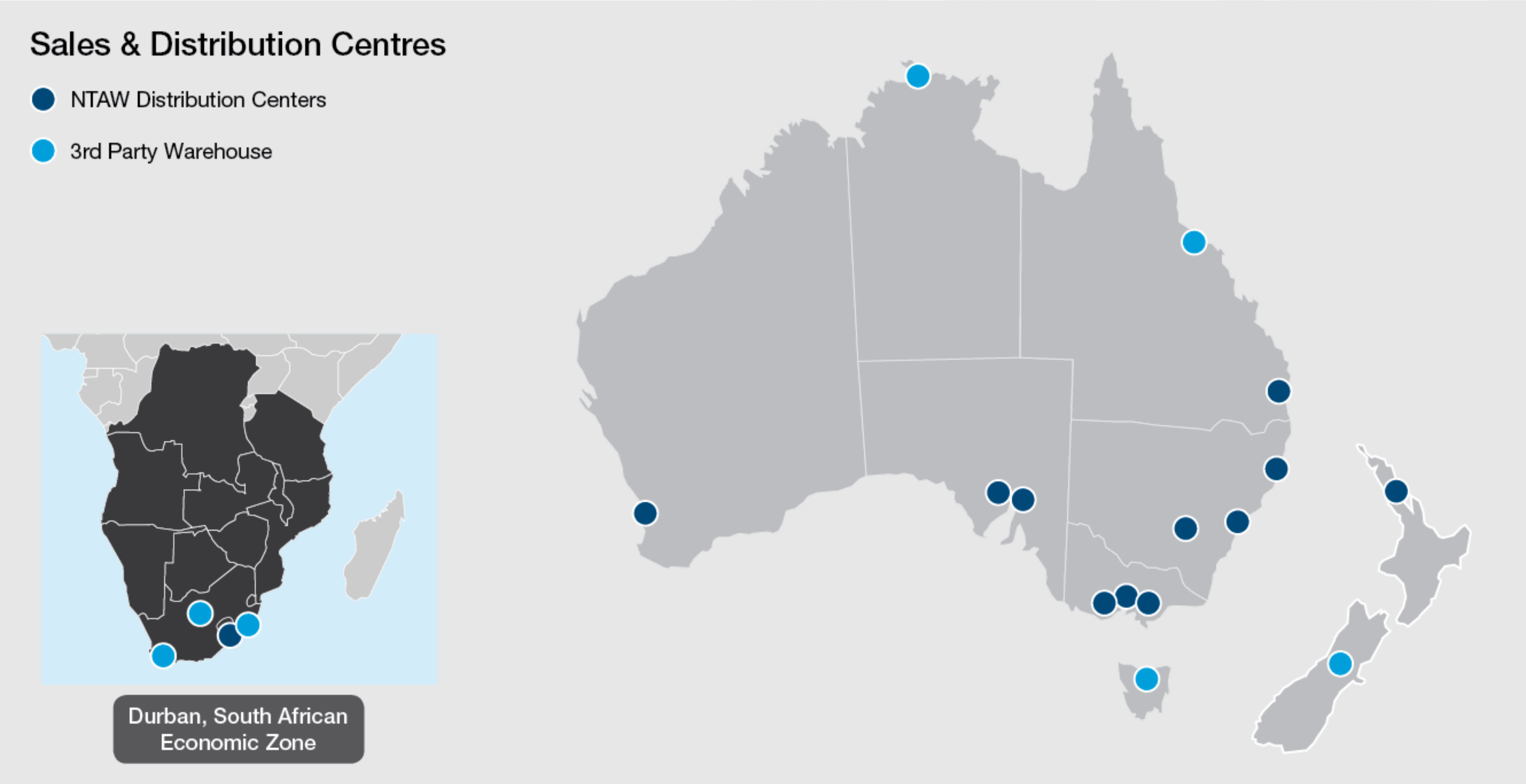
Jason Lamb
Chief Financial Officer and Company Secretary

- CFO for 10 years
- Integral part of NTD senior management

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.

Extensive Distribution Platform – Strong Foundations



- Senior Management team with over 200 years combined tyre and wheel industry experience
- Over 200 employees in 3 countries
- 12 Distribution Centres operated by NTAW
- 7 Warehouse operated by 3rd parties

A diversified tyre and wheel wholesaler

National Tyre & Wheel

Exclusive **Tyre Distributors** *Building Leading Brands*

TYRELIFE SOLUTIONS

STATEWIDE TYRES

DYNAMIC Wheel Co.

www.magsandtyres.com MPC MAGS AND TYRES CARAVANS • TRAILERS • CHASSIS

New Zealand | Australia | South Africa | South Australia

Hottest and toughest

Building Leading Brands – Tyres

- Exclusive importer and distributor of
  - Cooper and Mickey Thompson 4WD, SUV and passenger tyres in Australia, New Zealand and South Africa
  - All Federal tyres in Australia (ex Qld) and New Zealand
  - Mastercraft, Dick Cepek and Starfire tyres in Australia and New Zealand
- Strong growth in new markets – Cooper passenger range launched in 2016, Mickey Thompson in South Africa in 2017. New products launched 2018 (AT3) and 2019 (ATT) in Australia, NZ and South Africa
- 360° Customer Loyalty Program driving growth for ETD Australia and New Zealand. Tapping into new consumer pathways with "Man in the Tyre" and TCC campaigns. Tyrelife launched the Dynamix loyalty program in February.
- Access to the profitable budget tyre segment via Statewide
- Diversified and low concentration customer base covering the field of tyre and wheel retailers

Exclusive Tyre Distributors – Building Leading Brands

Australia | New Zealand

TYRELIFE SOLUTIONS

South Africa

Building Leading Brands – Wheels & MPC

- Dynamic – specialising in steel wheel importing and distribution in Australia and New Zealand, with Tyrelife launching in South Africa in H2
- MPC – specialising in OE solutions for caravan and trailer manufacturers in Australia
- Proprietary brands (Dynamic and MPC) and product designs
- Strong growth in new markets – Dynamic spreading in Australia, NZ and South Africa from established footprints in Vic & Qld; MPC targeting new trailer segments
- Founders still managing the businesses
- Dynamic has low customer concentration and a diversified customer base covering most tyre retailers
- MPC is the leading business in OE tyre and wheel solutions for Australian caravan manufacturers

Hottest and toughest

Trading and operations year to date

During H1 the Group experienced tough trading conditions. Gains made from sales growth in wheels, all product categories in NZ , OE equipment (MPC), passenger and all terrain tyres (in Australia) have been offset by difficult conditions for large 4WD products (Australia), all terrain tyres (South Africa) and budget tyres (Australia). SUV tyre sales are below expectations.

Results have been affected by the following factors:

- Sluggish consumer demand in Australia and South Africa
- Atypical import price rises (arising from raw material costs increases and unfavourable FX movement) where competitors are, apparently, less affected
- Consumer preferences moving away from heavy duty 4WD products to lighter duty variants
- Complexities within the SUV market, notably lack of clarity around vehicle and tyre purchasing behaviour
- Intense price competition, compounding the impact of apparently atypical higher import prices
- Product changes in South Africa as a key existing product was discontinued.

On the other hand, the following factors have had a positive impact on results:

- Wholesale price realignment in November 2018
- We are working with key suppliers to improve price competitiveness
- New product launches – especially the Cooper AT3 and ATT in all regions as well as wheels in NZ and South Africa
- New customer growth in ETD Australia
- A new customer loyalty program “Dynamix” launched in South Africa
- The TCC and 360 Partner programs in Australia and NZ

Trading and operations year to date

Recognising that pressure on gross profit will continue in H2, ETD Australia in February re-organised its customer service/call centre activities and sales teams in Queensland and New South Wales, along with some other staff. The resulting redundancies will reduce the employee costs of that business by about $0.4m per annum (all other things being equal), after allowing for the cost of ETD Australia's new COO.

Mr Colin Skead will join ETD Australia as COO on 18 March 2019. Mr Skead has had a long and impressive career in management with Brickworks, Laminex and, most recently, building services and materials firm EGR.

Guidance issued in November assumed that H2 marketing expenditure would be less than H1 due to reduced activity and timing differences. New marketing plans have been developed, particularly following the delivery of the new Cooper ATT product which has exceeded quality and value expectations. We are now planning to spend more on marketing activities than we assumed in our November guidance. We consider additional investment in marketing will better serve long term objectives than holding back expenditure in the pursuit of shorter term profitability. Some of the revived marketing expenditure will be covered by employee cost savings that will accrue in H2.

Business in South Africa was adversely affected by FX movements and the cancellation of a key product (the AT3 Sport). Over the past month, we have been launching the AT3 4S and the ATT in South Africa and we are optimistic that the negative impact of product unavailability in H1 will be more than reversed in H2.

Statewide's performance has been adversely affected by market conditions. Work on operating efficiency and cross selling within the group continues and is expected to improve Statewide performance in H2.

Outlook

H2 Outlook.

- Revenue guidance of $170-180m for FY19 might be exceeded if we achieve improved performance from ETD Australia (SUV push, customer growth), Tyrelife (South Africa) (new products), Statewide (procurement gains) and MPC (new customers). The result will be better if sell out prices rise which could happen if there is a broader rise in market prices.

- We expect gross margin (%) will remain under pressure from higher import prices and discounting to maintain competitiveness unless and until other suppliers raise prices. Gross margin may be lower than previous guidance of 29.3% and we will rely on higher volumes from marketing and sales initiatives to increase GP.

- With uncertainties in relation to market conditions (see page 14), pressure on GP, new marketing plans/initiatives being executed and after including historical phasing between H1 and H2, FY19 Group EBITDA is now expected to be $14.5m to $15.5m.

Longer term outlook

- We are working with suppliers to improve supply chains, including sourcing products from lower cost regions to ameliorate the impact of atypical import price rises

- Investments in new products and segments (especially the SUV segment in Australia, customer growth in Australia and South Africa as well as Wheels in NZ and South Africa) are designed to deliver growth to offset the impact of lower GP.

- Deferring M&A discussions for next few months is not expected to result in lost opportunities.

FY19 Key Activities

ETD SUV push and the ATT launch	H2
Revenue synergies (all Group Businesses)	Ongoing
Dynamic wheels in South Africa	H2
Tyrelife – new products	H2
ETD Australia new COO	March
MPC customer growth	Ongoing
ETD key customer co-op promotions	March/April
ETD NZ promotions	May/June
Statewide improvement initiatives	H2

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Questions

Thank you