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ASX Announcement

26 August 2019

FY19 Investor Presentation - Correction

National Tyre & Wheel Limited (ASX: NTD) ('NTAW') advises that the FY19 Investor Presentation released to the market this morning contains a minor error on page 4.

The second box on that page should read:

"FY19 NPATA: \$7.97 million compared to FY18 Pro Forma NPATA of \$10.7 million".

The reference to EBITDA has been amended.

An amended version of the FY19 Investor Presentation is attached.

ENDS

For further information, please contact:

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Exclusive
Tyre Distributors
Building Leading Brands



Financial Results

2019 Financial Year



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.
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Results Highlights



* Underlying EBITDA for FY2019 is \$13 million after adjusting for unrealised foreign exchange gains, share based payment expense on gifted shares and one off due diligence costs



FY19 EBITDA of \$12.8 million* (ahead of May 2019 guidance)



Volumes adversely affected by negative consumer sentiment, with impacts particularly felt by premium products.



Gross margin (%) lower due to higher import prices (FX and raw materials) and intense price competition.



Balance Sheet remains strong – net cash: \$6.2 million



Final Dividend of 2.05 cents per share and a Special Dividend 1.5 of cents per share declared, taking the full year dividend to 4.8 cents per share. All dividends are fully franked.

Financial Results



FY19 EBITDA: \$12.8 million compared to FY18 Pro Forma EBITDA of \$16.9 million



FY19 NPATA: \$7.97 million compared to FY18 Pro Forma NPATA of \$10.7 million.



FY19 Revenue (including Statewide): \$168.4 compared to FY18 Pro Forma (excluding Statewide): \$153.4 million



FY19 gross margin: 28.8% compared to FY18 gross margin: 32.6%



At 30 June 2019 net assets; \$70.7 million, net tangible assets: \$50.4 million, working capital at normal levels.

Summary of Results



| \$'000 | Pro Forma | Statutory | |
|-----------------------------------|---------------|---------------|---------------|
| | Historical | Actual | |
| | FY2018 | FY2018 | FY2019 |
| Sales revenue | 153,402 | 146,158 | 168,376 |
| Cost of sales | (103,324) | (98,507) | (119,958) |
| Gross profit | 50,078 | 47,651 | 48,418 |
| Other revenue | 227 | 11 | 43 |
| Employee benefits expense | (16,826) | (18,357) | (18,088) |
| Advertising & promotions | (5,761) | (5,094) | (5,813) |
| Occupancy expense | (3,749) | (3,657) | (4,410) |
| Other expenses | (7,029) | (9,166) | (7,329) |
| EBITDA | 16,940 | 11,388 | 12,821 |
| Depreciation | (707) | (696) | (774) |
| Amortisation of intangibles | (1,639) | (1,431) | (1,854) |
| EBIT | 14,594 | 9,261 | 10,193 |
| Share of net profit of associate | - | 133 | - |
| Interest (net) | (357) | (339) | (542) |
| Profit before tax | 14,237 | 9,055 | 9,651 |
| Income tax expense | (4,496) | (3,700) | (2,975) |
| NPAT | 9,741 | 5,355 | 6,676 |
| Non-controlling interests | (427) | (878) | (286) |
| NPAT attributable to NTAW | 9,314 | 4,477 | 6,390 |
| Amortisation [addback] | 1,426 | 1,280 | 1,577 |
| NPATA attributable to NTAW | 10,740 | 5,757 | 7,967 |

- FY2019 revenue of \$168.4 million was ahead of the range provided in the May 2019 trading update. FY2019 gross margin for group was 28.8% at the lower end of its historical range.
- Underlying EBITDA was \$13 million after adjusting for unrealised foreign exchange gains, share based payment expense on gifted shares and one off due diligence costs.
- Employee benefit expenses include \$40k in bonuses to key management personnel. No other STI bonuses were paid for FY2019 as targets for that year were not achieved. All LTI options issued in relation to FY2019 will lapse without vesting as hurdles were not met.
- The forecast income tax rate applicable to NTAW is approximately 31%, which is equivalent to the Australian corporate tax rate adjusted for permanent differences.
- NPATA 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)
- 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 | Balance Sheet | |
|---|-------------------------------|-------------------------------|
| | FY2019 Actual 30 June 2019 | FY2018 Actual 30 June 2018 |
| Current assets | | |
| Cash and cash equivalents | 19,554 | 19,608 |
| Receivables | 24,679 | 25,900 |
| Inventories | 48,563 | 47,750 |
| Other assets | 1,517 | 2,242 |
| Total current assets | 94,313 | 95,500 |
| Non-current assets | | |
| Property, plant and equipment | 3,579 | 3,917 |
| Intangible assets | 20,313 | 22,167 |
| Deferred tax assets | - | 4 |
| Total non-current assets | 23,892 | 26,088 |
| Total assets | 118,205 | 121,588 |
| Current liabilities | | |
| Payables | 29,425 | 35,014 |
| Borrowings | 2,040 | 1,615 |
| Provisions | 3,192 | 3,107 |
| Current tax liabilities | - | 1,069 |
| Total current liabilities | 34,657 | 40,805 |
| Non-current liabilities | | |
| Borrowings | 11,295 | 12,820 |
| Deferred Tax | 152 | - |
| Provisions | 1,357 | 1,300 |
| Total non-current liabilities | 12,804 | 14,120 |
| Total liabilities | 47,461 | 54,925 |
| Net assets | 70,744 | 66,663 |
| Equity | | |
| Issued capital | 65,271 | 64,761 |
| Reserves | 185 | -215 |
| Retained earnings | 1,911 | -974 |
| Equity attributable to owners of National Tyre & Wheel Limited | 67,367 | 63,572 |
| Non-controlling interests | 3,377 | 3,091 |
| Total equity | 70,744 | 66,663 |

Comments

- The Group had cash of \$19.55 million at 30 June 2019 up from \$13.6 million at 31 December 2018.
- Net cash of \$6.2 million up from \$5.2 million at 30 June 2018.
- Net tangible assets per ordinary share up 12.7% to 49 cents at 30 June 2019 from 43 cents at 30 June 2018.
- NTAW's working capital position at 30 June 2019 improved from December 2018 as inventories returned to normal levels.



Net Cash at 30 June 2019 of \$6.2 million.

| | Pro Forma | Statutory | |
|---------------------------------------|-----------|------------------|------------------|
| | FY2018 | Actual FY2018 | Actual FY2019 |
| Number of tyres sold | 776,123 | | 982,696 |
| Gross profit margin | 32.6% | 32.6% | 28.8% |
| Operating costs as % of total revenue | 21.8% | 24.8% | 21.2% |
| EBITDA margin | 11.0% | 7.8% | 7.6% |

FY19 Market Conditions & NTAW Response



The Group has been executing various projects to ameliorate negative consequences of anticipated changes in market conditions (e.g. the rise of SUV vehicles, the growing number of 4WD tyre choices). The FY2019 result was adversely affected by changes to market conditions that were not anticipated and made the existing environment more difficult, especially negative consumer sentiment, higher import prices and further reductions in industry margins.

In FY2020 the Group will focus on responding to changes in market conditions by accelerating existing projects and executing new initiatives to return to historical organic growth rates and margins over the next two years.

The following tables describe the market conditions that contributed to the FY2019 result and the Group’s response to those conditions.

| Market Conditions | NTAW Response |
|--|--|
| <p>Import prices rose with AUD falling 10% against the USD and factory prices rising with the increased cost of some raw materials (especially carbon black). US sourced products were more affected than other countries. Competitors, to varying and unusual degrees, elect to absorb higher import costs. Global surplus capacity continues and Australian tyre inventories grow faster than demand putting pressure on prices.</p> | <p>Wholesale price rises in November ‘18 and July ‘19 helped improve otherwise low margins but, to preserve competitiveness, they did not cover all increases in COGS. Seeking assistance from suppliers (with limited success in FY2019). Accelerated discussions to source products from Asia at lower import prices. Shifting promotional focus to brand building rather than unprofitable discounting or “call to action” campaigns. Restructuring sales teams, with some reduction in employee costs.</p> |
| <p>Negative consumer sentiment with sales of premium products, in particular, affected adversely . Changing consumer preferences – demand for premium mud tyres shifting to all terrain and rugged terrain tyres, with challenges exacerbated by the wide array of 4WD tyres now available with various price/quality levels.</p> | <p>Accelerating work with suppliers to develop new products that will capture consumers interested in the rugged terrain category. Advanced discussions with suppliers of new products at a lower price point than premium products. More cross selling amongst Group businesses of products in different value segments. The NTD group introduced five new products in FY2019, four more are committed for FY2020, with another three products under development and likely to be launched in FY2020.</p> |

FY19 Market Conditions & NTAW Response



| Market Conditions | NTAW Response |
|---|--|
| Consumer purchase pathways evolving with online access. Promotional activities covering a wide array of media and other platforms. | Increased investment in technology (communications, online experiences) and recruited customer contact centre specialists. Taking more responsibility for consumer interactions and data gathering. |
| The market share of tyre specialty retail stores (making up almost all of NTD's existing customer base) continues to decline slowly and unevenly (i.e. some specialty stores are still growing at the expense of others). Investment by many stores is too small to meet all the demands of new consumer purchase pathways, media options, data management and content requirements | Enhancing customer loyalty programs, especially value adding benefits that improve customer competitiveness to protect and grow existing relationships as well as expand our customer base. More strategic alliances with other retail distributors have been formed and more are being pursued. |
| The vehicle fleet in Australia and New Zealand continues to shift towards the SUV category. | Completing a SUV consumer segmentation analysis in Australia (based on empirical research). Releasing the new Cooper ATT SUV tyre developed and promoted with the benefit of that segmentation analysis. |

FY2020 – Examples of Response Projects



Some examples of the responses outlined above are:

- Accelerating the pace at which new products are released. In FY2019 the Group released Cooper’s AT3 tyre, the Dick Cepek EXP tyre, Dirty Life Alloy wheels, Dynamic’s Trilogy wheel. FY2020 will see more products outside the premium segment (including, but not limited to, the Cooper Evolution mud tyre, the C7 and C5 passenger tyres, new rugged terrain products and the Momo tyre brand in South Africa);
- The continuing push for a bigger share of the SUV market via the “City Smart Adventure Ready” campaign in Australia;
- The Dynamix warranty registration program in South Africa as well as the Cooper Passport to Adventure and Mates of Mickey Thompson warranty registration programs in Australia. Promotional collaborations with customers in all markets;
- Introducing new wheel products from the Dynamic stable of products to New Zealand and South Africa;
- Expanding the Statewide business into regions beyond South Australia and the NT;
- Various business improvement initiatives, including:
 - Upgrading customer contact centres with new technology and the recruitment of people who specialise in customer contact services;
 - Having field sales teams concentrate more on key accounts and business development;
 - Harmonising financial reporting and enterprise management throughout the Group;
 - Accelerating the movement of inventory; and
 - Increasing the range and depth of value adding services supplied by each business.

Outlook - Operations



The Group is not expecting profit growth in FY2020:

- Market conditions are not likely to improve. In particular, pressure on the supply side (surplus capacity, import pricing from Asia and USA import prices decoupling from Asia together with continued discounting by competitors) as well as sluggish consumer demand (impacting premium products) will continue to affect volume and margins;
- The Group's solutions (new products, near source procurement, operating improvements and accessing new distribution channels) will take time to implement;
- Customer gains and losses are expected as the Group seeks customers willing to distribute an expanded array of products, with the full benefit of the expanded distribution footprint likely to contribute more in FY2021
- Additional costs associated with the accelerated execution of various projects will be incurred in FY2020 but will not generate returns until Q4 of FY2020 and into FY2021

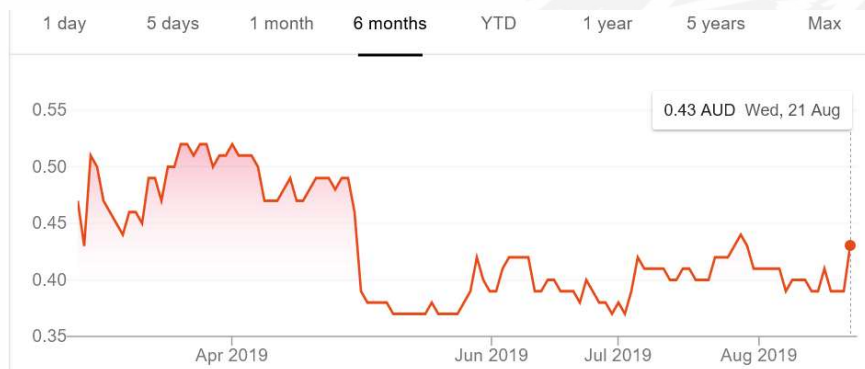
NTAW is therefore treating FY2020 as a year of transition to a broader product and customer base substantially reducing dependency on premium products and positioning all businesses for more robust and sustainable growth after FY2020.

Outlook – Shareholder value



National Tyre & Wheel Limited ASX: NTD

Share price – last 6 months



NTAW's share price fell dramatically in FY2019 as investor confidence was shaken by earnings downgrades.

In FY2020 NTAW will focus primarily on tackling the issues that brought about the deterioration in financial performance in FY2019, seeking to rebuild investor confidence in the process.

The Board continues to consider alternative capital management options. NTAW will pay a final dividend of 2.05 cents and a special dividend of 1.5 cents per share, taking dividends based on the FY2019 financial result to a total of 4.8 cents per share. All dividends are fully franked.

NTAW continues to engage with potential acquisition targets. The market conditions described earlier have adversely affected other industry participants creating a difficult environment for these potential transactions.

In addition, the NTAW Board is reluctant to issue shares as part of an acquisition while shares are trading at a PE ratio well below the ratio considered reasonable when the company listed.

Given market conditions, potential acquisitions would have to pass a very rigorous risk assessment and be capable of execution without distracting management attention from completing essential organic growth projects.



Exclusive
Tyre Distributors
Building Leading Brands



Appendix



Experienced Management Team & Board

- 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
- 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



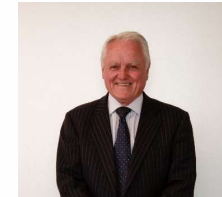
Peter Ludemann
Chief Executive Officer and Managing Director

- CEO since 2013 with stewardship of NTAW expansion into new products and markets, culminating in the 2017 IPO.
- M&A background, successful integration of 5 key acquisitions



Jason Lamb
Chief Financial Officer and Company Secretary

- CFO for 11 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.

Extensive Distribution Platform

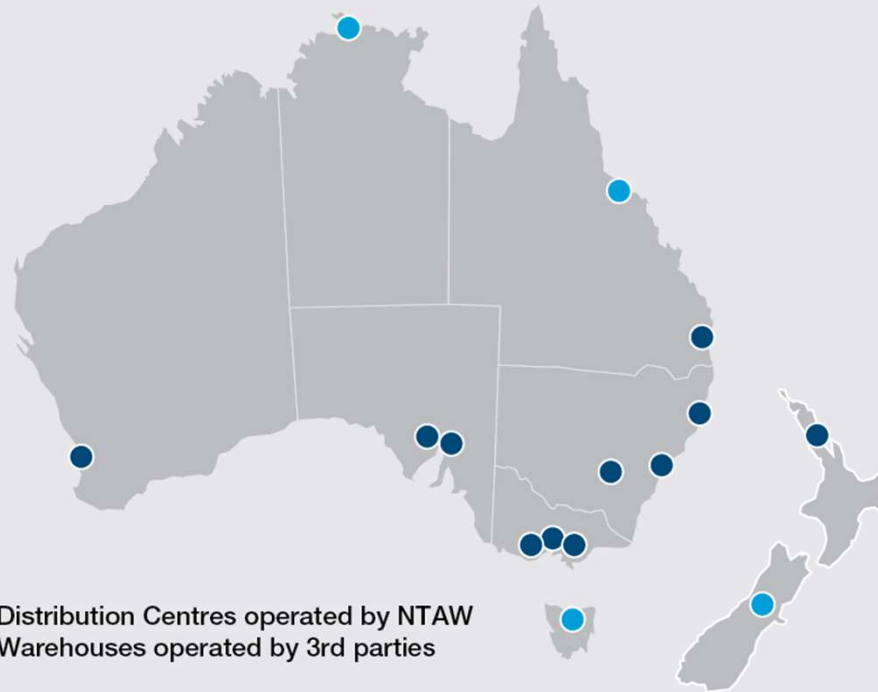


Sales & Distribution Centres

- NTAW Distribution Centers
- 3rd Party Warehouse



Durban, South African Economic Zone



- 11 Distribution Centres operated by NTAW
- 7 Warehouses operated by 3rd parties



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



Over 185 employees in 3 countries

A diversified tyre and wheel wholesaler



Exclusive
Tyre Distributors
Building Leading Brands




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 and wheels in Australia, New Zealand and South Africa
 - All Federal tyres in Australia (ex Qld) and New Zealand (WA is non exclusive)
 - 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.
-  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. Dynamix loyalty program in South Africa.
-  Access to the profitable budget 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

South Africa



TYRES WORTH OWNING



LEGENDARY OFF-ROAD TYRES



Bringing Motorsport Performance to Street Tyres



BUILDING HIGH MILEAGE TYRES SINCE 1909



American Engineered & Tested













Building Leading Brands – Wheels & MPC



- Dynamic – specialising in steel wheels in Australia and New Zealand, with products launched in South Africa in FY19.
- 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 in Australia and NZ from established footprints Vic & Qld; MPC targeting new customers.
- Founders still managing subsidiary businesses.
- Dynamic has low customer concentration and a diversified customer base covering the field of tyre retailers.
- MPC is the leading business in OE tyre and wheel solutions for Australian caravan manufacturers.