



National Tyre & Wheel Limited
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ASX Announcement

3 November 2021

2021 Annual General Meeting and Presentations

National Tyre & Wheel Limited (ASX: NTD) (“NTD” and “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
Managing Director and 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

2021 Annual General Meeting of National Tyre & Wheel Limited (ACN 095 843 020)

3 November 2021

Good morning and welcome to National Tyre and Wheel Limited's virtual 2021 Annual General Meeting.

The 2021 financial year has been a year of significant growth and transformation for your Company. I am pleased to report that National Tyre & Wheel Limited is now the largest independent tyre and wheel importer and wholesale distributor in Australia and New Zealand with a leading market share in multiple industry segments, providing a full service offering of over 100 brands and 50,000 SKUs to over 3,000 customers and has a headcount of over 600 employees.

Your Company generated revenue of \$461.5 million in the 2021 financial year (representing over 2.5m tyres and wheels sold). This activity was converted to a Reported EBITDA of \$46.1 million, which after adjusting for a gain on bargain purchase, one-off acquisition costs, occupancy costs classified as depreciation under AASB 16 and unrealised FX gains, an Operating EBITDA of \$35.7 million was achieved. Your Company's balance sheet is strong with a net debt position of \$16.0 million at 30 June 2021 and a net debt to equity + debt ratio of 11.7%.

The acquisition of the Tyres4U business in August 2020 substantially increased the diversity of NTAW's business, expanding revenue generation from new segments in the tyre and wheel market as well as enabling new distribution channels and new service offerings.

Peter will discuss the 2021 year in greater detail and will articulate your Company's strategy to become the tyre and wheel industry leader in digital transformation.

To better manage the new scale and diversity of NTAW, executive level managers for Innovation & Technology, People & Culture, Marketing and Supply Chain & Logistics were recruited during the year. Along with the existing executive level management, a new leadership group was formed to guide your Company to achieve its vision.

Directors were pleased to declare an interim dividend of 3 cents per share and a final dividend of 5 cents per share (both fully franked), which combined, represents a payout ratio of 43% of FY21 NPATA, which is in line with Company policy.

Earlier this week on 2nd November, your Company completed the acquisition of Black Rubber. This acquisition increases the Group's truck tyre customer base, particularly in the mining and transport fleet segments in Western Australia, and introduces a tyre retreading capability in Western Australia, Queensland and New South Wales. This acquisition was funded by existing cash reserves, increased debt facilities with Commonwealth Bank of Australia and issuing shares in National Tyre & Wheel. Peter will discuss the Black Rubber acquisition in some depth in his presentation.

Your Board and management have worked diligently and constructively during a year of significant change and challenges. We will continue to guide your Company with confidence that recent earnings and shareholder returns can be maintained despite COVID related uncertainty. Your Company is expected to benefit from further organisational initiatives, synergies arising from the Tyres4U acquisition, the overall resilience shown by the tyre and wheel industry over the past 18 months. We will continue to evaluate acquisition opportunities and consider strategic alliances that are beneficial to the National Tyre and Wheel business and its shareholders.

I would like to thank our staff, customers, suppliers and shareholders for the support they have delivered over the past year.

Thank you.



Driving the Future

Managing Director's Presentation





FY21

A Transformative Year

NTAW - Diversity & scale achieved, IPO mission essentially accomplished

Building on a platform of scale and diversity



- National Tyre & Wheel Limited is the largest independent tyre and wheel importer and wholesale distributor in Australia and New Zealand.
- NTAW is a full-service distributor of essential tyres and wheels across segments of the market covering 90% of vehicles with over 100 brands through multiple sales channels.
- NTAW is focussed on distribution as core business and strives for service excellence to add value to customers.
- The Company has been transformed operationally and strategically by the acquisition of Tyres4U in August 2020.
- NTAW now has a scalable distribution network, generating ongoing operating efficiencies and sustaining its competitive advantage.
- The business has achieved strong earnings growth (FY21 EPS of 17.9 cps) with healthy free cash flows (FY21 cash flow from operations of \$22.7m).
- NTAW has a solid balance sheet (net debt to equity+debt of only 11.7% at 30 June 2021) which provides the financial capacity to achieve our growth objectives and reward shareholders.
- The Company has a well-defined growth strategy centred on organic growth, earnings accretive acquisitions and industry-leading digital transformation.
- The Board is focussed on shareholder value, with significant franking credits to pay fully franked dividends (FY21 full year dividend of 8.0 cps).
- The founders of NTAW's businesses remain actively involved and have significant shareholdings in the Company so that shareholders' interests are aligned.

Financial Highlights

Strong result reflects Tyres4U acquisition and growth momentum in existing businesses



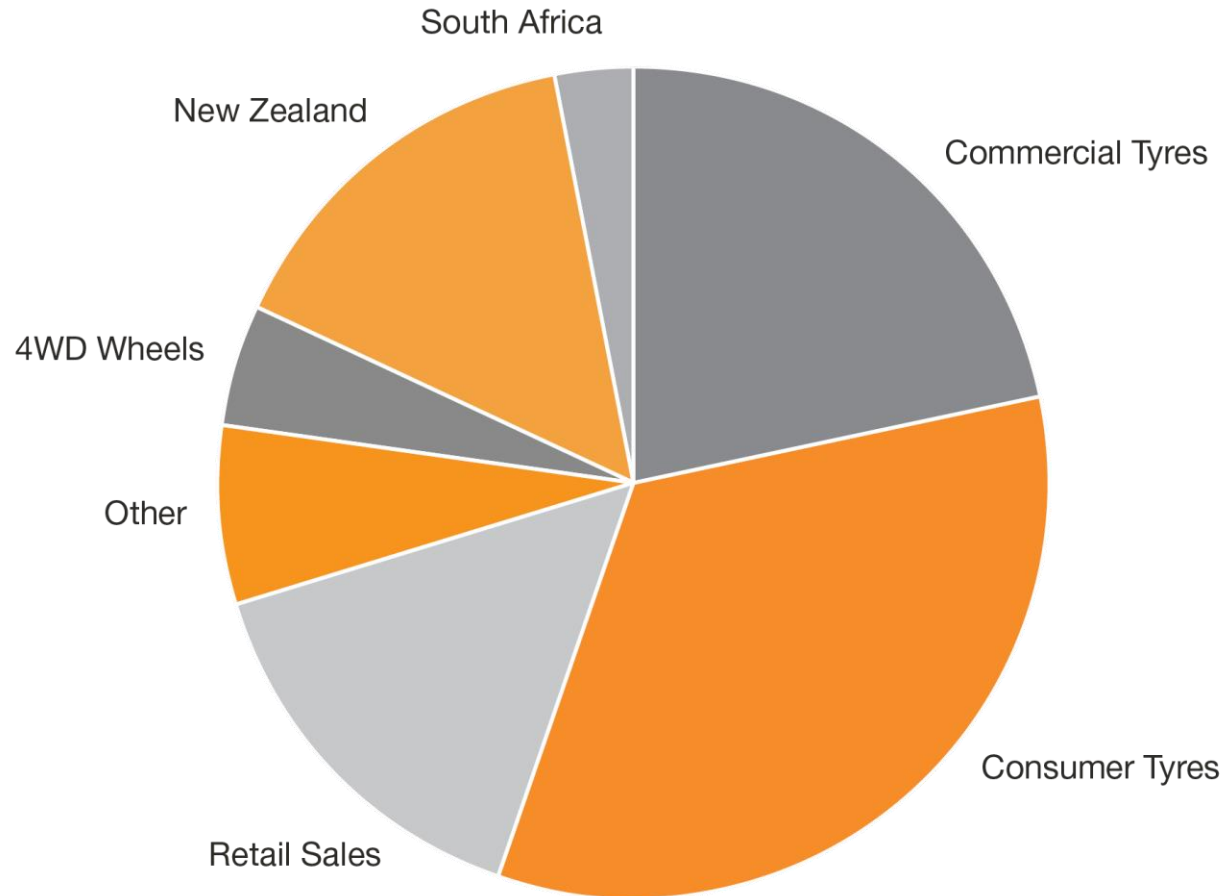
Financial Highlights	FY21	FY20
Gross profit margin	29.8%	26.0%
Operating costs as a % of revenue	19.8%	16.9%
EBITDA (\$ million)	46.1	12.2
EBITDA margin	10.0%	7.7%
NPATA (\$ million)	21.1	5.7
Earnings per share (cents)	17.9	4.4
Dividend per share (full year) (cents)	8.0	1.3
Net debt/(cash) (\$ million)	16.0	(13.6)
Net debt : EBITDA (times)	0.35	n/a
NTA per share (cents)	64.8	49.8
Operating cash flow (\$ million)	22.7	15.5
Interest cover (times)	15.4x	12.0x

NTAW – Diversified businesses & national distribution footprint

Diversified revenue drivers and a wide range of over 3,000 customers



FY21 Segmented Revenue



Commercial Tyres include truck, bus, industrial, off-the-road and agricultural tyres.

Consumer Tyres include passenger car, SUV, 4WD and light truck tyres.

Expanding Scale and Diversification

Scale and diversification across channels, customers and products

INTEGRATED OE
TYRE & WHEEL SOLUTIONS



STATEWIDE TYRES

B2B End User

Customer Mix

- Caravan, truck trailer and farm equipment manufacturers
- Commercial truck and bus fleet operators
- Hire car fleet operators
- Forklift and industrial equipment operators
- Large scale farmers



Exclusive
Tyre Distributors
Building Leading Brands

STATEWIDE TYRES



B2B Re-Seller

Customer Mix

- Tyre speciality retail stores (chains and independents)
- Mechanical service businesses
- Car dealers
- Online re-sellers



B2C Retail

Consumers (enthusiasts, adventurers, downsizers, commuters, traditional consumers, do it for me segments) and **commercial customers**.

Note – some business units operate in more than one distribution channel



Financial Results

NTAW Results Summary



Statement of Profit or Loss \$'000	FY21	FY20
Sales revenue	461,533	158,857
Cost of goods sold	(324,023)	(117,594)
Gross profit	137,510	41,263
	29.8%	26.0%
Other income	1,896	1,144
Employee benefits	(58,612)	(17,106)
Occupancy	(7,984)	(1,692)
Marketing	(6,178)	(3,691)
Professional fees and transaction costs	(3,530)	(739)
Insurance	(3,070)	(739)
Impairment	-	(2,210)
Other expenses	(13,887)	(4,029)
EBITDA	46,145	12,201
Depreciation & amortisation	(14,278)	(5,119)
EBIT	31,867	7,082
Finance costs (net)	(2,949)	(846)
Net profit before tax	28,918	6,236
Income tax expense	(8,378)	(2,009)
Net profit after tax	20,540	4,227
Addback:		
Non-controlling interest loss/(gain)	(285)	323
Amortisation ¹	887	1,114
NPATA attributable to NTAW	21,142	5,664

¹ Amortisation add-back is net of tax effect.

Key Operating Metrics	FY21	FY20
Gross profit margin	29.8%	26.0%
Operating costs as a % of revenue	19.8%	16.9%
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NPATA (\$ million)	21.1	5.7
Earnings per share (cents)	17.9	4.4
Dividend per share (full year) (cents)	8.0	1.3
Operating cash flow (\$ million)	22.7	15.5
Interest cover	15.4x	12.0x

Comments

- FY21 result includes 11 months of Tyres4U businesses.
- FY21 NPATA includes \$0.6m gain on Tyres4U purchase and \$1.4m non-recurring acquisition costs associated with that purchase.
- AASB16 Leases has been adopted in the reported result.
- NPATA attributable to NTAW shareholders excludes non-controlling interests (representing the residual 50% interest in TLS) and is adjusted for amortisation.

Balance Sheet

Solid balance sheet to support future growth



Statement of Financial Position \$'000	June-21	June-20
Current assets		
Cash and cash equivalents	28,905	25,859
Receivables	71,807	23,215
Inventory	101,025	41,487
Other current assets	5,100	637
	206,837	91,198
Non-current assets		
Property, plant and equipment	10,167	3,615
Right-of-use assets	33,544	11,800
Intangible assets	15,698	16,739
Deferred tax assets	2,076	900
Other non-current assets	116	-
	61,601	33,054
Total assets	268,438	124,252
Current liabilities		
Payables	82,335	24,930
Borrowings	2,954	-
Lease liabilities	9,496	3,298
Provisions	11,904	3,652
Current tax liability	1,138	902
	107,827	32,782
Non-current liabilities		
Borrowings	41,940	12,223
Lease liabilities	24,472	9,172
Provisions	2,386	1,230
	68,798	22,625
Total liabilities	176,625	55,407
Net assets	91,813	68,845

Comments

- NTAW had cash of \$28.9m at 30 June 2021, up from \$25.9m at 30 June 2020.
- Net tangible assets¹ per ordinary share of 64.8 cents at 30 June 2021 shows significant growth compared with 49.8 cents at 30 June 2020.
- The assets and liabilities of NTAW have increased as a result of the Tyres4U acquisition.

**Net Debt at 30 June 2021 of \$16.0m.
Net Debt to EBITDA 0.35 times.
Net Debt to Equity + Debt ratio of 11.7%.**

- A new banking facility was negotiated to fund the Tyres4U acquisition as well as ongoing working capital and PPE requirements.
- Existing debt facilities are adequate to continue to fund future growth initiatives.

¹ Net tangible assets includes right-of-use assets and lease liabilities.

Capital Management

24% return on equity, full year dividends of 8.0 cps fully franked



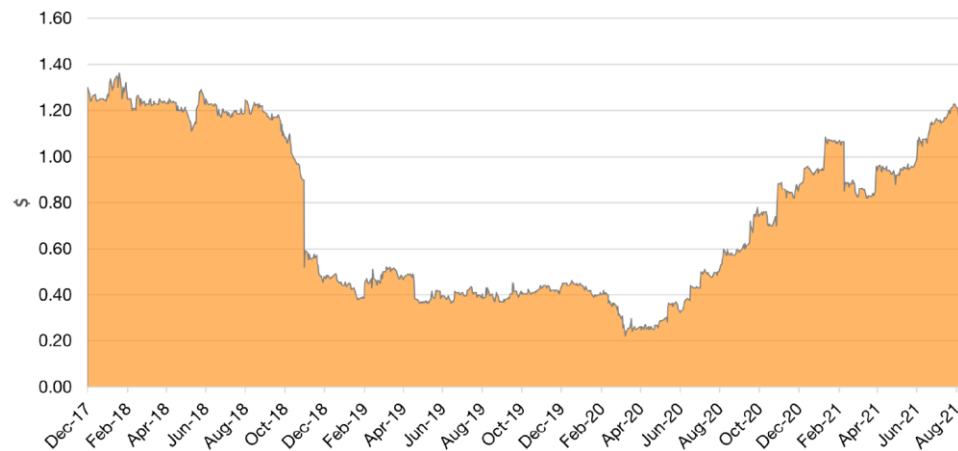
The FY21 final dividend has been declared at 5.0 cents per share, fully franked (at 30% tax rate).

Ex date: 17 Sept-21
 Record date: 20 Sept-21
 DRP election date: 21 Sept-21
 Payment date: 15 Oct-21
 DRP issue date: 15 Oct-21

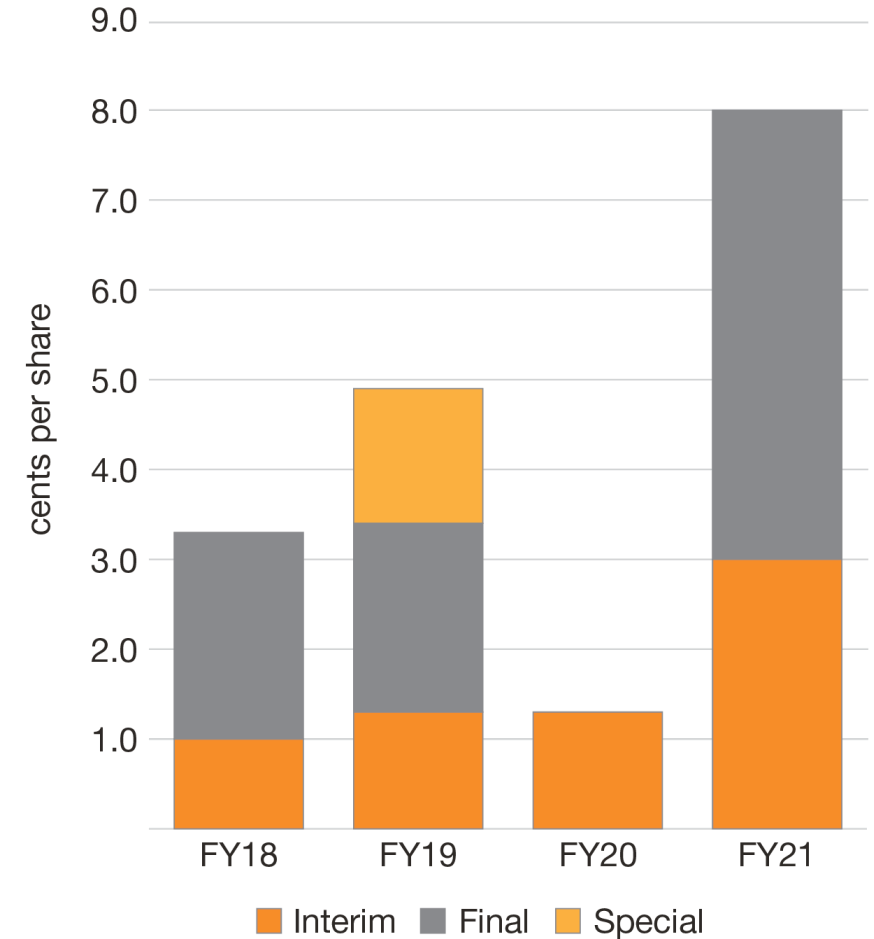
Total FY21 dividend of 8.0 cents per share, fully franked.

NTAW currently has \$20.65m available franking credits.

Share Price post IPO (Dec-17)



Dividend History



Operational Review

Building Leading Brands

Specialty businesses winning in market segments



Delivering tyre and wheel solutions for all segments, with a focus on commercial vehicles – trucks, buses, agricultural vehicles, off-the-road and construction vehicles skid steer equipment and other small machinery.



Delivering passenger, SUV, light truck and 4WD tyre solutions, supporting an array of re-sellers with value adding services and addressing all consumer segments.



Delivering original equipment tyre and wheel solutions to manufacturers – focused on caravans and truck trailers.



Delivering wheel and tyre and management solutions for industrial vehicles (e.g. forklifts of various sizes).



Supplying budget tyre solutions for all vehicle types in Western Australia and South Australia.



Hottest and toughest

Delivering wheel solutions to an array of re-sellers, with a focus on 4WD wheels and expert advice.



Delivering passenger, SUV and 4WD tyre and wheel solutions in South Africa.



64 company owned and licensed retail stores operating throughout Australia with a focus on delivering value to commercial customers and consumers.

National Tyre & Wheel

Australia's largest independent tyre and wheel importer and wholesale distributor



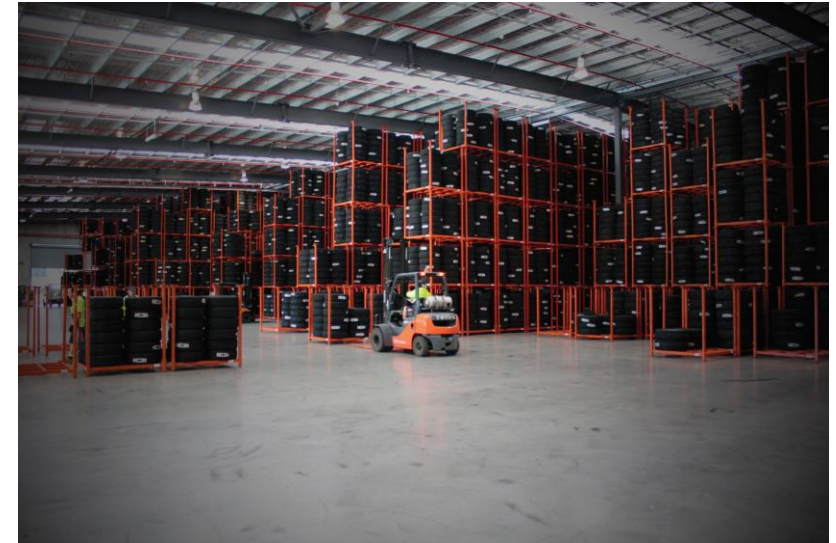
NTAW has a leading market share (top 1-3) in the following industry segments*:

- Truck and bus tyres;
- 4WD tyres (Australia and NZ);
- Agricultural and off-the-road tyres;
- 4WD wheels;
- Industrial tyres;
- Original equipment (tyres and wheels) – caravans, truck trailers and farm equipment; and
- Budget tyres (SA and WA – Australia) .

A full-service supplier, NTAW also:

- distributes passenger and SUV tyres and delivers an array of value adding services to customers;
- owns and/or licenses 64 Tyreright retail stores in Australia; and
- owns 50% of TLS, a specialty 4WD tyre and wheel distributor in South Africa.

** Australia unless otherwise indicated*







NTAW – Australia’s largest distribution footprint

Synergies from warehouse consolidations

NTAW GROUP : DISTRIBUTION FOOTPRINT



Warehouse Consolidations

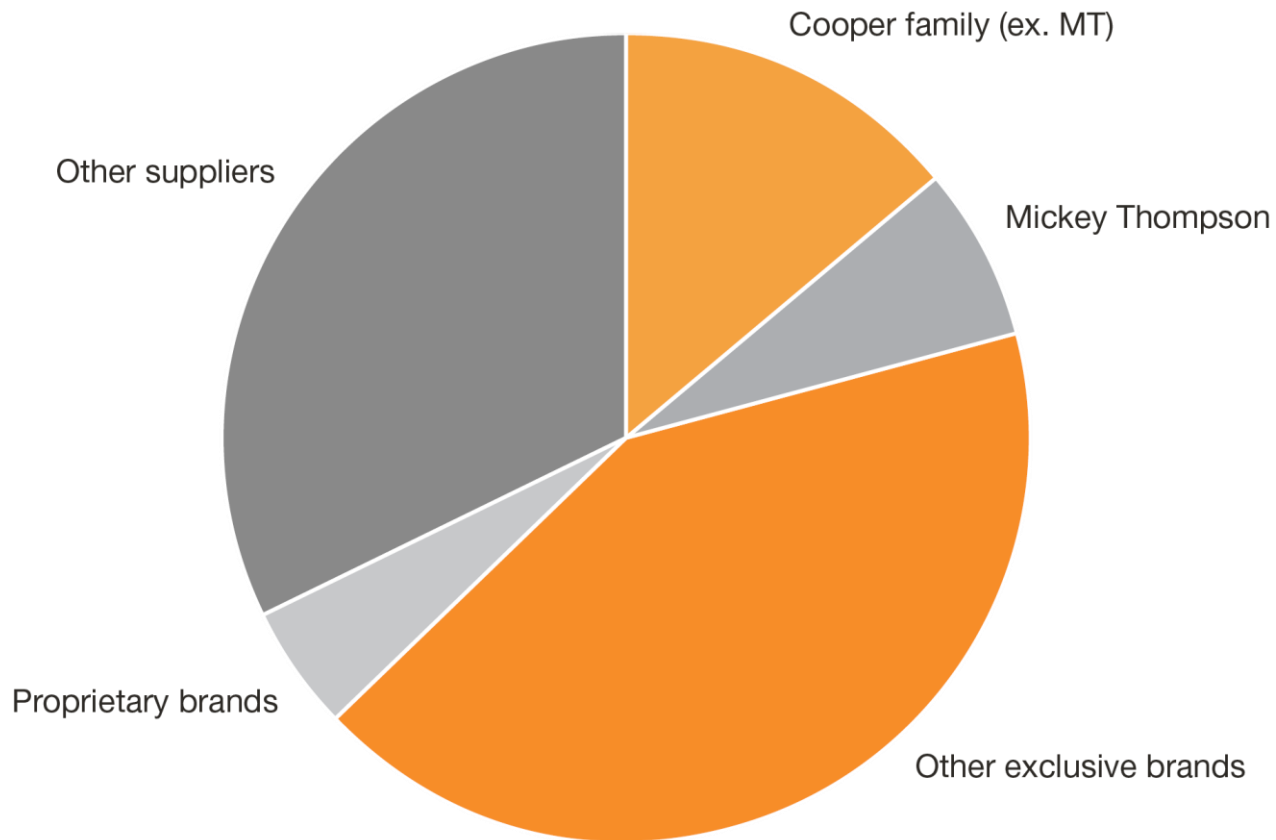
-  2 Melbourne sites combined in September
-  4 Sydney sites consolidated into one by 30 November 2021
-  Heads of Agreement signed for 2 sites combining in both Perth and Brisbane early in 2023
-  Black Rubber resale and retread facilities

Leveraging Blue-Chip Supplier Base

Diverse long-term supplier relationships



FY21 Supplier Mix by Revenue



Key exclusive supplier relationships have existed for decades and are underpinned by both parties expectations of performance being consistently met rather than formal, long term Agreements.



FY21 Strong Tailwinds

Surging consumer demand, record harvests, stable AUD:USD



Australia and New Zealand

- Less intense price competition as competitors rebuilt inventories run down in Q4 of FY20 in response to the COVID-19 pandemic.
- Favourable movements, and stability, in the value of the Australian Dollar against currencies paid to suppliers.
- Strong consumer demand for motor vehicle accessories.
- Consistent truck movements underpinning sustained sales of industrial and truck tyres.
- Strong demand for agricultural, off-the-road and 4WD tyres as farm output and regional economic activity reached levels not seen for many years.

TLS (South Africa) performance remains adversely affected by extended lockdowns in that country in response to the pandemic.

FY21 Strategic and Tactical Wins

Key operational objectives achieved in FY21



- Continued evolution of the leadership and management teams to right size human resources.
- The purchase of the Tyres4U (Australia and NZ) businesses in August 2020 delivered NTAW diversity and scale.
- The re-organisation of ETD and Tyres4U (Australia) sales teams led to improved performance.
- Near-sourced manufacture of some Cooper products resulted in lower prices and sufficiently higher sales volume to increase revenue.
- New wheel product cadence increased resulting in higher volumes and revenue.
- The February 2020 purchase of Industrial Tyres Service in WA (integrated into Statewide) was a resounding success with revenue growing by 19% in FY21.
- Budget tyre sales in the Eastern States (underpinned by the Blacklion brand) exceeded expectations and proved to be a better approach than expanding the Statewide business model of multiple budget brands and segments.
- An employee survey (conducted by external advisors) resulted in the Decency, Innovation, Collaboration and Energy (“DICE”) cultural alignment program.



Strategy

Investing in Innovation and Opportunity

Our vision is to be the tyre and wheel industry leader in digital transformation

Outcomes for NTAW and customers from digital transformation

- Better inventory management.
- Increased pricing flexibility.
- Bespoke incentive programs.
- More accurate and interactive cents per km measurement.
- Data driven insights to customer and consumer behaviour.
- Increased geofenced promotional reach and relevance.
- ROI measurement without relying on social media platforms.
- Augmented and virtual reality creating more purchase engagement.
- Seamless e-commerce experiences.



Digital Transformation Milestones

Harnessing technology to deliver innovative value-adding solutions for all stakeholders



- Microsoft Dynamics has been selected as the ERP platform for NTAW to lead the tyre and wheel industry in digital transformation.
- Focusing on excellence, NTAW is building a state of the art, adaptable IT platform that can deliver value adding services.
- Data driven marketing solutions, augmented/virtual reality, machine learning/artificial intelligence, information via the internet of things and e-commerce from transactional partnerships, VoIP and other remote mechanisms will underpin the platform.
- FY22 project cost estimated at \$3.1m, with extensions for state-of-the-art value adding customer services (VR, AI, data analytics, supply chain management) built in FY23 for an estimated additional cost of \$2.5m.
- Finance and administration modules to be operational in July 2022.

FY22 Other Initiatives

Maintaining momentum



- Sales and Operations process enhancement program – improving and unifying NTAW procurement and logistics.
- Tyreright “Bright Future” program – revitalise and operate retail stores as a separate entity.
- Align customer relationship management programs, uniform sales management and cross selling incentives (e.g. merger of Tyres4U and MPC original equipment businesses into “Integrated OE”).
- Full year benefit of Tyres4U Commercial business unit focusing on commercial tyres.
- Cost savings from warehouse consolidations – Sydney and Melbourne in 1H22, Brisbane and Perth in 1H23.
- GT Radial relaunched, new products (Mickey Thompson “Legend” and “Boss” ranges, Cooper “Rugged Trek”, Dirty Life and Raceline wheels), full year of Terrafirma and budget tyre rationalisation program.
- Align the culture of our people to principles of DICE and undertake the training required to deliver on our promises.
- NTAW remains on the lookout for strategic acquisitions.

Black Rubber Acquisition

Black Rubber Acquisition – New commercial business and sustainable retreading

New commercial business and sustainable retreading

A leading position in value adding commercial fleet services in WA and a national premium brand retread manufacturer.



Black Rubber Acquisition - Strategic Rationale

New products and business methods



Commercial (truck, bus and agricultural) tyre supplier and retread manufacturer, specialising in value adding services (tyre performance monitoring, cents per kilometre pricing and offsite services).

Strategic benefits include revenue growth from:

- ✓ Applying value adding service expertise to win new business for the Group
- ✓ Retread manufacturing, introducing new products to the NTAW portfolio
- ✓ Black Rubber access to NTAW marketing services

Margin and cost improvements from:

- ✓ Utilising surplus capacity at retread factories
- ✓ Rationalising the supplier base while growing Michelin's premium product sales
- ✓ Black Rubber access to NTAW shared services, supply chain and logistics

... and advancing NTAW's mission to be a more sustainable corporation. Each retread recycles the tyre casing.



Black Rubber Acquisition - Transaction

Deal Highlights



Black Rubber Financial Information (forecast FY22, annualised)

Revenue	\$40.0m
EBITDA	\$ 5.5m
NPATA	\$ 3.1m
NPATA per share contribution to NTAW	2.5 cents
Acquisition EBITDA Multiple	4.7 times

NTAW has acquired 100% of the issued capital Black Rubber Pty Ltd and Black Rubber Sydney Pty Ltd.

The purchase price (before working capital and non-trading debt adjustments) is up to \$26.3m to be satisfied by:

- A completion payment of \$19.9 million;
- 1,071,430 NTAW ordinary shares, with an issue price of \$1.12 each, for a total value of \$1.2 million, escrowed for 12 months from the completion date;
- A deferred payment of \$2.6 million to be paid if certain EBITDA hurdles are met in FY22; and
- A further deferred payment of \$2.6 million to be paid if certain EBITDA hurdles are met in FY23 (with scope for a catch payment if the FY22 hurdle is not met in full).

The cash component of the completion payment was funded from NTAW's existing cash reserves and debt facilities. NTAW's debt facilities have been increased to \$89m.

Expanding Scale and Diversification


Scale and diversification across channels, customers and products



**B2B
End User**

Customer Mix

- Caravan, truck trailer and farm equipment manufacturers
- Commercial truck and bus fleet operators
- Hire car fleet operators
- Forklift and industrial equipment operators
- Large scale farmers



**B2B
Re-Seller**

Customer Mix

- Tyre speciality retail stores (chains and independents)
- Mechanical service businesses
- Car dealers
- Online re-sellers



**B2C
Retail**

Consumers (enthusiasts, adventurers, downsizers, commuters, traditional consumers, do it for me segments) and **commercial customers**.

Note – some business units operate in more than one distribution channel

Outlook

Outlook

Strong platform for disciplined growth and improved shareholder returns



NTAW is not providing specific earnings guidance for FY22, having regard to the current level of uncertainty with recent lock downs and shipping delays, although it has previously announced that it does not expect the unusually favourable market conditions of FY21 to prevail in FY22. Nonetheless, trading conditions for the first four months of the year have remained satisfactory.

NTAW's confidence that recent earnings and shareholder returns can be maintained over the next few years, despite disruption from the pandemic, is underpinned by:

- The resilience shown by the industry in FY21 and the first four months of FY22;
- Operating efficiencies and effectiveness arising from organisational changes to business units and shared services;
- The opportunity to capture synergies from the Tyres4U acquisition;
- Benefits from the FY22 initiatives described earlier;
- Increased sales and lower costs generated by the digital transformation program;
- The Group's operational, strategic and financial performance in Q1 of FY22; and
- NTAW's ongoing interest in acquisitions (such as Black Rubber) and strategic alliances provides an upside case to this outlook.

Important Information and Disclaimer



This presentation may contain certain unaudited financial information in relation to National Tyre & Wheel Limited. 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.

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