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ASX Announcement

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FY22 Trading Update

National Tyre and Wheel Limited (ASX: NTD) ("NTD") provides the following trading update and earnings guidance in relation to the year ended 30 June 2022 ("FY22").

NTD expects FY22 revenue will be between $550m and $555m (1H22 Revenue of $251m) at an estimated gross profit margin of 28.4% (29.0% in 1H22), delivering an Operating EBITDA of between $40m and $42m in FY22 ($20.4m in 1H22 and $46.7m in FY21).

Operating EBITDA excludes non-recurring expenditure of approximately $4.5m associated with the installation of a new ERP platform, warehouse consolidations and transaction costs associated with the acquisitions of Black Rubber and Carter's. With these adjustments, NTD expects Operating NPATA to be $16m-$17m (EPS of 12.0c-13.0c). Statutory NPATA is expected to be $11.5m-$12.5m (EPS of 8.5c-9.5c).

As expected, trading conditions in FY21 proved to be unusually buoyant following substantial government stimulus in response to the pandemic, robust consumer demand, a stronger Australian dollar, supplier support and predictable shipping times and prices. Most of these conditions did not exist throughout FY22.

The FY22 result will be made up of solid contributions from businesses acquired during the year (Carter's in New Zealand and Black Rubber in Australia), along with strong performances in wheels, original equipment, Agricultural/Off the Road tyres, budget tyres in Australia and general wholesale in New Zealand. Gains made in these businesses will be offset to some extent by lower sales volumes and margins in premium tyres as well as lower margins in commercial tyres and retail operations in Australia.

Peter Ludemann, NTD CEO said "During the year, the Group's business units have responded to continuing high demand in some product categories, supply chain issues, pandemic impacts, price inflation and a changing labour market. These responses included higher inventory levels, as well as unusually frequent and substantial sell out price rises which still did not fully compensate for higher import prices and freight charges. Shipping delays resulted in premium 4WD volumes declining. The Group remains well positioned to grow from various initiatives presently being undertaken".

NTD has continued to invest in building a platform from which to pursue its goal of being the tyre and wheel industry leader in digital transformation. Some business units have switched finance and administration functions to the new Microsoft Dynamics 365 ERP and other business units will follow progressively in FY23. Installation costs associated with this first phase of NTD's digital transformation are consistent with the project budget. Completion of Group wide installation of the ERP has been delayed 6-9 months and is now expected by the end of FY23.

NTD continues to execute other projects that are expected to improve profitability over time, including cross selling initiatives between business units, warehouse consolidations in Perth and Brisbane (with Sydney and Melbourne consolidations completed in FY22) and combining the resources of the commercial tyre businesses. In addition, the rationalisation of the Tyreright retail chain over the past 12 months has resulted in 7 company owned stores being transferred to licensees and 5 being closed or merged with other stores. While further rationalisation will occur, progress to date means the focus of effort shifts to promoting the Tyreright network.

In terms of the outlook for FY23, recent trading is consistent with the 2H22 market environment.

ENDS

For further information, please contact:

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