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ASX Announcement

26 October 2022

2022 Annual General Meeting and Presentations

National Tyre & Wheel Limited (ASX: NTD) (“NTD”, “NTAW” 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

2022 Annual General Meeting of National Tyre & Wheel Limited (ACN 095 843 020)

26 October 2022

Good morning and welcome to National Tyre and Wheel Limited's 2022 Annual General Meeting.

Trading conditions for the 2022 financial year were less favourable than those that prevailed in 2021. This resulted in a decrease in your Company's financial performance in 2022.

Your Company generated revenue of \$557.9 million in the 2022 financial year (representing over 2.7m tyres and wheels sold). This resulted in a Reported EBITDA of \$40.5 million, which after adjusting for one-off costs relating to acquisitions, IT projects and unrealised FX gains, translated to an Operating EBITDA of \$44.9 million. Your Company's balance sheet is strong with a net debt position of \$60.0 million at 30 June 2022 and a net debt to equity + debt ratio of 28.8%.

The acquisition of Black Rubber in Australia and Carter's in New Zealand during the year delivered a new commercial retail sales channel, as well as providing tyre retreading capabilities, in both countries. Tyres4U NZ is a major supplier to Carter's and the acquisition enhances supply arrangements and growth opportunities in the commercial tyre market in New Zealand.

Your Company has a well-recognised portfolio of exclusive brands that form a cornerstone for future growth. A complementary portfolio of non-exclusive brands balances NTAW's product offering and underpins market development opportunities particularly in the commercial markets.

Peter will discuss the 2022 year in greater detail and will articulate your Company's strategy to continue on the path to becoming the tyre and wheel industry leader in digital transformation.

Directors were pleased to declare an interim dividend of 3.0 cents per share and a final dividend of 1.5 cents per share (both fully franked), which combined, represents a payout ratio of 54% of FY22 NPATA, which is in line with Company policy.

Your Board and management have worked diligently and constructively during a challenging year. Your Company is expected to benefit from the recent acquisitions and various projects launched over the past 18 months, including digital transformation, warehouse consolidations, cross-selling between business units and other integration initiatives.

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

Thank you.



National Tyre & Wheel

Driving the Future



Managing Director's Presentation

Cooper® Mileage Warranty Re-Brand



FY22 Highlights

Continuing development of a new growth platform & strategic acquisitions



Growth, Diversity and Scale

- National Tyre & Wheel Limited (“NTAW”) is the largest independent tyre and wheel importer and wholesale distributor in Australia and New Zealand.
- FY22 revenue of \$558 million (FY21: \$462 million). Recent acquisitions take NTAW annualised revenue to approximately \$590 million.
- Strong performances in agricultural tyres, OE supplies, wheels and budget tyres; steady results from industrial tyres and commercial retail; offset by difficult trading conditions for premium passenger/4WD tyres and general wholesale, especially in 2H22.
- NTAW imports approximately 2.7 million tyres and wheels per annum for almost all vehicle types for distribution to more than 3,000 wholesale customers, with a retail arm also selling to consumers.

Financial Performance

- Reported FY22 EBITDA of \$40.5 million (FY21: \$46.1 million) and Reported NPAT of \$9.6 million (FY21: \$20.5 million).
- Operating EBITDA of \$44.9 million (FY21: \$46.7 million) and Operating NPATA of \$15.6 million (FY21: \$21.9 million) excludes various items for comparative purposes.
- EPS of 12.7 cents per share based on Operating NPATA (FY21: 19.4 cents per share).
- Balance sheet remains strong with cash at 30 June 2022 of \$35.8 million (net debt of \$60.0 million) and net assets of \$112.5 million.
- Final dividend of 1.5 cents per share (fully franked at 30%) paid. Total dividends of 4.5 cents per share fully franked for FY22.

Strategy Execution

- Key strategies to drive earnings growth include leveraging commercial tyre capabilities acquired in FY22, the digital transformation project, cross selling initiatives, increased promotion of Tyreright and premium 4WD products and improved service levels from warehouse consolidations.

Purpose & Strategy

Purpose & Strategy

Clear objective is to deliver outstanding customer experiences



- ✓ NTAW exists to deliver outstanding customer experiences – great products and value adding services.
- ✓ Offering employees satisfying careers in an environment that celebrates decency, innovation, collaboration and energy.
- ✓ **Leading the industry in digital transformation** with an array of value adding services accelerating B2B customers and consumers towards their goals.
- ✓ A product assortment covering most vehicle types (consumer and commercial) and value points – more brand and price options than our competitors.
- ✓ Experts in product features and benefits.
- ✓ Achieving best in class logistics service levels.
- ✓ **Building brand equity and market share for preferred exclusive suppliers**



Progress in FY22

Increased diversity & scale, focus shifting to organic growth

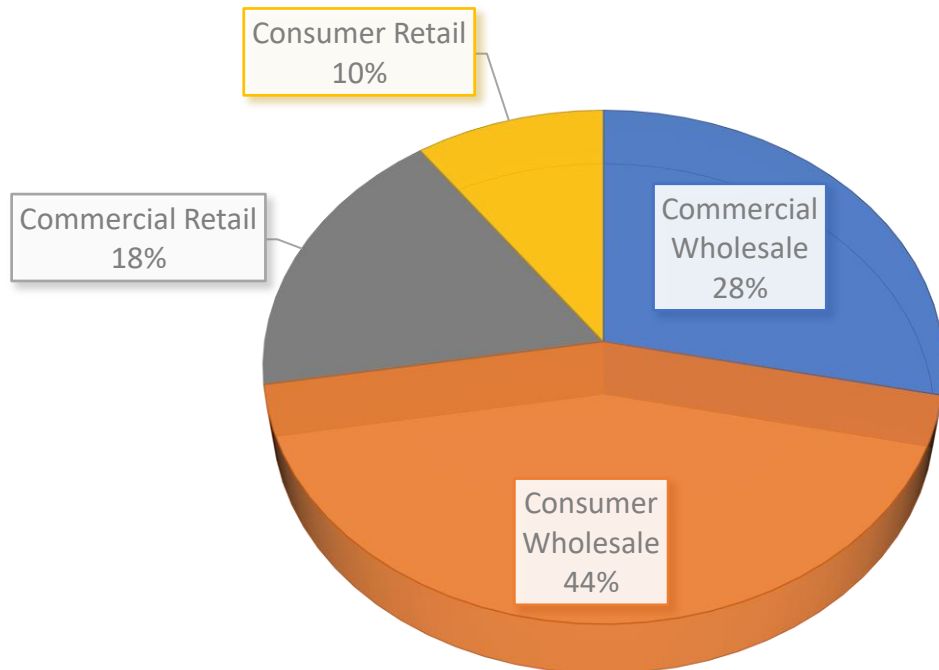


- ✓ Continued to grow and diversify via the acquisitions of Black Rubber and Access Alloys in Australia, as well as Carter's in New Zealand.
- ✓ Embarked on the first phase of an important digital transformation project, building the foundations of a group wide enterprise resource planning platform.
- ✓ Restructured the Tyres4U business with a new management team focussed on improving the profitability of both wholesale and retail operations, while recognising the mutually beneficial dependencies that exist between them.
- ✓ Continued to grow the Tyreright retail platform to 61 stores with 7 new Licensees, while reducing the number of company owned Tyreright stores from 31 to 20, improving profits in that business.
- ✓ Consolidated warehouses in Sydney and Melbourne and signed agreements to lease new premises to consolidate warehouses in Perth and Brisbane.

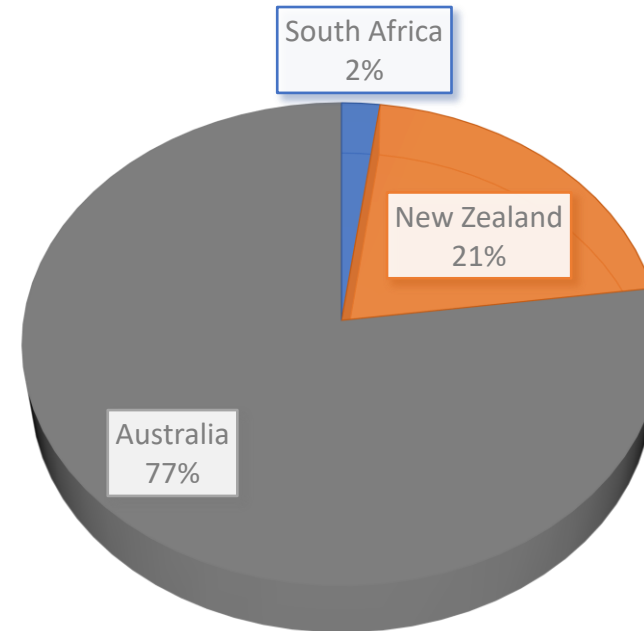
Diversified Business Platform

Business platform enhanced by acquisitions

COMMERCIAL CONSUMER REVENUE SEGMENTATION



COUNTRY REVENUE SEGMENTATION



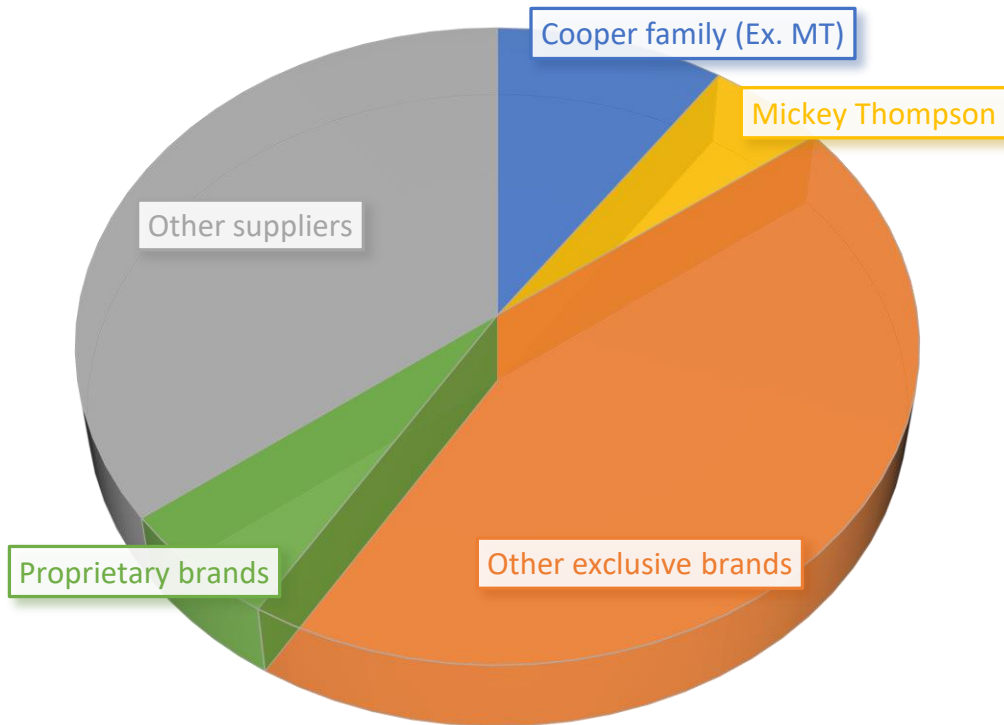
- Note – revenue based on full year inclusion of Black Rubber, Carter’s and Access Alloys, commercial and consumer segmentation based on management estimates.

Supporting a Blue-Chip Supplier Base

Diverse long-term supplier relationships



FY22 SUPPLIER MIX BY REVENUE



Important Strategic Acquisitions

Commercial businesses adding value and new alloy wheel brands



Investing in Innovation and Opportunity

Strategic plan to leverage market-leading innovation capability through a digital transformation project

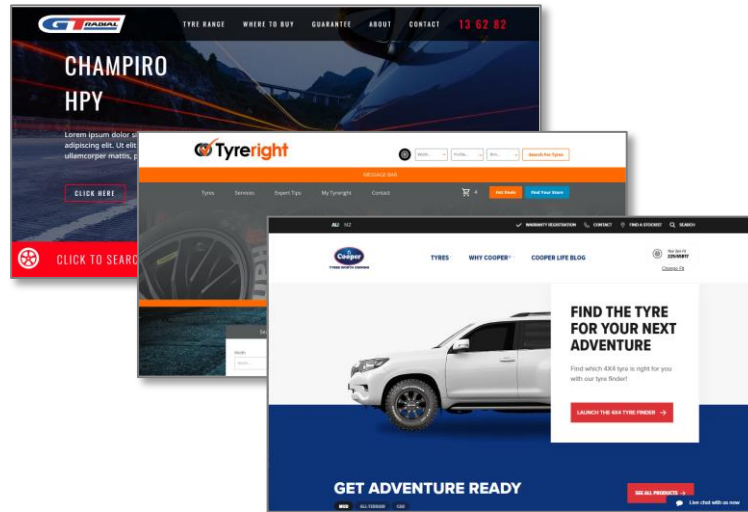


Outcomes for NTAW and customers from digital transformation

Phase 1 – a common finance & administration platform on hold pending a review of alternatives for this part of the project. The review targets lower cost and risk outcomes than the original plan and will be completed in November.

Phase 2 Value Adding Platforms FY23-24 to increase sales, win new business and improve customer loyalty.

- Low code programming
- Application program interfaces
- Data security
- Virtual reality tools
- Data management
- Robotic process automation
- Artificial intelligence
- Single source of truth
- Virtual ecosystems
- Marketplaces



Creating a new industry ecosystem that will deliver

- outstanding customer experiences,
- drive customer loyalty,
- enhance cross selling between business units,

targeting improved returns for all stakeholders and driving down costs to service.



Financial Results

Financial Highlights

Resilient result in difficult trading conditions, particularly in 2H22



Financial Highlights	FY22	FY21
Sales revenue (\$ million)	557.9	461.5
Gross profit margin	28.7%	29.8%
Operating costs as a % of revenue	21.4%	19.8%
EBITDA (\$ million)	40.5	46.1
EBITDA margin	7.3%	10.0%
NPATA* (\$ million)	11.1	21.1
Basic EPS (cents)	7.7	17.9
Dividend per share (cents)	4.5	8.0
Net debt (\$ million)	60.0	16.0
Net debt:debt+equity	28.8%	11.7%
NTA per share (cents)	48.8	64.8
Operating cash flow (\$ million)	11.8	22.7
Interest cover (times)	8.1x	15.6x

Fully franked dividends of 4.5c for the full year.

* NPATA excludes non-controlling interests and amortisation on a tax effected basis.

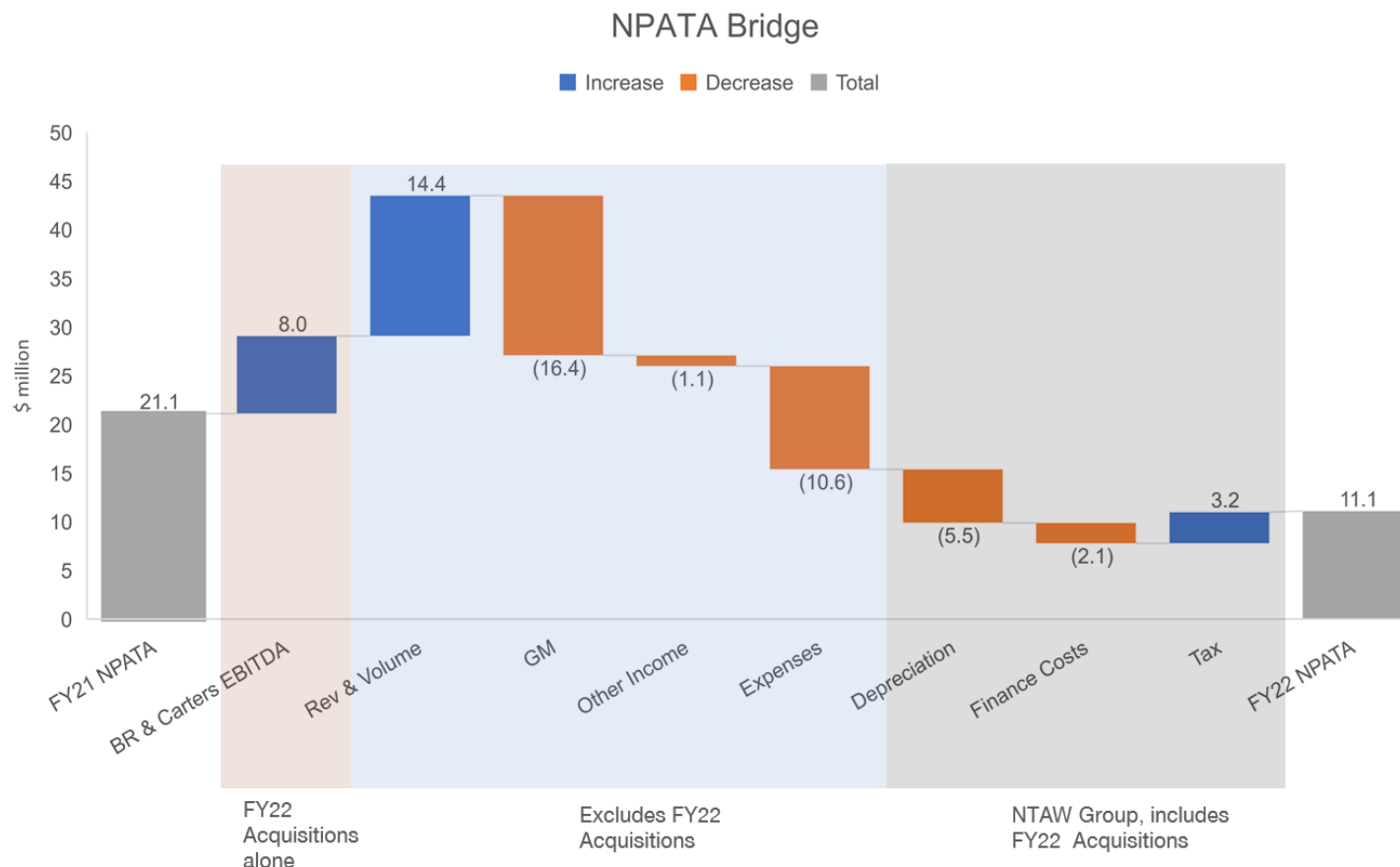
NPATA Bridge from FY21 to FY22

Gains from acquired businesses offset by difficult trading conditions



Statement of Profit or Loss		
\$'000	FY22	FY21
Sales revenue	557,909	461,533
Cost of goods sold	(397,802)	(324,023)
Gross profit	160,107	137,510
	28.7%	29.8%
Other income	724	1,896
Employee benefits	(77,856)	(58,612)
Occupancy	(9,139)	(7,984)
Professional fees	(2,904)	(3,530)
Marketing	(4,316)	(6,178)
Other expenses	(26,138)	(16,957)
EBITDA	40,478	46,145
Depreciation & amortisation	(20,904)	(14,278)
EBIT	19,574	31,867
Finance costs (net)	(5,010)	(2,949)
Net profit before tax	14,564	28,918
Income tax expense	(4,995)	(8,378)
Net profit after tax	9,569	20,540
Addback:		
Non-controlling interest (gain)	(171)	(285)
Amortisation ¹	1,678	887
NPATA attributable to NTAW	11,076	21,142

¹ Amortisation add-back is net of tax effect.



Note – NPATA is net profit after tax before amortisation

Reconciliation of Reported EBITDA to Operating EBITDA

Relatively stable underlying operating result



Reconciliation of Reported EBITDA to Operating EBITDA

\$'000	FY22	FY21
Net profit after tax	9,569	20,540
Depreciation and amortisation	20,904	14,278
Finance costs (net)	5,010	2,949
Income tax expense	4,995	8,378
Reported EBITDA	40,478	46,145
Gain on bargain purchase	-	(596)
Acquisition costs	736	1,449
One-off warehouse consolidation and IT project implementation costs	3,729	-
Unrealised FX loss/(gain)	(85)	(321)
Operating EBITDA	44,858	46,677

Note – the increase in depreciation was primarily due to the acquisition of Carter’s retail stores which are leased and to new long term leases entered into during the year. AASB 16 *Leases* applies to these right-of-use assets.

Balance Sheet

Solid balance sheet to support future growth



Statement of Financial Position		
\$'000	June-22	June-21
Current assets		
Cash and cash equivalents	35,826	28,905
Receivables	98,425	71,807
Inventory	127,133	101,025
Other current assets	6,609	5,100
Current tax asset/(liability)	1,216	(1,138)
	269,209	205,699
Non-current assets		
Property, plant and equipment	16,817	10,167
Right-of-use assets	65,081	33,544
Intangible assets	53,764	15,698
Other non-current assets	623	116
	136,285	59,525
Total assets	405,494	265,224
Current liabilities		
Payables	106,066	82,335
Borrowings	7,550	2,954
Lease liabilities	16,016	9,496
Provisions	13,238	11,904
	142,870	106,689
Non-current liabilities		
Borrowings	88,244	41,940
Lease liabilities	51,581	24,472
Provisions	2,047	2,386
Payables	2,600	-
Deferred tax liabilities/(assets)	5,686	(2,076)
	150,158	66,722
Total liabilities	293,028	173,411
Net assets	112,466	91,813

Net debt at 30 June 2022 of \$60.0m
 Net debt to EBITDA of 1.5x
 Net debt to Equity+Debt ratio of 28.8%

Comments

- Net debt comprises debt of \$95.8m and cash of \$35.8m.
- Net tangible assets per share of \$0.49 at 30 June 2022.
- The Group's banking facility was amended during FY22 (debt increasing from \$44.9m to \$95.8m at 30 June 2022).
- 2.47 million shares were issued to the vendors acquisitions of Black Rubber and Carter's during FY22.
- 14.74 million shares were issued via a Placement and Share Purchase Plan completed in Dec-21 and Jan-22, respectively, to raise \$19.3m.
- Right-of-use assets materially increased with business acquisitions and new long-term leases entered into during the year.
- At 30 June 2022, NTAW reported total assets of \$405.5m and net assets of \$112.5m, equating to \$0.85 per ordinary share.

1Q23 Update & Outlook

1Q23 Update

Meeting challenges on several fronts

- The difficult trading conditions previously reported in 2H22 have persisted into 1Q23:
 - Sales volumes in 1Q23 generating revenue of \$148.3m were consistent with expectations except for NTAW's premium 4WD brands;
 - Sales of Cooper and Mickey Thompson brands were affected by low stock levels which have now been replenished;
 - Gross profits margins continue to be affected by:
 - periodic increases in sell out prices lagging increases in COGS (including freight charges);
 - the recent decline in the exchange rate for the AUD against the USD, coupled with the strength of the AUD relative to the Japanese Yen; and
 - Labour shortages continue to have an adverse effect on service levels.
- Management has responded quickly to the trading challenges by:
 - continuing to re-align sell out prices to reflect increases in COGS encountered throughout FY22;
 - tightly managing expenses, with reductions in ERP, IT and some discretionary expenditures; and
 - maintaining promotional activity in 1H23 to build equity in NTAW's core brand portfolio.



Outlook

Focus on maintaining margins, gains from integrating commercial businesses and digital transformation



- NTAW will receive the benefit of full-year contributions from the acquisitions of Black Rubber, Access Alloys and Carter's.
- Subject to the timing of price rises in response to the weakening AUD, NTAW expects the full year gross profit margin to be at the low end of a revised GM target range of 27-29% with:
 - some gross profit margin recovery is expected in 2H23; and
 - further improvement is expected in FY24 as import prices fall.
- Based on the 1Q23 trading result and the above expectations, NTAW believes FY23 NPATA will fall below the FY22 result before recovering in FY24.
- Supply chain improvements, resulting in shorter lead times and stock replenishment of Cooper and Mickey Thompson, combined with lower inbound freight costs, should enable inventory reductions to be achieved in 2H23.
- NTAW remains focused on executing the following strategic initiatives to deliver long term earnings growth:
 - cross selling between business units;
 - selling value-adding services supplied by Carter's and Black Rubber to other NTAW commercial customers;
 - additional support from Cooper Tires to improve market share following constrained promotional activity and supply chains in FY22;
 - improved service levels flowing from warehouse consolidations and a separate logistics business unit;
 - sales growth and lower costs from the digital transformation project;
 - removing duplication of activity and unnecessary costs, with increased integration based on commercial/consumer and wholesale/retail functions; and
 - capturing other synergies from the Tyres4U, Black Rubber and Carter's acquisitions.

Important Information and Disclaimer



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