National Tyre & Wheel

Going Further

Financial Results

Year ended 30 June 2023

29 August 2023

Agenda

National Tyre & Wheel
Going Further

FY23 Highlights

Executive Summary

Maintaining a diversified, scalable growth platform in a challenging environment

Platform for Growth	• National Tyre & Wheel Limited (“NTAW” or “Group”) is the largest independent tyre & wheel importer and wholesale distributor in Australia and New Zealand. • 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, as well as company owned retail businesses in Australia and New Zealand. • NTAW is well placed to grow from a national distribution footprint, exclusively imported brands and a focus on delivering outstanding customer experiences.
Financial Performance	• FY23 revenue was $582.3 million (FY22: $555.5 million), including full year impact of Carter’s & Black Rubber which were acquired in FY22. • Revenue from Australian wholesale operations fell due to constrained supply and a shift to lower volume better quality sales (lower revenue offset by higher GM %). • Between 1H23 and 2H23 – gross margin was 2% higher, people costs reduced by $3.9m and Operating NPATA increased by $5.2m (370%). • NTAW reported FY23 Operating EBITDA of $38.8 million (FY22: $44.9 million) (see page 5) . • EPS of 5.7 cents per share based on Operating NPATA (FY22: 12.7 cents per share). • NTAW’s balance sheet at 30 June 2023 remained strong with cash balances of $33.0 million. Net debt was $60.2 million with net assets of $115.3 million.
Continued Execution of Performance Initiatives	• Decentralisation of activity enabling each business unit to focus on building brand equity (business and products) and improved customer service in target segments. • Partnership Agreement with Michelin, re-organisation of Black Rubber/Tyreright/Tyres4U enhancing the Group’s commercial truck and bus fleet business. • Focus on exclusive imported brands positioned throughout the price/value spectrum. • Warehouse consolidation in Brisbane completed in 2H23 and Perth targeting completion in 1H24. • Completion of common Finance & Administration and data management IT platforms by December 2023.
Outlook	• NTAW expects an improvement in financial performance in FY24.

Financial Highlights

2H23 improvement after difficult operating conditions in 1H23

- FY23 Operating EBITDA (refer below) of $38.8 million (FY22: $44.9 million).
- FY23 EBIT (refer below) of $12.2 million (FY22: $19.6 million).
- GP margins suffered in 1H23 and recovered in 2H23 as price rises caught up to higher COGS and inbound freight costs declined.
- Lower COGS despite inflation and higher wages.
- Increased financing costs on larger debt with higher interest rates.
- No dividend declared in FY23 to preserve cash in a low growth environment.

Reconciliation of Reported EBITDA to Operating EBITDA		
$'000	**FY23**	**FY22**
Net profit after tax	2,895	9,569
Income tax expense	960	4,995
Net profit before tax	**3,855**	**14,564**
Finance costs (net)	8,379	5,010
Reported EBIT	**12,234**	**19,574**
Depreciation and amortisation	24,040	20,904
Reported EBITDA	**36,274**	**40,478**
IT project implementation costs	1,203	2,522
Store disposals and redundancy costs	710	-
Warehouse consolidation costs	457	1,207
Unrealised FX loss/(gain)	185	(85)
Acquisition costs	-	736
Operating EBITDA	**38,829**	**44,858**

Financial Highlights	FY23	FY22
Gross profit margin	28.1%	28.5%
Operating costs as a % of revenue	21.9%	21.2%
EBITDA ($ million)	36.3	40.5
EBITDA margin	6.2%	7.3%
NPATA* ($ million)	5.5	11.1
Operating NPATA** ($ million)	8.0	15.5
Basic EPS (cents)	2.5	7.7
Dividend per share (cents)	-	4.5
Net debt ($ million)	60.2	60.0
Net debt:debt+equity	28.9%	28.8%
NTA per share (cents)	50.9	48.8
Operating cash flow ($ million)	24.2	11.8
Interest cover (times)	4.3x	8.1x

*NPATA attributable to NTAW shareholders.
**Operating NPATA is based on NPATA attributable to NTAW shareholders, adjusted for non-recurring and abnormal items, as per reconciliation to the left.

Performance Initiatives

Going Further to Help our Businesses & Customers Win

Scale and diversification across channels, customers and products

Customers	Commercial Tyres	Consumer Tyres	Wheels
	Wholesale	Wholesale	Wholesale
Retailers	Tyres4U, Statewide Tyres	Exclusive Tyre Distributors (Building Leading Brands), Tyres4U, Statewide Tyres, TyreLife Solutions	Dynamic Wheel Co. (Hottest and toughest)
Retread and Fleet	Black Rubber, Carter's tyre service, Tyres4U	Tyres4U	
Industrial	Solid Plus		
Van & Trailer Manufacturers	Integrated OE (Tyre & Wheel Solutions), Tyres4U, Dynamic Wheel Co. (Hottest and toughest)		
	Retail	Retail	Retail
Consumers, Fleets & Services	Black Rubber, Tyreright, Carter's tyre service	Black Rubber, Tyreright, Carter's tyre service	Black Rubber, Tyreright, Carter's tyre service

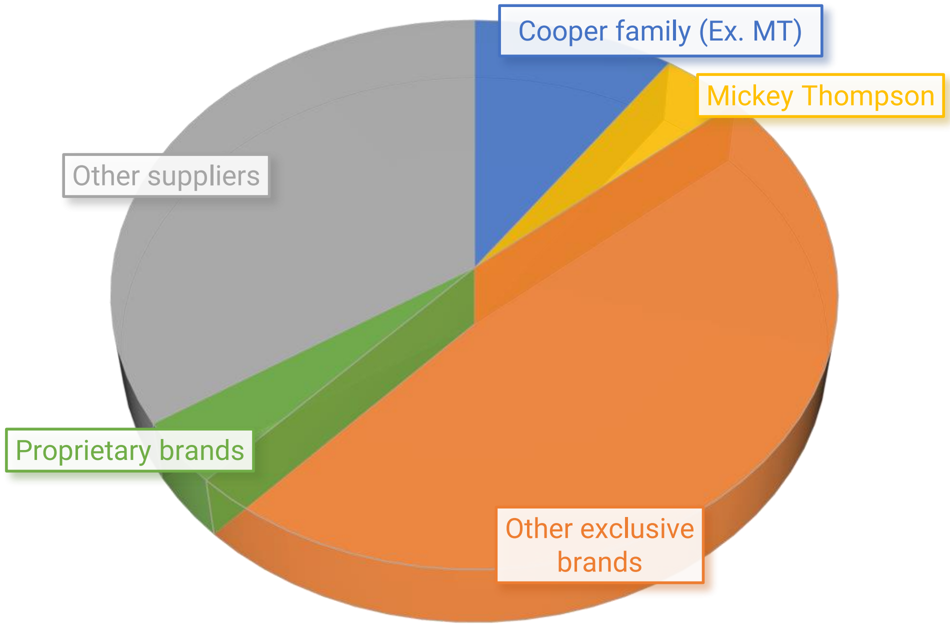
- ✓ Improve customer service
- ✓ Focus on building exclusive imported brands
- ✓ Continue to shift sourcing from USA to Asia
- ✓ Foster a culture of entrepreneurship
- ✓ Concentrate on winnable segments
- ✓ Commercial fleet partnership (Black Rubber, Tyreright, Tyres4U)
- ✓ Leverage retread sustainability
- ✓ Capture synergies

Building Leading Brands

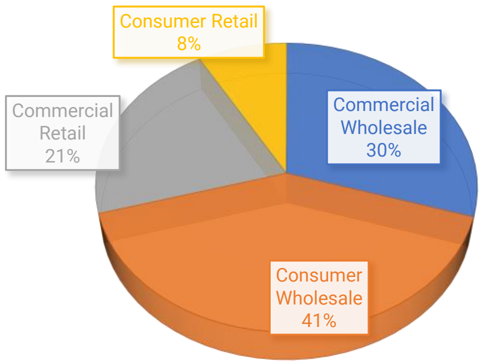
Moving towards exclusive brands in commercial and consumer vehicle verticals

- Global tyre manufacturers produce 2.2bn tyres annually. The Australian tyre after-market is estimated to be 22m tyres per annum.
- While the Group manufactures retreads, there is no local manufacture of new tyres in Australia or New Zealand.
- As local and global growth slows with economic headwinds, NTAW is shifting to focus on exclusive, imported core brands covering the price/value spectrum to build brand equity and sustain margins.

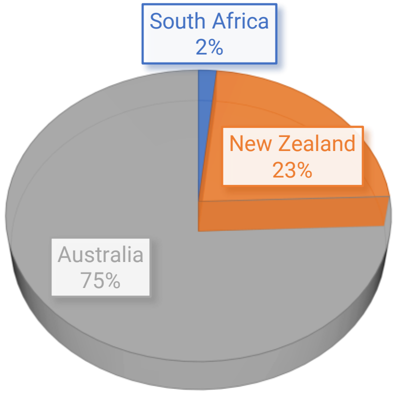
FY23 SUPPLIER MIX BY REVENUE



COMMERCIAL / CONSUMER REVENUE SEGMENTATION



COUNTRY REVENUE SEGMENTATION



NTAW has continued to receive low fill rates from USA suppliers – products sourced from USA account for approximately 7% of NTAW revenue.

Vision and Focus

Raise customer service levels, build leading brands

- NTAW's vision is to "**Go further to help our businesses & customers win**" – reflecting:
    - the entrepreneurial imperatives of the Group's businesses and customers;
    - emphasis on customer service; and
    - a shift to limiting the role of Head Office in the management of business units, enabling each business to pursue a distinctive vision for its target market segment.
- The Group is supporting customers by:
    - building brand equity and volume growth over time from exclusive imported brands, shifting away from lower margin products;
    - offering products throughout the price/value spectrum;
    - improving service levels; and
    - providing technical support to customers.
- The Group strives to offer customers a better experience when they deal with multiple NTAW business units.

Performance Initiatives

Response to 1H23 trading environment, performance initiatives in 2H23

New Alliances to grow Truck & Bus sales & service

In July 2023, the Group announced a partnership agreement had been reached with Michelin to:

- facilitate a re-organisation of the commercial fleet activities of Black Rubber, Tyreright and Tyres4U; and
- enhance the value of the Group's truck and bus fleet proposition, with:
  - a range of fit-for-purpose tyres;
  - environmentally sustainable retread manufacture and supply; and
  - related services and tyre performance management.

Decentralisation and synergy capture

Focus on synergy capture and service improvement continued in FY23 with:

- two warehouses consolidated into one in Brisbane in 2H23;
- NTAW centralised its freight management arrangements and achieved substantial logistics savings in 2H23;
- 2H23 people costs being $3.9m lower than 1H23; and
- decentralisation of marketing and People & Culture activities.

Focus on customer service and brand building

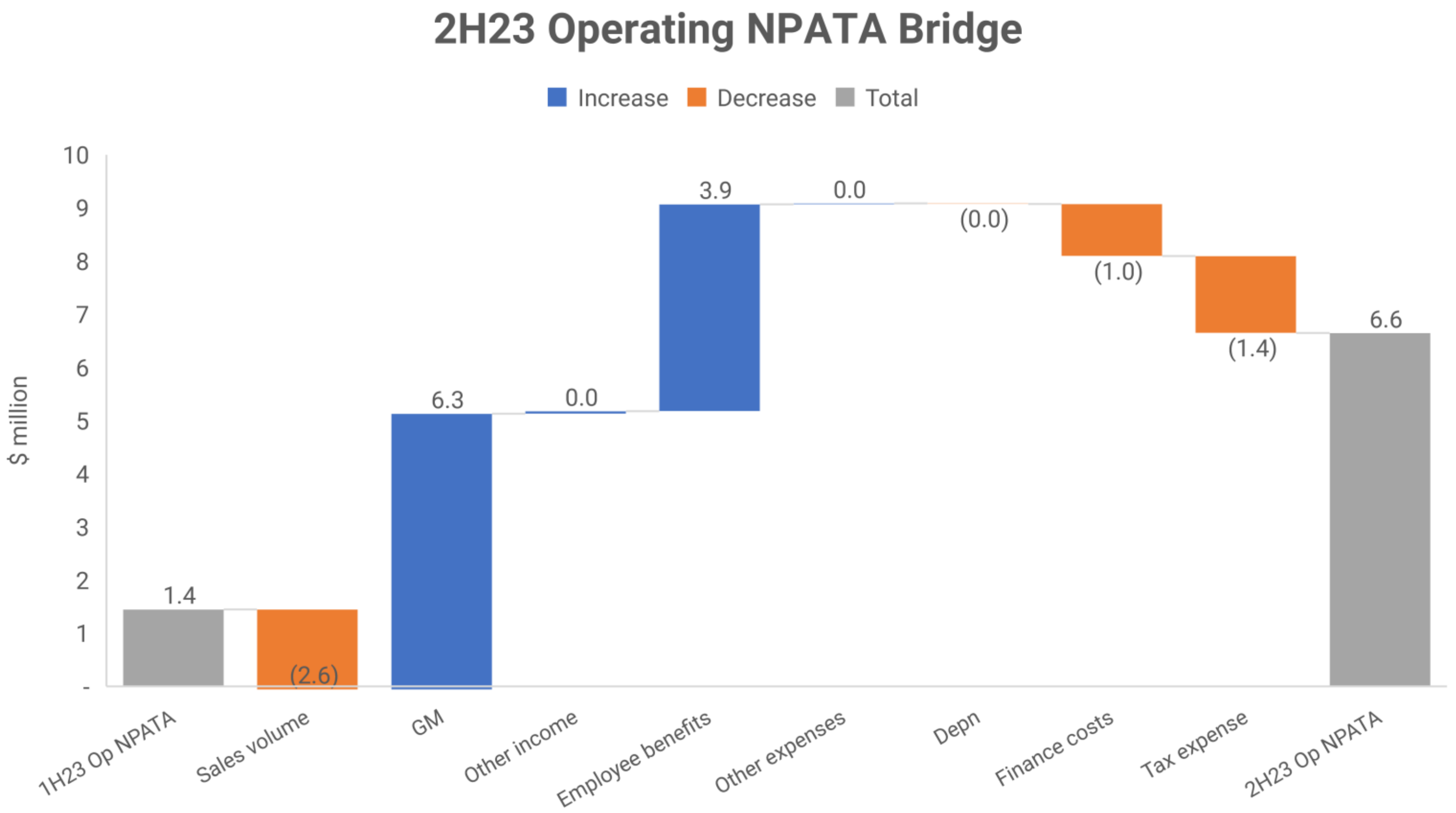
Customer service and brand building platform includes:

- continuing upgrade of the Group's IT and digital capabilities without the cost and risks associated with an entire ERP solution; and
- all business units to be on the same Finance & Administration and e-commerce platforms by the end of 1H24.

Financial Results

2H23 – GP Recovery and Lower Costs

AU wholesale focussed on long term margin improvement



Comments:

- 1H23 performance was adversely affected by supply side inflation (COGS and shipping costs). 2H23 improved as higher selling prices caught up with COGS and shipping costs fell. USA shipments were constrained throughout FY23.
- AU wholesale revenue down due to:
  - USA supply constraints;
  - changes to product mix; and
  - the volume impact of price rises and a shift to lower volume, better quality sales.
- Revenue growth in other businesses.
- Net reduction in people costs after wage growth and lower headcount during the year.
- Cost savings from Tyreright store transfers offset by inflation impact on other costs.
- Decentralisation of People & Culture and marketing activities.
- Higher interest rates impact financing costs

Results Summary

NTAW reported revenue of $582.3 million and Operating EBITDA of $38.8 million

Statement of Profit or Loss		
$'000	**FY23**	**FY22**
Sales revenue	582,284	555,549
Cost of goods sold	(418,463)	(396,978)
Gross profit	**163,821**	**158,571**
Gross margin	*28.1%*	*28.5%*
Other income	327	730
Employee benefits	(84,407)	(77,856)
Occupancy	(7,763)	(9,139)
Professional fees	(2,137)	(2,904)
Marketing	(5,187)	(4,316)
Other expenses	(28,380)	(24,608)
EBITDA	**36,274**	**40,478**
Depreciation & amortisation	(24,040)	(20,904)
EBIT	**12,234**	**19,574**
Finance costs (net)	(8,379)	(5,010)
Net profit before tax	**3,855**	**14,564**
Income tax expense	(960)	(4,995)
Net profit after tax	**2,895**	**9,569**
Addback:		
Non-controlling interest (gain)	436	(171)
Amortisation[1]	2,159	1,678
NPATA* attributable to NTAW	**5,490**	**11,076**

1 Amortisation add-back is net of tax effect.

Key Operating Metrics	FY23	FY22
Gross profit margin	28.1%	28.5%
Operating costs as a % of revenue	21.9%	21.2%
EBITDA margin	6.2%	7.3%
Basic EPS (cents)	2.5	7.7
Dividend per share (cents)	-	4.5
Operating cash flow ($ million)	24.2	11.8
Interest cover (times)	4.3x	8.1x

*NPATA includes non-recurring and abnormal expenses of $2.6 million, as summarised on page 5. **After adjusting for these expenses, FY23 Operating EBITDA was $38.8 million, Operating NPATA and Operating NPAT attributable to NTAW shareholders was $8.0 million and $5.9 million, respectively.**

Comments

- Full year GP includes substantial recovery in 2H23.
- Depreciation expense includes $3.5 million related to PP&E, with the remaining related to right-of-use assets (predominantly leased properties).
- FY23 includes full year impact of Carter's and Black Rubber (FY22 included six months of Carter's and 8 months of Black Rubber).
- Significant increase in finance costs due to higher debt levels for the entire financial year and increasing interest rates.

Balance Sheet

Solid balance sheet supporting working capital needs and future growth

Statement of Financial Position		
$'000	**June-23**	**June-22**
Current assets		
Cash and cash equivalents	33,040	35,826
Receivables	76,743	78,472
Inventory	129,788	127,266
Other current assets	5,661	6,730
	245,232	**248,294**
Non-current assets		
Property, plant and equipment	16,791	16,831
Right-of-use assets	60,816	65,081
Intangible assets	51,265	53,764
Other non-current assets	1,543	487
	130,415	**136,163**
Total assets	**375,647**	**384,457**
Current liabilities		
Payables	83,055	86,245
Borrowings	4,961	7,550
Lease liabilities	15,902	16,016
Provisions	11,339	13,238
Current tax liability/(asset)	129	(1,216)
	115,386	**121,833**
Non-current liabilities		
Payables	-	2,600
Borrowings	88,285	88,244
Lease liabilities	51,000	51,581
Provisions	1,850	2,047
Deferred tax liabilities/(assets)	3,786	5,686
	144,921	**150,158**
Total liabilities	**260,307**	**271,991**
Net assets	**115,340**	**112,466**

Net Debt at 30 June 2023 of $60.2 million.
Net Debt to Equity + Debt ratio of 28.9%.

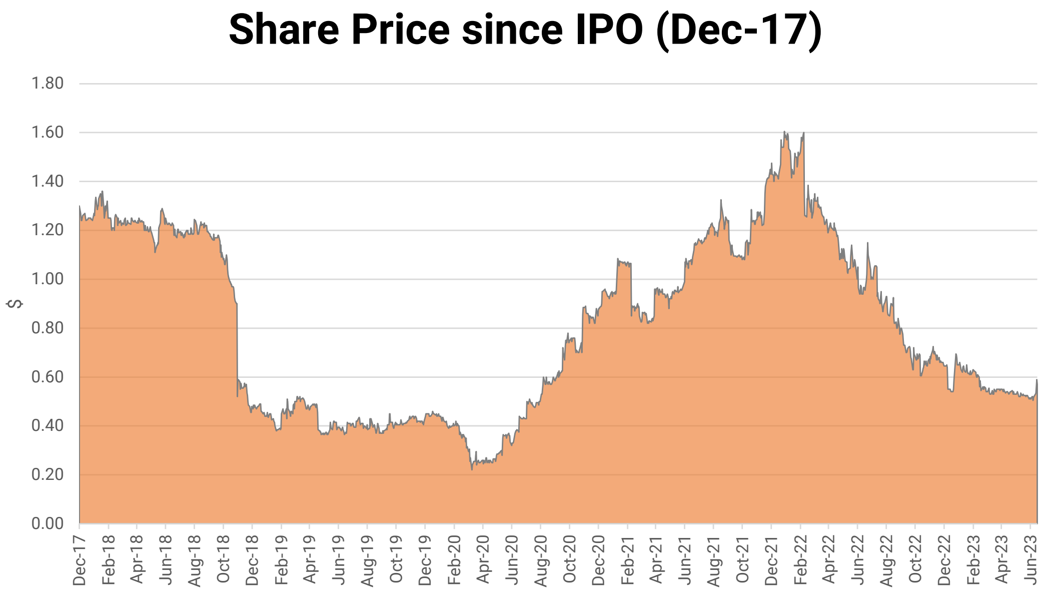
Comments

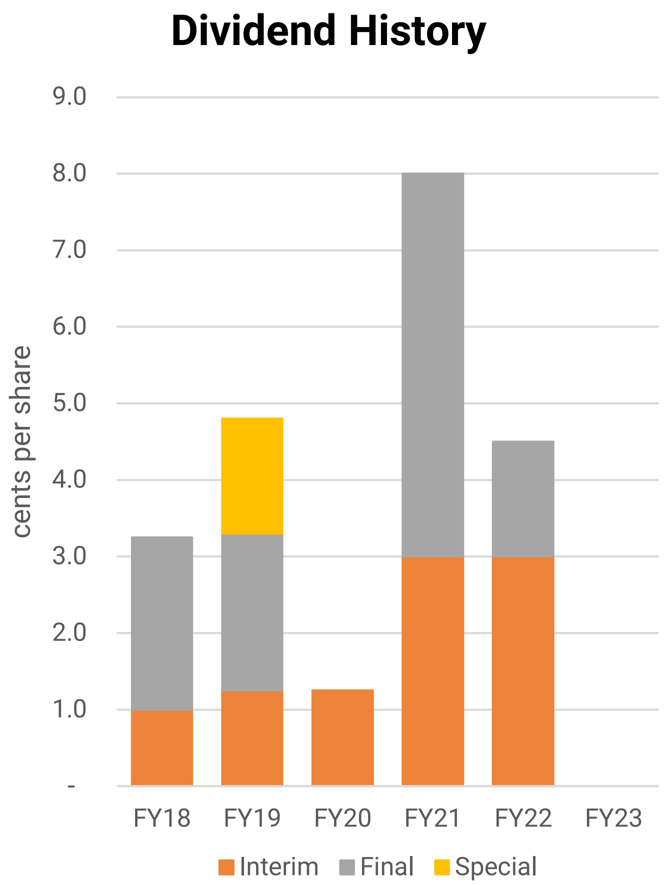
- On 30 June 2023, NTAW reported total assets of $375.6 million and net assets of $115.3 million, being $0.87 per share.
- NTAW's gross debt position was $93.2 million and it held cash of $33.0 million at 30 June 2023.
- Net tangible assets per ordinary share of $0.48 at 30 June 2023.
- Banking covenants with CBA, NTAW's senior lender, were renegotiated during the year.
- Inventory balances have reduced $5 million from $134.8 million at 31 December 2022.

Capital Structure

Dividends deferred due to challenging trading environment

- There are 133,271,318 shares on issue at 30 June 2023.
- No final dividend will be declared based on the FY23 financial result.
- NTAW currently has $19.1 million franking credits available.
- The NTAW Board is aware of the importance of the Company's dividends to shareholders and remains focussed on improving profitability to enable the recommencement of dividends at the earliest opportunity.





Outlook

Outlook

Improvement in financial performance expected in FY24

- NTAW assumes consumer tyre and wheel demand will drift downward in FY24 due to a low economic growth environment, resulting in some purchase deferral and some shift to lower priced products.

- Commercial demand is not expected to fall, underpinned by continuing goods movements and strong demand from rural customers.

- The focus on exclusive, imported brands with minimal substitution options in the Group's portfolio is expected to reduce volume and revenue in the short term. It is also expected to improve margins immediately as well as volume, revenue and margin in the longer term.

- Revenue growth from the re-organisation of the Group's commercial fleet business, and leverage from retreading capabilities, is expected in FY24.

- The Group will also benefit from business units operating on the same Finance & Administration system and sales databases in FY24.

- NTAW is actively managing all discretionary expenditure and optimising business structures and operating methods to reduce costs to mitigate the risk of lower consumer demand.

- NTAW expects an improvement in financial performance in FY24.

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