



National Tyre & Wheel Limited
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ASX Announcement

12 October 2023

2023 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
Phone: 07 3212 0950

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

2023 Annual General Meeting of National Tyre & Wheel Limited (ACN 095 843 020)

12 October 2023

Good morning and welcome to National Tyre and Wheel Limited's 2023 Annual General Meeting.

The 2023 financial year has been one of contrasting halves, with your Company entering the 2023 financial year in difficult economic and industry circumstances with substantial increases in cost of goods and freight as well as a disorderly supply chain environment. These circumstances improved during the financial year and, combined with initiatives undertaken by management, the Group's earnings improved in the second half of the year.

Your Company generated revenue of \$582.3 million in the 2023 financial year and achieved a Reported EBITDA of \$36.3 million, which after adjusting for one-off costs of \$2.5m translated to an Operating EBITDA of \$38.8 million. Your Company's balance sheet is strong with a net debt position of \$60.2 million at 30 June 2023 and a net debt to equity + debt ratio of 28.9%.

Your Company achieved a net profit after tax of \$2.9 million for 2023. This was well below that in the prior year of \$9.6 million which reflects the challenging industry and economic conditions referred to previously. Your Board and management are mindful that this level of profitability is unacceptable. Earnings did improve in the second half of the year, due to a better operating environment and the introduction of new initiatives. Peter will address in his presentation, details of these initiatives along with further business improvement programs to be introduced in FY24. We believe these initiatives and programs will contribute to an improvement in sustainable earnings.

During the year, we announced the restructure of the Group's truck and bus fleet business in Australia. NTAW's Tyreright network of retail stores, in partnership with Black Rubber, will become the primary supplier of tyre management services to commercial truck and bus fleet owners throughout Australia. Tyres4U will continue to supply products to this retail network. Your company signed a Partnership Agreement with Michelin to support that effort by co-branding some Tyreright stores as Michelin Service Centres, operating as a substantial hub for fleet customers.

On 20th September 2023, your Company entered into an agreement with Goodyear & Dunlop Tyres to distribute Dunlop consumer and commercial tyres in Australia and New Zealand. This is an exciting opportunity for your Company with the Dunlop brand strengthening NTAW's tyre portfolio and being entirely complementary to the existing operations.

Peter will discuss the 2023 year in greater detail and will articulate your Company's strategy for the future including the introduction of Dunlop brand, which is set to commence in the next six months.

To preserve cash to invest in working capital requirements, reduce debt levels and fund necessary projects, your Board determined that no dividend was to be declared for the 2023 financial year.

Your Board and management have worked diligently and constructively during a challenging year. I would like to thank our staff, customers, suppliers and shareholders for the support they have delivered over the past year. Thank you.



MANAGING DIRECTOR'S PRESENTATION

PETER LUDEMANN

EXECUTIVE SUMMARY

MAINTAINING A DIVERSIFIED, SCALABLE GROWTH PLATFORM IN A CHALLENGING ENVIRONMENT

- 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 achieved Operating NPATA of \$6.6 million in 2H23 (1H23: \$1.4 million)
- NTAW reported FY23 Operating EBITDA of \$38.8 million (FY22: \$44.9 million)
- EPS of 5.7 cents per share based on Operating NPATA (FY22: 12.7 cents per share)
- Inventory value fell by \$5.0m between 31 December 2022 and 30 June 2023
- 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



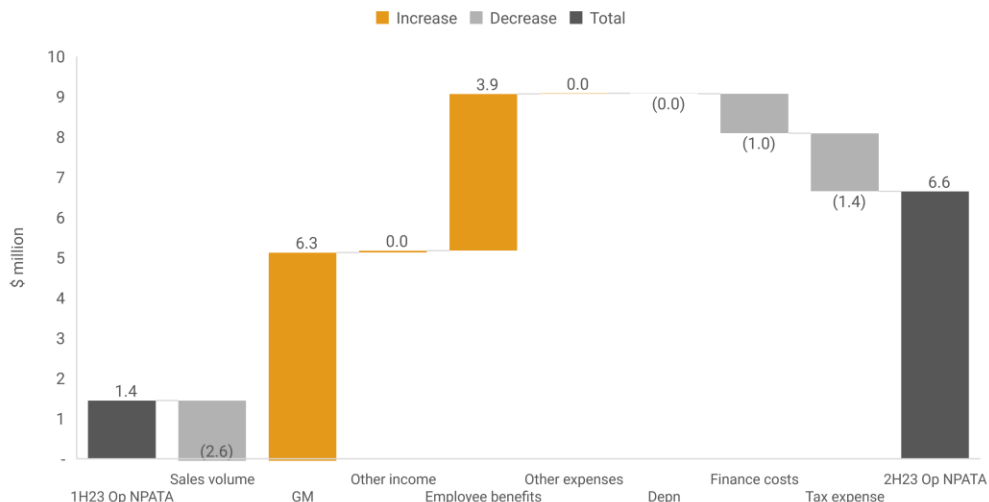
DUNLOP AN ICONIC BRAND WITH A RICH AUSTRALIAN HERITAGE

- Dunlop Pneumatic Tyre Company of Australasia established one of the world's first tyre factories in Melbourne in 1893
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- Pacific Dunlop became one of Australia's 20 largest companies in the 1990's
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FY23 RESULTS A STORY OF TWO HALVES

2H23 Operating NPATA Bridge



*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.

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

FY23 RESULTS

COMMERCIAL RETAIL UP, SPECIALTY WHOLESALE RESILIENT, LARGE AUSTRALIAN WHOLESALE DOWN

- Commercial retail businesses (Black Rubber and Carter’s) performed well in FY23, retaining and winning new fleet customers
- Dynamic Wheel Co, Integrated OE, Statewide, Tyres4U (NZ) and Solid Plus also proved to be resilient in a difficult trading environment
- FY23 result mostly reflects a materially lower contribution from ETD and Tyres4U (AU), the Group’s largest business units, and continuing drag from remaining consumer retail stores



To be Australia’s preferred tyre wholesaler.



Hottest and toughest
To enable Inspiring wheel choices.



To ensure tyre performance, with predictable costs.



To lift customers to new heights in fleet utilisation.



To keep truck and bus fleets running.



Businesses built on partnerships.



To be a lifetime solution for shops and customers



Right products, right choices, right values.



Original equipment solutions on time, on budget every time



To reliably deliver the largest range of competitively priced tyres and wheels.

FY23 BUSINESS INITIATIVES

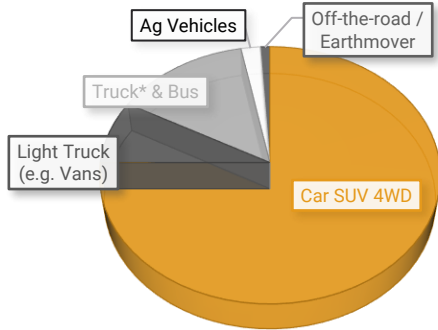
STRUCTURAL CHANGES TO LARGE AUSTRALIAN WHOLESALE BUSINESS

The Group's Australian wholesale businesses already share logistics and they are increasingly aligned in how they go to market, with trends that will improve margins and deliver efficiencies. The following initiatives were underway in FY23:

- Decentralising costs associated with marketing as well as people & culture;
- Continued closure or sale of low margin Tyreright stores and merging remaining profitable stores into Black Rubber – an experienced retail operator;
- Leveraging the expanded Black Rubber retail platform and the Michelin partnership into more profitable truck and bus fleet work;
- Shifting further away from USA as a source of supply;
- Ending the distribution of lower margin brands and products through Tyres4U, focusing that on a smaller assortment of core brands;
- Electing not to renew, or renegotiating, low margin commercial fleet supply agreements;
- Continuing upgrades of warehouse systems to improve efficiency; and
- Managing the program to have all business units on the same finance and administration systems by the end of November 2023.

TYRE INDUSTRY BRIEFING

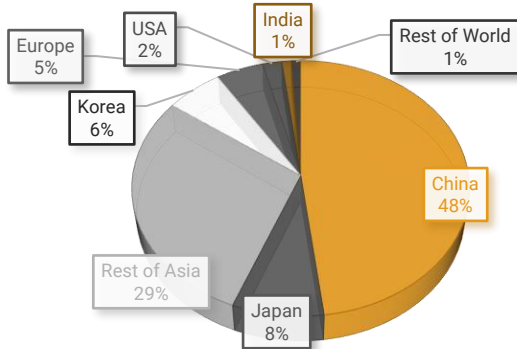
TYRES BY VEHICLE TYPE



Estimated Australian market size = 24 million tyres p.a.
 *Truck includes ~800,000 retreaded tyres



AUSTRALIAN RUBBER IMPORTS



Michelin, Bridgestone, Yokohama, Continental, Hankook vertically integrated through the supply chain via wholesale and owned/licensed/franchised Retail chains & Groups. Retailers affiliated to a chain or group ~70% of retail sales. "Available market" affected by affiliate quotas. License and franchise systems range from light to heavy touch. Tyre shops vary in tyre and mechanical mix. National distribution capability matters for national retail chains.

B2B CUSTOMER SEGMENTATION
STARTING POINT FOR DEFINING CUSTOMER EXPERIENCE

1	Tyre Specialty Store	Other Re-seller	End User	Wholesale focus on tyre stores and resellers, Retail focus on end users		
2	Regional	Metro	Dunlop increases metro business and scale for improved service levels			
3	4WD Focus	PLT Focus	Commercial Focus	Wheel Focus	Group brand assortment reflects tyre type segmentation levels	
4	Company Owned	Company Licensed	Independent	Affiliated	Dealer trading programs for different types of tyre stores	
5	Manufacturer Aligned	Non-Aligned	Head Office Relationships	Store Owner Relationships	Marketing and sales effort focused on the "available" B2B customer base	
6	Most Preferred / Protected	Fulfilment Partner	Account Management	Minimal Service Customer	Account Holder	Customer service and incentives based on volume and cost to serve

SOURCES OF COMPETITIVE ADVANTAGE
DELIVERING OUTSTANDING CUSTOMER EXPERIENCES

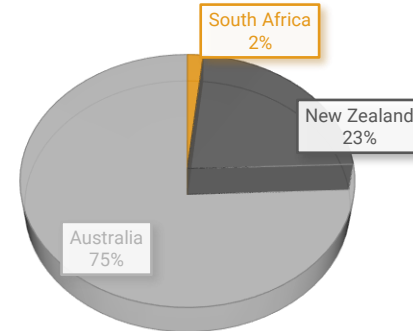
“Tickets to the Game”

- Effective procurement – product availability
- Service levels – logistics, inventory
- Transactional capability – phone, online, field
- Sales & aftersales support
- Loyalty programs / incentives

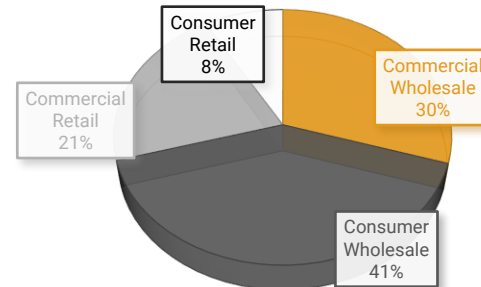
NTAW Competitive Advantage – superior customer experiences

- Offer product choice (multiple brands and uses)
- Be experts – industry & product
- Deliver commercial tyre performance management
- Offer dealer programs that align with B2B customer goals
- Embrace sustainability (e.g. retread manufacture)
- Provide digital solutions
- Sustain deep, long standing customer relationships

NTAW COUNTRY REVENUE SEGMENTATION



NTAW COMMERCIAL / CONSUMER REVENUE SEGMENTATION





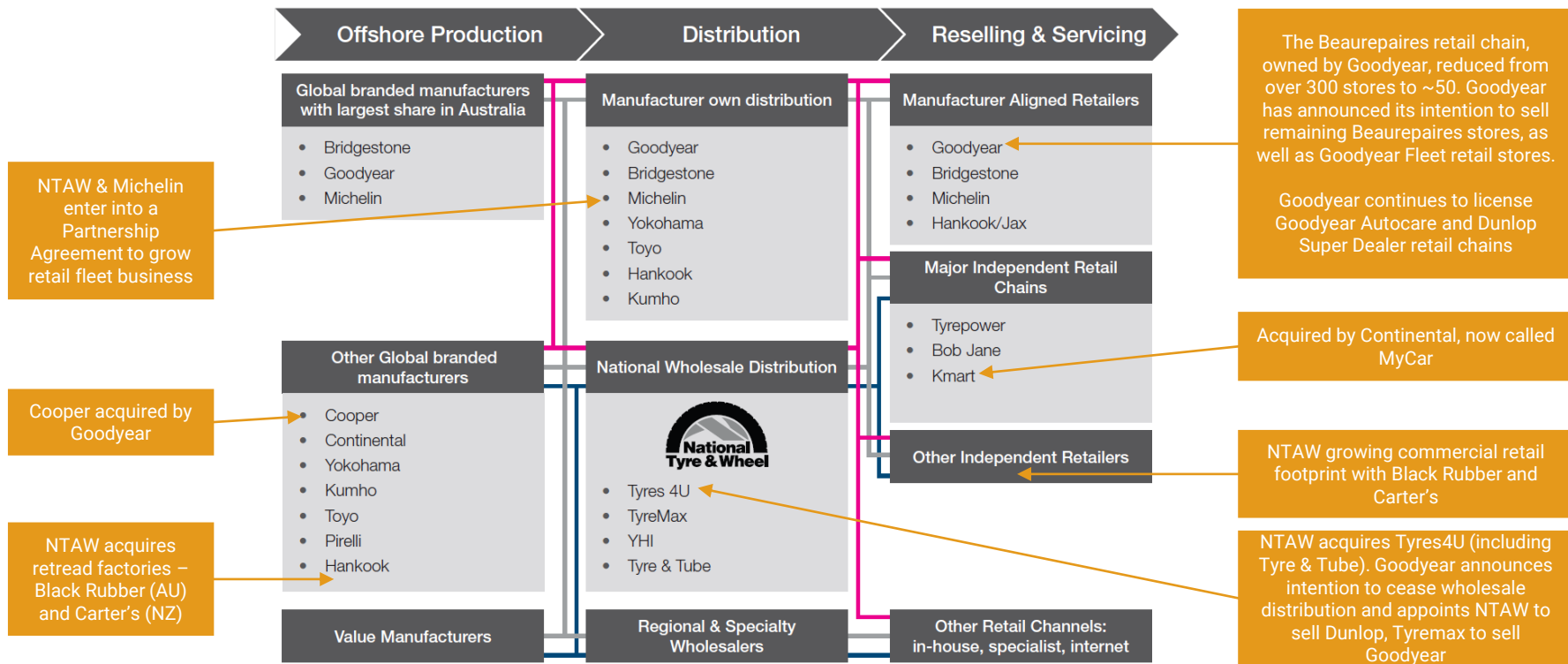
TYRE RETREADING DRIVING SUSTAINABILITY AND GROWTH

- 68% less energy used in production of a retread tyre
- 1,000 retreads saves enough energy to power 54 homes for a year
- One retread reduces CO2 emissions by 115kgs
- 1,000 retreads is equal to the work of one hectare of forest
- One retread uses 15kgs of material, a new tyre requires 55kgs
- Up to 5-fold increase in tyre life
- Lower cost over the extended life of the tyre

NTAW operates 3 retread factories in Aus and 2 in NZ.



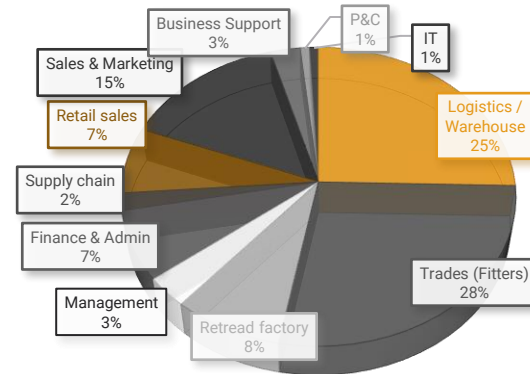
INDUSTRY STRUCTURE IN DECEMBER 2017 (NTAW'S IPO) ADAPTING STRATEGICALLY TO STRUCTURAL CHANGES



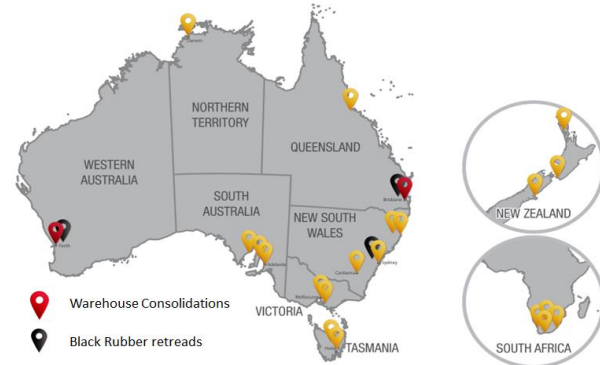
NTAW SNAPSHOT
LARGEST INDEPENDENT TYRE WHOLESALER IN ANZ

- Largest independent (multi-brand) tyre and wheel importer in ANZ
- National sales and distribution platform
- More than 3 million tyres and wheels sold p.a.
- 880 employees generating \$582 million revenue in FY23
- Long standing, exclusive supplier relationships
- 3,000+ customers with low concentration
- Income streams diversified by country, channel and tyre type
- Entrepreneurial heritage, extensive industry experience

NTAW EMPLOYEES

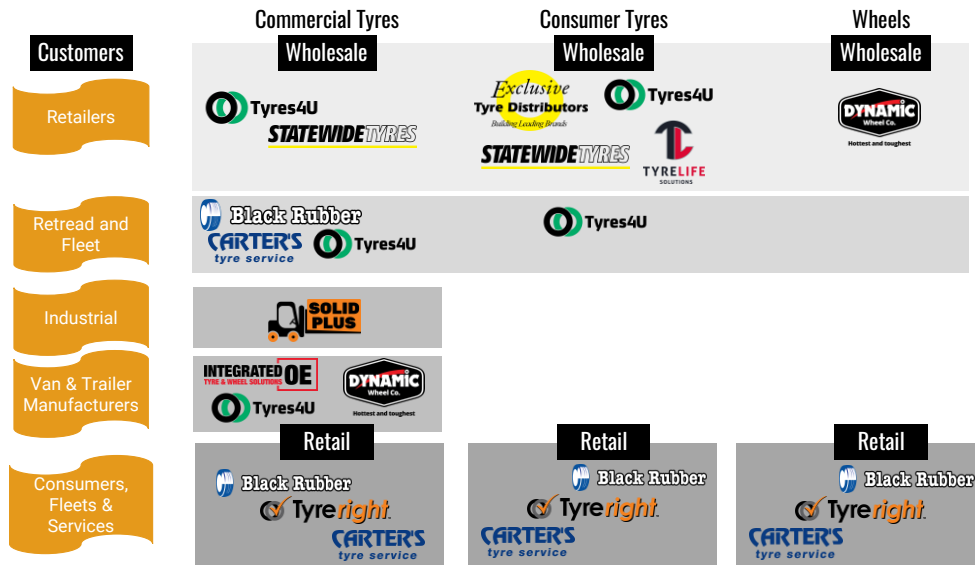


NTAW GROUP - DISTRIBUTION FOOTPRINT



GROUP STRUCTURE FOCUS ON CUSTOMER EXPERIENCE

- Increasing focus on customer experience
- Business units preserving goodwill (business brand awareness, reputation)
- Wholesale business units aligning around brand building (exclusive, imported brands) and shared IT, inventory and accounting platforms
- Retail business units aligning around commercial tyres (truck, bus, agriculture and off-the-road tyres) and tyre performance management for commercial fleets (cents per kilometre, sustainability)
- NZ aligned around Tyres4U (wholesale) and Carter's (retail) business focus. ETD (NZ) focus on Cooper and Dunlop brands

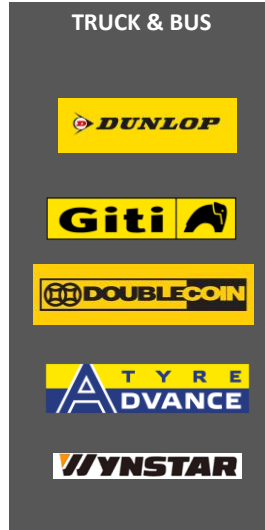
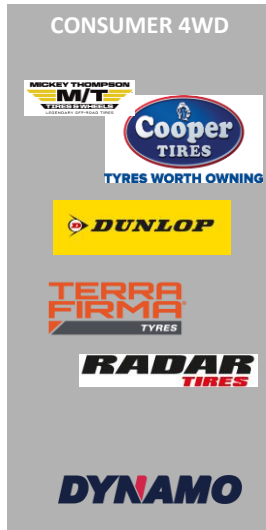
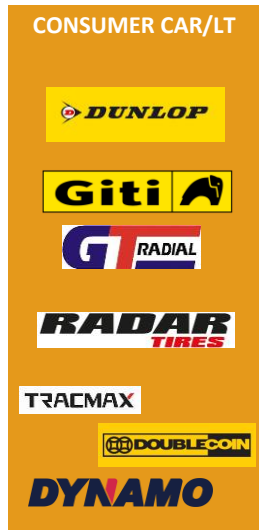


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AUSTRALIAN WHOLESALE TYRE BRAND PORTFOLIO ADAPTING TO STRUCTURAL CHANGE IN AUSTRALIAN WHOLESALE AND DELIVERING DUNLOP



- Dunlop fills a gap for NTAW in the premium Car/LT and TBR segments
- Focus on core brands with exclusive importation rights
- Brands complement each other in vertical segments (vehicle/tyre type) ...and at distinctly different value/price positions
- With Dunlop, NTAW's brand assortment covers almost all tyre market segments
- From Q4FY24 customers can purchase all NTAW brands and tyre types in one transaction with one supplier

OUTLOOK

DELIVERING STRUCTURAL CHANGE TO AUSTRALIAN WHOLESALE & DELIVERING DUNLOP

- Selling Dunlop introduces new customers to NTAW and a new, sought after product for existing NTAW customers
- Increased NTAW access to metropolitan markets and passenger car tyre consumers
- Dunlop contribution to revenue (approx. \$120m) less loss of revenue from discontinued products (approx. \$30m) results in net revenue increase of \$90m p.a. to approx. \$670m p.a. (from FY25)
- NTAW will continue to target a GP margin of 26-28% – the net impact of increasing share of passenger products (lower margin), discontinuing even lower margin products and growth in the higher margin commercial retail businesses
- Changes to NTAW's existing product mix allows Dunlop to mostly fit into existing warehouses – we estimate another 4,000 sqm (4% of the existing footprint) will be required. More people will be hired for sales, marketing and distribution
- The Group expects FY25 overheads (including rent) as a percentage of increased revenue to fall from FY23 levels by about 100 to 150 basis points
- Overall, the NTAW Board expects the execution of various initiatives outlined above and Dunlop distribution will be earnings accretive
- Additional capital may be required to purchase opening Dunlop inventory, warehouse storage equipment and motor vehicles to meet metropolitan service level expectations. Some cash will be released from selling out of discontinued products

IMPORTANT INFORMATION AND DISCLAIMER

This presentation may contain certain unaudited financial information in relation to National Tyre & Wheel Limited (“Company” and “Group”). As such, it has not been subject to an audit or an audit process or otherwise independently verified.

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