



**Financial Results
Half-year ended 31 December 2023**



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1H24 Highlights

Executive Summary

More favourable operating environment, project execution, preparing for Dunlop



Opportunity knocks

- National Tyre & Wheel Limited (“NTAW”) is the largest independent tyre and wheel importer and wholesale distributor in Australia and New Zealand.
- Goodyear announces it will cease wholesale, retail and retread businesses in Australia and NZ. NTAW secures the right to distribute iconic Dunlop branded tyres.
- Group warehouse consolidations, finance & administration system alignment and new business combinations position NTAW to benefit from other opportunities that may arise.

Financial performance

- Decision to discontinue certain low margin Tyres4U brands contributed to 1H24 revenue of \$264.9 million (1H23: \$295.3 million) and improved profit results.
- Gross profit and gross profit margin both improved to \$82.3 million (1H23 \$80.1 million) and 31.1% (1H23: 27.1%), respectively.
- Operating EBITDA of \$19.7 million (1H23: \$15.7 million) was up 26% (see page 5).
- Operating NPATA attributable to NTAW shareholders improved to \$2.3 million (1H23: \$0.3 million).
- EPS of 1.57 cents based on Operating NPATA (1H23: 0.97 cents per share).
- Strong net cash from operating activities of \$10.0 million (1H23: \$1.4 million).
- NTAW’s balance sheet at 31 December 2023 remained strong with cash balances of \$31.2 million. Net debt was \$63.1 million with net assets of \$117.5 million.

Platform for growth

- Discontinuation of low margin products is improving profitability.
- Completion of warehouse consolidations will deliver better service levels.
- Completion of common IT, Finance & Administration platform will enable sales growth.
- Restructuring Australian wholesale businesses for Dunlop will support sales growth.

Outlook

- Steady improvement in financial performance since 1H23 expected to continue.
- Dunlop go-to-market strategy to change under NTAW stewardship with full benefits expected in FY25. \$85-\$95 million of incremental revenue per annum with limited additional overheads.
- Goodyear’s departure from certain business operations will likely create new opportunities for which NTAW is well placed to participate.

Financial Highlights

1H24 improvement after difficult operating conditions in FY23



- 1H24 Operating EBITDA of \$19.7 million (1H23: \$15.7 million).
- 1H24 EBIT of \$7.1 million (1H23: \$1.7 million).
- GP margins improved in 1H24 as prices realigned with COGS, inbound freight costs declined and NTAW product mix changed.
- Lower expenses including \$2.6 million reduced employee costs, despite inflation and wage rises.
- Increased financing costs due to higher interest rates.
- Significantly improved operating cashflow of \$10.0 million (1H23: \$1.4 million).

Reconciliation of NPAT to Operating EBITDA		
\$'000	1H24	1H23
Net profit after tax	671	(1,772)
Income tax expense	1,447	(251)
Net profit before tax	2,118	(2,023)
Finance costs (net)	4,946	3,698
Reported EBIT	7,064	1,675
Depreciation and amortisation	12,323	12,045
Reported EBITDA	19,387	13,720
IT project implementation costs	493	762
Warehouse consolidation costs	30	-
Store disposals and redundancy costs	-	368
Unrealised FX loss/(gain)	(190)	825
Operating EBITDA	19,720	15,675

Financial Highlights	1H24	1H23
Gross profit margin	31.1%	27.1%
Operating costs as a % of revenue	23.7%	22.5%
EBITDA (\$ million)	19.4	13.7
EBITDA margin	7.3%	4.6%
NPATA* (\$ million)	1.8	(0.7)
Operating NPATA** (\$ million)	2.1	1.4
Basic EPS (cents)	0.7	(1.2)
Dividend per share (cents)	-	-
Operating cash flow (\$ million)	10.0	(1.4)
Interest cover (times)	3.9x	3.7x
	Dec-23	Jun-23
Net debt (\$ million)	(63.1)	(60.2)
Net debt:debt+equity	29.8%	28.9%
NTA per share (cents)	52.5	50.9

*NPATA attributable to NTAW shareholders.

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

Business Update

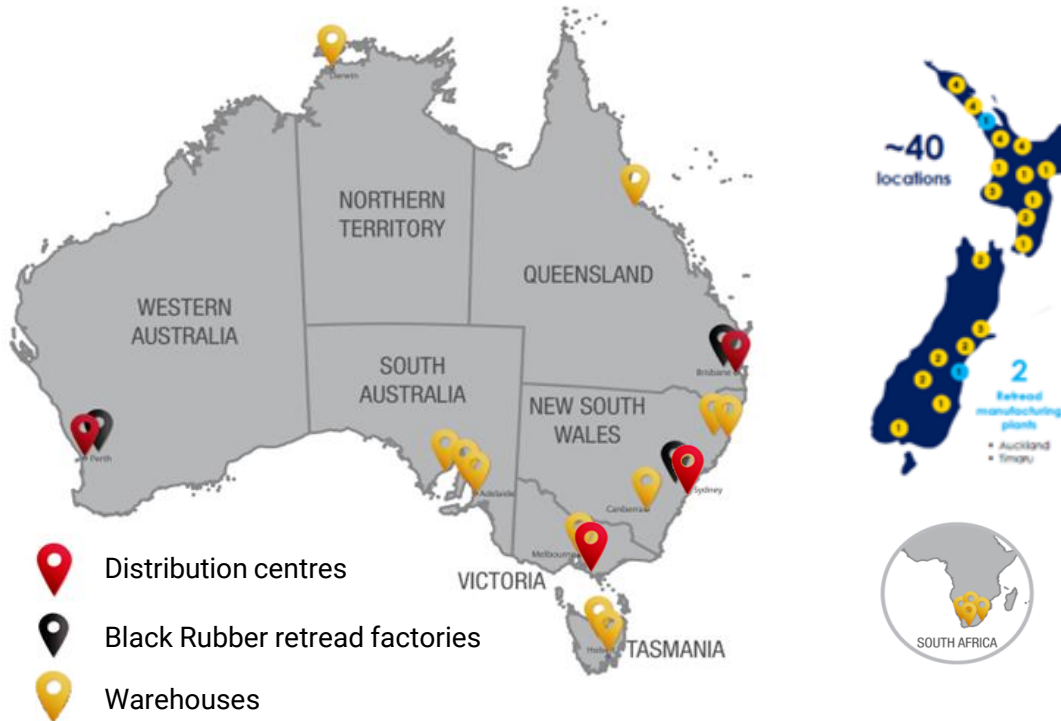


Going Further to Help our Businesses & Customers Win

Largest national distribution platform in Australia

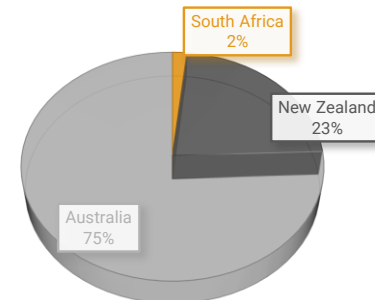


NTAW GROUP : DISTRIBUTION FOOTPRINT

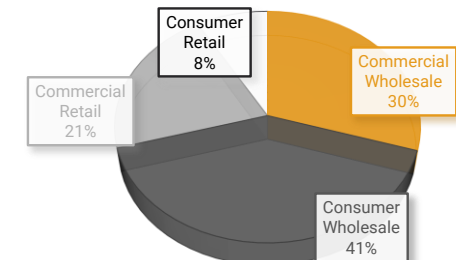


- Largest independent (multi-brand) tyre and wheel importer in Australia & New Zealand.
- National sales and distribution platform across Australia and New Zealand.
- 3 million tyres and wheels sold p.a.
- 880 employees.
- Long standing, exclusive supplier relationships.
- 3,000+ customers with low concentration.
- Income streams diversified by country, channel and tyre type.
- Entrepreneurial heritage, extensive industry experience.

NTAW COUNTRY REVENUE SEGMENTATION



NTAW COMMERCIAL / CONSUMER REVENUE SEGMENTATION



Note – Licensee revenue not included in Retail revenue.

Renowned Business Brands

Each focusing on a distinct segment of a \$5.5 billion industry



To be Australia's preferred tyre wholesaler



Hottest and toughest

To enable inspiring wheel choices



To ensure truck & bus tyre performance, with predictable costs



To lift customers to new heights in fleet utilisation



To keep truck and bus fleets running



Business built on partnerships



To be a lifetime solution for tyre shops and their 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



NTAW warehouse in Brisbane



NTAW warehouse in Melbourne

Performance Initiatives

Project milestones achieved, organising to deliver better customer experiences



- Black Rubber expands commercial tyre operations in Australia, rebranding four large retail hubs as Michelin Service Centres.
- Completion of the transfer of remaining Group businesses onto a common finance and administration platform.
- Completion of capital city warehouse consolidations with Perth completed in November 2023.
- Tyres4U (Aus) to focus on exclusively imported products, discontinuing low margin brands.
- Integrated OE businesses merged into Dynamic Wheel Co (caravan tyre and wheel packages) and Tyres4U (Aus) (commercial packages).
- Solid Plus (forklift tyre, wheels and services) transferred out of Tyres4U (Aus) to trade independently.
- Further rationalisation of company owned Tyreright retail stores.
- Employee costs reduced by \$2.6m despite wage rises.
- Launched new incentive and loyalty programs: Exclusive Tyre Distributors' Inner Circle Program and Tyres4U's Ultimate Rewards.



DUNLOP

Dunlop Distribution

SPORT MAXX

295/30

BRUNDA

Dunlop - an iconic Australian brand

Leading original equipment tyre, performance heritage, ranked 3rd to 4th for consumer brand awareness



1888

1893

1900

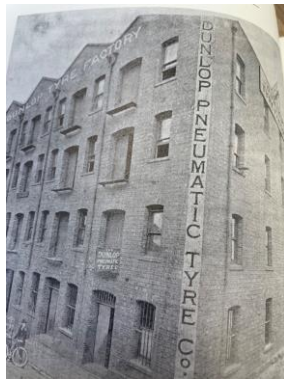
1900 - 2006

2006 - 2023

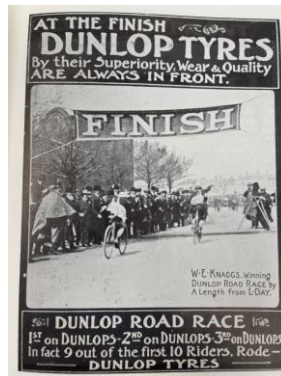
2024



John Boyd Dunlop patents a pneumatic tyre invention.



The Australian Dunlop Pneumatic Tyre Company opens one of the world's first tyre factories in Melbourne, Australia.



Dunlop tyres has a leading position in Australia – people refer to tyres as “Dunlops”.



The company continues trading, acquiring other local manufacturers, in the 1980's known as Pacific Dunlop, then one of Australia's 20 largest companies. A joint venture (South Pacific Tyres) is formed with Goodyear in 1986.



Goodyear buys out Pacific Dunlop's interest in South Pacific Tyres and manufactures via a joint venture with Sumitomo until 2015 when Goodyear becomes the sole owner of the Dunlop brand.

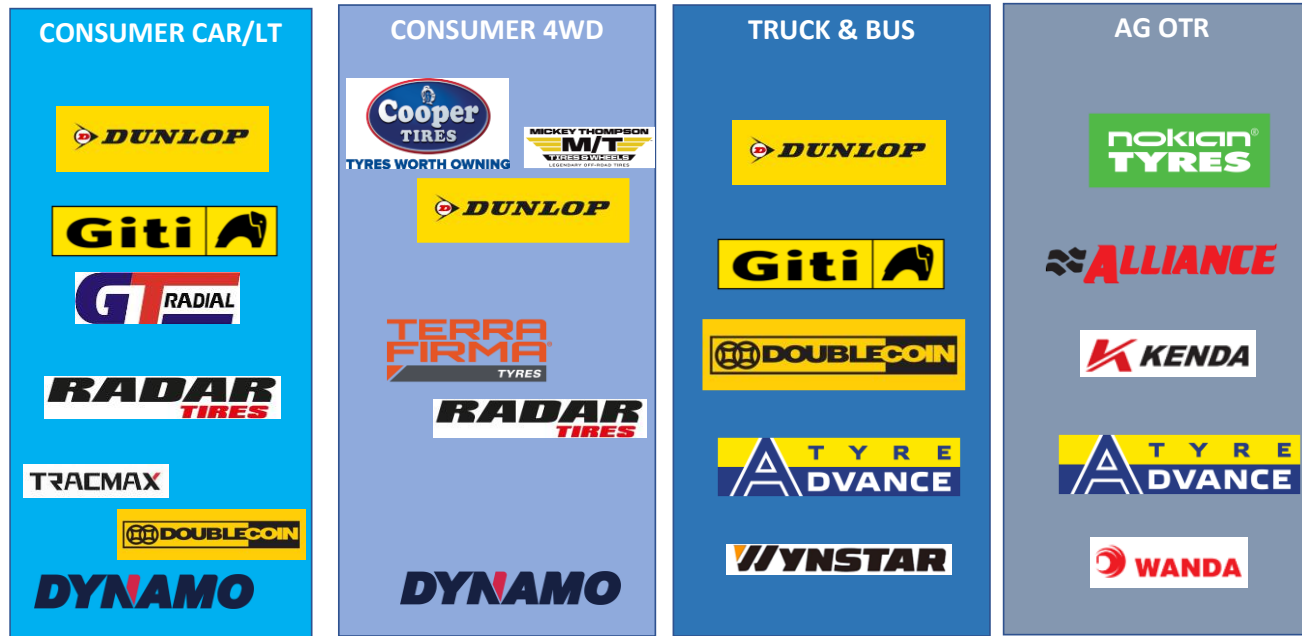


Dunlop “comes home” with NTAW appointed distributor in Australia and New Zealand pursuant to Agreements signed in September 2023.

Dunlop enhances the Australian wholesale businesses portfolio

Tyre segmentation based on vehicle type (verticals)

NTAW Australian Wholesale Brand Map



- Dunlop fills a previous gap for NTAW in the premium Car & Light Truck and Truck & Bus segments.
- Focus on core brands with exclusive importation rights.
- Brands complement each other in vertical segments (vehicle & tyre type) at distinctly different value & price positions.
- NTAW's brand assortment now covers virtually all tyre market segments.



Dynamic Wheel Co ("DWC"), Exclusive Tyre Distributors ("ETD") and Tyres4U (Aus) ("T4U") will jointly distribute Dunlop in Australia, as business units of National Tyre & Wheel.

ETD (NZ) is distributing Dunlop in New Zealand.

Dunlop - transforming NTAW's business operations

Emphasis on premium brand position, fitting into existing warehouses, expanded sales team, working capital requirement



- NTAW's go-to-market strategy will reinforce Dunlop's premium brand position with less discounting to improve margins.
- Brand promotion will be underpinned by sponsoring the Supercar race series and other campaigns to build brand awareness and consideration.
- Dunlop inventory can be received by NTAW without any material increase in warehouse space or rent.
- NTAW has employed 12 experienced Dunlop sales personnel, to be integrated into the T4U sales team.
- No other material increase in overheads to distribute Dunlop.
- To enhance the customer experience (ease of purchasing) and achieve logistics efficiencies (picking, tracking and delivering), ETD, T4U and DWC will become separate business units within a new wholesale entity to be called National Tyre & Wheel Pty Ltd.
- NTAW (the parent company) will change its name to **NTAW Holdings Limited**. An Extraordinary General Meeting will be held on 26 March for shareholders to vote on the name change.

Dunlop - expected to add \$85-95 million in revenue per annum

Emphasis on premium brand position, fitting into existing warehouses, expanded sales team, working capital requirement



- Trading within the new single entity will result in more collaboration between these teams to grow sales of all NTAW brands.
- The new strategy, focused on improving Dunlop brand margins, will take around 6-12 months to implement in full and generate the expected benefits.
- **NTAW estimates that the Dunlop distribution will add revenue of between \$85-95 million per annum.**
- NTAW to fund the purchase of opening Dunlop inventory (estimated to be \$20-25 million) and the acquisition of delivery vehicles and other equipment in due course.
- The Dunlop distribution business transforms NTAW. Further financial details will be provided as NTAW progressively implements its new business strategy.

Financial Results

Results Summary

NTAW reported revenue of \$264.9 million and Operating EBITDA of \$19.7 million



\$'000	1H24	1H23
Sales revenue	264,853	295,251
Cost of goods sold	(182,564)	(215,181)
Gross profit	82,289	80,070
	31.1%	27.1%
Other income	704	140
Employee benefits	(41,522)	(44,167)
Occupancy	(4,111)	(3,695)
Professional fees	(3,142)	(3,039)
Marketing	(2,673)	(2,682)
Other expenses	(12,158)	(12,907)
EBITDA	19,387	13,720
Depreciation & amortisation	(12,323)	(12,045)
EBIT	7,064	1,675
Finance costs (net)	(4,946)	(3,698)
Net profit before tax	2,118	(2,023)
Income tax expense	(1,447)	251
Net profit after tax	671	(1,772)
Addback:		
Non-controlling interest loss / (gain)	221	160
Amortisation ¹	1,089	1,101
NPATA* attributable to NTAW	1,981	(511)

¹ Amortisation add-back is net of tax effect.

Key Operating Metrics	1H24	1H23
Gross profit margin	31.1%	27.1%
Operating costs as a % of revenue	23.7%	22.5%
EBITDA margin	7.3%	4.6%
Basic EPS (cents)	0.7	(1.2)
Dividend per share (cents)	-	-
Operating cash flow (\$ million)	10.0	(1.4)
Interest cover (times)	3.9x	3.7x

*NPATA includes non-recurring and abnormal expenses of \$0.3 million, as summarised on page 5. **After adjusting for these expenses, 1H24 Operating EBITDA was \$19.7 million, Operating NPATA and Operating NPAT attributable to NTAW shareholders was \$2.3 million and \$1.2 million, respectively.**

Comments

- Revenue declined due to certain low margin Tyres4U brands being discontinued, the rationalisation of Australian retail business and some lingering poor fill rates from USA suppliers.
- Gross profit and gross margin improved due to price increases or lower COGS, lower inbound freight costs and changes to product mix.
- Reduced employee costs with reduced headcount offsetting rising labour costs.
- Increase in finance costs due to increasing interest rates.

Balance Sheet

Solid balance sheet supporting present working capital needs



\$'000	Dec-23	June-23
Current assets		
Cash and cash equivalents	31,202	33,040
Receivables	66,169	74,593
Inventory	132,650	130,128
Other current assets	8,126	5,662
Current tax asset/(liability)	705	(129)
	238,852	243,294
Non-current assets		
Property, plant and equipment	16,248	16,791
Right-of-use assets	68,564	61,216
Intangible assets	50,028	51,265
Other non-current assets	1,496	1,543
	136,336	130,815
Total assets	375,188	374,109
Current liabilities		
Payables	70,599	81,247
Borrowings	5,621	4,960
Lease liabilities	17,387	15,902
Provisions	11,293	11,654
Other financial liabilities	1,516	-
	106,416	113,763
Non-current liabilities		
Borrowings	88,663	88,285
Lease liabilities	57,389	51,000
Provisions	2,216	1,935
Deferred tax liabilities	3,036	3,786
	151,304	145,006
Total liabilities	257,720	258,769
Net assets	117,468	115,340

Net Debt at 30 June 2023 of \$63.1 million.
 Net Debt to LTM Operating EBITDA of 1.5 times.
 Net Debt to Equity + Debt ratio of 29.8%.

Comments

As at 31 December 2023:

- NTAW reported total assets of \$375.2 million and net assets of \$117.5 million, being \$0.88 per share;
- NTAW's gross debt position was \$94.3 million and held cash of \$31.2 million; and
- Net tangible assets per ordinary share of \$0.53.

During 1H24, NTAW renewed its banking facility with CBA, NTAW's senior lender, with a new expiry date of Sept-27.

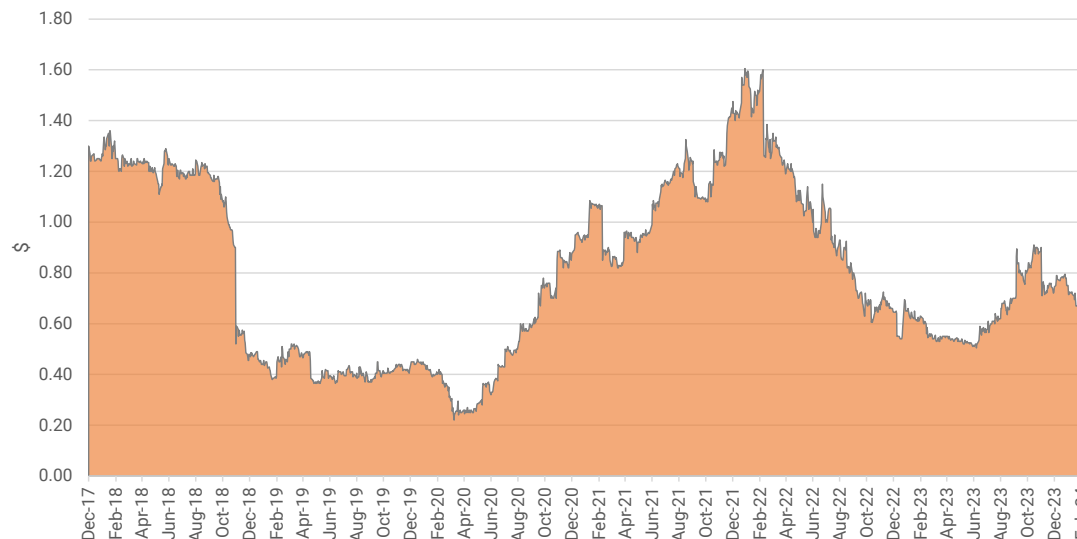
Capital Structure

Dividends remain deferred preserving cash for Dunlop working capital requirements

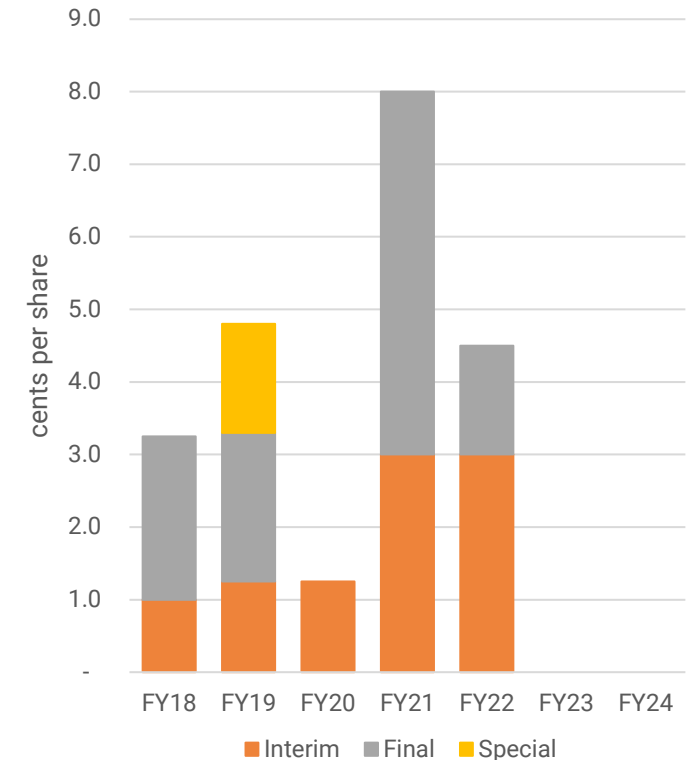


- There were 134,136,094 shares on issue at 31 December 2023.
- No interim dividend will be declared to preserve cash for Dunlop’s working capital requirements.
- NTAW currently has \$19.9 million franking credits available.
- The Board will reconsider the payment of dividends upon the completion of its business reset and the successful implementation of the Dunlop distribution arrangements.

Share Price since IPO (Dec-17)



Dividend History



Outlook

Outlook

Completing projects and launching Dunlop in 4Q24 will lead to steady business growth for NTAW



- Leading indicators for commercial tyre demand (goods movements and agriculture forecasts) are positive, although NTAW remains wary of the potential impact of high interest rates and inflation on consumer demand.
- NTAW is actively managing costs having regard to lower revenue from discontinuing some Tyres4U brands and the anticipated additional revenue from the distribution of Dunlop.
- Goodyear’s decision to cease trading in certain wholesale, retail and retread businesses will present opportunities for NTAW to grow into vacated space, with the Dunlop Distribution Agreement being the first example.
- NTAW’s commercial tyre business, including retreads, operated by Black Rubber is expected to grow as it expands its presence in Eastern Australia.
- In 4Q24, NTAW will complete its single entity and Dunlop launch, the last of the major projects requiring significant management time and resources.
- The business reset and a new Dunlop marketing plan mean guidance for 2H24 cannot be provided. These initiatives are aimed at improving financial performance in FY25.

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