

ASX Announcement  
10 February 2021

### RPM SUCCESSFULLY COMPLETES TRARALGON TYRE SERVICE ACQUISITION & ON TRACK FOR STRONG REVENUE INCREASE IN 2021

RPM Automotive Group Limited (ASX: RPM) ("RPM" or the "Company") is pleased to announce that it has completed the acquisition of Traralgon Tyre Service (TTS). The acquisition has passed all necessary conditions as well as the due diligence. TTS is a market leader in commercial, industrial heavy vehicle tyres in the Gippsland Region.

#### HIGHLIGHTS

- TTS's FY20 Revenue: \$4.25 million / FY20 EBITDA: \$370,000
- TTS's forecast FY21 Revenue: \$5.5 million (29% increase)
- TTS's forecast FY21 EBITDA: \$475,000 (28% increase)
- **Reduced costs** through operational synergies with RPM's existing business
- **Increased revenue generation** by leveraging RPM's expertise, contracts and sales network
- **Attractive purchase price and payment terms** (50% scrip / 50% cash - paid in tranches over 4 years)
- RPM Group remains on track for record revenues of \$49.2M in FY21 (44% increase from FY20), and record EBITDA of \$4.7M (37.6% increase from FY20)
- **Australian Automotive Sector benefiting from Covid-19 tailwinds** with sales of new cars in Australia climbing 11.1% in January 2021 y/y (*source: VFACTS*), and increased domestic driving activities replacing international travel as a result of border closures
- The TTS Acquisition is the first completed since the completion of RPM's successful Capital Raise



The acquisition of TTS (asset purchase) was originally announced to the ASX on 10 November 2020 when the Heads of Agreement was signed.

TTS is a market leader in the supply, fit and servicing of passenger (PCR), commercial (TBR) and industrial (OTR) tyres in the Gippsland region of Victoria.

TTS will fit very neatly into RPM's Repairs and Roadside Division, joining the five existing businesses to gain operational synergies, cost reductions, and the ability to offer more services to existing and new clientele.

Tony Mann, the owner, will remain on as the company's director in charge of operations, described his business, *"We provide solutions to applications, our customers charge us with problems that they face, and it is our responsibility to solve those problems and provide long-term workable solutions. This is what we pride ourselves on and therefore we have been able to retain our customers' loyalty for so many years."*

TTS is uniquely positioned to provide OTR service capability to East, Central and West Gippsland. *(With competitors having to travel from Metro Melbourne)*

Over the past 25 years TTS has successfully built a very diverse and unique business servicing the:

- trucking industry,
- forestry,
- agriculture and farming,
- the retail passenger market (strong 4WD, LDV and SUV market)
- major mining operations in the region.

TTS operates in a very similar space to Air Anywhere and Gully Mobile Tyres, RPM's subsidiaries in its Repairs and Roadside Division.

This is the division that is growing the fastest, and the one RPM has identified as its growth channel and the focus of its short-term expansion program.

Both the Bush Fires and the Covid-19 Pandemic have impacted this business, but the resilience and diversity of its offerings have ensured that it not only survived but thrived while many of its competitors suffered.



### Transaction Details

The agreed business valuation was 3.8 x EBITDA and the final purchase price (\$1.54 million made up of 50% scrip and 50% cash (with 80% of the cash component being paid in tranches over 4 years subject to certain earn out and profit provisions). TTS's revenue is expected to swell to \$5.5m in FY21, and to \$6.5m in FY2022 with the recent securing of specific contracts in Regional Victoria.

Lawrence Jaffe, Executive Director of RPM had this to say, *"I am delighted to announce that we have completed the transaction with Traralgon Tyre Service, a perfect strategic fit for The RPM Group and a business that could be the blue-print for our future acquisitions with its involvement in mining, agriculture, forestry and trucking industries."*



MANITOU MHT 10161 HEAVY VEHICLE TYRE CHANGING EQUIPMENT REQUIRED

RPM will continue to build on its strong foundation to deliver ongoing revenue and earnings growth throughout the remainder of 2021.

With a strong balance sheet following a \$5.1 million placement in November 2020, the company has the flexibility to pursue several potential new acquisitions which would provide an immediate contribution to earnings. The board looks forward to keeping investors updated on progress.



*RPM is focused on the health, well-being, and safety of both our staff and customers and continue to provide the appropriate sanitation measures and social distancing regimen with regards to Covid-19 Protocols.*

**About RPM:** RPM Automotive Group Limited is a leading player in the Australian Automotive Aftermarket comprising a number of businesses involved in importing, wholesaling and retailing of tyres, mechanical repairs, motorsport apparel and safety equipment, niche manufacturing and a roadside assistance service for the transport industry. RPM owns brands, such as: RPM Racewear, Carline, Genie, Air Anywhere, Formula Off-Road, RPM Autoparts.

This announcement was approved, and authorised for release, by The RPM's Board of Directors.

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