

ASX Announcement
21 June 2021

RPM TO EXPAND WHEEL AND TYRE DIVISION WITH EAST COAST TYRE WHOLESALEERS ACQUISITION

- Acquisition of East Coast Tyre Wholesalers, effective 1 September 2021, to expand RPM's presence in NSW and national distributor network
- Culturally and operationally aligned, with management of the acquired business retained
- Potential revenue synergies through expansion of East Coast Tyre Wholesalers into OTR and TBR tyres, and RPM accessing East Coast Tyre Wholesalers' exclusive brands for sale through the RPM network
- Attractive macro industry fundamentals underpin growth, with 2021 year-to-date new car sales in Australia up 30% on 2020 (*source: VFACTS*)
- Increased domestic driving activities replacing international travel due to border closures – resulting in increased spending in Auto Parts and Accessories
- RPM remains on track to generate record results in FY21
- FY22 Group Revenue forecast to exceed \$75 million

RPM Automotive Group Limited (ASX: RPM) ("RPM" or the "Company") is pleased to announce the acquisition of East Coast Tyre Wholesalers to its Wheels and Tyres division, effective 1 September 2021.

Commenting on the acquisition, RPM CEO Clive Finkelstein said, "I am delighted to welcome East Coast Tyre Wholesalers to the RPM fold. Our businesses are operationally aligned, often in parallel markets and tyre segments. We see attractive potential to add value and revenue to both businesses through cross-selling of products and tyre brands to different customer bases, as well as cost synergies as a result of the scale achieved."

"This acquisition is funded from our recent capital raise and will be immediately earnings accretive. It is another example of our sustainable growth strategy designed to grow RPM into Australia's leading business operating a diversity of brands across the transport and automotive aftermarket sectors."





THE RPM GROUP

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East Coast Tyre Wholesalers has distribution capabilities across Australia

East Coast Tyre Wholesalers (ECTW) is a tyre and wheel importer based in NSW (Western-Sydney), with a healthy distribution network country-wide. ECTW is an Australian-owned company that has been trading for over 13 years, and prides itself on providing the best customer service and quality tyres, at the best prices.

ECTW is the exclusive distributor of several Passenger Tyre Brands, including Pace, Compasal and Zeta Truck Tyres. ECTW is able to supply passenger tyres from 12 inch to 22 inch in size, with a full range of PCR, UHP, 4WD, TBR and Run-flat Tyres.

In FY20, ECTW generated revenue of \$6 million and EBITDA of over \$500k. Revenue and EBITDA in FY21 are forecast to be over \$6 million and \$550k respectively.

Acquisition of ECTW has strong strategic rationale

The acquisition of ECTW is strongly aligned with RPM's goal of expanding the Group's Wheels and Tyres wholesale and distribution platform.

Around \$200k of efficiency synergies are expected from integrating ECTW with RPM's existing Wheel and Tyre wholesale businesses. In addition, potential revenue synergies from cross-pollinating customer-bases and cross-selling both RPM's current, and ECTW's product range are expected.

The Group is very well positioned to provide ECTW and its customers with all the benefits that are derived from having a larger infrastructure and greater coverage. RPM Wheels and Tyres Division now has operations effectively covering the East Coast of Australia.

Acquisition details

The acquisition is an asset purchase agreement including stock, hard assets and intangibles. The total purchase price for ECTW is \$2.6 million, with consideration comprising 67.5% cash and 32.5% shares (valued at RPM's 60-day volume weighted average price from signing of the sale and purchase agreement).

Fifty per cent of the consideration for the acquisition will be paid on 1 September 2021, following a due diligence. The remaining 50% will be paid in two annual instalments of 25% each, within 60 days of the end of FY22 and FY23, once audited financial statements for each financial year have been prepared and signed.



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A LEADING AUSTRALIAN AUTOMOTIVE GROUP



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The transaction calculation is based on 3.25 x EBITDA plus Actual Stock Value (at cost). The Enterprise Value being 4.7 x EBITDA.

Conditions precedent to completion

The sale and purchase agreement contains standard conditions precedent for completion, and RPM anticipates completing the acquisition on or by 1 September 2021.

Ongoing strategic objective

RPM's growth strategy remains on course, with organic business growth exceeding budget and further potential acquisitions in the pipeline. RPM remains on track to generate record results in FY21, with FY22 Group Revenue forecast to exceed \$75 million.

- ENDS -

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

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About us

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.

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

For further information, please visit: <http://www.rpmgroup.net.au/>



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