



2021 Financial Year Results Presentation

31 August 2021



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FY21 Highlights

Key Investment Highlights

Building on a platform of scale and diversity



- National Tyre & Wheel Limited (“NTAW” or “the Company”) (ASX: NTD) is the **largest independent tyre and wheel importer and wholesale distributor in Australia and New Zealand**.
- NTAW is a **full service distributor** of essential tyres and wheels across segments of the market covering 90% of vehicles with over 100 brands through multiple sales channels.
- NTAW is focussed on **distribution** as core business and strives for service excellence to add value to customers.
- The Company has been **transformed** operationally and strategically by the acquisition of Tyres4U in August 2020.
- NTAW now has a **scalable distribution network**, generating ongoing operating efficiencies and sustaining its competitive advantage.
- The business has achieved **strong earnings growth** (FY21 EPS of 17.9 cps) with **healthy free cash flows** (FY21 cash flow from operations of \$22.7m).
- NTAW has a **solid balance sheet** (net debt to equity+debt of only 11.7%) which provides the financial capacity to achieve our growth objectives and reward shareholders.
- The Company has a **well defined growth strategy** centred on organic growth, earnings accretive acquisitions and industry-leading digital transformation.
- The Board is focussed on **shareholder value**, with significant franking credits to pay fully franked dividends (FY21 full year dividend of 8.0 cps).
- The founders of NTAW’s businesses remain actively involved and have significant shareholdings in the Company so that **shareholders’ interests are aligned**.

Financial Highlights

Strong result reflects Tyres4U acquisition and growth momentum in existing businesses



Financial Highlights	FY21	FY20
Gross profit margin	29.8%	26.0%
Operating costs as a % of revenue	19.8%	16.9%
EBITDA (\$ million)	46.1	12.2
EBITDA margin	10.0%	7.7%
NPATA (\$ million)	21.1	5.7
Earnings per share (cents)	17.9	4.4
Dividend per share (full year) (cents)	8.0	1.3
Net debt/(cash) (\$ million)	16.0	(13.6)
Net debt : EBITDA (times)	0.35	n/a
NTA per share (cents)	64.8	49.8
Operating cash flow (\$ million)	22.7	15.5
Interest cover (times)	15.4x	12.0x

Operational Highlights

Strong platform for future growth



Solid Foundation

- Strong FY21 result assisted by surging demand for motor vehicle accessories, higher gross profits, regional economic activity and truck movements.
- Growth strategy delivering sustainable growth and profits.
- Human resources added to unlock benefits of recent acquisitions and realise the growth potential of the digital transformation project.

Scale and Diversification

- National footprint cemented through transformational acquisition of Tyres4U.
- Scale and diversification across distribution, customers, products and geographies.
- Disciplined approach to evaluating opportunities to access new geographic markets, new product types or brands and/or new distribution channels.

Innovation and Opportunity

- Strategic plan to leverage market-leading innovation capability through a digital transformation project (see page 24).
- Creating a new industry ecosystem that will deliver outstanding customer experiences, drive customer loyalty, produce excellent returns for all stakeholders and drive down cost to serve.

Overview

National Tyre & Wheel

Australia's largest independent tyre and wheel importer and wholesale distributor



NTAW is the largest independent tyre and wheel importer/wholesale distributor in Australia and New Zealand with a full service offering of over 100 brands and 50,000 SKU's to over 3,000 customers through multiple distribution channels.

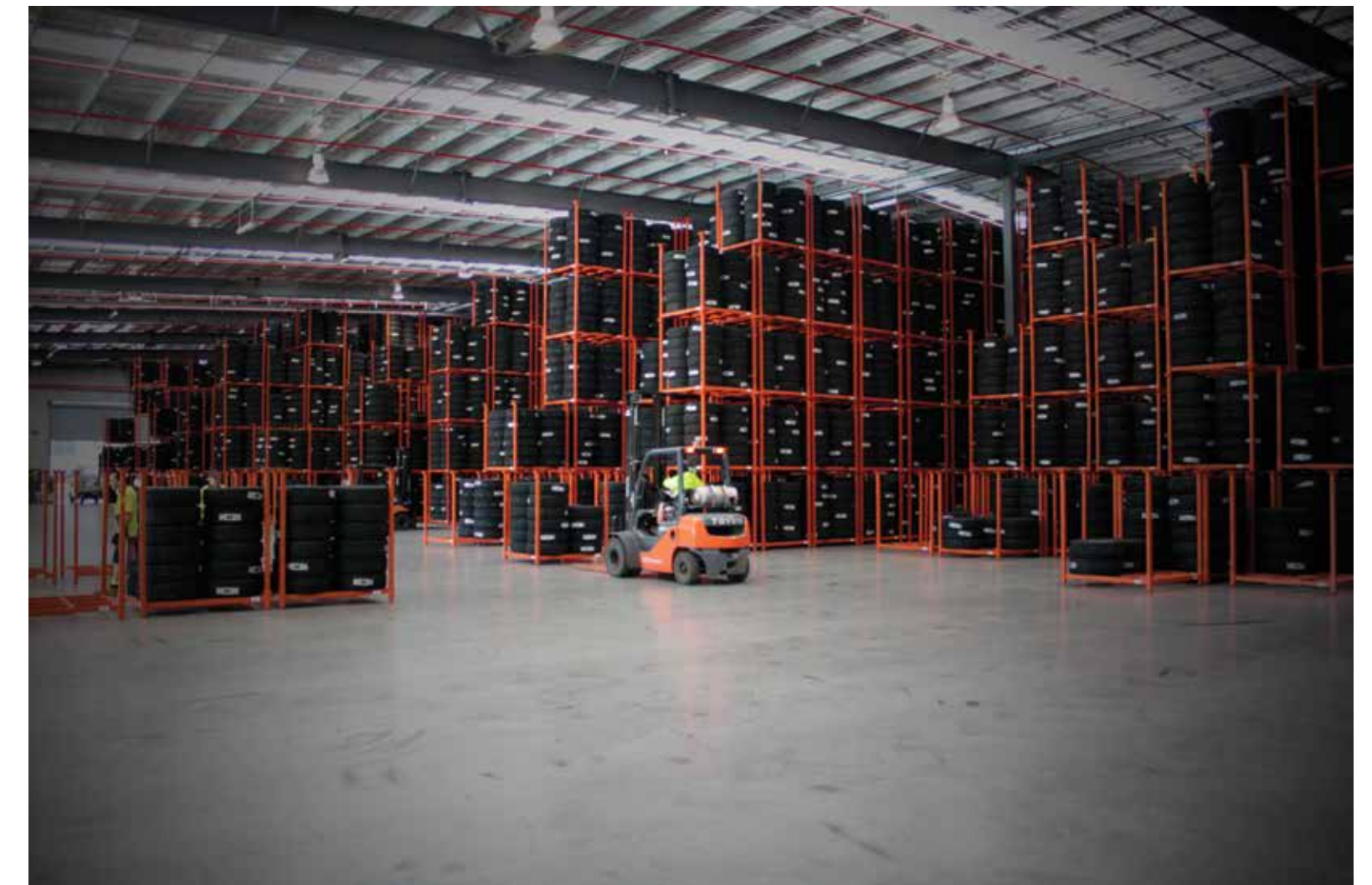
NTAW has a leading market share (top 1-3) in the following industry segments*:

- Truck and bus tyres
- 4WD tyres (Australia and NZ)
- Agricultural and off-the-road tyres
- 4WD wheels
- Industrial tyres
- Original equipment (tyres and wheels) – caravans, truck trailers and farm equipment
- Budget tyres (SA and WA – Australia)

A full service supplier, NTAW also:

- distributes passenger and SUV tyres and delivers an array of value adding services to customers;
- owns and/or licenses 64 Tyreright retail stores in Australia; and
- owns 50% of TLS, a specialty 4WD tyre and wheel distributor in South Africa.

** Australia unless otherwise indicated*



Building Leading Brands

Specialty businesses winning in market segments



Delivering tyre and wheel solutions for all segments, with a focus on commercial vehicles – trucks, buses, agricultural vehicles, off-the-road and construction vehicles skid steer equipment and other small machinery.



Delivering passenger, SUV, light truck and 4WD tyre solutions, supporting an array of re-sellers with value adding services and addressing all consumer segments.



Delivering original equipment tyre and wheel solutions to manufacturers – focused on caravans and truck trailers.



Delivering wheel and tyre and management solutions for industrial vehicles (e.g. forklifts of various sizes).



Supplying budget tyre solutions for all vehicle types in Western Australia and South Australia.



Hottest and toughest

Delivering wheel solutions to an array of re-sellers, with a focus on 4WD wheels and expert advice.



Delivering passenger, SUV and 4WD tyre and wheel solutions in South Africa.



64 company owned and licensed retail stores operating throughout Australia with a focus on delivering value to commercial customers and consumers.

Experienced Leadership Team and Board

Successfully navigating uncertain times



The Board, leadership team, shared services managers and senior executives have launched businesses and successfully managed them through all economic cycles over the past 30 years. This team has managed growth in NTAW EPS from 5.25c in FY18 to 17.9c in FY21.

- The founders of all businesses remain active as senior executive managers of each business. Terry Smith (with Susanne Smith), the founder of ETD (Australia), remains a non-executive director of NTAW.
- These founders are amongst the most successful entrepreneurs seen in the industry over the past 30 years.
- Peter Ludemann, Managing Director since 2013 and Jason Lamb (NTAW CFO) have been involved throughout the formation of the NTAW Group.
- NTAW has expanded the management team by appointing experienced managers of People and Culture, Innovation and IT, Supply Chain, Operations and Marketing.
- Murray Boyte, who joined the Board as Chairman in 2017, leads an experienced Board with Terry Smith, Rob Kent and Bill Cook.



Peter Ludemann
Managing Director



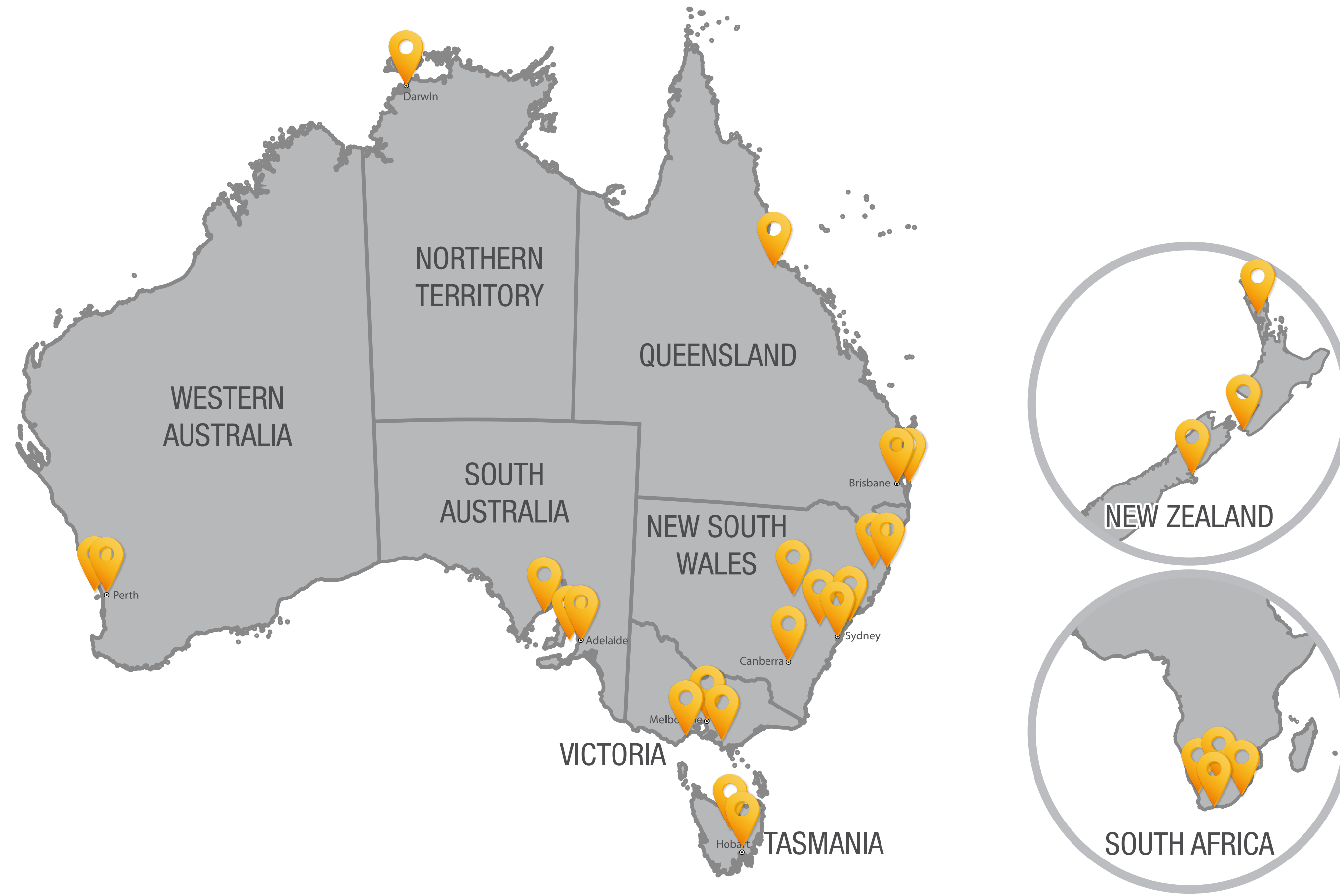
Murray Boyte
Chairman



Jason Lamb
CFO

Cementing National Footprint

Australia's largest distribution footprint



- 28 distribution centres in 3 countries
- Over 2.5m tyres and wheels sold each year
- Over 600 employees

Expanding Scale and Diversification

Scale and diversification across channels, customers and products



B2B End User

Customer Mix

- Caravan, truck trailer and farm equipment manufacturers
- Commercial truck and bus fleet operators
- Hire car fleet operators
- Forklift and industrial equipment operators
- Large scale farmers



B2B Re-Seller

Customer Mix

- Tyre speciality retail stores (chains and independents)
- Mechanical service businesses
- Car dealers
- Online re-sellers



B2C Retail

Consumers (enthusiasts, adventurers, downsizers, commuters, traditional consumers, do it for me segments) and **commercial customers**.

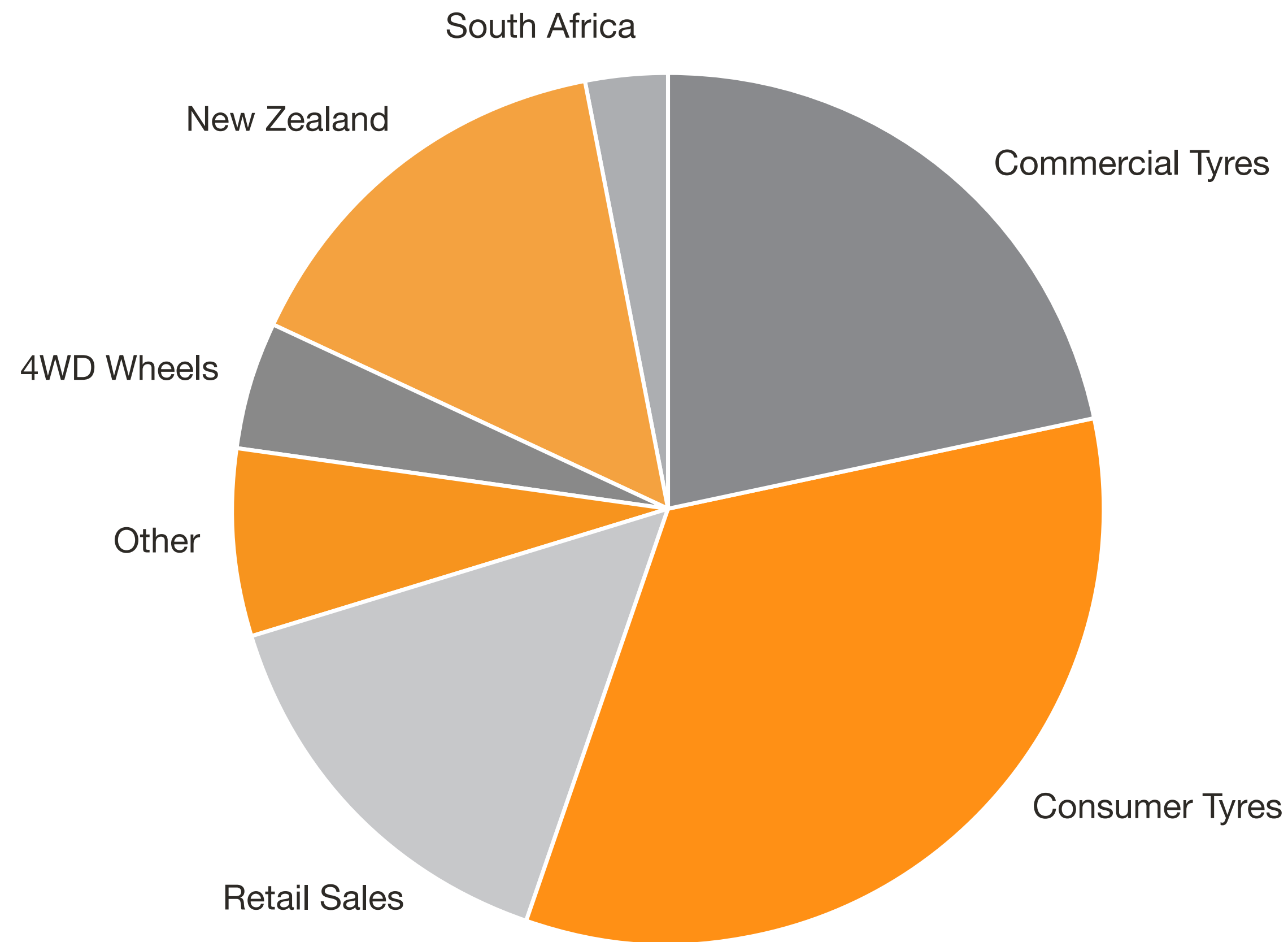
Note – some business units operate in more than one distribution channel.

FY21 Segmented Performance

Diversified revenue drivers and a wide range of over 3,000 customers



FY21 Revenue



Commercial Tyres include truck, bus, industrial, off-the-road and agricultural tyres.

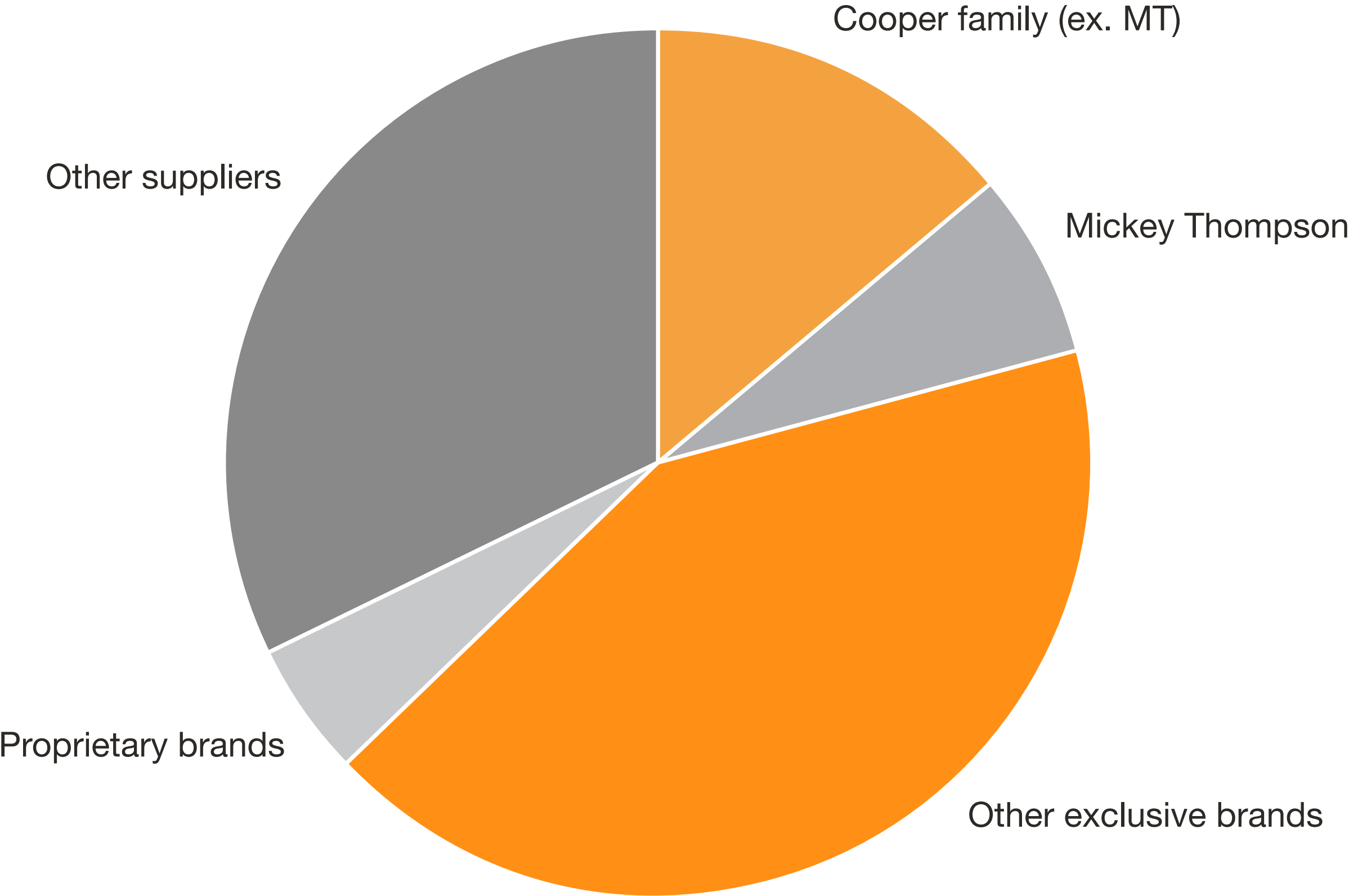
Consumer Tyres include passenger car, SUV, 4WD and light truck tyres.

Leveraging Blue-Chip Supplier Base

Diverse long-term supplier relationships



FY21 Supplier Mix by Revenue



Key exclusive supplier relationships have existed for decades and are underpinned by both parties expectations of performance being consistently met rather than formal, long term Agreements.



Long Term Cooper Agreement

Goodyear and Cooper - business as usual



- Cooper and NTAW subsidiaries, ETD (Australia and NZ), are parties to a long term supply agreement for Cooper and Mastercraft brands that, in the absence of renewal, is set to end in 2027.
- Cooper branded products covered by the Agreement accounted for 14% of NTAW's revenue and 18% of gross profit in FY21.
- ETD expects to meet agreed performance hurdles in FY22 and beyond. Hurdles in future years grow at 3.5% pa unless otherwise agreed.
- Cooper was acquired by Goodyear in July 2021 – the acquisition does not change the ETD Agreement. Growth has diversified NTAW's supplier base, with Cooper sales up overall but down from 55% as a proportion of total Group revenue in FY17 to 14% in FY21. The remaining term of the Agreement gives NTAW time to make other arrangements if the Agreement ends in 2027.
- Cooper and Goodyear announced in July 2021 that no strategic decisions that might impact on ETD distribution will be made until 2022 and ETD's dealings with Cooper since the acquisition have been consistent with that announcement – i.e. business is continuing as usual.



TYRES WORTH OWNING



Financial Results

NTAW Results Summary



Statement of Profit or Loss \$'000	FY21	FY20
Sales revenue	461,533	158,857
Cost of goods sold	(324,023)	(117,594)
Gross profit	137,510	41,263
	29.8%	26.0%
Other income	1,896	1,144
Employee benefits	(58,612)	(17,106)
Occupancy	(7,984)	(1,692)
Marketing	(6,178)	(3,691)
Professional fees and transaction costs	(3,530)	(739)
Insurance	(3,070)	(739)
Impairment	-	(2,210)
Other expenses	(13,887)	(4,029)
EBITDA	46,145	12,201
Depreciation & amortisation	(14,278)	(5,119)
EBIT	31,867	7,082
Finance costs (net)	(2,949)	(846)
Net profit before tax	28,918	6,236
Income tax expense	(8,378)	(2,009)
Net profit after tax	20,540	4,227
Addback:		
Non-controlling interest loss/(gain)	(285)	323
Amortisation ¹	887	1,114
NPATA attributable to NTAW	21,142	5,664

¹ Amortisation add-back is net of tax effect.

Key Operating Metrics	FY21	FY20
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Comments

- FY21 result includes 11 months of Tyres4U businesses.
- FY21 NPATA includes \$0.6m gain on Tyres4U purchase and \$1.4m non-recurring acquisition costs associated with that purchase.
- AASB16 Leases has been adopted in the reported result.
- NPATA attributable to NTAW shareholders excludes non-controlling interests (representing the residual 50% interest in TLS) and is adjusted for amortisation.

FY21 – Strong Tailwinds

Surging consumer demand, record harvests, stable AUD:USD



Australia and New Zealand

- Less intense price competition as competitors rebuilt inventories run down in Q4 of FY20 in response to the COVID-19 pandemic.
- Favourable movements, and stability, in the value of the Australian Dollar against currencies paid to suppliers.
- Strong consumer demand for motor vehicle accessories.
- Consistent truck movements underpinning sustained sales of industrial and truck tyres.
- Strong demand for agricultural, off-the-road and 4WD tyres as farm output and regional economic activity reached levels not seen for many years.

TLS (South Africa) performance remains adversely affected because the pandemic is largely uncontrolled.

Balance Sheet

Solid balance sheet to support future growth



Statement of Financial Position \$'000	June-21	June-20
Current assets		
Cash and cash equivalents	28,905	25,859
Receivables	71,807	23,215
Inventory	101,025	41,487
Other current assets	5,100	637
	206,837	91,198
Non-current assets		
Property, plant and equipment	10,167	3,615
Right-of-use assets	33,544	11,800
Intangible assets	15,698	16,739
Deferred tax assets	2,076	900
Other non-current assets	116	-
	61,601	33,054
Total assets	268,438	124,252
Current liabilities		
Payables	82,335	24,930
Borrowings	2,954	-
Lease liabilities	9,496	3,298
Provisions	11,904	3,652
Current tax liability	1,138	902
	107,827	32,782
Non-current liabilities		
Borrowings	41,940	12,223
Lease liabilities	24,472	9,172
Provisions	2,386	1,230
	68,798	22,625
Total liabilities	176,625	55,407
Net assets	91,813	68,845

Comments

- NTAW had cash of \$28.9m at 30 June 2021, up from \$25.9m at 30 June 2020.
- Net tangible assets¹ per ordinary share of 64.8 cents at 30 June 2021 shows significant growth compared with 49.8 cents at 30 June 2020.
- The assets and liabilities of NTAW have increased as a result of the Tyres4U acquisition.

Net Debt at 30 June 2021 of \$16.0m.

Net Debt to EBITDA 0.35 times.

Net Debt to Equity + Debt ratio of 11.7%.

- A new banking facility was negotiated to fund the Tyres4U acquisition as well as ongoing working capital and PPE requirements.
- Existing debt facilities are adequate to continue to fund future growth initiatives.

1 Net tangible assets includes right-of-use assets and lease liabilities.

Capital Management

24% return on equity, full year dividends of 8.0 cps fully franked



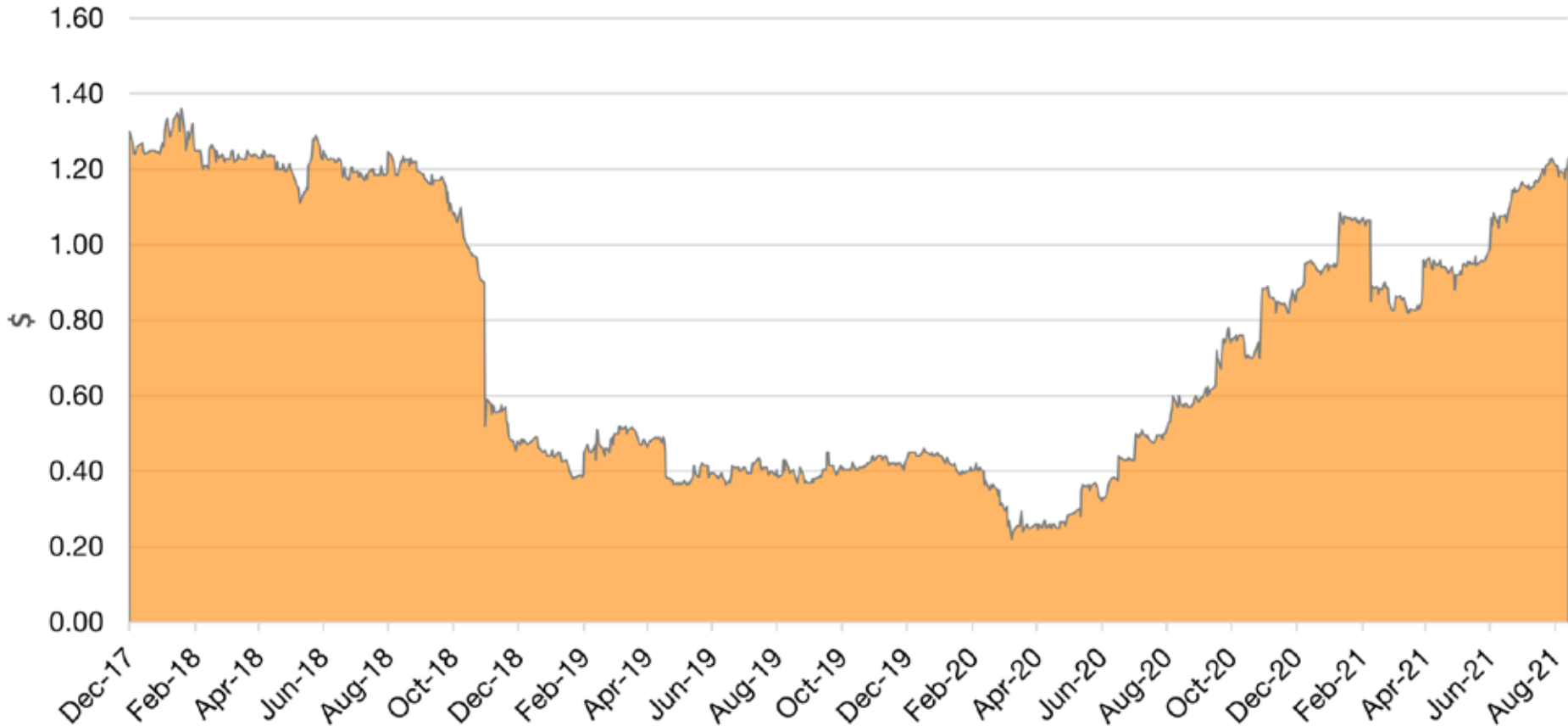
The FY21 final dividend has been declared at 5.0 cents per share, fully franked (at 30% tax rate).

Ex date:	17 Sept-21
Record date:	20 Sept-21
DRP election date:	21 Sept-21
Payment date:	15 Oct-21
DRP issue date:	15 Oct-21

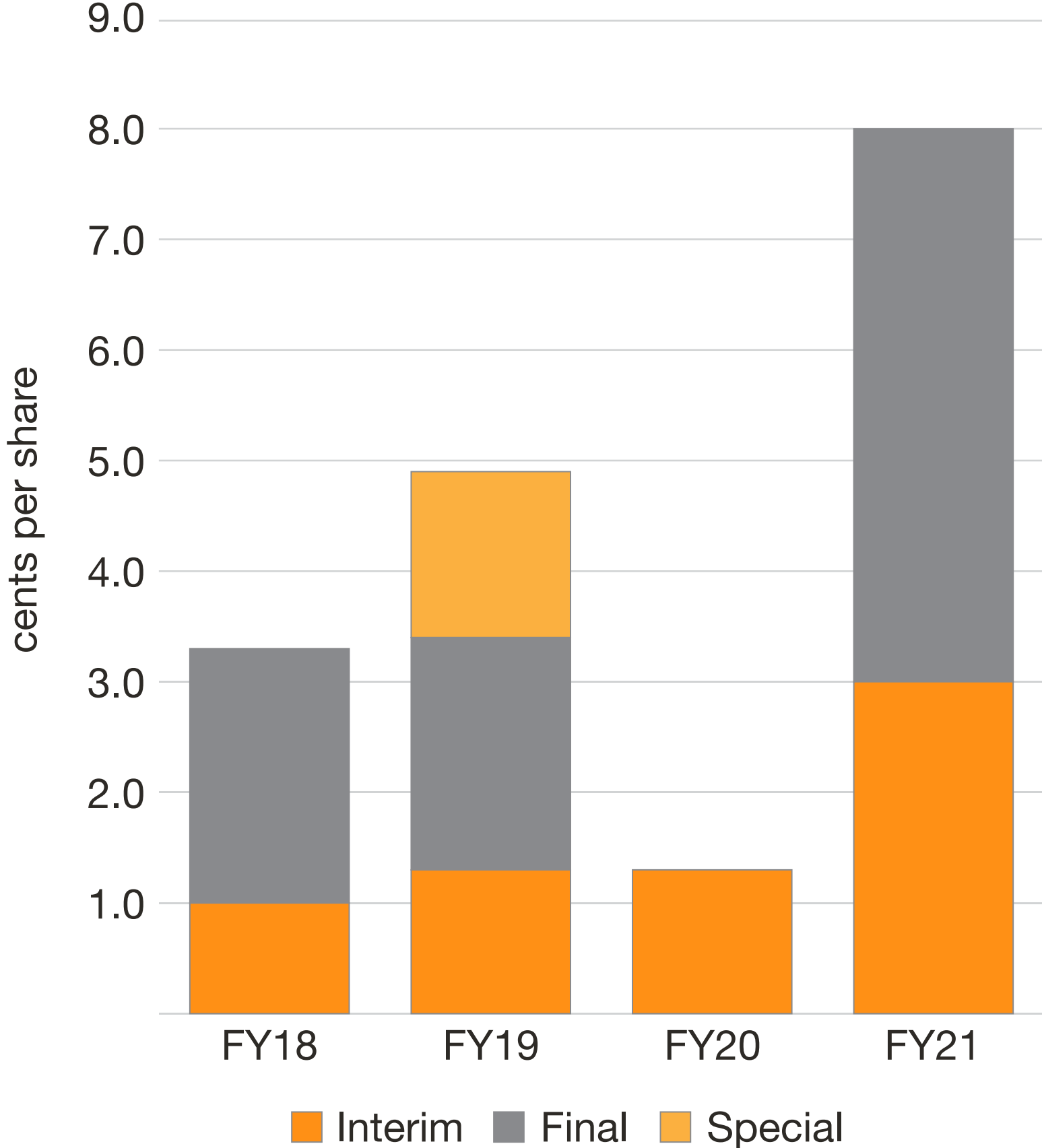
Total FY21 dividend of 8.0 cents per share, fully franked.

NTAW currently has \$20.65m available franking credits.

Share price post IPO (Dec, 2017)



NTAW Dividend History





Operational Performance

FY21 – Strategic and Tactical Wins

Key operational objectives achieved in FY21



- The purchase of the Tyres4U (Australia and NZ) businesses in August 2020 delivered NTAW diversity and scale.
- The re-organisation of ETD and Tyres4U (Australia) sales teams led to improved performance.
- Near-sourced manufacture of some Cooper products resulted in lower prices and sufficiently higher sales volume to increase revenue.
- New wheel product cadence increased resulting in higher volumes and revenue.
- The February 2020 purchase of Industrial Tyres Service in WA (integrated into Statewide) was a resounding success with revenue growing by 19% in FY21.
- Budget tyre sales in the Eastern States (underpinned by the Blacklion brand) exceeded expectations and proved to be a better approach than expanding the Statewide business model of multiple budget brands and segments.
- An employee survey (conducted by external advisors) resulted in the Decency, Innovation, Collaboration and Energy (“DICE”) cultural alignment program.

Strategy

Investing in Innovation and Opportunity

Our vision is to be the tyre and wheel industry leader in digital transformation



Outcomes for NTAW and customers from digital transformation

- Better inventory management.
- Increased pricing flexibility.
- Bespoke incentive programs.
- More accurate and interactive cents per km measurement.
- Data driven insights to customer and consumer behaviour.
- Increased geofenced promotional reach and relevance.
- ROI measurement without relying on social media platforms.
- Augmented and virtual reality creating more purchase engagement.
- Seamless e-commerce experiences.



Digital Transformation Milestones

Harnessing technology to deliver innovative value-adding solutions for all stakeholders



- Microsoft Dynamics has been selected as the ERP platform for NTAW to lead the tyre and wheel industry in digital transformation.
- Focussing on excellence, NTAW is building a state of the art, adaptable IT platform that can deliver value adding services.
- Data driven marketing solutions, augmented/virtual reality, machine learning/artificial intelligence, information via the internet of things and e-commerce from transactional partnerships, VoIP and other remote mechanisms will underpin the platform.
- FY22 project cost estimated at \$3.1m, with extensions for state of the art value adding customer services (VR, AI, data analytics, supply chain management) built in FY23 for an estimated additional cost of \$2.5m.
- Finance and administration modules to be operational in July 2022.

FY22 – Other Initiatives

Maintaining momentum



- Sales and Operations process enhancement program – improving and unifying NTAW procurement and logistics.
- Tyreright “Bright Future” program – revitalise and operate retail stores as a separate entity.
- Align customer relationship management programs, uniform sales management and cross selling incentives (e.g. merger of Tyres4U and MPC original equipment businesses into “Integrated OE”).
- Full year benefit of Tyres4U Commercial business unit focussing on commercial tyres.
- Cost savings from warehouse consolidations – Sydney and Melbourne in 1H22, Brisbane and Perth in 1H23.
- GT Radial relaunched, new products (Mickey Thompson “Legend” and “Boss” ranges, Cooper “Rugged Trek”, Dirty Life and Raceline wheels), full year of Terrafirma and budget tyre rationalisation program.
- Align the culture of our people to principles of DICE and undertake the training required to deliver on our promises.
- NTAW remains on the lookout for strategic acquisitions.

Outlook

Outlook

Strong platform for disciplined growth and improved shareholder return



NTAW has previously announced that it does not expect the unusually favourable market conditions of FY21 to prevail in FY22. Having regard to the uncertain impact of recent lock downs and shipping delays, NTAW is no longer able to provide specific earnings guidance for FY22.

NTAW's confidence that recent earnings and shareholder returns can be maintained over the next few years, despite disruption from the pandemic, is underpinned by:

- The resilience shown by the industry in FY21;
- Operating efficiencies and effectiveness arising from organisational changes to business units and shared services;
- The opportunity to capture synergies from the Tyres4U acquisition;
- Benefits from the FY22 initiatives described earlier;
- Increased sales and lower costs generated by the digital transformation program; and
- NTAW's ongoing interest in acquisitions and strategic alliances provides an upside case to this outlook.

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Appendix

NTAW Formation History

