



THE RPM GROUP

RPM Automotive Group Ltd  
6-18 Antonella Court,  
Dandenong South, VIC 3175  
**ABN: 34 002 527 906**

18 October 2022  
ASX Announcement

## COMPLETION OF DIRECT WHOLESALE TYRES ACQUISITION AND Q1 FY23 TRADING UPDATE

### Key Highlights:

- **Strong revenue growth:** Q1 FY23 revenue of \$28.4m was up 7% quarter-on-quarter (Q4 FY22: \$26.5m) and up 89% year-on-year (Q1 FY22: \$15m). RPM's annualised revenue run rate remains over \$120m, with Q2 and Q3 seasonally stronger.
- **Margin expansion:** Q1 FY23 EBITDA of \$2.6m was up 17% quarter-on-quarter (Q4 FY22: \$2.2m) and up 179% year-on-year (Q1 FY22: \$0.9m).
- **Final earn-out completed:** RPM acquired Direct Wholesale Tyres (DWT) in October 2021 for a total cost of \$1.7m, with 60% paid upfront and the remaining 40% paid on 1 October 2022. The final earn-out of \$680K was comprised of \$408K in cash and \$272K in shares.
- **Strategic rationale validated:** The acquisition of DWT enabled RPM to significantly expand operations in Far North Queensland (FNQ).
- **Operating performance of DWT exceeded expectations:** DWT revenue increased by over 35% in the past year, driven by an expanded product range and increased access to funding resources to support growth. In addition, DWT improved margins through lower COGS and economies of scale across RPM's wholesale and retail network.

**RPM Automotive Group Limited (ASX: RPM)** ("RPM" or the "Company"), a leading player in the Australian automotive aftermarket sector, is pleased to announce the completion of the Direct Wholesale Tyres (DWT) acquisition and provide a trading update to the market for the first quarter of FY23.

### Completion of Direct Wholesale Tyres (DWT) acquisition

RPM acquired DWT in October 2021 (ASX Release on 6 Sep 2021) for \$1.7m, split 60% in cash and 40% in RPM ordinary shares (escrowed for 12 months from issue date) at an issue price equivalent to the weighted average share price over the previous 60 days.

In October 2021, 60% of the consideration was paid (split between cash and shares) and the remaining 40% was paid on 1 October 2022. The final earn-out of \$680K was comprised of \$408K in cash and \$272K in shares, with 1,038,962 shares issued at a price of 26.18c reflecting the weighted average share price over the previous 60 days.

Direct Wholesale Tyres opened in 2007 and is located in the Townsville Distribution Precinct with triple road-train accommodation. The two key personnel at DWT bring a combined 44 years of experience within the tyre industry, with its manager having extensive experience in commercial tyre wholesale, distribution, and retreading.



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Over the past year, RPM has further invested in this high-growth region through the opening of a new distribution centre, new retail stores, while also investing in product range expansion.

### **Trading Update**

RPM delivered a strong operating result in Q1 FY23 with revenue up 7% quarter-on-quarter to \$28.4m and EBITDA up 17% quarter-on-quarter to \$2.6m. Typically, revenue is seasonally softer in Q1 and seasonally stronger in Q2 and Q3. This positive quarterly result reflects solid organic growth, a focus on inventory management, increased cross-selling between wholesale and retail operations, as well as the contribution from AFT Automotive Group, acquired on 1 July 2022.

The integration of AFT Automotive Group is on track, reflecting RPM's comprehensive transition process for effectively integrating new acquisitions. Multiple growth opportunities for the combined entity have been identified and expansion projects have already started rolling out in Far North Queensland, Victoria and Western Australia. As at 1 July 2022, AFT Automotive Group only had a single distribution centre in Brisbane, however, the business is now trading out of warehouses in Townsville, Melbourne and Perth. In addition, AFT Automotive Group has broadened its product range and is now the national distributor of SMM Steel Canopies, a complementary product to its comprehensive range of accessories.

### **Positive outlook for FY23**

RPM's vertically integrated business model continues to drive revenue growth across both wholesale and retail operations through cross-selling. In addition, margins are expanding as RPM increases distribution of its wholesale products through retail channels and increases the diversity of RPM products sold through its wholesale channels.

RPM CEO Clive Finkelstein said: "Our business continued to perform well in the first quarter of FY23 with strong top-line growth as well as margin expansion. The performance of Direct Wholesale Tyres has exceeded our expectations over the past year, and the acquisition was important strategically in expanding our presence in Far North Queensland and building out our national footprint. We remain confident that our vertically integrated business model will continue to deliver sustainable revenue growth and margin expansion moving forward."

**ENDS**

**This Announcement was approved and authorised for release by the Board of Directors.**

**For investor and media queries, please contact:**

#### **Investors**

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RPM Automotive Group Limited is establishing a national footprint in the automotive aftermarket and has business units selling wheels, tyres, accessories and apparel across wholesale and retail customers. RPM has 38 points of presence across Australia, predominately along the east coast with retail locations in Perth and Adelaide with key brands including Revolution Tyre Services, Revolution Racegear and RPM Autoparts.

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

### **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 positions 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 RPM). In particular, no representations, 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 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.