



THE RPM GROUP

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

5 December 2022
ASX Announcement

RPM ANNOUNCES STRATEGIC ACQUISITION, EQUITY RAISING AND BANK REFINANCE

Key Highlights:

- **Strategic acquisition:** Acquisition of Metro Tyre Services (Penrith, NSW) for total consideration of \$4.5m, subject to normal working capital adjustments (the "**Acquisition**")
- **Expanded national footprint:** Expands retail operations in NSW, with 40 points of presence nationally, post Acquisition
- **Compelling strategic rationale:** Increases product range, improves customer value proposition, leverages cross-sell opportunities and increases annualised EBITDA by \$1.15m, pre-synergies
- **Completion of \$2m placement and launch of \$1m underwritten share purchase plan:** Firm commitments received for institutional placement to raise \$2m at \$0.165 per ordinary share ("**Placement**") and the launch of a underwritten \$1 million share purchase place ("**SPP**")
- **Restructure & refinance of bank facility:** New \$26m bank facility with CBA will provide sufficient funding to cover working capital requirements and organic growth
- **Updated FY23 revenue and earnings guidance:** FY23 revenue range of \$125m - \$130m, and FY23 EBITDA range of \$12m - \$13m, on a consolidated basis

RPM Automotive Group Limited (ASX: RPM) ("**RPM**" or the "**Company**"), a leading player in the Australian automotive aftermarket sector, is pleased to announce the successful completion of a \$2 million Placement and that it has entered into a binding agreement to acquire the inventory and assets of Metro Tyre Services ("**Metro**").

Commenting on the equity raising and Acquisition, Chief Executive Officer of RPM Automotive Group Limited, Clive Finkelstein, said:

"We are very pleased to announce the strategically important acquisition of Metro at attractive acquisition metrics. This acquisition will expand our national footprint, increase our product range and enhance our customer value proposition.

In addition, the debt refinance and equity raise will ensure that our business is fully funded to execute on our organic growth plans moving forward. We are very confident in the outlook for the consolidated business in FY23 and beyond as we leverage cross-sell opportunities, realise synergies and expand margins across our vertically integrated business model."



THE RPM GROUP

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

Acquisition Overview

Metro is a full-service tyre dealer, providing 24/7 onsite mobile tyre fitting repairs and servicing, specialising in earthmoving, forklift and commercial tyre sales, fitting, service and repairs. Metro is based in Penrith, NSW and generated revenue of \$10m and EBITDA of \$1.15m in FY22.

Metro Key Acquisition Terms

- Total purchase price of \$4.5m including \$200K in inventory
- 100% cash
- \$2.6m paid on settlement (60%) and two annual instalments of \$860K (20% each) in March 2024 and March 2025, subject to EBITDA earn-out requirements
- Acquisition multiple of 3.9x FY22 EBITDA, pre-synergies

Strategic Rationale

The strategic acquisition of Metro assists RPM in expanding its geographic footprint in NSW and increases points of presence to 40 Australia wide. Whilst providing additional scale, the Acquisition will improve RPM's retail offering through the expansion of the product range and will increase pull through from RPM's new wholesale warehouse in Prestons, Sydney. In addition to improving the customer value proposition, the Acquisition will drive more competitive pricing, enhance supply chain efficiencies and provide further national service capabilities for fleet operators.

The Acquisition is aligned with RPM's core M&A strategy and will aid in enhancing the Company's vertically integrated business model, leading to further margin expansion.

Annualised revenue will increase by \$10m and EBITDA by \$1.15m, with identified annualised EBITDA synergies of >\$300K to be realized.

Placement Overview

Under the Placement, the company will issue 12,121,212 new fully paid ordinary shares in the Company ("**New Shares**") at \$0.165 per share. The Placement offer price represents a 13.2% discount to the last-close price of \$0.190 on the 1st of December 2022.

Proceeds from the equity raised will be used to fund acquisition consideration, integration costs associated with acquisition and costs of the offer.

New Shares issued under the Placement will be issued within the Company's existing placement capacity under ASX Listing rules 7.1. Settlement of the Placement is expected to occur on Friday the 9th of December 2022.

Directors and executives of the Company subscribed for \$0.5 million in the Placement, which is subject to shareholder approval to be sought at an extraordinary general meeting to be announced in due course.

SPP Offer

The Company is pleased to announce it will also shortly launch an underwritten SPP for eligible existing shareholders on the same terms as under the Placement ("**SPP**").



THE RPM GROUP

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

Under the SPP, eligible shareholders will be invited to apply to subscribe for up to \$30,000 of shares without the cost of brokerage fees or commissions. The SPP will be open to eligible shareholders, being shareholders on the Company's register as at 7.00pm (AEDT), Friday 2 December 2022 ("**Record Date**") and with a registered address in Australia or New Zealand ("**Eligible Shareholders**").

Eligible Shareholders seeking to participate in the SPP should carefully read the SPP booklet proposed to be lodged with the ASX on Tuesday 13 December 2022.

The SPP is underwritten by supportive existing shareholder, Collins St Value Fund.

Canaccord Genuity (Australia) Limited acted as Lead Manager to the equity raising and Aitken Mount Capital Partners Pty Ltd acted as Co-Manager to the Offer.

Refinance and Restructure of Banking Facilities

RPM's new \$26m bank facility with CBA (replacing existing NAB facility) which includes commercial loans, asset finance and trade finance will also be utilised to cover the existing deferred acquisition payments to be made in 2H FY23. The trade finance facility has been restructured to better support the Company's expanding operations and significantly improve working capital.

It is expected that the new facility will provide increased funding (>\$9.5m) to cover working capital requirements and organic growth. The new facility will be available for drawdown before the end of 2022.

FY23 Outlook

RPM expects FY23 revenue to be in the range of \$125m - \$130m and FY23 EBITDA to be in the range of \$12m - \$13m, on a consolidated basis. Revenue and earnings in 2H FY23 are both expected to be stronger than the first half, with seasonally higher revenue in Q2 and Q3.

RPM is now focused on inventory management, and inventory turns are forecast to gradually increase from 2.3x in FY22 to 4x in FY24. In 2H FY23, it is expected that there will be a positive impact on working capital and operating cash flow, as inventory typically peaks in Q2 and declined through the second half.

Indicative Equity Raising Timetable

Below is the current indicative timetable for the Placement and SPP:

Event	Date
Record Date of SPP	7:00pm (AEDT) Friday, 2 December 2022
Announcement of SPP	Monday, 5 December 2022
Settlement of Placement shares	Friday, 9 December 2022
Quotation and commencement of trading of Placement shares	Monday, 12 December 2022
SPP opens and SPP documents dispatched to shareholders	Tuesday, 13 December 2022
Closing Date of the SPP	Tuesday, 3 January 2023
Announcement of the results of the SPP	Thursday, 5 January 2023
Allotment and Quotation of New Shares under the SPP	Tuesday, 10 January 2023



THE RPM GROUP

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

ENDS

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

For investor and media queries, please contact:

Investors

Clive Finkelstein

CEO & Managing Director

E: investor@rpmgroup.net.au

RPM Automotive Group

RPM Automotive Group Limited is expanding its national footprint in the automotive aftermarket and has business units selling wheels, tyres, accessories and apparel across wholesale and retail customers, 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.