

rpm

THE RPM GROUP



RPM AUTOMOTIVE GROUP LTD (ASX: RPM)

INVESTOR PRESENTATION

March 2021

LONGMARCH

REVOLUTION
RACEGEAR

CARLINE
AUTOMOTIVE & EXHAUST

rpm
RACEWEAR

FOR
Formula Off-Road

GENIE
PERFORMANCE HEADERS

Why Invest in RPM Automotive Group?

- Experienced Board & Management Team
- Leading market positions in attractive auto sectors
- Well known & respected brands
- Diversified across four profitable & growing divisions
- Scalable through carefully planned synergistic acquisitions
- Well funded & positioned for growth
- Tightly held shares
- Currently valued at multiples well below our peers.

A Leading Australian Automotive Group

RPM is a vertically integrated group of businesses operating in the Australian Automotive Aftermarket.

The parts and maintenance sector of the \$108 billion Australian automotive industry represents about \$34 billion.

RPM's business consists of 4 main pillars:



Motorsport



**Repairs &
Roadside**



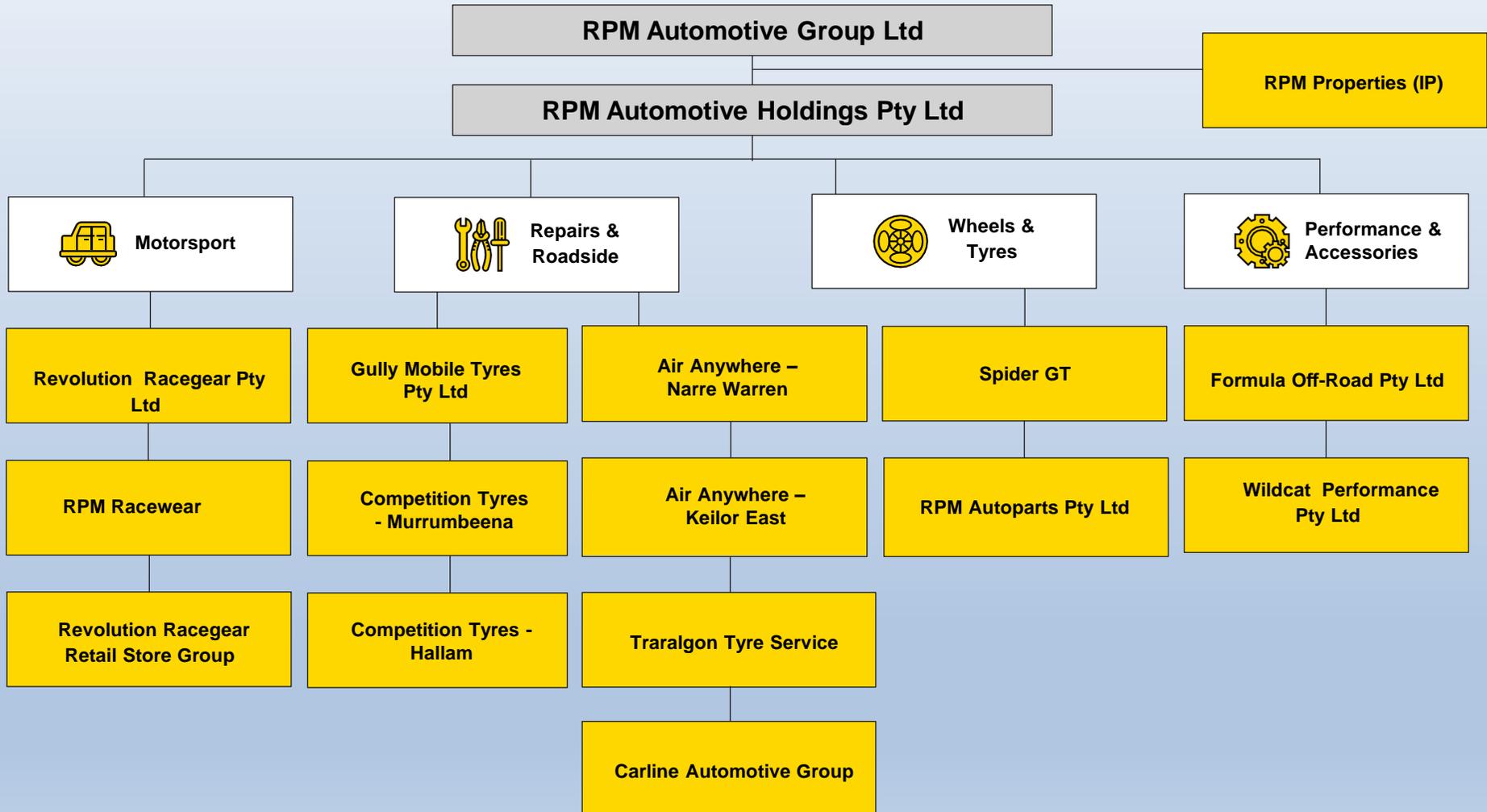
Wheels & Tyres



**Accessories &
Performance**

RPM Group offers a nationwide footprint focusing on wholesale distribution and retail of tyres, auto parts and accessories – with best-in-class, well-known and established Brands

Business Corporate Structure



RPM's Nationwide Footprint

- 📍 RPM Automotive Group Head Office is located in Melbourne, Victoria
- 📍 Revolution Racegear has wholesale distribution warehousing, 5 Corporate Retail Stores and 13 Franchised Stores Nationally
- 📍 There are over 100 Carline Automotive Licensee Stores all around Australia, with Head Office in Brisbane, Queensland
- 📍 Formula OffRoad (FOR) has its Head Office in NSW including a Fabrication Plant. Retail and Trade Sales Offices in Sydney, Melbourne and Brisbane and is distributed nationally
- 📍 Wildcat (Genie Headers) has its Manufacturing Facility in QLD and is distributed Nationally
- 📍 Spider GT is located in Melbourne, Victoria
- 📍 Air Anywhere is located in 2 locations in Melbourne, Victoria
- 📍 Competition Tyres is located in 2 outlets in Melbourne, Victoria
- 📍 Gully Mobile Tyres is located in Melbourne, Victoria
- 📍 RPM Autoparts is located in both Melbourne, Victoria and Brisbane, Queensland
- 📍 Traralgon Tyre Service is located in Traralgon, Victoria



Highly Experienced Board of Directors



Clive Finkelstein - *Managing Director*

Clive is a co-founder and promoter of the RPM Group. Clive has over 20 years' experience in the automotive sector, having built, managed and sold a number of automotive companies including a parts and accessories manufacturer and wholesaler and a 4WD franchise group. Clive's experience spans international markets, manufacturing, development, wholesale, retail and franchising of automotive businesses. Clive is a significant shareholder in the RPM Group.



Lawrence Jaffe - *Executive Director*

Lawrence is a co-founder and promoter of the RPM Group. Lawrence has a strong financial background having worked in Private Equity, Mergers and Acquisitions including for a major Australian financial institution. He has over 20 years' experience in the automotive sector, and was the CEO of RPM Australasia until 2015 when the group sold off one of its subsidiaries. Lawrence remained on as non-executive Chairman of RPM Australasia and has now re-joined the executive team. Lawrence is a significant shareholder in the RPM Group.



Alex Goodman - *Non-Executive Director*

Alex has a strong background in Private Equity, business expansion of Private Companies and Executive Management in Global Companies such as IBM, Lotus (Boston) and Amdahl (Silicon Valley).

After working in IBM with the Australian financial sector, Alex took on roles in Australian Start-ups bringing many to successful exits, or organic growth.

Alex holds a BSc with Double Major in Applied Mathematics & Computer Science.



Grant Carman - *Non-Executive Chairman* *B.Ec, MBA, FCA.*

A chartered accountant with over 30 years experience in corporate finance and the Australian capital markets, Grant has held senior executive positions for and acted as a corporate adviser to a large number of Australian and international companies from a range of industry sectors, including financial services, automotive, pharmaceuticals, wholesale distribution, manufacturing, services, resources, technology and telecommunications.

Previous corporate roles including Chief Financial Officer for ORIX Australia, General Manager Finance & Shared Services National Australia Bank, CEO of National Australia Corporate Advisory, Director of Acquisitions at Ferrier Hodgson CA, Finance Director at Australian Envelopes and Group Financial Controller at Faulding.

Grant has a broad range of experience which includes corporate strategy, mergers & acquisitions, business divestments, corporate restructuring, debt & equity raising and refinancing, corporate valuations, corporate governance and risk management.



Wei Liu - *Executive Director*

Wei has a strong automotive background having cut his teeth at motor mechanical repairs.

Wei is a strong member of team on the Wheels and Tyres Division and is responsible for the wholesale division of RPM's Tyre Business. Wei is a significant shareholder in the RPM Group.

Corporate Snapshot

Capital Structure¹

Shares on Issue	119.5m
Options	30.5m
Share Price (11/03/21)	\$0.28
Market Capitalisation	\$33.5m
52-week High	\$0.380
52- week Low	\$0.105

Founders Interests

Lawrence Jaffe (Executive Director)	~15%
Clive Finkelstein (CEO / MD)	~15%
Management (original vendors)	~17%
Wei Liu (Executive Director)	~7%
Staff and Related Individuals	~6%

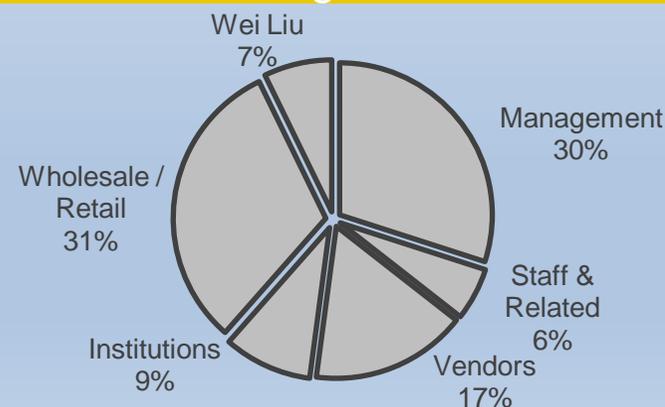
¹ Market data sourced from IRESS as of 11 March 2021

² Metrics expressed in \$m unless stated otherwise

Share Price Performance (\$/share)¹



Register



RPM has been a beneficiary of Covid-19 tailwinds

- Closed state (for much of 2020) and international (currently) borders has led to an increase in domestic driving holidays, 4WDing and off-roading activities.
- The increased vehicle usage has resulted in high demand, and sales uplift of automotive parts, accessories and related services.
- Additionally, a growing trend emerged during lockdown where people focused on maintenance and upgrades of their vehicles to take advantage of time spent at home.
- RPM's growth strategy remains on course, with organic business growth exceeding budget and a number of potential acquisitions in the pipeline.



** Refer to ASX announcement of 15 March 2021*

RPM Financial Performance & Investment Highlights

- FY2021 full-year revenue forecast to increase by 44% to \$49.2M (FY2020: \$34.1M) Annualised forecast based on current position is \$55.3M
- FY2021 full-year EBITDA forecast to increase by 37.6% to \$4.7M (FY2020: \$3.4M)
- RPM currently trading at only 6.83 x FY21 forecast earnings, significantly below that of industry peers
- YTD (H1) EBITDA of \$2.32m is a YOY increase of 116%
- Successful completion of oversubscribed capital raising of \$5.1M in January 2021 provides RPM with a strong Balance Sheet, with approximately \$7M cash at bank currently.

** Refer to ASX announcement of 15 March 2021*

Investment Highlights



Favourable Industry fundamentals

The Australian automotive aftermarket is large and growing with a total addressable market across all sectors of over \$25 Billion per annum in 2017.



Leading market positions in attractive automotive sectors

The RPM Group comprises some of Australia's most pre-eminent companies in their respective sectors of the automotive industry.



Well known brands

The RPM Group holds the rights to some of the most well known Australian automotive brands with a rich history of association in the sector.



Positioned for growth

The RPM Group has a national platform with operations in 5 states in wholesale, retail and manufacturing. The business is designed to be scalable and has multiple regional expansion opportunities.



Diversified businesses

The RPM Group has diversified revenue across various market sectors, distribution channels, products and services within the automotive industry, including; Motorsport, Mechanical Repairs, Wheels & Tyres and Auto Accessories.



Management team with deep industry experience

The founders of the RPM Group have a successful track record of owning, building and operating automotive businesses and will continue to run the business going forward.



Clear acquisition plan

Management has a clear plan to address multiple opportunities in the Australian market to aggressively grow the business on multiple fronts via acquisitions.



Funded for growth

RPM recently (November 2020) completed a \$5.2 million placement, enabling the company to pursue a number of high-quality growth opportunities.

Investment Summary



Highly experienced management & Board

- Founders Clive Finkelstein and Lawrence Jaffe have deep industry expertise with over 20 years experience building, acquiring and selling automotive businesses
 - Sold Opposite Lock to Metcash in 2015



Diversified and scalable business model

- Revenue diversification across various products and services / various channel points / various sectors within the aftermarket automotive space
- Strong and scalable business platform with multiple regional expansion opportunities



Funded for growth

- Acquisition strategy on track, with a number of earnings-accretive transactions in the pipeline.
 - November 2020 placement raised \$5.1 million.



Tightly held, with the Board, management & vendors owning over 60% of the register

- 43 million shares are held in voluntary escrow until 28 August 2021

3 Year Strategic Objectives

- Focus is on growing the Wheels & Tyres, Repairs & Roadside and the Performance & Accessories Divisions. Growth both organic & acquisitional

The below table is a broad 3-year plan sub-divided into the 4 Pillars of RPM

<u>RPM Division</u>	<u>Details & Descriptions</u>	<u>Geographical Growth</u>	<u>Operational Growth</u>	<u>Turnover</u>
Motorsport	Revolution Racegear & RPM Racewear	7 Stores currently 5	3 New Product Ranges currently 7	A\$9m currently \$7m
Wheels & Tyres	Wholesale & Distribution Businesses	6 Warehouses currently 3	2 New Product Ranges currently 5	A\$60m currently \$28m
Repairs & Roadside	B2B / Retail Tyre & Auto Service Centres	12 Stores currently 6	10 Satellite Stores currently 1	A\$65m currently \$16m
Performance & Accessories	Vehicle Parts & Accessories (incl. Carline)	150 Carline Stores (currently 110)	12 Company-owned Stores (currently 4)	A\$20m currently \$5m

* Turnover projections exclude eliminations derived from internal sales

* Refer to ASX announcement of 15 March 2021

Strategic Acquisition Growth Strategy

- RPM's acquisition strategy is to identify same or similar businesses to unlock synergies
- Preferred model is to pay approximately ~50% scrip and ~50% cash (paid out over a period of time)
- Aim to purchase businesses on an attractive valuation of 3.5 – 5x earnings
- Apply a term payout to retain vendors in the business for 3+ years; escrow applied to scrip consideration
- Since listing on the ASX in August 2019, RPM has completed acquisitions of CITIC Autoparts Pty Ltd (renamed RPM Autoparts), Gully Mobile Tyres, Metcher Tyre Services (renamed Air Anywhere Western), Competition Tyres Hallam, & Traralgon Tyre Service.
- RPM has identified multiple new potential strategic acquisition [targets] that would unlock significant growth opportunities for the business and is currently in discussions with the vendors.

Strategic Rationale

These Potential Acquisitions align with RPM's stated strategy and would deliver significant benefits to shareholders

- 1 Strategic fit with RPM's "four pillars" operating model and growth strategy, directly aligning with existing commercial and heavy duty tyre offerings within our Wheels and Tyres Pillar.
- 2 Further diversify RPM revenue streams, add materially to earnings and free cash flow, to support infrastructure investment and growth opportunities. RPM Automotive growth (both organic and inorganic) across the Group through forward (and reverse) integration.
- 3 Significantly improving earnings, meeting core objective of increasing returns to shareholders
- 4 Several avenues for further potential revenue and earnings expansion, including re-tread manufacturing, passenger tyre industry, bus service contract, increased warehousing opportunities in South Australia, Queensland and Western Australia and further therefore greater cost efficiencies
- 5 Revenue and earnings extremely well defended, given the maturity of these businesses and their relationship with current customer base, which leads to a greater scope for further income and margin via complementary products

Compelling and highly complementary transactions that build upon the foundations laid within RPM's existing Tyres and Wheels & Repairs and Roadside Divisions

Comparables

Company	ASX Code	Enterprise Value	FY20 Actuals			FY21 Estimates		EV/EBITDA FY21
			Revenue	EBITDA	Revenue	EBITDA		
		(\$m)	(\$m)	(\$m)	(\$m)	(\$m)		
RPM Automotive Group Ltd	RPM	\$32	\$32.47	\$0.53	\$49.25	\$4.68	6.83x	
ARB Corporation Limited	ARB	\$2,825	\$465.38	\$91.96	\$525.05	\$122.94	22.97x	
Bapcor Ltd	BAP	\$2,455	\$1,462.75	\$209.79	\$1,672.52	\$238.81	10.27x	
PWR Holdings Ltd	PWH	\$531	\$65.73	\$19.25	\$81.08	\$29.05	18.27x	
Carbon Revolution Ltd	CBR	\$310	\$38.95	-\$21.93	\$51.52	-\$8.64	N/A	

¹ Market data sourced from IRESS as of 9 December 2020

² Metrics expressed in \$m unless stated otherwise

IMPORTANT NOTICE AND DISCLAIMER

Overview

This document is issued by RPM Automotive Group Limited ACN RPM (“RPM Automotive” or “RPM”) on 15 March 2021.

Summary Information

This document contains summary information about RPM Automotive and its associated and proposed associated entities and their activities as known by RPM Automotive at the date of this document. The information contained in this document is of general background and does not purport to be complete. It should be read in conjunction with RPM Automotive’s periodic and continuous disclosure announcements lodged with ASX which are available at www.asx.com.au.

This document is not a prospectus or other offering document under Australian or any other law. This document does not contain all of the information which would be required to be disclosed in a prospectus or other offering document. The information in this document remains subject to change without notice.

Not an offer

This document is for information purposes only and is not an invitation nor offer of securities for subscription, purchase or sale in any jurisdiction. This document will not be lodged with ASIC and is not approved by or registered with any regulator in any jurisdiction. This document should not be considered to be an offer or invitation or a solicitation of an offer to acquire entitlements or New Shares or any other financial products and neither this document nor any of its contents will form the basis of any contract or commitment.

Forward-looking statements

This document may contain certain forward-looking statements. Forward-looking statements can generally be identified by the use of forward looking words such as ‘anticipate’, ‘believe’, ‘expect’, ‘project’, ‘forecast’, ‘estimate’, ‘likely’, ‘intend’, ‘should’, ‘will’, ‘could’, ‘may’, ‘target’, ‘plan’ and other similar expressions within the meaning of securities laws of applicable jurisdictions, and include statements regarding outcome and effects. Indications of, and guidance or outlook on future earnings, distributions or financial position or performance are also forward-looking statements. These forward-looking statements have been made based upon RPM’s expectations and beliefs concerning future developments and their potential effect upon RPM (and its controlled entities) and are subject to known and unknown risks and uncertainties which are, in many instances, beyond RPM’s control, and may involve significant elements of subjective judgement and assumptions as to future events which may or may not be correct. No assurance is given that future developments will be in accordance with RPM’s expectations. Actual results could differ materially from those expected by RPM and RPM assumes no obligation to update any forward-looking statements or information.

Not advice or recommendation

The information set out in this document does not constitute or purport to be a securities or other recommendation by RPM or any other person and has been prepared without taking into account the objectives, financial situation or needs of any recipient or other person. The information in this document does not constitute financial product advice (nor investment, taxation or legal advice).

Before making an investment decision, investors should consider the appropriateness of the information having regard to their own objectives, financial situation or needs and seek appropriate advice applicable to them in their jurisdiction. An investment in RPM is subject to investment risk including possible loss of income and principal invested.

– CONTACT –

Grant Carman

*Non-Executive Chairman –
RPM Automotive Group Limited*

0419 506 593

grantc@racegear.com.au

Clive Finkelstein

*CEO and Managing Director –
RPM Automotive Group Limited*

0403 500 654

clive@racegear.com.au

www.rpmgroup.net.au