

ASX Announcement

ISSUE OF SHARES TO RPM GROUP VENDORS

Melbourne: 24 October 2019, RPM Automotive Group Limited (ASX: **RPM**) (**RPMAG** or the **Company**) is pleased to announce it has completed the calculations for the issue of Performance Shares and Earnout Shares due to the vendors of The RPM Group as approved by shareholders on 27 May 2019.

RPMAG will issue a total of 14,370,356 new ordinary fully paid shares to the respective Vendors of The RPM Group businesses under the terms of the of the Business Sale Agreements (**BSAs**).

RPMAG agreed to issue up to 10,901,600 Performance Shares and a further 10,901,600 Earnout Shares to the respective Vendors as deferred consideration for the acquisition of their businesses dependent on the actual EBITDA (Earnings before Interest, Tax, Depreciation and Amortisation) achieved by the businesses in the 2019 financial year.

In addition, the BSAs contained provisions for adjustments to the acquisition prices for the respective businesses for differences to the agreed amounts of debts, stock and cash payouts acquired by RPMAG as part of the transaction. The BSAs allowed for these adjustment amounts to be settled in either cash or equity. The Vendors have elected to receive the adjustments in equity.

RPMAG has received the management accounts for the businesses and calculated the share entitlements. RPMAG will issue new ordinary fully paid shares to the following Vendors;

VENDOR	ENTITY	SHARES
RPM Worldwide Group Pty Ltd	RW Tyres	1,526,693
RPM Australasia Pty Ltd	Revolution Racegear, Carline	10,457,685
Wildcat shareholders	Wildcat	1,120,213
Sonia Rahmani & Sue Simpson	Air Anywhere, Fix-My-Truck	1,265,765
TOTAL		14,370,356



Performance Shares

The acquisition prices for the businesses acquired by RPMAG were based on multiples of Target EBITDA. RPMAG structured the BSAs with a mixture of Consideration Shares and Performance Shares to provide some downside protection to the Company if the businesses acquired failed to meet their FY19 Target EBITDA. Vendors were issued 80% of the acquisition price as Consideration Shares on completion of the transaction. The remaining 20% of the acquisition price was agreed to be issued as Performance Shares once the actual FY19 EBITDA results were known. RPMAG agreed to issue up to 10,901,600 Performance Shares to the respective Vendors.

Under the terms of the BSAs, Vendors of a business are only being issued Performance Shares if the business meets its Target EBITDA hurdle. If a business earns between 80% and 100% of its Target EBITDA, the shares are issued on a pro-rata basis.

RPMAG will issue a total of 5,222,097 Performance Shares to the Vendors based on the FY19 EBITDA results per the table below;

BUSINESS ACQUIRED	TARGET EBITDA (\$)	POTENTIAL SHARES	ACTUAL EBITDA (\$)	EBITDA PERCENT	SHARES AWARDED
RW Tyres*	1,900,000	4,872,000	1,278,091	67%	-
Revolution Racegear	850,000	2,707,200	1,021,790	120%	2,707,200
Wildcat	250,000	1,056,000	279,390	112%	1,056,000
Air Anywhere	250,000	758,400	211,953	85%	181,303
Fix My Truck	250,000	740,000	234,432	94%	509,594
Carline Automotive	200,000	768,000	238,275	119%	768,000
TOTAL	3,700,000	10,901,600	3,263,930		5,222,097

* Note: The Actual EBITDA number for RW Tyres does not include the financial results for Riley Street Automotive (trading as Tyresome) as RW Tyres will not be proceeding with the acquisition of this business.

Earnout Shares

The Earnout Shares were designed to reward Vendors of an RPM Group business that has outperformed its Target EBITDA in FY19. Per the BSAs the maximum number of Earnout Shares that RPMAG can issue in aggregate is capped at 10,901,600 shares. The Earnout Shares are being issued to the Vendors pro-rata to the extent the business's actual FY19 EBITDA result outperforms the Target EBITDA.



RPMAG will issue a total of 4,062,783 Earnout Shares to the Vendors based on the FY19 EBITDA results per the table below;

BUSINESS ACQUIRED	TARGET EBITDA (\$)	EARNOUT EBITDA (\$)	POTENTIAL SHARES	ACTUAL EBITDA (\$)	PERCENT EBITDA	EARNOUT SHARES
RW Tyres*	1,900,000	2,280,000	4,872,000	1,278,091	67%	-
Revolution Racegear	850,000	1,020,000	2,707,200	1,021,790	120%	2,707,200
Wildcat	250,000	300,000	1,056,000	279,390	112%	620,710
Air Anywhere	250,000	300,000	758,400	211,953	85%	-
Fix My Truck	250,000	300,000	740,000	234,432	94%	-
Carline Automotive	200,000	240,000	768,000	238,275	119%	734,873
TOTAL	3,700,000	4,440,000	10,901,600	3,263,930		4,062,783

Stock, Cash and Debt Adjustments

In addition to the Performance and Earnout shares the BSAs included provisions for the adjustment to the acquisition prices for the businesses acquired by RPMAG for differences in stock (inventory), debt and any cash payouts on completion of the transaction. The BSAs allowed for the adjustments to be settled between RPMAG and the Vendors via equity or cash. The Vendors have elected to settle inventory, debt and cash payout adjustments with equity in lieu of cash.

RPMAG will issue the respective Vendors new fully paid ordinary shares in RPMAG per below;

Stock Adjustments

BUSINESS	AGREED STOCK (\$)	ACTUAL STOCK (\$)	DIFFERENCE (\$)	SHARE PRICE (\$)	SHARES RPMAG
RW Tyres	2,000,000	2,250,748	250,748	0.25	1,002,992
Revolution Racegear	2,000,000	2,803,727	803,727	0.25	3,214,910
Wildcat	375,000	282,000	(93,000)	0.25	(372,000)
Air Anywhere	300,000	368,717	68,717	0.25	274,868
Fix My Truck	-	-	-	0.25	-
Carline Automotive	-	-	-	0.25	-
TOTAL	4,675,000	5,705,192	1,030,192		4,120,769



Debt Adjustment

BUSINESS	AGREED DEBT (\$)	ACTUAL DEBT (\$)	DIFFERENCE (\$)	SHARE PRICE (\$)	SHARES RPMAG
RW Tyres	550,000	550,000	-	0.25	-
Revolution Racegear	1,800,000	1,550,000	250,000	0.25	1,000,000
Wildcat	-	-	-	0.25	-
Air Anywhere	220,000	145,000	75,000	0.25	300,000
Fix My Truck	-	-	-	0.25	-
Carline Automotive	-	-	-	0.25	-
TOTAL	2,570,000	2,245,000	325,000		1,300,000

Cash Payout Adjustment

BUSINESS	AGREED PAYOUT (\$)	ACTUAL PAYOUT (\$)	DIFFERENCE (\$)	SHARE PRICE (\$)	SHARES RPMAG
RW Tyres	2,000,000	1,700,000	300,000	0.25	1,200,000
Revolution Racegear	-	-	-	0.25	-
Wildcat	-	-	-	0.25	-
Air Anywhere	200,000	200,000	-	0.25	-
Fix My Truck	155,000	155,000	-	0.25	-
Carline Automotive	145,000	-	145,000	0.25	580,000
TOTAL	2,500,000	2,055,000	445,000		1,780,000

Transaction Costs Adjustment

In addition to the adjustments above RPMAG has identified some costs relating to the transaction that adjusts down the consideration payable by RPMAG to the respective Vendors. These transaction costs include, accounting costs, estimated future tax liabilities payable by RPMAG and other statutory costs that RPMAG will likely need to pay as a result of the business acquisitions.

BUSINESS	TRANSACTION COSTS (\$)	SHARE PRICE (\$)	SHARES RPMAG
RW Tyres	169,075	0.25	676,299
Revolution Racegear	302,375	0.25	1,209,498
Wildcat	46,124	0.25	184,497
Air Anywhere	-	0.25	-
Fix My Truck	-	0.25	-
Carline Automotive	11,250	0.25	45,000
TOTAL	528,824		2,115,294



Share Issue Calculation

The table below summarises the total shares RPMAG will issue to the Vendors of The RPM Group to settle Performance and Earnout Share entitlements, any acquisition price adjustments and identified transaction costs. RPMAG will issue a total of 14,370,356 new ordinary fully paid shares to the Vendors.

ITEM	SHARES RPMAG
Performance Shares	5,222,097
Earnout Shares	4,062,784
Stock Adjustment	4,120,769
Debt Adjustment	1,300,000
Cash Payout Adjustment	1,780,000
Total Share Entitlement	16,485,650
Less: Transaction Costs Adjustment	(2,115,294)
TOTAL	14,370,356

Mr Clive Finkelstein commenting on the share issue said; "This finalises the listing transaction of RPM and now we can focus on running the business and on our growth and development strategies. We have a great opportunity before us."

About RPMAG: 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. RPMAG was founded in 2013 and owns brands, such as: RPM, Carline, Genie Headers, Air Anywhere, Formula Off-Road and Fix-My-Truck.

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