

ASX Announcement
17 September 2020

RPM Automotive Group Ltd purchases Citic Autoparts Pty Ltd

RPM Automotive Group Limited (ASX: RPM) (“RPM” or the “Company”) is pleased to announce that it has executed a Purchase Agreement pursuant to which RPM has acquired 100% of the shares in Citic Autoparts Pty Ltd effective 31 October 2020. It has been agreed between the parties that there will be an immediate name change to the business which will now be known as RPM Autoparts Pty Ltd (“AUT”). The transaction was subject to normal conditions precedent, many of which have now been satisfied.

AUT operates in a very similar space to Spider GT (SGT), one of RPM’s subsidiaries in its Wheels and Tyres Division as an importer, wholesaler and distributor of tyres. AUT began its tyre trading business in late 1994, and today, is considered to be a major distributor in the Australian Tyre Industry. AUT carry a comprehensive product range and pride themselves on customer-oriented service. With distribution facilities, complete with sales force and administration teams in Campbellfield, Victoria and Sherwood, Queensland, as well as distributors in New South Wales and Western Australia, AUT have successfully built a name for quality service and supply of both passenger and commercial tyres. Having built house-hold tyre brands like A-Plus & Wanli – positioned in the fastest growing segment of the passenger tyre industry, AUT has a proud history of dependability having pioneered the “value-for-money” passenger tyre segment in Australia.

It is a credit to AUT and its very impressive and dedicated team that they have attracted and maintained supply relationships with blue-chip customers like Yokohama and Tyrepower, to mention a few. With 70% of the business dedicated to passenger tyres, and product specifically targeted at the 4X4, SUV and LDV markets, and with their budget product range, AUT is extremely well-positioned to take advantage of the massive shift in the recent buying trend in the automotive industry.

Additional benefits derived from this transaction include the ability to leverage brands and products in both SGT and AUT’s stable across both distribution platforms and customer-bases, which is expected to further improve the already impressive organic growth of this division. Sharing of overheads, infrastructure and resources will be a natural next step, with immediate operational benefits and savings anticipated.

RPM would like to take this opportunity to announce that we have entered into an exclusive agreement to distribute Jinyu TBR (Truck & Bus / Commercial Tyres) and it is



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our intention to offer this highly sought-after range exclusively through our newly acquired AUT Distribution Platform.

Salient Details

Due to confidentiality arrangements, full disclosure is not possible at this time.

Although affected by the restrictive trading legislation introduced as a result of Covid-19 Pandemic, FY20 Turnover was \$16.5 million with a Gross Profit Margin (independently reviewed as part of the due diligence) of approximately 23%. Our forecasts indicate that FY21 turnover (adjusted for Covid-19 Pandemic impact) is expected to be \$14.5 million with a similar GP, yielding a contribution to the Wheels and Tyres Division of about \$0.75 million (Eight months from 1 November 2020). The forecast for FY22 has been conservatively prepared and is projected to be in excess of \$16.5 million, yielding a contribution of a little over \$1.35 million.

The board would like to take this opportunity to thank the Citic Resources Australia Team for their efforts during the sale / purchase process.

Transaction Details

Purchase price is \$3.2 million subject to working capital adjustments, for 100% of the shares, which has unaudited Net Assets of \$3.6 million as at 31 August 2020 and will be acquired using a hybrid of equity, debt and vendor finance.

Clive Finkelstein, CEO of RPM provided the following statement, *"I am delighted to announce the acquisition of the Tyre Distribution Company to be known as RPM Autoparts Pty Ltd, which is part of the natural progression for RPM. The Group is expanding its national footprint and this deal not only achieves that, it broadens our range of product as well as customer-base, while complementing our existing operations. This purchase, reinforces RPM's commitment to its growth and expansion strategy in this sector."*

RPM is focuses on the health, well-being and safety of both our staff and customers and continue to provide the appropriate sanitation measures and social distancing regimen with regards to Covid-19 Protocols.

About RPM: 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. RPM owns brands, such as: RPM Racewear, Carline, Genie, Air Anywhere, Formula Off-Road.



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This announcement was approved, and authorised for release, by The RPM's Board of Directors.

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