



THE RPM GROUP

# RPM AUTOMOTIVE GROUP LTD (ASX:RPM)

FY21 Results Presentation

31 August 2021

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# INVESTMENT HIGHLIGHTS

## FAVOURABLE INDUSTRY FUNDAMENTALS

The Australian automotive aftermarket is large and growing with an addressable market of over \$25bn in 2017

## LEADING MARKET POSITIONS IN ATTRACTIVE AUTOMOTIVE SECTORS

Some of Australia's most pre-eminent companies in their respective sectors of the automotive industry

## MARKET LEADING 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

## DIVERSIFIED BUSINESSES

Revenue diversity across market sectors, distribution channels, products and services within the automotive industry

## EXPERIENCED BOARD AND MANAGEMENT TEAM

The founders have a proven track record of owning, building and operating automotive businesses

## CLEAR ACQUISITION PLAN

Clear strategy to progress multiple acquisition opportunities in the Australian market to aggressively grow the business

## POSITIONED FOR GROWTH

A national platform with operations in wholesale, retail and manufacturing. The business is designed to be scalable and has multiple regional expansion opportunities

## FUNDED FOR GROWTH

\$5.1m equity raising in November 2020 to support high-quality growth opportunities

# FY21 ACHIEVEMENTS

## REVENUE

\$45.1m up 30% on FY20

Full year record revenue

Growth across all four business units

## STRATEGIC ACQUISITIONS

Gully Mobile Tyres

Citic Autoparts

Traralgon Tyre Service

Elite Tyre Group and Super Tyre Mart

East Coast Tyre Wholesalers

## EBITDA

\$4.5m up 32% on FY20

Strong revenue growth delivered record EBITDA

## GROWTH STRATEGY

Strong pipeline of bolt-on synergistic acquisitions

Two acquisitions to date in FY22

## CASH BALANCE

\$1.7m as at 30 June 2021  
(excludes \$1.5m prepayment)

\$5.1m share placement ensures the Company is well funded for growth

## STRONG FY22 OUTLOOK

Further acquisition opportunities

Well-funded to support growth strategy

Revenue in a normalised year would exceed \$85m from existing operating businesses (\*enforced and prolonged Covid-19 lockdowns will impact)



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# FINANCIALS



# FY21 FINANCIALS

## PROFIT AND LOSS

	FY21 (\$m)	FY20 (\$m)
Revenue	45.1	34.7
Gross Profit	14.1	10.7
<b>EBITDA</b>	<b>4.5</b>	<b>3.4</b>
NPAT	2.9	-1.5
One-offs	-	2.8
<b>Normalised NPAT</b>	<b>2.9</b>	<b>2.3</b>

⚙️ 30% increase in revenue

⚙️ 32% increase in EBITDA

## BALANCE SHEET

	FY21 (\$m)	FY20 (\$m)
Cash and equivalents	1.7	1.9
Other Assets	44.8	31.5
<b>Total Assets</b>	<b>46.5</b>	<b>33.4</b>
<b>Total Liabilities</b>	<b>19.6</b>	<b>15.3</b>
<b>Shareholder's Equity</b>	<b>26.9</b>	<b>18.2</b>

⚙️ Strong balance sheet

⚙️ \$46.5m total assets

## CASH FLOW STATEMENT

	FY21 (\$m)	FY20 (\$m)
Cashflow from operations	-1.3	-2.0
Investing cashflows	-5.7	-0.6
Financing cashflows	6.7	4.4
<b>Cash at year end</b>	<b>1.7</b>	<b>1.9</b>

⚙️ \$1.7m cash at year end (excludes prepayment of Elite Tyre Group - \$971k and final settlement of CITIC - \$550k)

⚙️ \$3.3m cash and prepayment at year end



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# PERFORMANCE BY DIVISION



# WHEELS & TYRES



 **STRONG** result in Wheels & Tyres driven by ongoing demand from the heavy transport and logistics sectors

 **Significant** commercial tyres growth partly offset by lower passenger tyre sales due to lockdowns

 **Revenue** of \$22.7m, up 74% on FY20

 **EBITDA** contribution of \$1.5m, up 75% on FY20

 **Two new** warehouses added in Victoria and Queensland

 **One** new wholesale business (CITIC Autoparts)

 **Two** new wholesale businesses in Q1 FY22

 **Two** new warehouses in Q2 FY22

## WHEELS & TYRES

	FY21	FY20	Change
<b>Revenue (\$m)</b>	22.7	13.0	+74%
<b>Gross Profit (\$m)</b>	4.4	2.2	+100%
<b>Gross Margin (%)</b>	19.4%	16.9%	+2.5ppts
<b>EBITDA (\$m)</b>	1.5	0.9	+75%
<b>EBITDA Margin (%)</b>	6.5%	6.5%	N/A

# REPAIRS & ROADSIDE

 **Repairs & Roadside** was negatively impacted by Covid-19, however improved efficiencies helped offset

 **Revenue** of \$16.0m, up 17% on FY20

 **EBITDA** contribution of \$0.9m, up 86% on FY20

 **EBITDA** margin 5.8%

 **Traralgon Tyre Service** acquisition helped drive the increase in revenue but has had little impact on EBITDA as yet

 **Significant** growth opportunities in the short to medium term in Repairs & Roadside

## REPAIRS & ROADSIDE

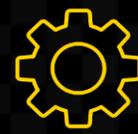
	FY21	FY20	Change
<b>Revenue (\$m)</b>	16.0	13.7	+17%
<b>Gross Profit (\$m)</b>	4.6	3.9	+16%
<b>Gross Margin (%)</b>	28.5%	28.7%	-0.2ppts
<b>EBITDA (\$m)</b>	0.93	0.51	+86%
<b>EBITDA Margin (%)</b>	5.8%	3.6%	+2.2ppts



- ⚙️ **Motorsport** rebounded strongly after a difficult FY20, with all growth achieved organically
- ⚙️ **Revenue** of \$7.3m, up 31% on FY20
- ⚙️ **EBITDA** contribution of \$1.5m, up 252% on FY20
- ⚙️ **EBITDA** margin 21.1%
- ⚙️ **Trading** conditions remain strong, with the division generating good margins
- ⚙️ **Lockdowns** in metro areas have affected trading in Q1 FY22, but good cash reserves and stock should allow for a quick rebound

MOTORSPORT			
	FY21	FY20	Change
<b>Revenue (\$m)</b>	7.3	5.7	+31%
<b>Gross Profit (\$m)</b>	3.2	2.5	+29%
<b>Gross Margin (%)</b>	44.3%	45.0%	-0.7ppts
<b>EBITDA (\$m)</b>	1.54	0.44	252%
<b>EBITDA Margin (%)</b>	21.1%	7.8%	+13.3ppts

# PERFORMANCE & ACCESSORIES



- ⚙️ **Performance & Accessories** generated a strong contribution in FY21
- ⚙️ **Revenue** of \$3.5m, up 6% on FY20
- ⚙️ **EBITDA** contribution of \$0.7m, up 107% on pcp
- ⚙️ **EBITDA** margin 21.1%
- ⚙️ **Further** expansion opportunities in FY22 and beyond

PERFORMANCE & ACCESSORIES			
	FY21	FY20	Change
<b>Revenue (\$m)</b>	3.5	3.3	+6%
<b>Gross Profit (\$m)</b>	2.5	1.6	+55%
<b>Gross Margin (%)</b>	70.3%	48.3%	+22ppts
<b>EBITDA (\$m)</b>	0.7	0.4	+107%
<b>EBITDA Margin (%)</b>	21.1%	10.8%	+10.3ppts



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# ACQUISITION STRATEGY



# ACQUISITION SUMMARY

## FY21 ACQUISITION SUMMARY

Acquisition	Announcement Date	Description	Consideration	Earnings Contribution	Strategic Benefits
Gully Mobile Tyres	4 Sep 2020	Specialised industrial tyre services in Victoria	\$195k - 18% cash - 82% equity	\$66k EBITDA in FY21	Broadens RPM's offerings in tyre servicing
Citic Autoparts	17 Sep 2020	Tyre and wheel importer, wholesaler and distributor in VIC and QLD	\$3.2m - 100% cash	\$156k EBITDA in FY21 (8 months)	Synergies with Spider GT
Traralgon Tyre Service	10 Nov 2020	Tyre supply, fit and servicing in Gippsland, VIC	\$1.47m - 50% cash - 50% equity	\$105k EBITDA in FY21 (4 months)	Synergies with Air Anywhere and Gully Mobile Tyres
Elite Tyre Group and Super Tyre Mart	21 April 2021	Tyre and wheel wholesaler with national distribution capabilities	\$1.6m - 70% cash - 30% equity	\$585k EBITDA in FY21 (no contribution FY21)	Strong alignment with existing RPM businesses to drive both cost and revenue synergies
East Coast Tyre Wholesalers	21 June 2021	Tyre and wheel importer based in NSW with a national distribution network	\$2.6m - 67.5% cash - 32.5% equity	Over \$500k EBITDA in FY20	Strong alignment with existing RPM businesses to drive both cost and revenue synergies

# ACQUISITION GROWTH STRATEGY

## RPM IS FOCUSED ON GROWING WHEELS & TYRES, REPAIRS & ROADSIDE AND PERFORMANCE & ACCESSORIES DIVISIONS

### 3-YEAR GROWTH PLAN BY DIVISION

DIVISION	DESCRIPTION	GEOGRAPHICAL GROWTH	OPERATIONAL GROWTH	TURNOVER
Motorsport	Revolution Racegear & RPM Racewear	7 stores currently 6	3 new product ranges currently 7	\$9m currently \$7m
Wheels & Tyres	Wholesale & distribution businesses	8 warehouses currently 6	2 new product ranges currently 5	\$60m currently \$23m
Repairs & Roadside	B2B / retail tyre & auto service centres	12 stores currently 7	10 Statelite stores currently 2	\$65m currently \$16m
Performance & Accessories	Vehicle parts & accessories (inc. Carline)	150 Carline stores currently 112	12 company-owned stores currently 6	\$20m currently \$4m

\* Turnover projections exclude eliminations derived from internal sales and may be impacted by enforced & prolonged Covid-19 Lockdowns

# ACQUISITION GROWTH STRATEGY

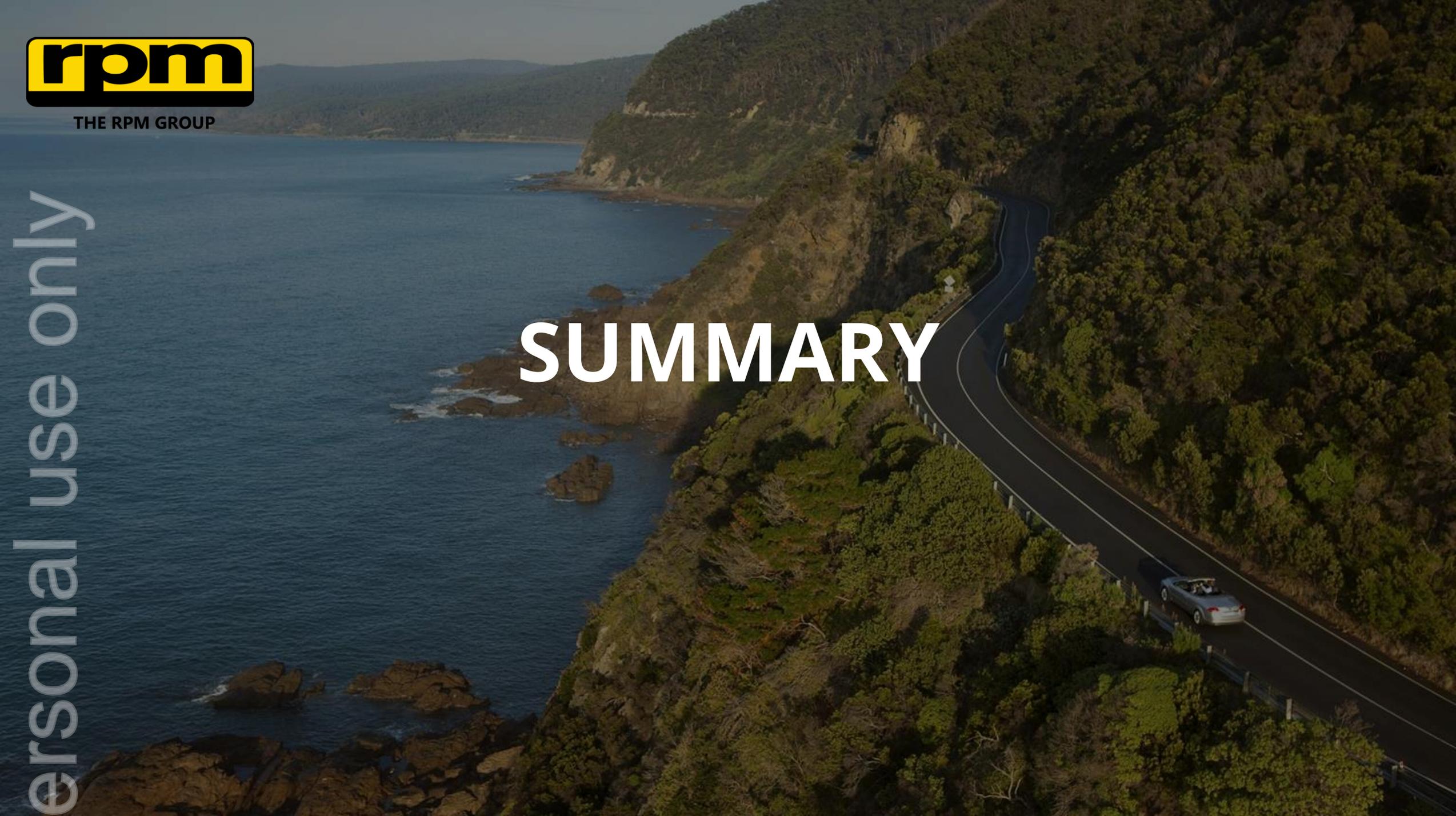
- ⚙️ RPM's acquisition strategy is to identify similar complementary businesses to unlock synergies
- ⚙️ Target approximately ~50% scrip and ~50% cash (paid out over a period of time) consideration
- ⚙️ Aim to purchase businesses on attractive valuation metrics of 3.5 – 5x earnings
- ⚙️ Apply a term 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, Elite Tyre Group, Super Tyre Mart & East Coast Tyre Wholesalers
- ⚙️ Recently announced acquisitions in Far North Queensland
  - Carline Automotive - Cairns
  - Carline Automotive - Townsville and Revolution Racegear - Townsville
- ⚙️ RPM has identified multiple new potential strategic acquisition targets that would unlock significant growth opportunities for the business and is currently in discussions with vendors



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# SUMMARY



# SUMMARY

## FY21 HIGHLIGHTS

- Record revenue of \$45.1m and EBITDA of \$4.5m in FY21
- 5 strategic acquisitions of complementary businesses that will deliver meaningful cost and revenue synergies
- Well-funded for further acquisitions following \$5.1m placement in Nov 2020

## FY22 OUTLOOK

- A further two acquisitions announced in FY22 will continue the Company's growth strategy
- \$8m funding agreement with Collins St Value Fund to provide further funding capability
- In a Normalised Year, business-as-usual FY22 revenue target of \$85m, a 72% increase on FY21 (\*enforced and prolonged Covid-19 Lockdowns will impact)



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# APPENDICES



# CORPORATE SNAPSHOT

## CAPITAL STRUCTURE<sup>1</sup>

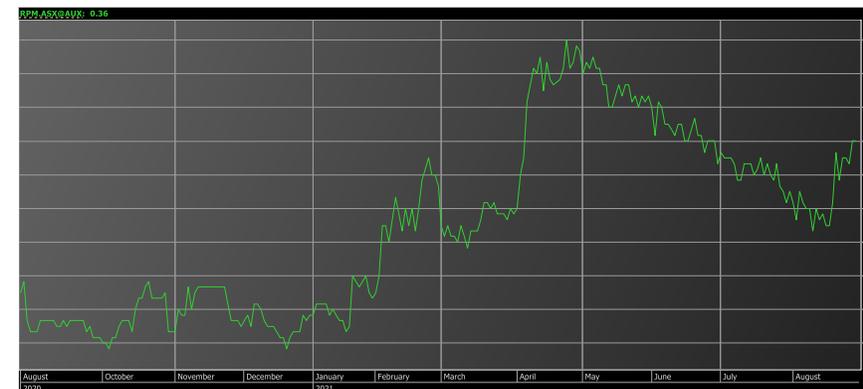
Shares on Issue	121.5m
Options	28.5m
Share Price (27/08/21)	\$0.36
Market Capitalisation	\$45.0m
52-week High	\$0.470
52- week Low	\$0.125

<sup>1</sup> Market data sourced from IRESS as of 30 June 2021

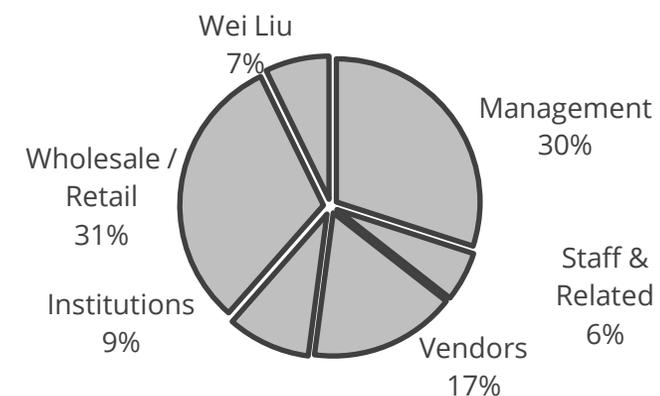
## FOUNDERS' INTERESTS

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

## SHARE PRICE PERFORMANCE (\$/SHARE)<sup>1</sup>



## REGISTER





## **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.



## **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.



## **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.

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