



THE RPM GROUP

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

28 February 2023
ASX Announcement

SOLID REVENUE GROWTH WITH MARGIN PRESSURES TO BE REDUCED BY OPERATIONAL RESTRUCTURE

RPM Automotive Group Limited (ASX: RPM) ("RPM" or the "Company"), a leading player in the Australian automotive aftermarket sector, is pleased to report its financial results for the half year ended 31 December 2022 ("1H FY23"). Key highlights from the results include:

- **Solid revenue growth:** Sales revenue up 62% to \$55.7m, driven by organic growth and the strong performance of VicWide Tyre Services and Safety Dave.
- **Margin pressures:** Underlying EBITDA up 53% to \$4.9m and underlying EBITDA margin of 8.6%. Margins adversely impacted by increased staff costs and the underperformance of new retail stores.
- **Refinance of banking facility:** Net debt of \$13.5m is well within banking covenants.
- **Reduced cash burn:** Operating cash outflow of \$0.5m, a significant improvement on previous periods.
- **Operational restructure:** Focus on restructure of the administration and retail divisions and on streamlining processes, with \$1.6m in net annualised cost savings identified.
- **Updated FY23 guidance:** FY23 revenue range of \$120m - \$130m, (previous \$125m - \$130m) and FY23 EBITDA range of \$10.5m - \$12m (previous \$12m - \$13m).

1H FY23 Financial Results Overview

	1H FY23	1H FY22	change
Sales Revenue	\$55.7m	\$34.4m	Up 62%
Gross Profit	\$17.6m	\$10.9m	Up 68%
Reported EBITDA	\$4.3m	\$3.1m	Up 42%
Underlying EBITDA**	\$4.9m	\$3.2m	Up 53%
Net Profit After Tax (NPAT)	\$1.2m	\$1.3m	Down 6%
Net Operating Cash	\$(0.5)m	\$(1.2)m	Up \$0.8m
Net Debt*	\$13.5m	\$10.7m	Up \$2.8m
Earnings per Share (EPS)	0.79cps	0.98cps	Down 19%

*1H FY23 Underlying EBITDA excludes one-off costs relating to acquisitions and bank refinancing costs of \$600K and 1H FY22 acquisition costs of \$100K

** Net debt of \$13.5m excludes the convertible note of \$5.7m in non-current borrowings



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RPM CEO Clive Finkelstein said, "Over the past six months, we delivered solid revenue growth, and overall, gross profit margins were stable. However, operating margin pressures adversely impacted earnings mainly due to increased staff costs, currency and logistics cost fluctuations, and the underperformance of some new and existing businesses. Our acquisition growth model is now on hold whilst we consolidate assets across the network and streamline operations. We are confident that the restructure will improve both profitability and operating cash flow and ultimately provide more value for shareholders moving forward."

Overview of 1H FY23 Results

RPM generated sales revenue of \$55.7m in 1H FY23, up 62% from \$34.4m in 1H FY22, driven by 8% organic growth and the strong performance of recent acquisitions including Safety Dave (Feb 2022) and VicWide Tyre Services (May 2022).

Gross profit margins of 31% in 1H FY23 were stable on pcp, but down on 2H FY22. This is partially due to the full half contribution of recent acquisitions, which have a lower margin sales mix. In addition, the wholesale division, Wheels & Tyres, was adversely impacted by currency fluctuations as both supplier contracts and freight contracts were locked in at unfavourable rates as the AUD strengthened late in 2022 and inbound freight charges significantly reduced. RPM estimates the adverse currency fluctuations and dramatic freight reduction impacted gross profit in the wholesale division by \$550K in 1H FY23.

Underlying EBITDA of \$4.9m, excludes \$600K in one-off costs incurred in the first half relating to acquisition costs and refinance fees. Underlying EBITDA margins of 8.6% in 1H FY23 were down from 10% in 2H FY22.

Over the past six months, inventory has stabilised at \$27.5m, reflecting the focus on effective inventory management. This implies a significant improvement in inventory turns to over 3.3x, up from 2.3x in FY22, with 4x turns per annum being the ultimate objective.

In January 2023, RPM completed the refinance of banking facilities with CBA. The new \$26m bank facility includes commercial loans, asset finance and trade finance. Net debt of \$13.5m is well within banking covenants providing the business with plenty of head room if required.

Operating cash flow improved significantly in the first half with a net operating cash out flow of \$0.5m. This includes \$230K in one-off cash payments related to the refinance of banking facilities. RPM expects continued improvement in operating cash flow in the second half.

Net profit after tax (NPAT) decreased by 6% to \$1.2m, reflecting an increase in both interest costs and depreciation costs in the first half. EPS of 0.79cps is down 19% on 1H FY22.

Equity Raise

In December 2022, RPM completed an institutional placement, raising a total of \$3m, including \$1m in a SPP. The issue of \$150K shares to Directors, as part of the placement, will be approved at an EGM in early April.



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Operational restructure

Over the past two years, the Repairs & Roadside division has grown rapidly through acquisition and organic growth. In 1H FY23, operating expenses increased due to inflationary pressures, and the current market challenges surrounding labour availability for service industries, which resulted in a significant increase in overtime expenses. This coupled with the underperformance of new greenfield retail stores, has adversely impacted the performance of the retail division. A complete pricing review was implemented at the start of Q3 to pass on the increased costs of doing business.

A restructure of the administration department as well as the retail network has already commenced. The focus is on personnel ratios by both division and business unit. Any retail stores that are considered non-core or under-performing will be closed or sold. The network in NSW is undergoing a restructure to incorporate the new Metro assets and reallocate resources more effectively. Around \$1.6m in net annualised cost savings have been identified, with over \$600K of savings initiatives already implemented.

FY23 Outlook

The focus in the second half will be on executing the restructure. While RPM remains confident in the growth opportunities ahead, near-term M&A activity is on hold whilst the Company consolidates assets and streamlines processes. RPM expects increased revenue in the second half and improved operating cash flow, with ongoing margin pressure as the restructure is implemented.

Given the increased uncertainty in the macro economy, the Board has downgraded FY23 guidance to a revenue range of \$120m - \$130m, (previous \$125m - \$130m) and EBITDA range of \$10.5 - \$12m (previous \$12m - \$13m).

1H FY23 Divisional Overview: Revenue

	1H FY23	1H FY22	change
Repairs & Roadside (Retail)	\$22.0m	\$14.0m	Up 58%
Motorsport (Retail)	\$4.3m	\$3.5m	Up 21%
Performance & Accessories (Retail & Wholesale)	\$12.6m	\$3.5m	Up 264%
Wheels & Tyres (Wholesale)	\$16.8m	\$13.4m	Up 25%
Total Sales Revenue	\$55.7m	\$34.4m	Up 62%

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1H FY23 Divisional Overview: EBITDA

	1H FY23	1H FY22	change
Repairs & Roadside (Retail)	\$1.1m	\$0.5m	Up 119%
Motorsport (Retail)	\$0.8m	\$0.5m	Up 62%
Performance & Accessories (Retail & Wholesale)	\$1.4m	\$0.8m	Up 68%
Wheels & Tyres (Wholesale)	\$1.4m	\$1.5m	Down 4%
Corporate Costs	\$0.4m	\$0.2m	Up 100%
Reported EBITDA	\$4.3m	\$3.1m	Up 42%

ENDS

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

For investor and media queries, please contact:

Investors

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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/>

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