FY23 RESULTS

RPM AUTOMOTIVE GROUP LTD
(ASX: RPM)

31 August 2023

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COMPANY OVERVIEW

www.rpmgroup.net.au

FOUR COMPLEMENTARY DIVISIONS

Commercial & industrial tyre and auto service centres

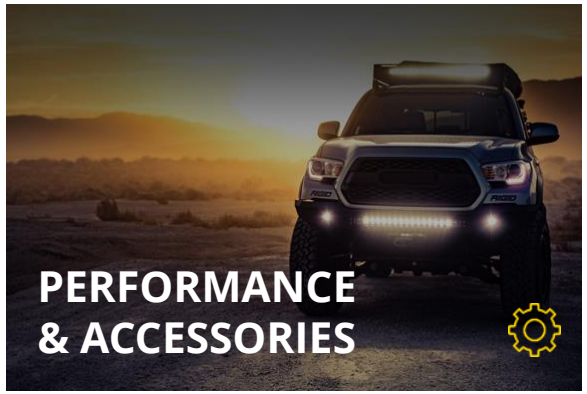
Retail

- Retail sales, wheel and tyre repairs, and roadside assist to commercial vehicle nationwide
- Services both commercial & industrial (including fleet) and consumer customers

Certified race safety wear, suits and helmets

Retail

- The sole FIA-approved racewear manufacturer in Australia under the RPM Racewear brand
- Exclusive distributor of Alpinestars, Hans Devices, Cobra Seats and Bell Motorsport Helmets



Bolt on vehicle parts and accessories

Retail & Wholesale

- Well-known “best-in-class” accessory brands
- Distributed through a nationwide group of auto repair shops
- Several fleet contracts in place

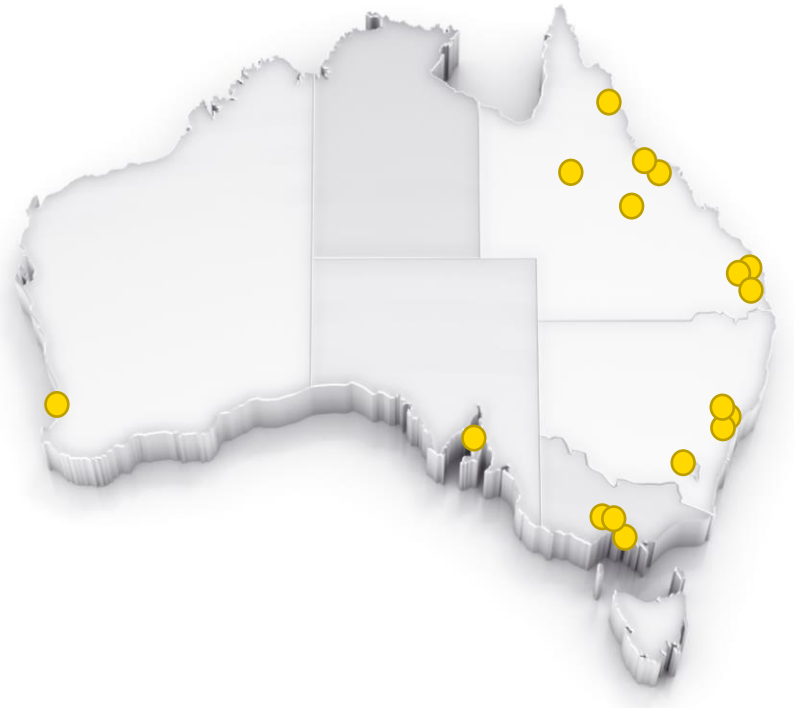
Distribution of wheels and tyres

Wholesale

- 11 exclusive, in-house brands offered across all three tyre categories (commercial, industrial and passenger)
- Exclusive mature supply chain in place to offer distribution of quality wheels & tyres at value prices

NATIONAL COVERAGE IN THE AUTOMOTIVE INDUSTRY

In brief	RPM business units offer wheels, tyres, accessories and apparel to both wholesale and retail (B2B commercial, industrial and consumer) customers
Successful record of integration	12 strategic acquisitions since Sept 2020 - leveraging operational capability (shared services) - freeing up customer facing personnel to best serve our customer
Scale drives operational leverage	Increasing economies of scale and margins through cross-selling expanded product ranges to different customer groups
Leveraging capability and footprint	Adding new products, services and customers to the national footprint
Substantial market opportunity	Highly fragmented industry ripe for consolidation…demand for services outstrips supply in retail



CASE STUDY

Criteria

- Expand the national footprint and product range to leverage operational capability to drive sales and returns

Target characteristics

- Existing customers already familiar with RPM products
- Areas where RPM has customers and being serviced by 3rd party suppliers
- Extensive wholesale distribution network
- Can drive greater competitiveness in the market

Case Study: Metro Tyres – acquired Jan 2023

- Sales 2H23 $5.9m (1H23 $4.96m) up 19%
- Gross Profit 2H23 $1.86m (1H23 $1.46m) up 27%
- GP Margins 2H23 32% (1H23 29%)

Other Initiatives implemented

- Optimising shared services, allowing Metro to spend more time driving sales
- Consolidating 2 operations (Penrith and Prestons) under 1 reporting structure to maximise resource efficiencies
- Increasing wholesale business: target 30-50% of COGS of the retail businesses with customer's purchasing 10-15% of their COGS from RPM
- Automatic qualification for maximum supplier discounts

RESULTS OVERVIEW

FY23 RESULTS OVERVIEW

	FY23	FY22	▲
Revenue	$117m	$78.8m	48%
Revenue excluding discontinued operations	$109m	$70.8m	54%
Gross Profit	$37.0m	$27.5m	35%
Gross Profit excluding discontinued operations	$33.9m	$24.8m	37%
Reported EBITDA	$8.8m	$7.3m	21%
Underlying EBITDA	$10.6m	$7.6m	40%
Net Profit After Tax excluding discontinued operations	$1.8m	$2.8m	-38%
Net Profit After Tax (NPAT)	$1.2m	$2.7m	-54%
Net Operating Cash from continuing operations	$0.9m	$(2.8)m	+$3.7m
Cash balance	$4.4m	$7.0m	-38%
Underlying Earnings per Share (EPS)	2.17cps	2.07cps	+0.10cps
Earnings per Share (EPS)	1.02cps	1.86cps	-0.84cps

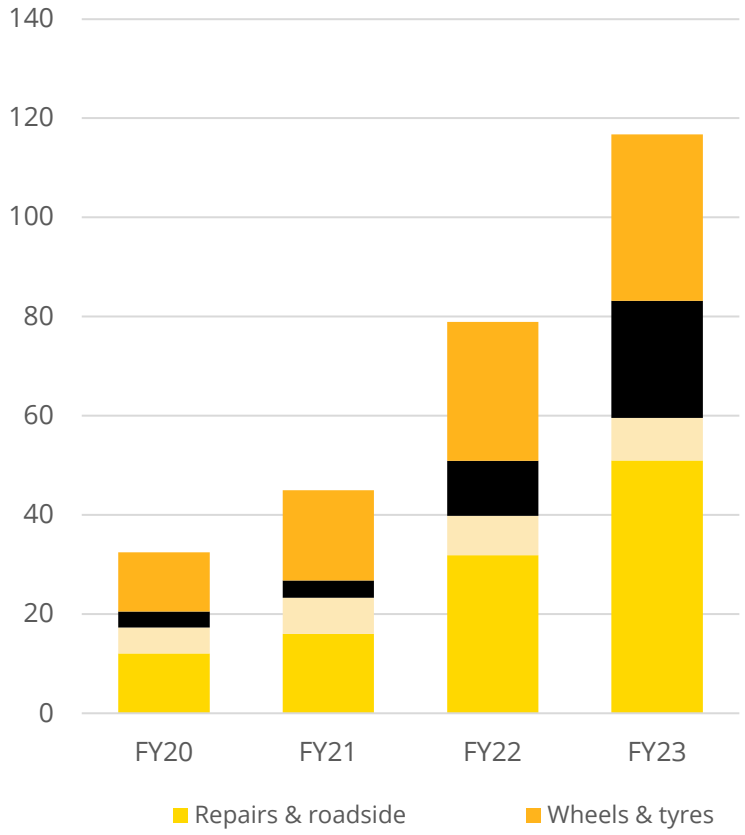
Reconciliation of underlying EBITDA ($,000)	FY23	FY22
Operating profit after tax	**1,769**	**2,831**
Income tax expense	702	1,255
Operating profit before tax	**2,471**	**4,086**
Loss on discontinued operations	- 538	- 176
Net finance costs	1,699	858
Impairment of goodwill	1,010	-
Other non operating expenses	480	-
Depreciation and amortisation	3,700	2,518
Reported EBITDA	**8,822**	**7,286**
Refinance costs	253	-
Raise fees	220	-
Insurance claim reversal	350	-
Optimisation and disposal costs	919	-
QLD flood expenses	64	302
Underlying EBITDA	**10,628**	**7,588**

FY23 Key Highlights

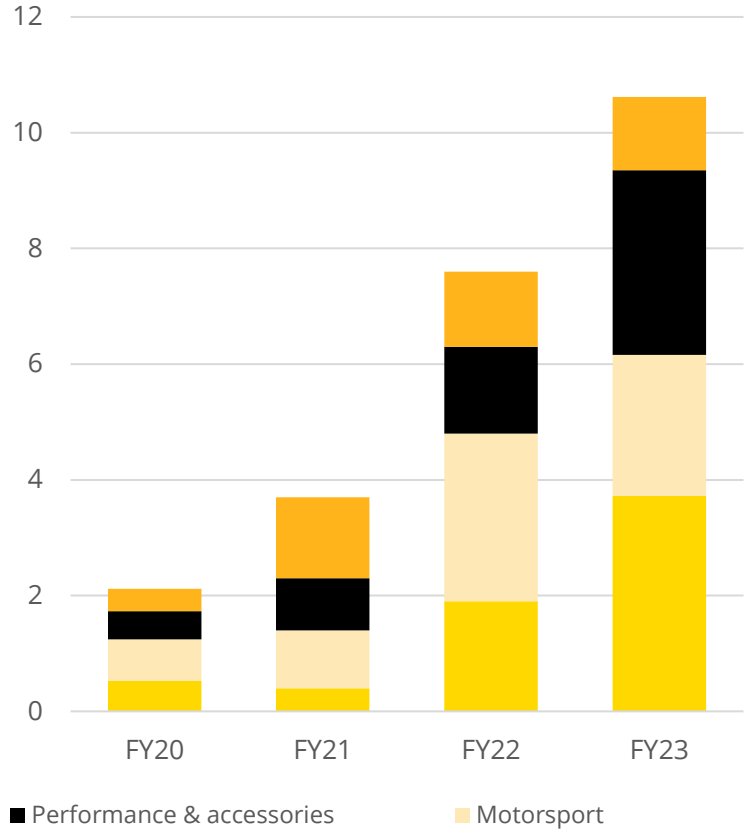
- Expanded national footprint
- Operational optimisation driving improved ROI
- Strong revenue and underlying earnings growth
- Building a better business

TRACK RECORD OF REVENUE AND EARNINGS GROWTH

Sales Revenue
(by division) ($m)



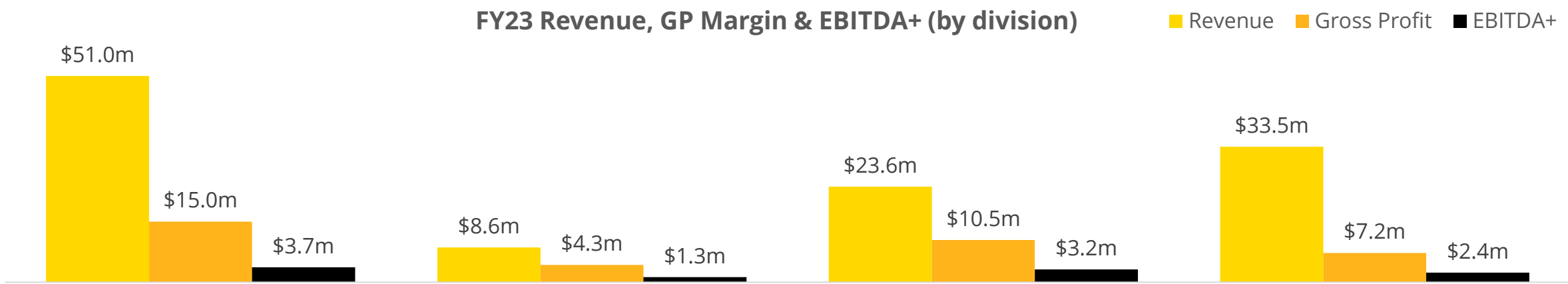
Underlying EBITDA
(by division) ($m)

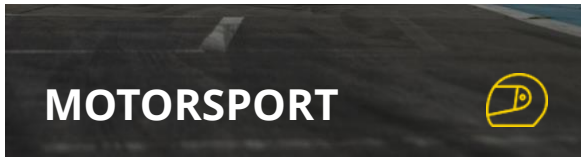


Key Highlights

- Resilient turnover growth in FY23
- Organic growth of over 8% in FY23
- Sales Revenue CAGR 35%
- EBITDA+ CAGR 50%

DIVERSIFIED REVENUE STREAMS

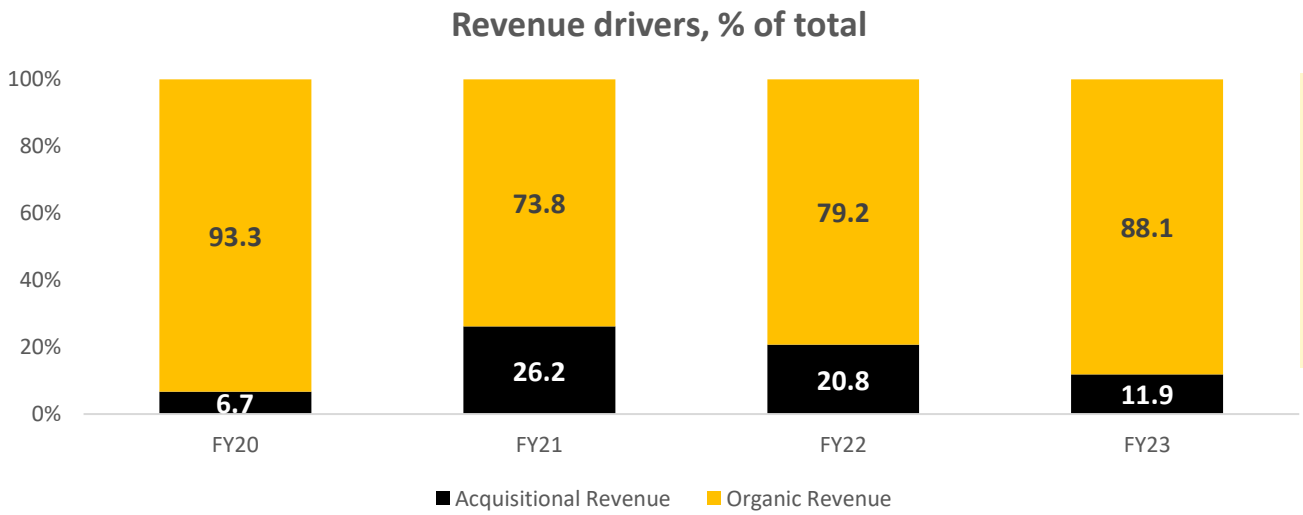




Retail	Retail	Retail & Wholesale	Wholesale
• Resilient business performance under increased cost pressures • Sales growth of 55% • Gross profit margin of 29% • EBITDA+ margin of 7%	• Solid business unit – consistent performer • Sales growth of 9% (all organic) • Gross profit margin of 50% • EBITDA+ margin of 15%	• Addition of high margin 4WD and caravan accessories in FY22 &FY23 • Sales Growth of 108% • Gross profit margin of 44% • EBITDA+ margin of 14%	• Difficult year - improving supply chain efficiencies and economies of scale • Sales Growth of 19% (all organic) • EBITDA+ margin of 7%

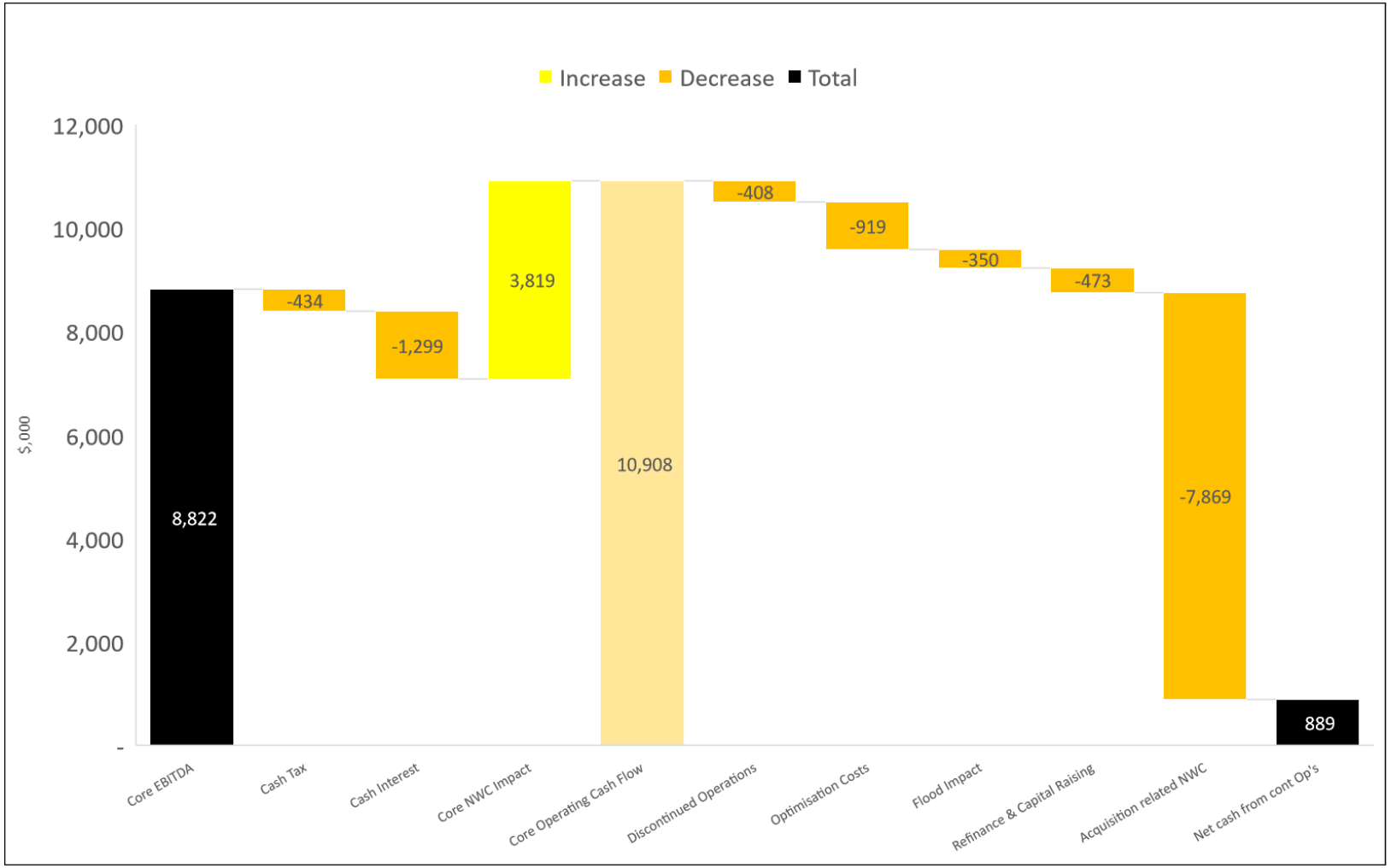
REVENUE GROWTH ANALYSIS

($m)	FY20	FY21	FY22	FY23
Revenue	35.4	45.1	78.8	117
Revenue excluding discontinued operations	33.8	41.2	70.8	109
Total Revenue Growth	12.2%	27.4%	74.7%	48.0%



- 12 acquisitions since Sept 2020 contributed more than 20% of total revenue growth in FY21/22
- Focus shifted to integrating the acquisitions in FY23

CASH USAGE



Key Highlights

- Increase in NWC of $3.8m
- Non-recurring cash usage of $2.2m
- Payments to acquired entities $7.9m
- Improved net cash flow from continuing operations of $3.7m pcp

COMPANY STRATEGY

THREE CORE STRATEGIES TO BETTER SERVICE OUR CUSTOMERS

Strategic initiatives

- Identify complementary businesses to unlock synergies through cross selling and leveraging of existing infrastructure
- Geographic expansion across Australia – both retail and wholesale
- Leverage existing wholesale platform by implementing tyre recycling strategy

Vertical integration

- Capitalise on in house design capability to bring new products to market
- Capitalise on existing supply chain capability
- Use network footprint to distribute planned products
- Premium products at value prices has appeal to both consumers and commercial users

Operating leverage

- Consolidate brands to maximise brand awareness at the state and national level
- In-fill existing network with products
- Invest in systems and analytics to drive cross selling
- Use economies scale to deliver improved margin

KEY HIGHLIGHTS

VERTICALLY INTEGRATED MODEL	RPM continued network expansion in design, manufacture, wholesale and retail provides opportunities for cross selling, operational efficiency, revenue diversification to push organic growth
MARKET LEADING BRANDS	RPM owns and holds the rights to some of the most well known Australian automotive brands with a rich history of association in the sector
FAVOURABLE INDUSTRY TAILWINDS	The Australian transportation & automotive aftermarket is large and growing including the high growth commercial trucking, 4WD and caravan sectors
CLEAR GROWTH STRATEGY	RPM has a clear strategy to consolidate the fragmented auto market through acquisition to aggressively build the business while driving organic growth

OUTLOOK

FY24 OUTLOOK

- RPM enters FY24 with a forecast annual revenue of $130 – 140 million
- RPM enters FY24 with a projected double digit organic growth
- Increased operating leverage through cross-sell and economies of scale
- Growth in retail division from building out network and product expansion to better service our customers
- Growth in wholesale division from expansion in VIC and organic growth in NSW & QLD
- Focus on integration of acquisitions, inventory management and exceptional customer service
- Implementation of our Tyre Recycling Strategy

APPENDIX

EXPERIENCED BOARD OF DIRECTORS

GRANT CARMAN
NON-EXECUTIVE CHAIRMAN

Chartered accountant with over 30 years of experience in corporate finance and the Australian Capital Markets

Held senior executive positions for and acted as a corporate adviser to a large number of Australian and international companies in the financial services, automotive, pharmaceuticals, wholesale distribution, manufacturing, services, resources, technology, and telecommunications sectors

CLIVE FINKELSTEIN
CEO/MANAGING DIRECTOR

Co-founder of RPM

Over 25 years' experience in the automotive sector, having built, managed and sold companies including a parts and accessories manufacturer and wholesaler and a 4WD franchise group

Automotive experience spans international markets, manufacturing, development, wholesale, retail and franchising

A significant shareholder in RPM

LAWRENCE JAFFE
EXECUTIVE DIRECTOR

Co-founder of RPM

Previously CEO and Managing Director of RPM Australasia until 2015 and stepped down when the company sold off its largest division. He remained on as Non-Executive Chairman until the company listed on the ASX and currently the Strategic Director at RPM.

Strong financial background in private equity, mergers and acquisitions.

A significant shareholder in RPM

GUY NICHOLLS
NON-EXECUTIVE DIRECTOR

Over 30 years' experience in Senior Executive roles in the automotive sector across strategy design and execution, manufacturing and supply chain, as well as mergers and acquisitions.

Guy was previously the CEO of Ryco Group, a business unit of ASX 200-listed GUD Holdings (ASX:GUD), and also held senior executive roles at NYSE-listed Genuine Parts Company, known locally as Repco and Napa Autoparts.

ALEX GOODMAN
NON-EXECUTIVE DIRECTOR

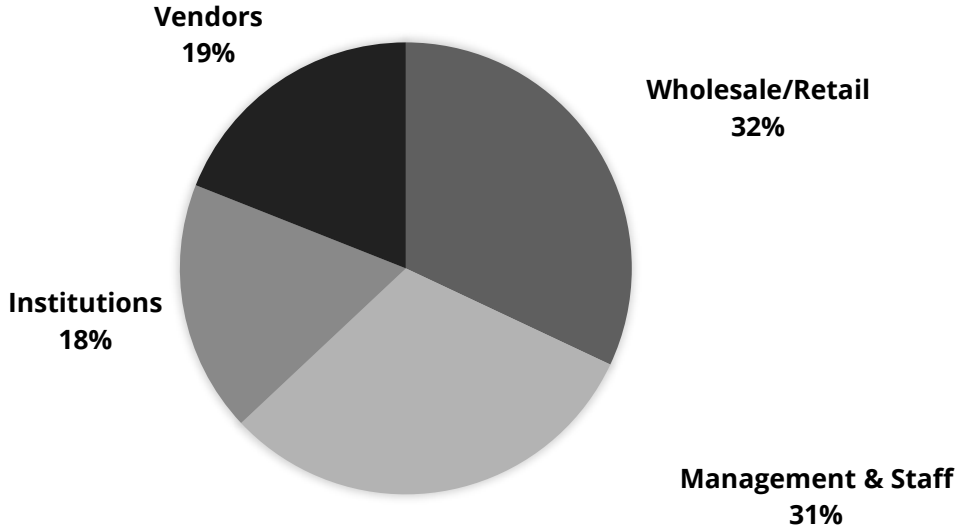
Strong background in private equity, business expansion of private companies, and executive management in Global Companies such as IBM, Lotus (Boston), and Amdahl (Silicon Valley)

Previously worked at Jagen P/L, the family office of the Liberman Family, and sat as a Director, on a number of boards which included activities such as investment management and mergers and acquisitions

CORPORATE SNAPSHOT

CAPITAL STRUCTURE – 31 August 2023	
Shares on Issue	185.4m
Options (Exp.03/24 @ $0.435)	6m
Share Price	$0.13
Market Capitalisation	$24.1m

REGISTER



MAJOR SHAREHOLDERS	
Clive Finkelstein (CEO/MD)	~12%
Lawrence Jaffe (Executive Director)	~12%
Management (original vendors)	~19%
Collins Street Value Fund	~5%

IMPORTANT NOTICE & DISCLAIMER

Overview

This document is issued by RPM Automotive Group Limited ACN 002 527 906 RPM ("RPM Automotive" or "RPM") on 31 August 2023.

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

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