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# CAPITAL RAISE INVESTOR PRESENTATION | APRIL 2024

**RPM AUTOMOTIVE GROUP LTD**  
**(ASX: RPM)**

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# AGENDA

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# EXPERIENCED BOARD OF DIRECTORS & MANAGERS



**LAWRENCE JAFFE**  
NON-EXECUTIVE CHAIRMAN

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.

Strong financial background in private equity, mergers and acquisitions.

A significant shareholder in RPM



**GUY NICHOLLS**  
CHIEF EXECUTIVE OFFICER

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.



**GRANT CARMAN**  
NON-EXECUTIVE DIRECTOR

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**  
CCO/EXECUTIVE DIRECTOR

Co-founder of RPM

Over 20 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



**REBECCA PAYNE**  
CHIEF FINANCIAL OFFICER

Rebecca is a qualified chartered accountant with over 20 years' experience in Senior Financial Advisory positions, having worked in multiple industries including the automotive sector and joins RPM from a very respected multi-national Truck Manufacturer.

Rebecca has extensive experience in the auto industry and has managed large teams in multi-entity organisations.

# EXECUTIVE SUMMARY

## Introduction

- Leading Australian Automotive company offering wheel, tyre, accessories and apparel to both wholesale (B2B commercial and industrial) and retail (consumer) customers
- National footprint with over 26 locations and 11 distribution centres
- Track record of growth FY20-23, **RPM has delivered 49% and 61% Revenue and EBITDA CAGR**

## Strong earnings outlook and updated guidance

- **FY24f EBITDA of \$11-13m and operating cashflow positive (1H24 EBITDA \$5.4m and +\$2.4m OPCF)**
- **FY25f EBITDA of \$16-18m driven by:**
  - *Organic growth of ~\$22-24m Revenue and \$2-3m EBITDA (further details on slide 24)*
  - *Tyre recycling project estimated to contribute \$5m Revenue and \$2m EBITDA in FY25*
  - *Multi-year Yokohama agreement with RPM as the only national wholesaler – estimated contribution of ~\$5m Revenue and ~\$1m EBITDA in FY25 (announced Mar-24)*
- **Pro-Forma Enterprise Value post capital raising of ~\$57m<sup>1</sup> – EV/EBITDA<sup>2</sup> of 4.8x FY24f and 3.4x FY25f**

## Balance sheet returned to investment grade and capital structure simplified

- Retirement of \$5.8m convertible note simplifies capital structure
  - 50% of capital raising proceeds (ie, \$2.0m) paid towards the convertible note
  - Remaining \$3.8m rolled into new second ranking secured debt at interest rate of 4.35% with no early repayment fees
- Reduction of convertible note debt and impact of updated guidance, Net Debt to EBITDA reduced to **1.9x on FY24 and 1.4x on FY25**

## Improving Gross and EBITDA margins

- **Gross Margin expansion from 31% to 35% in 1H24.** Further margin expansion expected. Driven by:
  - Improved procurement due to scale,
  - More strategic pricing
  - Mix in shift towards higher margin own and exclusive brands.
  - Increased efficiencies and productivity via network consolidation resulting in cost savings.
- Operating costs kept flat in 1H24 and expected to remain stable through FY25 to drive EBITDA margin expansion
  - Operating cost discipline driven by strict budget control
  - Divestment of underperforming assets including reallocating capital to higher return opportunities

# EXECUTIVE SUMMARY

## Positive cashflow conversion

- H1 FY24 operating cash generation increased to \$2.4m (from an outflow of \$2.8m in H1 FY23)
- Key drivers included renewed focus on working capital management and implementing robust systems and processes, with continued focus on receivables and inventory
- Positive cashflow expected to continue with further operating cashflow used to retire debt and/or invest in low CAPEX / high ROIC projects like tyre recycling

## The Recycling Initiative

- Tyre recycling represents an attractive opportunity for RPM: ~ 56 million tyres are scrapped in Australia p.a. with only a modest portion currently recycled
- RPM existing network and customer base are legally required to have a tyre disposal solution
- RPM already has the infrastructure in place, empty trucks from delivering tires and customers will pay for their removal. Therefore, tyre recycling is a negative working capital operation for RPM
- Building first plant in Campbellfield, Melbourne using "off the shelf" proven equipment and modest CAPEX of ~\$2m. Expected to be completed in October 25 and forecast to deliver \$2m EBITDA in first 12 months
- Simple mechanical shredding process (not chemical), to derive smaller crumb product used in road base, building materials, playgrounds etc. Offtake partners already identified and discussions advanced
- Medium term target (3-5 years) to rollout additional 5 plants and collect up to 54,000 tonnes of scrap tyres with potential revenue of ~\$40 million and delivering RPM EBITDA >\$16.0 million

## Capital Raising

- Capital raising of \$4.0m via a two tranche Placement at an offer price of \$0.072
- Shares will be offered under the Placement with one (1) free attaching Options for every one (1) New Shares issued. The attaching options are intended to be listed on the ASX with an exercise price of \$0.10 and expiry on 31 August 2025
- 50% of Proceeds from the capital raising will be used to repay CSVF convertible note with remainder towards CAPEX for RPM's tyre recycling program and other licensing and establishment fees.

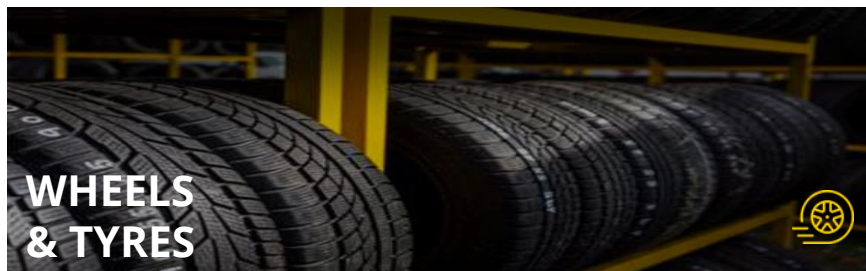


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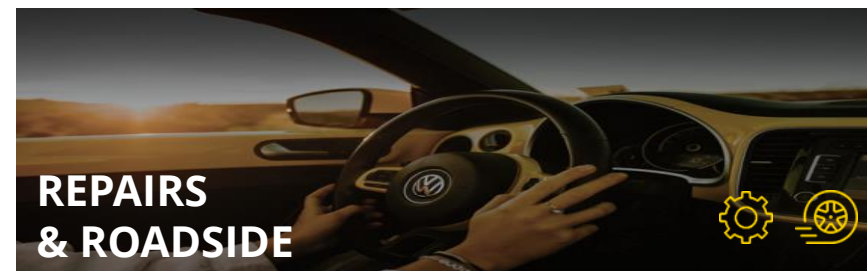
# RPM BUSINESS OVERVIEW

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# TYRE DIVISION OVERVIEW



**Distribution of wheels and tyres**



**Commercial/Industrial**

## Wholesale - B2B

- 11 warehouses nationally
- Large fleet of delivery trucks and vehicles
- 13 exclusive in-house brands offered across all three tyre categories (commercial, industrial and passenger)
- Distribution of quality wheels and tyres at value prices
- Supplier to various national tyre retailers

## B2C

- Retail wheel and tyre repairs, mechanical repairs and routine maintenance
- Strategically located commercial centric locations
- Large fleet of roadside service vehicles
- Differentiated by higher value commercial and industrial (incl. fleet) customers which form 75% of the business and value service & product availability.

**LONGMARCH**

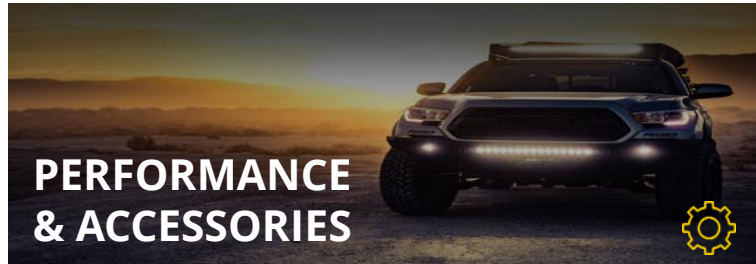
**SAILUN**  
TIRE

**YOKOHAMA**

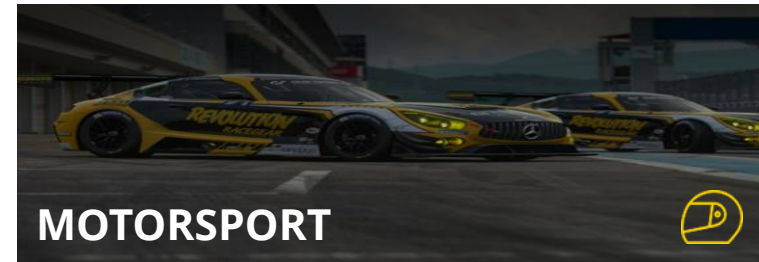
**MICHELIN**

**HANKOOK**  
driving emotion

# OTHER BUSINESS UNITS



**Bolt on vehicle parts and accessories**



**Certified race safety wear, suits and helmets**

## Specialist Wholesale

- Consists of 4 businesses
- 4WD, Caravan and Passenger vehicle channels
- Distributed via nationwide auto repair and reseller sites
- Cross sells across other RPM business units
- Cross sells across other RPM customers
- Large fleet contracts in place



## Specialist Retail

- Market leader for over 30 years
- Company, franchise and agency locations nationally
- 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





# THE RPM ADVANTAGE

- Reputation
- Importer, wholesaler and specialist retailer
- Industry experts in each business
- Strong customer relationships
- National footprint
- Large fleet of delivery vehicles
- Business Development Managers
- Access to leading and exclusive brands

**Now driving opportunities such as Yokohama and WHG**



# THREE CORE STRATEGIES TO DRIVE SHAREHOLDER VALUE



## Operating leverage

- Latent capacity in network to increase throughput at low incremental cost
- Yokohama and WHG examples of leverage across footprint expected to drive cross selling and revenue uplift in FY25
- Economies of scale and procurement benefits to deliver improved margin



## Strategic initiatives

- Tyre recycling initiative to leverage existing wholesale platform – reverse logistics
- New product ranges, programs across our divisions
- Co-branding opportunity to drive national awareness.



## Vertical integration

- End-to-end ownership of the supply chain
- Distribution network to drive margin expansion
- Internal R&D team to drive new product development at high gross margin
- Deliver premium products at value prices with no margin leakage

# STRATEGIC & ACCRETIVE YOKOHAMA PARTNERSHIP

<b>Overview</b>	<ul style="list-style-type: none"> <li>RPM have entered a multi-year agreement with Yokohama Tyre Australia (ASX Announcement 26 March 2024)</li> <li>RPM is now the only national Yokohama wholesaler</li> </ul>
<b>RPM Benefits</b>	<ul style="list-style-type: none"> <li>Additional volume through existing fixed infrastructure</li> <li>Preferred supplier of exclusive brands to 'Tyres and More' retail sites (60+)</li> </ul>
<b>Yokohama Benefits</b>	<ul style="list-style-type: none"> <li>Access to ~2,000 RPM account customers</li> <li>Yokohama brand closer to existing customers</li> </ul>
<b>Financial Outcome</b>	<ul style="list-style-type: none"> <li>Estimated \$5m of revenue of and \$1m EBITDA contribution in FY25</li> </ul>
<b>The Future</b>	<ul style="list-style-type: none"> <li>RPM estimates the Yokohama partnership could be worth approximately \$50m in revenue over coming years.</li> </ul>





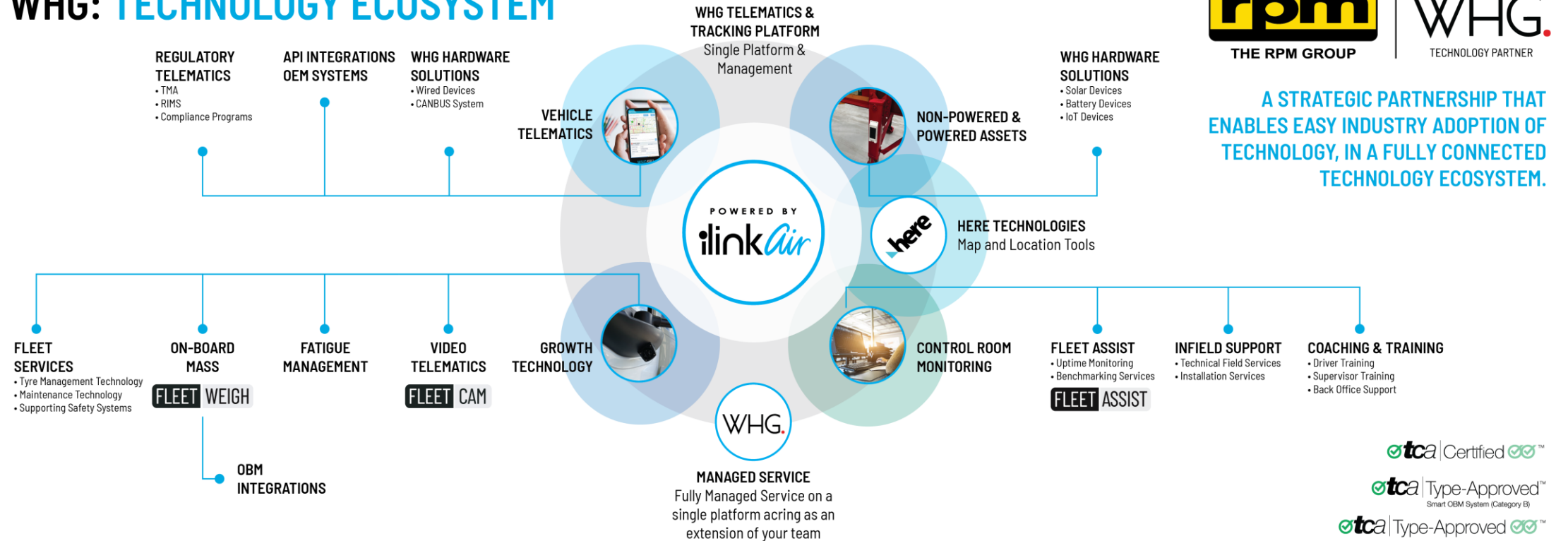
Passionate • Innovative • Technology

# STRATEGIC TECHNOLOGY PARTNERSHIP WITH WHG

<p><b>Overview</b></p>	<ul style="list-style-type: none"> <li>• WHG is Australia's largest automotive telematics provider.</li> <li>• Provides RPM with entry into SaaS ecosystem targeting heavy fleet customers.</li> <li>• Legislation changes driving requirement for higher commercial vehicle safety and accountability.</li> </ul>
<p><b>RPM Benefits</b></p>	<ul style="list-style-type: none"> <li>• Broaden customer value proposition</li> <li>• Ability to 'bundle' commercial packages – tyres and SaaS</li> <li>• Secure customer base with contract periods</li> <li>• Will earn a portion long term recurring subscription revenue at high gross margin</li> </ul>
<p><b>WHG Benefits</b></p>	<ul style="list-style-type: none"> <li>• Access to RPM fleet customers nationally.</li> <li>• Broadening of product and service offer due to customer feedback.</li> </ul>
<p><b>Revenue Model and Financial Outcome</b></p>	<ul style="list-style-type: none"> <li>• Commissions on hardware</li> <li>• Commission on recurring subscriptions and recalibration</li> <li>• Estimated \$1m EBITDA contribution in FY25</li> </ul>
<p><b>The Future</b></p>	<ul style="list-style-type: none"> <li>• Increased offer in ecosystem driven by customer needs or legislation.</li> <li>• SaaS solutions across other RPM business pillars, an example would be for the caravan and 4WD industry - safety, security and maintenance.</li> </ul>

# WHG ECOSYSTEM

## WHG: TECHNOLOGY ECOSYSTEM



A STRATEGIC PARTNERSHIP THAT ENABLES EASY INDUSTRY ADOPTION OF TECHNOLOGY, IN A FULLY CONNECTED TECHNOLOGY ECOSYSTEM.





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# TYRE RECYCLING

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# TYRE RECYCLING BACKGROUND

- Tyres take ~2,000 years to decompose naturally
- 56 million tyres are scrapped in Australia on an annual basis
- Only 10% go through a tyre recycling processes globally
- Australia banned the export of waste or scrap tyres in December 2021
- The growing implementation of crumb rubber for Tyre Derived Products
- Demand exceeds supply and growing exponentially
- Attractive structure with customers paying for collection
- Tyre Recycling Industry is subject to Government Grants

Source: *Global Tire Recycling Market Analysis 2025: Opportunity, Demand, Growth And Forecast 2017-2025*  
*Tyre Stewardship Scheme*

*The AGE Newspaper, 4 February 2024 - "About 1.8 million tyres [~90,000 tons] illegally dumped in Victoria...this number has doubled in 3 years"*



# RECYCLED TYRE APPLICATIONS – THE OPPORTUNITY



## OUTPUT PRODUCT APPLICATIONS



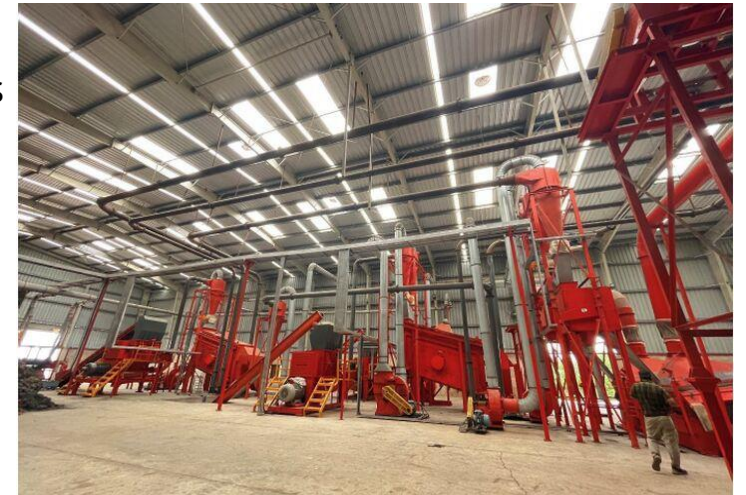
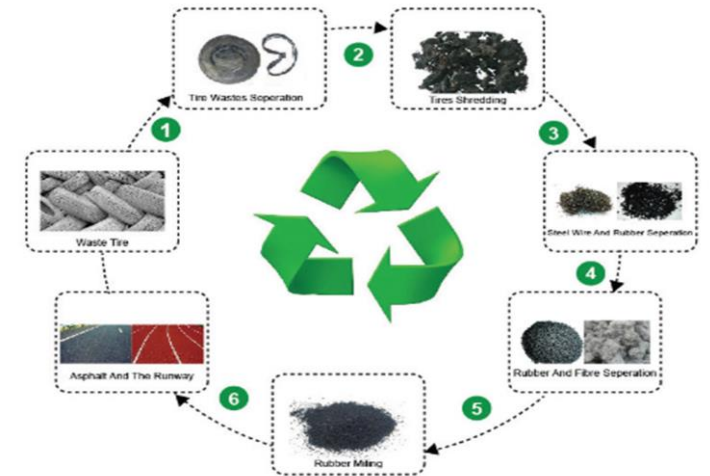
- Rubberized asphalt for the construction of roads and pavements
- Plastic recycled moulded products (e.g. pallets)
- Sports, recreation and outdoor facilities
- Playground surfacing
- Stable and paddock ground cover





# RPM TYRE RECYCLING – STAGE 1 MELBOURNE

- Utilising existing leased location in Campbellfield, Melbourne VIC
- Advanced stages of permit applications
- Site alterations commencing
- Placed order with globally renown machine manufacturer with proven technology
- Simple mechanical process to shred tyres into smaller crumbs and granules – this is not a complex or unproven chemical process
- RPM already has access to more than enough supply from its existing network and customers to fully utilise the plant immediately
- Submitted grant applications which could further improve returns / ROIC
- Facility commissioning September 2024
- Operational October 2024
- Customers identified for processed offtake



# STRATEGIC BENEFITS & FINANCIAL METRICS

## STRATEGIC RATIONALE

- Leverage existing resources, infrastructure & occupancy (RPM's Wholesale Tyre Division is already set up to collect tyres)
- Reverse logistics – trucks return with used tyres after delivering new, currently empty.
- Negative working capital – RPM receives revenue to collect used tyres
- Provides a "full solution" for our customers, further embedding our relationships
- Forecasted to be earnings accretive in first 12 months with ever-growing opportunities
- Potential for Government Grants to further improve ROIC

## KEY METRICS

- **STAGE 1 (12 months) – 1 x Plant**
- **Tyre Recycling Project:** 9,000 tonnes of scrap tyres annually
- **Financial Overview:** >\$5 million revenue and with our current infrastructure in place, delivering RPM ~40% EBITDA or \$2.0 million (12 months)
- **CAPEX:** \$2.3 million

## OPPORTUNITY POTENTIAL

- Over the medium term (3-5 years), we believe we can collect up to 54,000 tonnes of scrap tyres generating revenue of ~\$40 million and delivering RPM EBITDA >\$16.0 million (across 6 national plants)

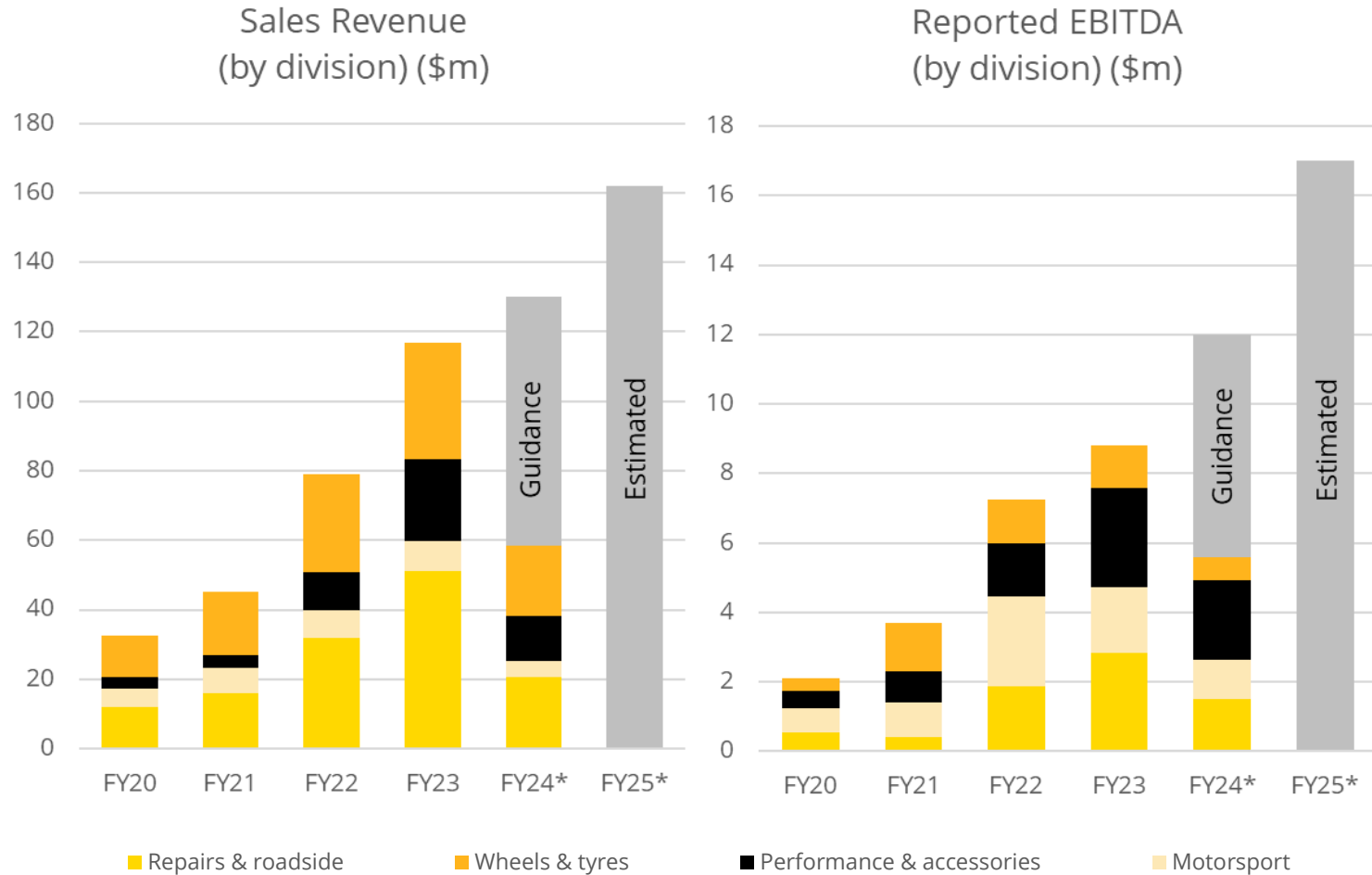


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# FINANCIAL OVERVIEW

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# TRACK RECORD OF REVENUE AND EARNINGS GROWTH



\* includes revenue and EBITDA guidance

**H1 FY24 Key Highlights**

- Gross Margin up 16% pcp
- EBITDA up 23% pcp
- EPS up 48% pcp

# H1 FY24 KEY FINANCIAL DRIVERS

## REVENUE

Group Revenue increased to \$57 million (+3.6% LFL on PY)  
+2.2% vs pcp

## GROSS MARGIN

Group Gross Margin to 35% (+420 bps vs pcp)  
Improved procurement, mix and pricing discipline

## OPERATING COSTS

Opex of \$14.6 million, flat on the pcp

## EBITDA

Group EBITDA \$5.4 million (+23% vs pcp)

## CASH FLOW

H1 FY24 Group operating cash generation \$2.4 million, (H1 FY23 - \$-2.8 million)  
Strong focus on working capital

# IMPROVEMENT IN CASH FLOW CONVERSION

## Key Highlights

- H1 FY24 operating cash generation increased to \$2.4m (from an outflow of \$2.8m in H1 FY23)
- Key drivers included renewed focus on working capital management
- Implementing robust systems and processes, with continued focus on receivables and inventory driven by operational efficiencies.

Summary cashflow, \$A millions	1H FY24	1H FY23	Variance to 1H FY23
Receipts from customers	57.0	55.4	1.6
Payments to suppliers and employees	-51.6	-54.9	3.3
Interest and other income received	0.0	0.0	0.0
Borrowing costs paid	-0.7	-0.8	0.2
Income tax paid	-0.5	-0.2	-0.3
<b>Cash generated from operations</b>	<b>4.2</b>	<b>-0.5</b>	<b>4.7</b>
<b>Capital payment of lease liabilities</b>	<b>-1.8</b>	<b>-2.3</b>	<b>0.5</b>
<b>Net cash inflow from financing activities</b>	<b>-1.6</b>	<b>1.8</b>	<b>-3.4</b>
<b>Net cash flow for the half</b>	<b>-0.4</b>	<b>-2.4</b>	<b>2.0</b>
<b>Cash and cash equivalents at end of half</b>	<b>4.0</b>	<b>4.6</b>	<b>-0.7</b>

# NET DEBT REDUCTION

## Key Highlights

- Significant reduction in Net Debt and leverage metrics over 1HFY24 – this is expected to continue into FY25
- FY24 Net Debt/EBITDA post capital raise of 1.9x and 1.4x in FY25 (assuming no further debt retirement)
- If working capital finance is excluded from Net Debt, actual term debt / EBITDA in FY24 is 1.3x and 0.9x in FY25

	FY23	1HFY24	1HFY24 (post-raise)	FY24F <sup>2</sup>	FY25F <sup>3</sup>
Total Borrowings	38.5	34.9	32.9		
Less: Cash & equivalents	(4.4)	(4.0)	(5.7)		
Less: Deferred Acquisition Payments	(4.8)	(4.0)	(4.0)		
<b>Net Debt</b>	<b>29.4</b>	<b>26.9</b>	<b>23.2</b>		
<b>Net Debt/EBITDA<sup>1</sup></b>	<b>3.3x</b>	<b>2.7x</b>	<b>2.4x</b>	<b>1.9x</b>	<b>1.4x</b>
Working capital (WC) Finance	(7.6)	(7.3)	(7.3)		
<b>Net Debt (Excl. WC Finance)</b>	<b>21.8</b>	<b>19.6</b>	<b>16.0</b>		
<b>Net Debt/EBITDA (Excl. WC Finance)</b>	<b>2.5x</b>	<b>2.0x</b>	<b>1.6x</b>	<b>1.3x</b>	<b>0.9x</b>

1. Net Debt/EBITDA is based on Last 12 Months Statutory EBITDA for FY23, 1HFY24 and 1HFY24 (post capital raise)

2. Net Debt/EBITDA of 1.9x and Net Debt/EBITDA of 1.4x is calculated as 1HFY24 Net Debt of \$23.2m and the midpoint of FY24 EBITDA guidance of \$11-13m

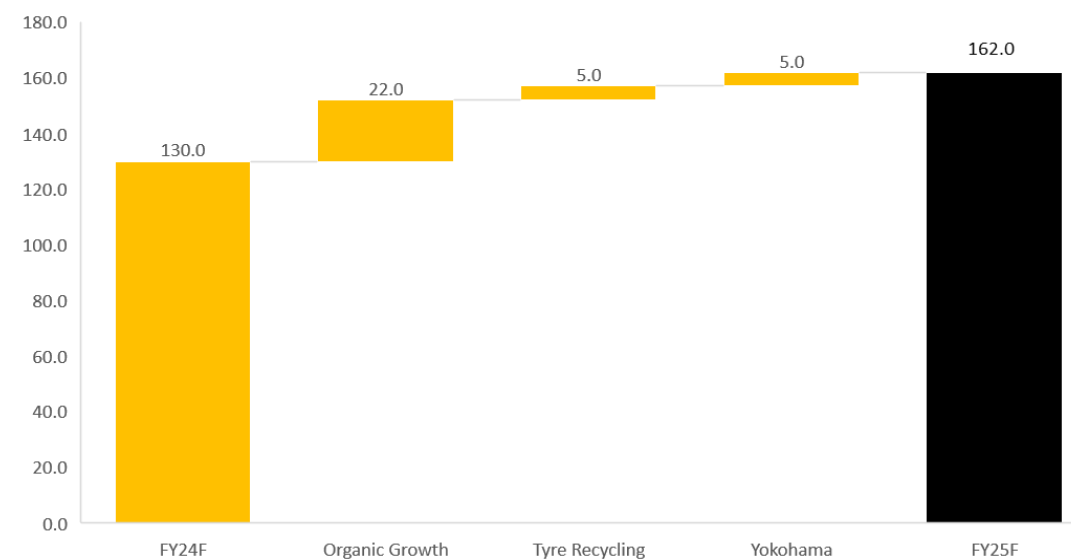
3. Net Debt/EBITDA of 1.3x and Net Debt/EBITDA of 0.9x is calculated as 1HFY24 Net Debt of \$23.2m and the midpoint of FY25 EBITDA guidance of \$16-18m

# FY24 & FY25 OUTLOOK

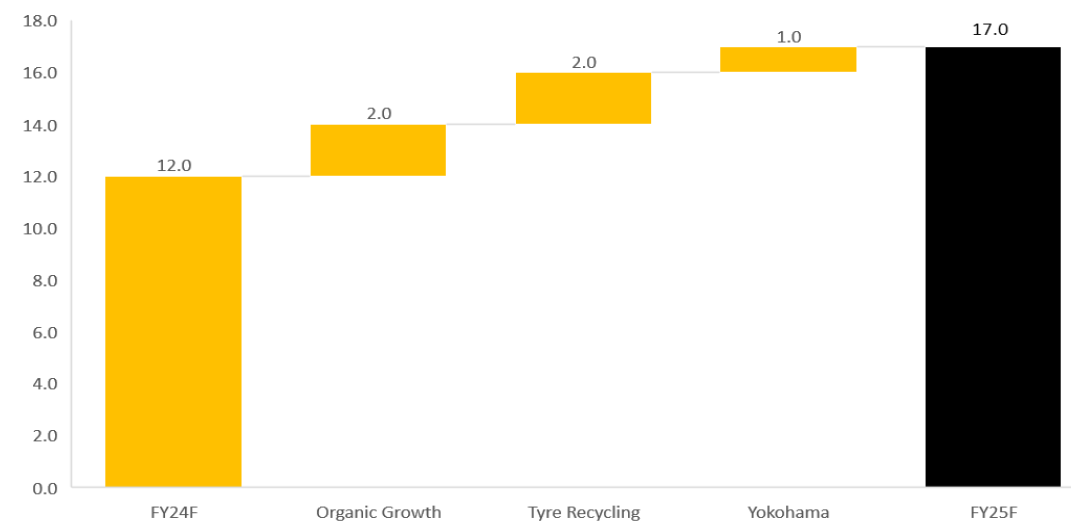
## Key Highlights

- Growth driven by 1) New products; 2) New Relationships: OEM Contract, WHG & Yokohama; and 3) Geographical expansion
- Additional sales of exclusive tyre brands to Tyres & More as preferred supplier.
- Margin expansion via Yokohama deal and tyre recycling program (expected to commence 2QFY25)
- FY24 EBITDA guidance upgraded to \$11-13m (per ASX announcement 24 January 2024)

## Revenue



## EBITDA







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# EQUITY RAISING OVERVIEW

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# EQUITY RAISING OVERVIEW

## OFFER STRUCTURE AND SIZE

- Equity Raising of \$4.0 million comprising:
  - an unconditional institutional placement ("institutional placement") of new fully paid ordinary shares ("New Shares") to raise up to \$3.5 million under RPM's existing LR 7.1 and 7.1A placement capacity; and
  - A conditional second tranche institutional placement of New Shares to raise \$0.5 million, subject to shareholder approval at an Extraordinary General Meeting ("EGM").
- Approximately 56 million New Shares to be issued (approximately 28% of current issued capital).

## OFFER PRICE

- Equity raising is at a fixed issue price of \$0.072 per New Share, representing a:
  - 15.3% discount to the last close price on 15 April 2024 of \$0.085;
  - 17.2% discount to 5-day VWAP of \$0.087; and
  - 17.9% discount to 10-day VWAP of \$0.088;

## ATTACHING OPTIONS

- New Shares will be offered under the institutional placement with one (1) free attaching option for every one (1) New Share issued ("Attaching Options").
- The Attaching Options are intended to be listed on the ASX (subject to the Company satisfying ASX quotation requirements) with an exercise price of \$0.10 and will expire on 31 August 2025.
- The Attaching Options will be offered under a transaction-specific prospectus and the issue of the Options will be conditional on shareholder approval at the EGM and the Options meeting the ASX's quotation conditions.

## CSVF CONVERTIBLE NOTE RETIREMENT

- In conjunction with the institutional placement, 50% of gross proceeds raised under the Offer will go towards retiring \$2.0 of the Collins Street Value Fund ("CSVF") \$5.8m convertible note. The remaining \$3.8m of the CSVF's convertible note will be rolled over into subordinated debt on the following terms:
  - 4.35% interest rate
  - Monthly P&I repayments until maturity at 31 August 2025 - can be serviced and retired comfortably from positive cashflow
  - No early repayment fees, secured by a second ranking charge over RPM's assets and subordinated to RPM's principal debt with CBA
  - CSVF to receive 38.1 million attaching options (on same terms as capital raise) as consideration for partial conversion of the note to sub debt at below market rates

## LEAD MANAGER

- Bell Potter Securities Limited is acting as Sole Lead Manager and Bookrunner to the Offer

# SOURCES & USES - INDICATIVE TIMETABLE

Sources (A\$m)	
Institutional Placement	\$4.0m
<b>Total Sources</b>	<b>\$4.0m</b>

Uses (A\$m)	
RPM Tyre Recycling Program	\$1.2m
CSVF Convertible Note 50% payout	\$2.0m
Recycling License and Establishment Fees	\$0.5m
Working capital and costs of the offer	\$0.3m
<b>Total Uses</b>	<b>\$4.0m</b>

## Indicative Timetable

Event	Date
Trading Halt	Tuesday, 16 April 2024
Announcement of completion of the Placement, trading halt lifted and commence trading	Thursday, 18 April 2024
Settlement of the Placement – Tranche 1	Tuesday, 23 April 2024
Allotment and Quotation of New Shares under the Placement – Tranche 1	Wednesday, 24 April 2024
EGM to approve Tranche 2 Placement and Options	On or around Monday, 27 May 2024
Settlement of Placement – Tranche 2	On or around Thursday, 30 May 2024
Allotment and quotation of New Shares under Placement – Tranche 2 and Listed Options	On or around Friday, 31 May 2024

*Timetable is indicative only and is subject to change*

# CAPITAL STRUCTURE

*Convertible Note retired by raise and no other options outstanding except for listed options issued under the offer*

<b>CAPITAL STRUCTURE - POST CAPITAL RAISING</b>	<b>A\$4.0m</b>
Ordinary Shares on issue	196,591,597
New shares issued under the offer	55,713,721
<b>Ordinary Shares on completion of offer</b>	<b>252,305,318</b>
Options issued under the offer <sup>1</sup>	96,370,464
<b>Fully diluted shares on issue post- offer</b>	<b>348,675,782</b>

1. Includes attaching plus broker options plus options issued to Collins St Asset Management

# IMPORTANT NOTICE & DISCLAIMER

## Overview

This document is issued by RPM Automotive Group Limited ACN 002 527 906 RPM ("RPM Automotive" or "RPM") on 16 April 2024.

## 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](http://www.asx.com.au)

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The information set out in this document does not constitute or purport to be a securities or other recommendation by RPM or any other person and has been prepared without taking into account the objectives, financial situation or needs of any recipient or other person. The information in this document does not constitute financial product advice (nor investment, taxation or legal advice).

Before making an investment decision, investors should consider the appropriateness of the information having regard to their own objectives, financial situation or needs and seek appropriate advice applicable to them in their jurisdiction. An investment in RPM is subject to investment risk including possible loss of income and principal invested.

# KEY RISKS

## RISK FACTORS

There are a number of factors, both specific to RPM and of a general nature, which may affect the future operating and financial performance of RPM, its products and services, the industry in which it operates and the outcome of an investment in RPM. There can be no guarantee that RPM will achieve its stated objectives or that forward looking statements will be realised.

This section describes certain, but not all, risks associated with an investment in RPM. Each risk set out below could, if it eventuates, have a materially adverse impact on RPM's operating performance, financial performance, financial position, liquidity and the value of its shares.

Before deciding to invest in RPM, potential investors should read this entire Presentation and the risk factors that could affect the financial performance of RPM. You should carefully consider these factors in light of your personal circumstances and seek professional advice from your accountant, stockbroker, lawyer or other professional adviser before deciding whether to invest. You should also consider publicly available information about RPM, including information available on ASX, before making an investment decision.

## SPECIFIC RISK FACTORS

The directors of RPM ("Directors") believe that there are a number of specific factors that should be taken into account before investors decide whether or not to apply for New Shares. Each of these factors could have a materially adverse impact on RPM, its growth plans, operating and product strategies and its financial performance and position. These include the following:

### ***Business strategy execution risk***

RPM's success will depend on its ability to successfully execute its business strategy. RPM's future growth, profitability and cash flows depend on the ability of RPM management to successfully execute its business strategy, which is dependent on a number of factors, including its ability to innovate and develop new products that are appealing to its customer network; build and maintain sufficient production capacity (on time and within budget) and maintain this capacity to service customer demand; continue to expand its distribution channels within existing geographies to increase market presence, brand recognition and sales; successfully expand into priority international markets; expand margins through sales growth, the development of higher margin products and supply chain integration and efficiency initiatives; successfully execute on business plans with key business partners (including Yokohama and WHM); and effectively manage capital investments and working capital to improve the generation of cash flow.

There can be no assurance that RPM can successfully achieve any or all of the above initiatives or anticipated time frames. The failure by RPM to successfully execute its business strategy could have a material adverse effect on the Company's business, financial condition and results of operations.

### ***Sales and revenue risk & earnings risk***

RPM's revenue depends on the extent and timing of future product/service sales. There is a risk that expected revenue levels, including those outlined in this Presentation in the form of guidance or forecasts, may not be realised due to a number of factors that are not currently foreseen or, if foreseeable, have a greater impact than currently expected.

RPM's earnings depend on the above factors affecting revenue, on the preservation of gross margins and on maintaining a control on costs, among other things. There is a risk that expected earnings, including those outlined in this Presentation in the form of guidance or forecasts, may not be realised due to a number of factors that are not currently foreseen or, if foreseeable, have a greater impact than currently expected.

### ***Competition risk***

RPM operates in a competitive market. The loss of customers may negatively affect earnings. Additionally, the risk from increased competition may negatively impact on sales and profitability. The actions of an existing competitor or of new competitors may make it difficult for RPM to grow or maintain its business, which in turn may have a material adverse effect on its profitability.

There is a risk that new entrants and existing competitors in the market may disrupt RPM's business and existing market share. Such competitive pressures may materially erode RPM's market share and revenue, and may materially adversely impact RPM's revenue and profitability.

# KEY RISKS

## ***Warranty risk, product liability exposure and reputational risk***

There is an inherent risk of system breakdown or a defect in the products or services sold by RPM and for exposure to product liability for damages suffered by parties attributable to the use of the product.

Defective products or services may have a materially adverse impact on RPM's reputation, its ability to achieve sales and commercialise its products or services and on its financial performance due to warranty obligations. It may also give rise to product liability claims which could impact on RPM's viability, particularly if its liability exceeds any insurance coverage. RPM will seek to mitigate this risk via the inclusion of usual contractual provisions which exclude liability for consequential loss and so on, but it is not possible to protect RPM against reputational loss.

As an extension of this, product safety or quality failures, actual or perceived, or allegations of failures, even when false or unfounded, could tarnish the image of RPM's brands and could cause consumers to choose other products. Allegations regarding, or other adverse commentary on, product safety or suitability for use by a particular consumer, even if untrue, may require RPM to recall a product from all of the markets in which the affected product was distributed. Such issues or recalls could negatively affect RPM's profitability and reputation.

If RPM's products are perceived to be defective or unsafe, or if they otherwise fail to meet customers' or regulators' expectations, RPM's relationships with customers could suffer, the appeal of one or more of its brands could be diminished, and RPM could lose sales or become subject to liability claims. In addition, safety or other defects in RPM's competitors' products could reduce consumer demand for RPM's products if consumers view them to be similar. Any of these outcomes could result in a material adverse effect on RPM's business, financial condition and results of operations.

## ***Intellectual property risk***

The ability of RPM to maintain protection of its proprietary intellectual property and operate without infringing the proprietary intellectual property rights of third parties is an integral part of RPM's business. There can be no assurances that the validity, ownership or authorised use of intellectual property (both owned and licensed) relevant to RPM's business cannot or will not be challenged.

## ***Supply chain risk***

There is a risk that future events may have an adverse impact on RPM's supply chain. This could occur if the ability to transport products between countries or interstate (as the case may be) is disrupted, RPM's suppliers are negatively affected or if RPM is otherwise unable to efficiently distribute products to relevant third parties. In the event that RPM's supply chain is disrupted, this may have a material adverse effect on RPM's operating performance and earnings. If RPM is unable to secure key supply inputs in a timely and economically acceptable manner, it could have a materially adverse effect on its ability to meet customer demand and sell products profitably.

## ***Increased input costs***

Any unexpected substantial increase in the cost of labour, raw materials, freight, energy and key consumables could have a material impact on RPM's operation and financial performance if these costs cannot be passed on to customers.

## ***Liquidity risk***

There is a risk that RPM's ability to collect receivables may be slower than assumed and bad debts may also be higher than assumed given RPM's exposure to the risk of wholesale customers and others being able to pay RPM. As a result, RPM may have insufficient liquidity to cover payments or meet its own capital requirements.

## ***IT risk, privacy and cybersecurity***

RPM relies heavily on its computer hardware, software and information technology systems. RPM's technologies and other systems and operations could be exposed to damage or interruption from system failures, computer viruses, cyber-attacks, power or telecommunication providers' failure, fire, natural disasters, terrorist acts, war or human error. These events may cause one or more of RPM's systems to become unavailable. Should these not be adequately maintained, secured or updated or RPM's disaster recovery processes not be adequate, system failures may negatively impact on its performance. Any interruptions to these operations would impact RPM's ability to operate and could result in business interruption, the loss of customers and revenue, damaged reputation and weakening of competitive position and could therefore adversely affect RPM's operating and financial performance.

Through the ordinary course of business, RPM collects a wide range of confidential information. Cyber-attacks may compromise or breach the systems used by RPM to protect confidential information. There is a risk that the measures taken by RPM may not be sufficient to detect or prevent unauthorised access to, or disclosure of, such confidential information. Any data security breaches of RPM's failure to protect confidential information could result in the loss of information integrity, or breaches of RPM's obligations under applicable laws or agreements, each of which may materially adversely impact RPM's financial performance and reputation.

# KEY RISKS

## ***Changes in technology***

Technology plays an increasingly important role in the delivery of services to RPM's customers. RPM's ability to compete in its industry sectors may be impacted by its ability to maintain or develop appropriate technology platforms in the efficient delivery of its services. Maintaining or developing appropriate technologies may require significant capital investment by RPM.

## ***Key personnel risk***

RPM relies heavily on the experience and knowledge of its management team. RPM is also dependent on its ability to recruit and retain suitably qualified personnel. In the event that such key personnel leave RPM and RPM was unable to recruit suitable replacements, or there is a delay in their replacement, such loss could have a materially adverse effect on RPM.

## ***Asset impairment risk***

Changes to the carrying amounts of RPM's assets could have an adverse impact on the reported financial performance of RPM in the period that any impairment provision is recorded and could increase volatility of reported earnings in cases where there is further impairment or a reversal of impairment provisions that were recorded in previous periods.

## ***Dividends***

There is no guarantee as to future earnings of RPM, and there is no guarantee that RPM will be in a financial position to pay dividends at any time in the future.

## ***Exchange rate risk***

RPM is potentially exposed to movements in exchange rates. RPM's financial statements are expressed and maintained in Australian dollars. However, a portion of RPM's income and costs are earned in foreign currencies. Exchange rate movements affecting these currencies may impact the profit and loss account or assets and liabilities of RPM (to the extent the foreign exchange rate risk is not hedged or not appropriately hedged) and the general competitiveness of RPM's products and services in the market.

## ***Insurance risk***

RPM seeks to maintain appropriate policies of insurance consistent with those customarily carried by organisations in its industry sectors. RPM is exposed to the risk of liability, which RPM mitigates by maintaining certain insurances. However, the relevant insurance(s) may not always be available to RPM or may only be available on terms which are more expensive compared to current arrangements. The occurrence of an event that is not fully or partially covered by insurance maintained by RPM may have a material impact on the business and financial condition of RPM. As with all insurance policies, there is also no guarantee that RPM's relevant insurer will accept to cover RPM for any losses suffered when risks that RPM believed to be insured for materialise.

## **GENERAL RISK FACTORS**

### ***Share market***

On completion of the Placement, the New Shares may trade on ASX at higher or lower prices than the issue price. Investors who decide to sell their New Shares after the Placement may not receive the amount of their original investment. The price at which the New Shares trade on ASX may be affected by the financial performance of RPM and by external factors over which the Directors and RPM have no control.

These factors include movements on international share and commodity markets, local interest rates and exchange rates, domestic and international economic conditions, government taxation, market supply and demand and other legal, regulatory or policy changes.

Investors should consider the historical volatility of Australian and overseas share markets.

The Directors make no forecast in regard to the strength of the equity and share markets in Australia and throughout the world.



# KEY RISKS

## ***Dependence on general economic conditions***

The operating and financial performance of RPM is influenced by a variety of general economic and business conditions, including levels of consumer spending, inflation, interest rates and exchange rates, access to debt and capital markets and government fiscal, monetary and regulatory policies.

A prolonged deterioration in general economic conditions could be expected to have a materially adverse impact on RPM's business or financial condition. Changes to laws and regulations or accounting standards which apply to RPM from time to time could adversely impact RPM's earnings and financial performance. The Directors make no forecast in regard to the future demand for RPM's products and services.

## ***Tax risk***

Changes to the rate of taxes imposed on RPM (including in overseas jurisdictions in which RPM operates now or in the future) or tax legislation generally may affect RPM and its shareholders. In addition, an interpretation of Australian tax laws by the Australian Taxation Office that differs to RPM's interpretation may lead to an increase in RPM's tax liabilities and a reduction in shareholder returns. In addition, any change in tax rules could have an adverse impact on the level of dividend imputation and franking. Personal tax liabilities are the responsibility of each individual investor. RPM is not responsible either for tax or tax penalties incurred by investors.

## ***Litigation risk***

RPM may in the ordinary course of business become involved in litigation, claims and disputes (for example, with suppliers or customers). Any litigation, claim or dispute could be costly and damaging to RPM's reputation and business relationships, which could have an adverse effect on its financial performance and industry standing.

## ***Legislative and regulatory changes***

Legislative or regulatory changes in jurisdictions in which RPM operates, including property or environmental regulations or regulatory changes in relation to products or services sold by RPM, could have an adverse impact on RPM.

## ***Funding risk***

There is no guarantee that the monies raised under the Placement will be adequate or sufficient to meet the ongoing funding requirements of RPM under its current business plan, notwithstanding that the Directors presently expect this to be the case. If RPM requires access to further funding at any stage in the future, there can be no assurance that additional funds will be available either at all or on terms and conditions which are commercially acceptable to RPM. If RPM is unable to obtain such additional capital, it may be required to reduce the scope of its anticipated activities, which could adversely affect its business, financial condition and operating results.

## ***Speculative investment***

The above list of risk factors ought not to be taken as exhaustive of the risks faced by RPM or by investors in RPM. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of RPM and the value of the securities offered under the Placement. Therefore, the shares to be issued pursuant to the Placement carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those securities. Potential investors should consider that an investment in RPM is speculative and should consult their professional advisers before deciding whether to apply for securities pursuant to the Placement.

# FOREIGN SELLING RESTRICTIONS

## HONG KONG

WARNING: This document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the "SFO"). Accordingly, this document may not be distributed, and the New Shares and Options may not be offered or sold, in Hong Kong other than to "professional investors" (as defined in the SFO and any rules made under that ordinance).

No advertisement, invitation or document relating to the New Shares and Options has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to New Shares and Options that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors. No person allotted New Shares and Options may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

## NEW ZEALAND

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (the "FMC Act"). The New Shares are not being offered to the public within New Zealand other than to existing shareholders of the Company with registered addresses in New Zealand to whom the offer of these securities is being made in reliance on the Financial Markets Conduct (Incidental Offers) Exemption Notice 2016.

Other than in the entitlement offer, the New Shares may only be offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) to a person who:

- is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

## SINGAPORE

This document and any other materials relating to the New Shares and Options have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of New Shares and Options, may not be issued, circulated or distributed, nor may the New Shares and Options be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part 13 of the Securities and Futures Act 2001 of Singapore (the "SFA") or another exemption under the SFA.

This document has been given to you on the basis that you are an "institutional investor" or an "accredited investor" (as such terms are defined in the SFA). If you are not such an investor, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the New Shares and Options being subsequently offered for sale to any other party in Singapore. On-sale restrictions in Singapore may be applicable to investors who acquire New Shares and Options. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

## UNITED KINGDOM

Neither this document nor any other document relating to the offer has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended ("FSMA")) has been published or is intended to be published in respect of the New Shares and Options.

The New Shares and Options may not be offered or sold in the United Kingdom by means of this document or any other document, except in circumstances that do not require the publication of a prospectus under section 86(1) of the FSMA. This document is issued on a confidential basis in the United Kingdom to "qualified investors" within the meaning of Article 2(e) of the UK Prospectus Regulation. This document may not be distributed or reproduced, in whole or in part, nor may its contents be disclosed by recipients, to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received in connection with the issue or sale of the New Shares and Options has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) of the FSMA does not apply to the Company.

In the United Kingdom, this document is being distributed only to, and is directed at, persons (i) who have professional experience in matters relating to investments falling within Article 19(5) (investment professionals) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 ("FPO"), (ii) who fall within the categories of persons referred to in Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the FPO or (iii) to whom it may otherwise be lawfully communicated ("relevant persons"). The investment to which this document relates is available only to relevant persons. Any person who is not a relevant person should not act or rely on this document.



**MEDIA & INVESTORS  
E: INVESTORS@RPMGROUP.NET.AU**

**RPM AUTOMOTIVE GROUP LTD  
(ASX: RPM)**

[www.rpmgroup.net.au](http://www.rpmgroup.net.au)