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ASX Announcement

31 August 2021

Strong result positions National Tyre & Wheel for future growth

National Tyre & Wheel Limited (ASX: NTD) (“NTAW” and “the Group”), the largest independent tyre and wheel importer and wholesale distributor in Australia and New Zealand, today announced a strong performance for the year ended 30 June 2021 (“FY21”).

NTAW’s performance for FY21, following the Tyres4U acquisition, exceeded expectations and was primarily driven by unusually high customer demand for motor vehicle accessories, price stability, unusual inventory movements throughout the industry, a stable and strong foreign currency exchange rate and favourable conditions in rural markets.

Key features of the result include:

	FY21	FY20
Revenue	\$461.5m	\$158.9m
EBITDA [^]	\$46.1m	\$12.2m
Gross margin	29.8%	26.0%
NPATA	\$21.1m	\$5.7m
EPS (cents)	17.9	4.4
NTA per share	\$0.65	\$0.50

[^] FY21 EBITDA includes 11 months ownership of Tyres4U, adjustments for AASB16 Leases and the \$0.6m gain on bargain purchase and \$1.4m of non-recurring and abnormal costs related to the Tyres4U acquisition.

NTAW maintains a solid financial position with a cash balance of \$28.9m and net debt of \$16.0m as at 30 June 2021. NTAW is adequately funded within its existing debt facilities, with headroom to continue to fund future growth initiatives.

Due to the improved trading conditions and strong cash position, the Board has declared a fully franked final dividend for FY21 of 5 cents per share, taking full year dividends to 8 cents per share (fully franked). The dividend record date is 20 September 2021 and is payable to shareholders on 15 October 2021.

NTAW Managing Director Peter Ludemann said, “the 2021 financial year was a watershed year in the life of the Group, noting the profound change in the scale and diversity of NTAW’s operations.”

“We have achieved a strong full year result driven by the transformational acquisition of Tyres4U and the solid performance of our underlying business,” Mr Ludemann said.

“Since listing in 2017, we have focused on building diversity and scale across our operations and Tyres4U delivers on that strategy. Tyres4U cemented our national footprint and we are now advantageously positioned as the largest independent tyre and wheel wholesaler in Australia and New Zealand.”

“We are now a significantly stronger company with a greater geographical spread and have several initiatives underway to fully realise the benefits of the Tyres4U acquisition.”

Digital Transformation

The Group is now focussed on building a new platform for growth that will respond to important changes that are occurring in the tyre and wheel industry.

“We have various business improvement programs underway to capture synergies from the Tyres4U acquisition – sales & operations processes, a new group shared services structure, business mergers and other cross selling initiatives (e.g. in our original equipment businesses and some passenger brands), a program revitalising the Tyreright retail network, warehouse consolidations, a cultural alignment project and the installation of a new ERP system.”

Commenting on the new platform for growth, Mr Ludemann said, “Our clear vision is to be the tyre and wheel industry leader in digital transformation. The new growth platform will involve continuing focus on market segments in which a leading position can be obtained and the delivery of customer experiences that set a benchmark for the industry.”

“The Group is well placed to pursue these opportunities with a strong balance sheet, substantial marketing, sales and distribution capabilities, existing value adding services as well as an extraordinary amount of industry experience and know how.”

Outlook

The strong financial and operational performance of the 2021 financial year provides a robust platform to create long-term value and sustainable earnings growth. NTAW is in a strong position to unlock benefits of the Tyres4U acquisition and realise the growth potential of the digital transformation.

NTAW’s balance sheet provides flexibility to fund future growth initiatives and the Group will continue to canvas value-accretive acquisition and consolidation opportunities to expand its sector and service/product offering, as well as its geographic presence.

NTAW has previously announced that it does not expect the unusually favourable market conditions of FY21 to prevail in FY22. Having regard to the uncertain impact of recent lock downs and shipping delays, NTAW is no longer able to provide specific earnings guidance for FY22.

“While we expect the heightened sales demand that we experienced in FY21 to temper, we remain confident for the overall outlook for the business. The combination of benefits arising from organisation changes to business units and shared services, realising synergies from the Tyres4U acquisition, investment in digital transformation and the commitment of our passionate team provides a strong foundation for future growth.”

This announcement was approved, and authorised for release, by NTAW’s Board of Directors.

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