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ASX Announcement

7 June 2021

Growth Program Update

National Tyre & Wheel Limited (“NTD” and the “Group”) (ASX: NTD) is pleased to provide the following update on progress made in relation to its Growth Program.

Following the acquisition of the Tyres4U businesses in Australia and New Zealand in August 2020, NTD’s strategic focus has shifted from building diversity and scale to enabling business units to leverage those attributes and grow market share in the segments in which they operate (see Attachment A).

NTD is building a new corporate structure with business units generating revenue from selling into segments of the industry defined by product type, value proposition or geography. Each of these business units has been formed with CEO/GM’s appointed to manage day to day operations.

Business units will be supported by shared service teams – People & Culture, IT & Innovation, Customer Experience, Marketing, Logistics & Supply Chain and Finance & Administration. NTD has employed the senior executives required to lead these support teams (except for Finance & Administration, which is still led by Jason Lamb, NTD’s CFO). Each new service leader brings experience in managing teams in a business of NTD’s scale and diversity.

The Growth Program seeks to capture revenue synergies from cross selling between business units by:

- enabling people to work more closely together. New systems (Microsoft Teams and Sharepoint, amongst others), will place all NTD people on the same communication platform by September 2021; and
- enabling customers to move seamlessly between business units, enjoying an experience that sets new benchmarks for the industry. NTD has committed to the installation of a new Enterprise Resource Planning (“ERP”) Information Technology (“IT”) platform (Microsoft Dynamics 365), to be operational by Q1 of the 2022 financial year (“FY”).

This ERP platform supports leading edge applications in virtual reality, artificial intelligence, inventory management, customer relationship management, dynamic pricing and an array of value adding services to increase revenue and customer loyalty.

The new corporate structure and committed IT investment, together with the infusion of improved shared services and management talent, will underpin organic growth for business units, with additional cross selling benefits expected to contribute \$3-5m to EBITDA on an annualised basis by Q4 of FY22.

NTD is also seeking to reduce costs and/or increase service levels for customers by consolidating warehouses. Agreements have been reached to:

- vacate existing premises in Smithfield, North Sydney, Silverwater and Huntingwood (all in NSW) and relocate to a new warehouse and office facility in Smithfield, NSW. These moves will be completed by November 2021;
- vacate a warehouse in Keysborough (VIC) and relocate to an existing but enlarged warehouse facility in Dandenong (VIC), a move expected to be completed in September 2021; and
- vacate existing warehouses in Wangarra and Maddington (WA) and relocate into a larger, purpose-built facility with construction expected to be completed in August 2022.

Discussions to profitably relocate warehouses in Moorooka and Redbank in QLD are at an advanced stage.

NTD expects the rationalisation of warehouses to reduce costs by \$2.5m per annum by FY23, with savings in FY22 depending on costs associated with moving, make good obligations and potential sub-letting to reduce any lease tail expenses. Additional benefits, not yet quantified, are expected to come from higher service levels and lower freight costs.

NTD confirms its previously announced guidance that it expects FY21 Operating EBITDA to be between \$31 million and \$33 million.

NTD has a continuing interest in acquiring businesses operating in market segments that are new to NTD or otherwise offer further diversity. NTD has identified potential acquisition targets that meet these criteria and is actively pursuing them.

This announcement was approved, and authorised for release, by NTD's Board of Directors.

ENDS

For further information, please contact:

National Tyre & Wheel Limited

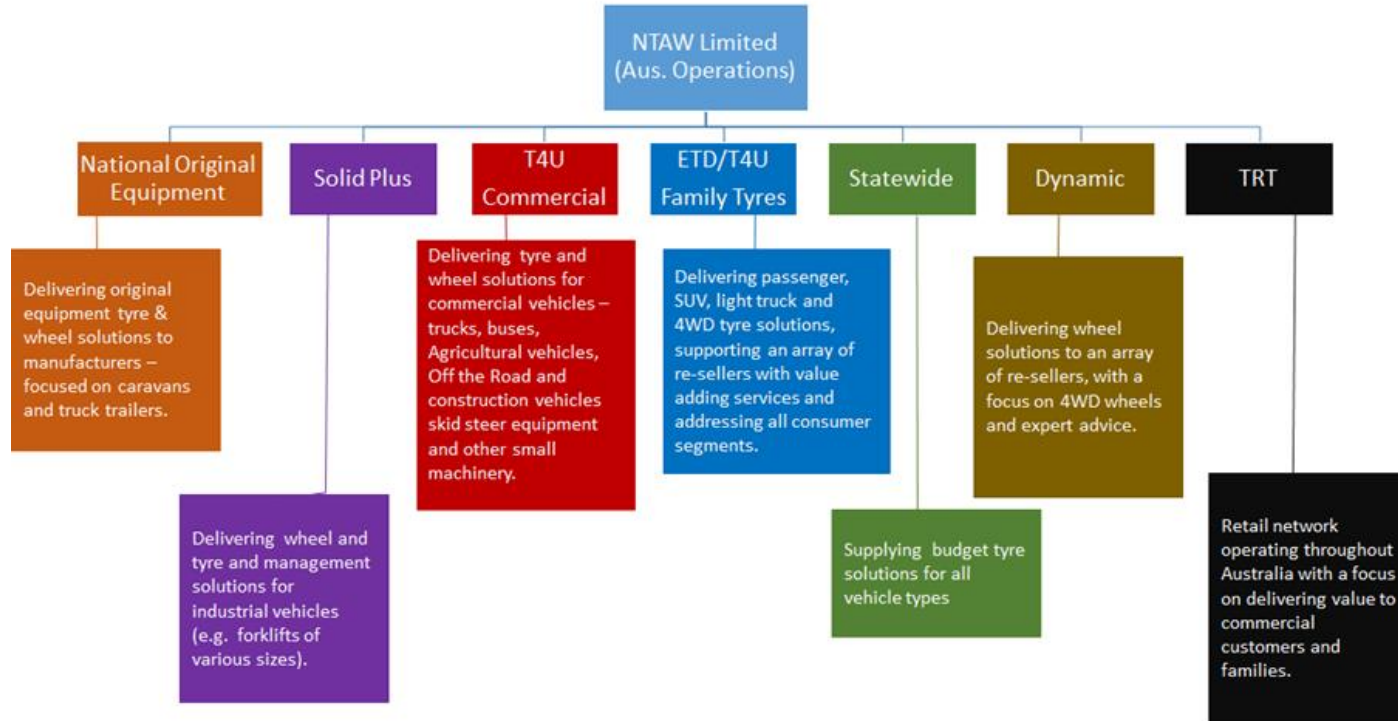
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Important Information and Disclaimer

This announcement may contain forward-looking statements, which include all matters that are not historical facts. Without limitation, indications of, and guidance on, future earnings and financial position and performance are examples of forward-looking statements.

Forward-looking statements, including projections or guidance on future earnings and estimates, are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. No representation, warranty or assurance (express or implied) is given or made in relation to any forward-looking statement by any person (including NTD). In particular, no representation, warranty or assurance (express or implied) is given that the occurrence of the events expressed or implied in any forward-looking statements in this announcement will actually occur. Actual results, performance or achievement may vary materially from any projections and forward looking statements and the assumptions on which those statements are based.

Attachment A – NTAW Business Units



Supported by

- People & Culture
- IT & Innovation
- Finance & Admin
- Logistics & Supply
- Marketing
- Customer Experience

