



National Tyre & Wheel Limited
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ASX Announcement

15 November 2018

2018 Annual General Meeting and Presentations

National Tyre & Wheel Limited (ASX: NTD) ('the Company') releases the following documents which will be presented at this morning's Annual General Meeting, commencing at 11am Brisbane time:

- the welcome address by Mr Murray Boyte, Chairman; and
- the presentation by Mr Peter Ludemann, Managing Director.

ENDS

For further information, please contact:

National Tyre & Wheel Limited
Mr Peter Ludemann
Chief Executive Officer
Phone: 07 3255 6595

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.



Chairman's Address

2018 Annual General Meeting of National Tyre & Wheel Limited (ACN 095 843 020)

15 November 2018

Welcome to National Tyre and Wheel's inaugural Annual General Meeting for the year ended 30 June 2018. National Tyre and Wheel listed on the Australian Securities Exchange in December 2017, the IPO being sponsored by Morgans Corporate Limited. The first year, or more precisely part year, as a listed company has been successful for National Tyre and Wheel with the company exceeding prospectus forecasts. For the full year the company achieved a pro forma NPATA, being net profit after tax, excluding amortisation, of \$10.7 million and a 16.7% return on average shareholders' funds for the period (also on a pro-forma basis). Dividends for the period totalled 3.3 cents per share fully franked.

As set out in the Prospectus, Exclusive Tyre Distributors, the largest operating entity in the National Tyre & Wheel Group, was established in 1989 by Terry and Susanne Smith. Terry and Susanne, who are present today, remain major and supportive shareholders. The Group has grown by setting up ETD in NZ, and via the acquisition of Dynamic Wheel Co, MPC Mags & Tyres, 50% of Top Draw Tyres (South Africa), Cotton Tyre Service and Statewide Tyre Distribution. The founders of these businesses also remain as shareholders.

Through the vision and enterprise of all these founders, National Tyre and Wheel has developed into a substantial wholesaler and distributor of market leading brands such as Cooper and Mickey Thompson selling from 19 distribution centres to a retail network of over 2,500 stores throughout Australia, New Zealand and South Africa. The company has an employee culture focused on product knowledge and customer service. The founding shareholders, in conjunction with a strong management team led by our Managing Director, Peter Ludemann, have established an operating framework and service oriented platform that has provided a solid base for the company's future growth and development.

National Tyre and Wheel has over the years developed a comprehensive understanding of the industry in which it is a leader. This together with product knowledge, customer and market understanding, positions it to be responsive to changing market conditions when required and to identify and seek new growth opportunities on a timely basis. As I said in the Annual Report "Our prime objective is to assure employees, customers, suppliers and shareholders that the company is a stable, secure and durable entity determined to serve their interests and dedicated to rewarding the differing investments each of them makes."

I would like to thank all our stakeholders for their support during the IPO process and for their continued support post IPO as a listed company.

To my fellow directors and staff, thank you for your efforts and tremendous contribution over the year. Congratulations to Terry, Susanne and all the other founding shareholders; you have built up a company with strong values and market leadership in the tyre and wheel industry.

As a listed entity we have a governance framework that institutionalises the company but we can retain the entrepreneurial spirit within a disciplined environment.

To our shareholders, thank you for your ongoing support. Rest assured you have a Board and management team focused on enhancing shareholder value.

Thank you.



Exclusive
Tyre Distributors
Building Leading Brands



Financial Results

2018 Financial Year

Peter Ludemann
Managing Director

Note: Top Draw Tyres now trades as Tyrelife Solutions



Important Information and Disclaimer



- ❑ This presentation may contain certain unaudited financial information in relation to National Tyre & Wheel Limited (NTD or the “Company”). As such, it has not been subject to an audit or an audit process or otherwise independently verified.
- ❑ This presentation may contain forward looking statements. Such statements are inherently subject to uncertainties in that they may be affected by a variety of known and unknown risks, variables and other factors which could cause actual values or results, performance or achievements to differ materially from anticipated results, implied values, performance or achievements expressed, projected or implied in the statements. The Company gives no assurance that the anticipated results, performance or achievements expressed or implied in those forward-looking statements will be achieved.
- ❑ None of the Company or any of its directors or any other party associated with the preparation of this presentation guarantee that any specific objective of the Company will be achieved or that any particular performance of the Company or of its shares will be achieved.
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FY18 Results Highlights



FY18 result exceeds Prospectus forecast



Unit volume up 7.7% on FY17



Acquired businesses deliver on investment case



Statewide acquisition completed in May 2018

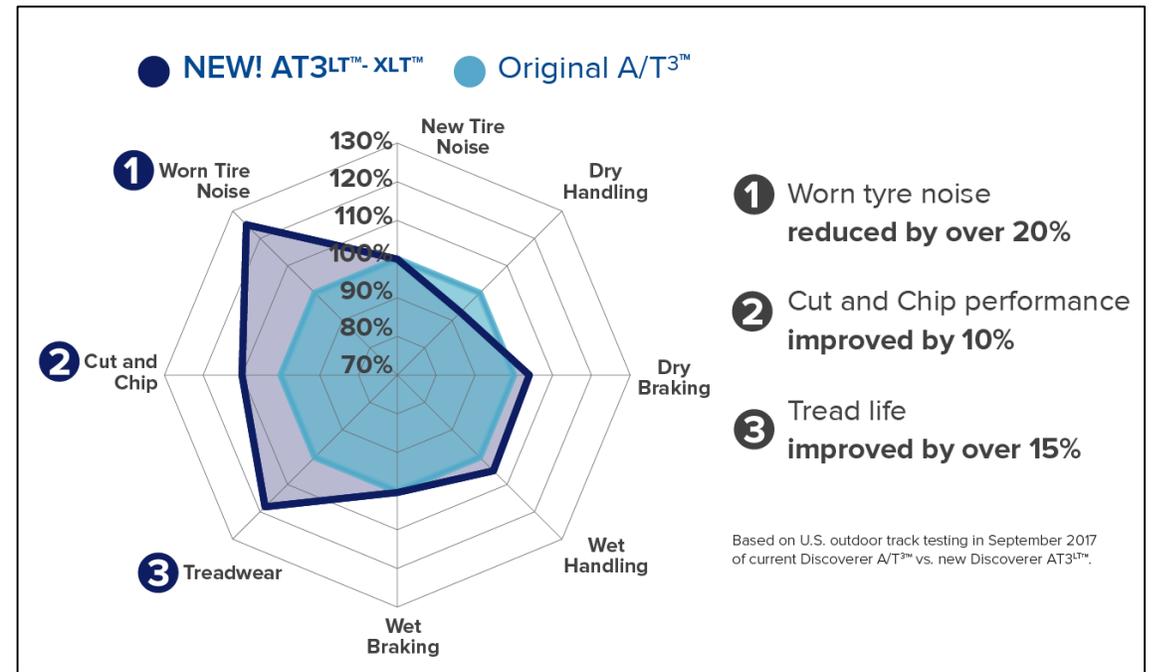
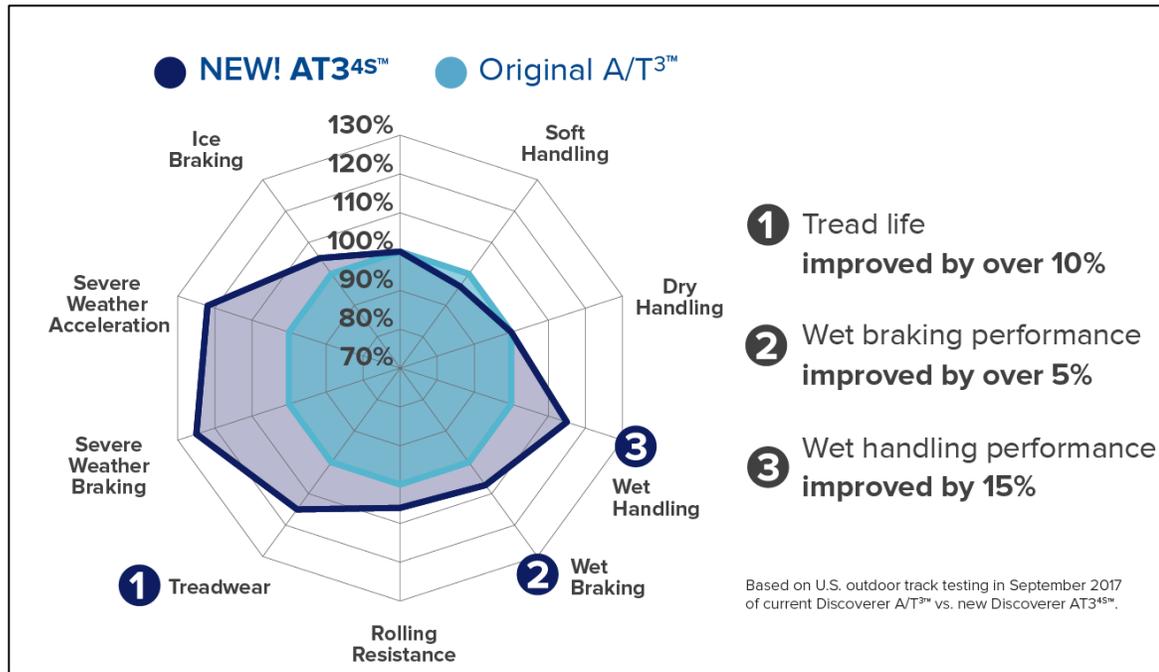


Other M&A discussions continuing

The new generation AT3 ... Australia, NZ and South Africa



Targets & Improvements



**TYRES
WORTH
OWNING**

Pushing and Pulling



SPECIAL
NEW GENERATION AT3 EDITION!

PLAY HARDER

AT3LT XLT XLT4S XLT4S

TCC **Cooper Tyres**

Check out the latest generation, new Discoverer AT3 range, page 19

PRODUCT INFORMATION MANUAL TYRES WORTH OWNING

PLAY HARDER

ASK US ABOUT THE NEW GENERATION AT3 IN STORES NOW!

UNWEAR, OFF-ROAD, BUILDING A LEGACY. 80,000KM WARRANTY.

ASK US ABOUT THE LATEST AT3

UNSEALED4X4.COM.AU GEAR MENU

COOPER TIRES DISCOVERER AT3 LT

REVIEWED

The bar has been lifted ...

A few months ago, we got our hands on some pre-release sets of the new Cooper Tyre AT3 LTs while travelling around Australia for the upcoming TV Series of Pat Callinan's 4x4 Adventures. During that time we travelled over every single type of surface you could ever travel on, in short, have put them through hell, deliberately at times, but mostly we have pushed them hard to see what will happen. We have left no question marks other than the longevity of the tread.

Now, just to clarify here, there are a new release: the previous version was dubbed the AT3, while this new iteration is dubbed the AT3 LT - easily confused.

If you do your research on the new tyre you will find the following: a 80,000km mileage warranty, Durable-Tread Technology which features silica based steel-reinforced construction, Adaptive-Traction Technology, along with tread enhancements for snow, water dispersion, stone ejection and wet/dry all-terrain traction.

While we cannot get tell you if the tyre will live up to its mileage claim, we can give you our impressions from the work we have done so far - over 15,000km and still going. We have travelled through Queensland, NSW and Victoria tackling mud, sandstone rock, sharp rock, loose dirt, wet/dry terrain, and even more deep snow. We have also travelled the sandy beaches and dunes of the Fraser Ranges, so, what do we reckon? Let's have a closer look...

WORDS AND IMAGES BY SCOTT WAGNER

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PLAY HARDER

WITH THE NEW GENERATION COOPER'S DISCOVERER AT3

AT3LT XLT 80,000KM WARRANTY

AT34S 70,000KM WARRANTY

ONROAD, OFF-ROAD, AUSTRALIA WIDE GUARANTEED TO LAST

Cooper Tyres TYRES WORTH OWNING

Celebrating new purchase pathways



Cooper
TIRES

TYRES WORTH OWNING

**NOT ALL
TYRES ARE
THE SAME**



TAKE A CLOSER LOOK



**GET INVOLVED, AND
CHOOSE YOUR TYRES.**



**AND, INSIST
ON A DECENT
WARRANTY**

GUARANTEED
— TO LAST UP TO —
80,000KM



CLICK FOR MORE

Competing on quality ... on our terms



More new products



The All New Cooper ATT



New wheel for Dynamic



New MPC tyre & wheel



Developing strategic partnerships

A loyalty program codifying our commitment to outstanding customer service.



360
ETD
PARTNER
PROGRAM
better business all round

Growing your business from every angle.
Rewarding your support.

Exclusive
Tyre Distributors
Building. Learning. Growing.

“Respect is earned. Honesty is appreciated. Trust is gained. Loyalty is returned”

- Fair, Transparent, Responsive & Motivational
- Membership categories reflecting different business relationships
- Every category receives outstanding benefits
- More loyal members rewarded with additional benefits
- A “Star” Accreditation System

“I not only use all the brains I have, but all I can borrow” Woodrow Wilson

Pro Forma Results



FY18 Pro Forma NPATA \$10.7 million ahead of FY18 full year prospectus forecast
NPATA \$10.3 million



FY18 Pro Forma EBITDA \$16.9 million (FY18 full year prospectus forecast
\$16.4 million)



Statewide excluded from pro forma, adds another \$0.2 million to EBITDA
... one month's trading



Pro forma gross margin = 32.6% and EBITDA:Revenue = 11% - both ahead
of FY18 forecast



Net Cash at 30 June 2018 of \$5.2 million.



Final dividend of 2.3c per share (fully franked) confirmed

Organic Growth



Increased sales of new SUV and passenger products launched in 2016



Increased participation in 360 loyalty programs (all markets)



Being part of new consumer purchase pathways (e.g. TCC)



New wheel products and geographies



Tapping into growth in the caravan manufacturing sector



New customers, geographic expansion and MT launch in South Africa

Acquisitions



Dynamic ... warehouse integration WA, QLD, NSW. Vic in 2019



Dynamic ... Dick Cepek distribution, marketing support



MPC ... Federal purchases up, marketing support



Statewide ... OH&S, systems enhancements



Cotton Tyre Service ... full integration to ETD branch operation



Top Draw ... new products, marketing support

Summary of Pro Forma Results



\$'000	Pro Forma				
	Historical			Forecast	Actual
	FY2015	FY2016	FY2017	FY2018	FY2018
Sales revenue	137,662	137,379	144,464	155,232	153,402
Cost of sales	(95,552)	(97,452)	(97,343)	(106,199)	(103,323)
Gross profit	42,110	39,927	47,121	49,033	50,078
Other revenue	471	252	377	180	227
Employee benefits expense	(14,622)	(15,156)	(16,150)	(16,589)	(16,826)
Advertising & promotions	(6,356)	(4,240)	(5,517)	(5,519)	(5,761)
Occupancy expense	(3,481)	(3,562)	(3,543)	(3,802)	(3,749)
Other expenses	(7,149)	(6,484)	(6,689)	(6,922)	(7,029)
EBITDA	10,973	10,737	15,599	16,381	16,940
Depreciation	(803)	(874)	(797)	(880)	(707)
Amortisation of intangibles	(1,514)	(1,514)	(1,514)	(1,514)	(1,639)
EBIT	8,656	8,349	13,288	13,987	14,594
Share of net profit of associate					
Interest (net)	(228)	(228)	(228)	(228)	(357)
Profit before tax	8,428	8,121	13,060	13,759	14,237
Income tax expense	(2,811)	(2,721)	(4,221)	(4,432)	(4,495)
NPAT	5,617	5,400	8,839	9,327	9,741
Non-controlling interests	(411)	(434)	(335)	(397)	(427)
NPAT attributable to NTAW	5,206	4,966	8,504	8,930	9,314
Amortisation [addback]	1,339	1,339	1,339	1,339	1,426
NPATA attributable to NTAW	6,545	6,305	9,843	10,269	10,740
EBITDA attributable to NTAW	10,302	10,034	15,039	15,728	16,307

Comments

- The pro forma consolidated statement of profit and loss for FY2018 is reconciled to the consolidated statutory result for the same period in the Financial Report released on ASX on 30 August 2018; and
- The forecast income tax rate applicable to NTAW is approximately 32%, which is equivalent to the Australian corporate tax rate adjusted for permanent differences.
- EBITDA attributable to NTAW excludes non-controlling interests. The non-controlling interest represents the residual 50% interest in Top Draw held by the Top Draw Vendors (Top Draw now trades as Tyrelife Solutions)
- Statewide's results have been excluded from the pro forma result.
- The amortisation of finite life intangibles relates to customer relationships and importation rights. The amortisation expense is based on an average useful life of between 5 and 12 years. The add-back to NPAT is presented on a tax-effected basis.
- NPATA excludes non-controlling interests, attributable to NTAW shareholders adjusted for amortisation.

Balance Sheet



\$'000	FY2018 30 June 2018	FY2017 30 June 2017
Balance Sheet		
Current assets		
Cash and cash equivalents	19,608	14,765
Receivables	25,900	19,840
Inventories	47,754	31,348
Other assets	2,242	269
Total current assets	95,504	66,222
Non-current assets		
Property, plant and equipment	3,917	3,245
Intangible assets	22,167	14,591
Deferred tax	4	-
Other assets	-	81
Total non-current assets	26,088	17,917
Total assets	121,592	84,139
Current liabilities		
Payables	35,018	25,361
Borrowings	1,615	1,355
Provisions	3,107	1,976
Current tax liabilities	1,069	733
Other financial liabilities	-	399
Other liabilities	-	48
Total current liabilities	40,809	29,872
Non-current liabilities		
Payables	-	2,151
Borrowings	12,820	6,812
Deferred tax	-	636
Provisions	1,300	1,295
Total non-current liabilities	14,120	10,894
Total liabilities	54,929	40,766
Net assets	66,663	43,373

Notes

- Cash and cash equivalents** – The Group has a strong cash position holding \$19.6 million at 30 June 2018, resulting in a net cash position of \$5.2 million.
- Inventory** – increase in inventory driven by the acquisitions of Top Draw, Cotton and Statewide in the year .
- Intangibles** – movement in the period represents the acquired goodwill, customer relationships and South African importation rights.
- Provisions** – Increase in current provisions driven by acquired employee entitlements as well as import duties in the South Africa.

\$'000	FY2018 30 June 2018	FY2017 30 June 2017
Balance Sheet		
Equity		
Issued capital	64,761	18,942
Reserves	(215)	1,967
Retained earnings	(974)	16,025
Equity attributable to owners of National Tyre & Wheel Limited	63,572	36,934
Non-controlling interests	3,091	6,439
Total equity	66,663	43,373



Net Cash at 30 June 2018 of \$5.2 million.

Trading Update – Background



Consumer demand subdued, retail sell out down



Resulting sales impact mostly felt at ETD (Australia), especially in October



AT3 sales up but other 4WD & SUV products affected in all regions



FY19 expect ETD (Aust.) to be slightly down YOY, other businesses in line with FY18 or up



H1 FY19 expenditure up on H1 FY18 – AT3 launch



GP(%) to 30 Oct down YOY – product mix, FX timing

Trading Update – FY19 Guidance



-  FY19 Revenue forecast \$170-180m
-  FY19 GP to be within historical range (29-32%) @ 29-30%
-  Oct/Nov price rises to cover FX to April 2019
-  Further price rises (carbon black) in Q3
-  H1 marketing spend up due to AT3 launch
-  H1 pro forma EBITDA ≈ \$6-6.5m (H1 FY18 pro forma \$7.9m)
-  FY19 EBITDA to be between \$16-17m

Trading Update – FY19 H1:H2



H1:H2 phasing is usually $\approx 45\% : 55\%$



FY19 guidance for revenue $\approx 48\%$ (H1) : 52% (H2)



GP (%) forecast to improve with price increases



H1 expenses at budget despite lower sales



H2 expenses forecast to be \$2.6m lower than H2 (mainly marketing, SBP, bonuses)



H1 pro forma EBITDA $\approx \$6-6.5m$ (H1 FY18 pro forma \$7.9m)

FY19 Strategic Plan



New generation Cooper AT3 ... Australia, NZ, South Africa



Cooper ATT (SUV all terrain) to launch in Q3



Loyalty Program (all regions), TCC & SUV segmentation project



New wheels and customers ... MPC & Dynamic

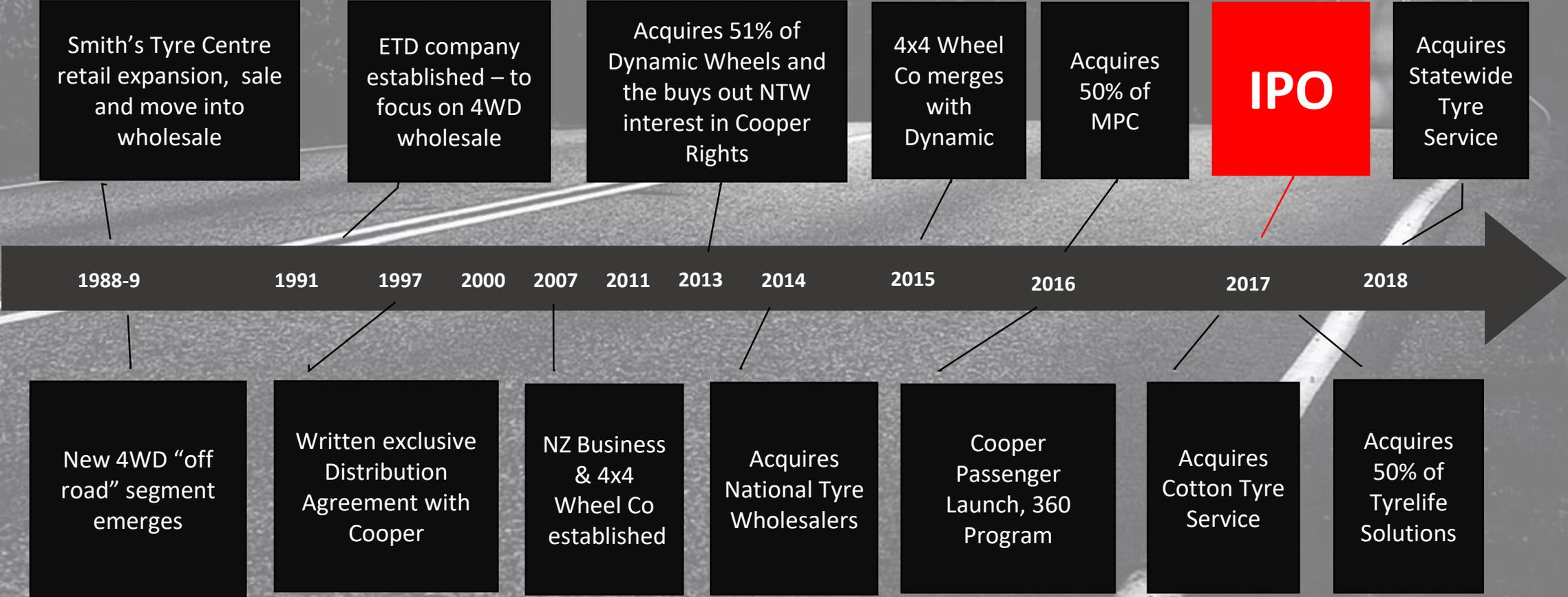


Cooper customer growth (ETD Australia)



Top Draw ... geographic expansion and product mix (incl. wheels)

Diversity & Scale



M&A Plan, Cash & Dividends



30 Oct. net cash = \$1.8m (cash \$15.7m less borrowings \$13.9m)



Dividend Policy remains (40-60% of NPATA)



M&A negotiations continuing



Market conditions impeding timely resolution



Lower NTAW share price will impact on M&A structure



\$125k abnormal DD costs included in forecast



Exclusive
Tyre Distributors
Building Leading Brands



Thank you

Note: Top Draw Tyres now trades as Tyrelife Solutions

