



**National Tyre & Wheel Limited**  
PH: (07) 3212 0950 | FAX: (07) 3212 0951  
30 Gow Street, Moorooka QLD 4105  
PO Box 101, Moorooka QLD, 4105  
ABN 97 095 843 020

## ASX Announcement

16 December 2021

### ACQUISITION OF CARTER'S & CAPITAL RAISING

- **National Tyre & Wheel Limited (ASX: NTD) ("NTAW") to acquire Carter's in New Zealand for NZ\$30m<sup>1</sup> in cash and scrip**
- **NTAW and Carter's are highly complementary and the NTAW Group will become the largest independent commercial tyre importer and re-seller in NZ**
- **Carter's retreading capability adds new products to NTAW in NZ and enhances NTAW's sustainability credentials**
- **NTAW's post acquisition annualised revenue is expected to be approximately \$560m**
- **The acquisition is expected to be EPS positive, with an EBITDA contribution of NZ\$6.25m and NPATA accretion of 2.7 cps on an annualised basis**
- **The acquisition is being funded by debt, an institutional share placement to raise \$9m and an underwritten share purchase plan to raise \$3m**

National Tyre & Wheel Limited ("NTAW") is pleased to announce that it has executed an agreement under which its wholly owned subsidiary, NTAW Holdings (NZ) Limited, will acquire the issued capital of Carters Tyre Service Limited, C.O. Tire & Retreading Co Limited and Tyre Distributors New Zealand Limited (together, "**Carter's**") for a purchase price of NZ\$30m (\$28.3m) subject to adjustments.

The acquisition will be funded by a debt facility, a \$9m institutional share placement ("**Placement**") and an underwritten share purchase plan offer ("**SPP Offer**") to raise \$3m.

Further details about the Carter's acquisition and the capital raising can be found in the "Acquisition of Carter's Tyre Service and Capital Raising" presentation lodged with ASX today.

#### **Strategic Rationale – Carter's Acquisition**

NTAW imports and wholesales tyres and wheels in Australia, New Zealand ("**NZ**") and South Africa. NTAW's products cover almost all vehicle types and distribution channels.

Carter's is the largest independent commercial tyre re-seller in NZ. It has a **nationwide network** of tyre resale stores in NZ spanning 40 locations, including 23 company owned stores, 11 licensed stores and six agents, as well as two retreading factories.

Carter's supplies a **range of commercial products and tyre management solutions** for truck and bus fleets as well as off the road ("**OTR**") and agribusiness vehicles. It has achieved a leading market position by remaining focussed on these segments of the tyre market.

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<sup>1</sup> References to "\$", "c" or "dollars" are to Australian Dollars ("AUD") and currency unless otherwise indicated. "NZ\$" means New Zealand Dollars ("NZD"). Where applicable, NZ\$ has been converted to \$ at an exchange rate of 1.06.

Carter's and NTAW are highly complementary businesses with a trading relationship extending over almost 25 years. NTAW, via its wholly owned subsidiary, Tyres4U (NZ) Limited, is already the largest independent commercial tyre wholesaler in NZ and supplies approximately 60% of Carter's product purchases. In turn, the Carter's store network accounts for around 40% of Tyres4U (NZ)'s sales.

**The acquisition cements these existing synergistic relationships** and the combined group will become the largest independent commercial tyre importer and re-seller in NZ.

This strategic position will enable NTAW to invest with confidence to **grow the Carter's commercial store network** and use the additional scale of the NZ business to **rationalise product assortments**. Opportunities to sell more products sourced from Carter's retreading factories will also arise.

From completion, Carter's will be the **exclusive licensee of the TMS tyre management system** in NZ. This industry leading system, using software developed in collaboration with Carter's, enables real time monitoring of treadware, data analytics (e.g. predicting when tyre changes will be required), improved tyre life expectancy (e.g. managing tyre care by drivers) and automated reporting.

The TMS system further advances NTAW's strategic vision to be the tyre and wheel industry leader in **digital transformation**. Carter's has an exclusive licence to use the TMS system in NZ until January 2026.

### **Carter's - Background**

Carter's was established in 1997 by Garry Carter who has a long history of successfully building tyre businesses. In 2012, Carter's acquired 13 North Island commercial tyre stores from Beaurepaires (a business associated with the Goodyear Tyre company), stimulating further growth in the Carter's chain. Tyre Distributors NZ was established in 2018 to expand Carter's wholesale business, primarily distributing OTR and other specialty tyres to large commercial clients.

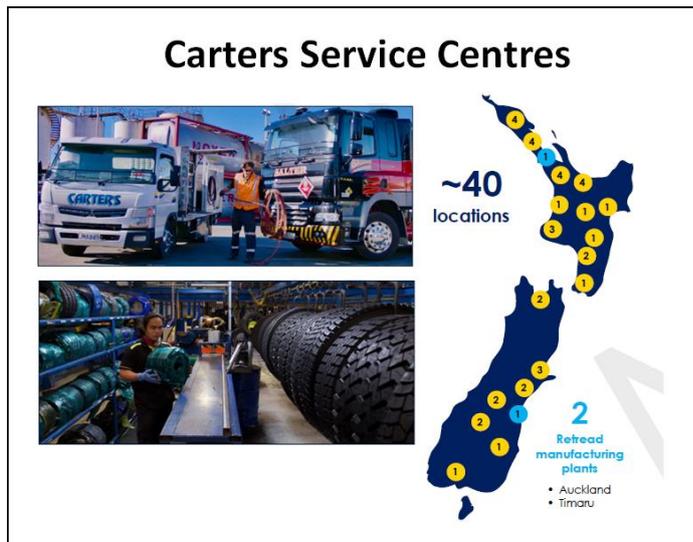
Today, Carter's employs 185 people in NZ with a management team comprising experienced executives working under the guidance of Garry Carter.

Goodyear remains the second largest supplier of products to Carter's after Tyres4U (NZ), more closely aligning and expanding the shared interests of NTAW and Goodyear that already include the distribution of Goodyear's Cooper tyre brand by NTAW subsidiary Exclusive Tyre Distributors ("**ETD**") in Australia and NZ.

Carter's is mainly focussed on retailing heavy vehicle (truck, bus and large diameter light commercial) and OTR tyres. Truck tyre sales and services accounts for more than 70% of Carter's revenue. Success in this segment requires a national network of stores that can service the needs of truck fleets – product range, tyre performance monitoring, tyre supply and fitting. Carter's supplier base, IT systems and store network meet these requirements.

The customer base of Carter's is well diversified, with the top 10 customers representing about 35% of revenue. Its customers include major truck fleet operators. Consistent with industry practice, most of these relationships are based on years of successful service – seven of Carter's top 10 relationships have existed for more than 10 years and the two largest customers have worked with Carter's for almost 25 years.

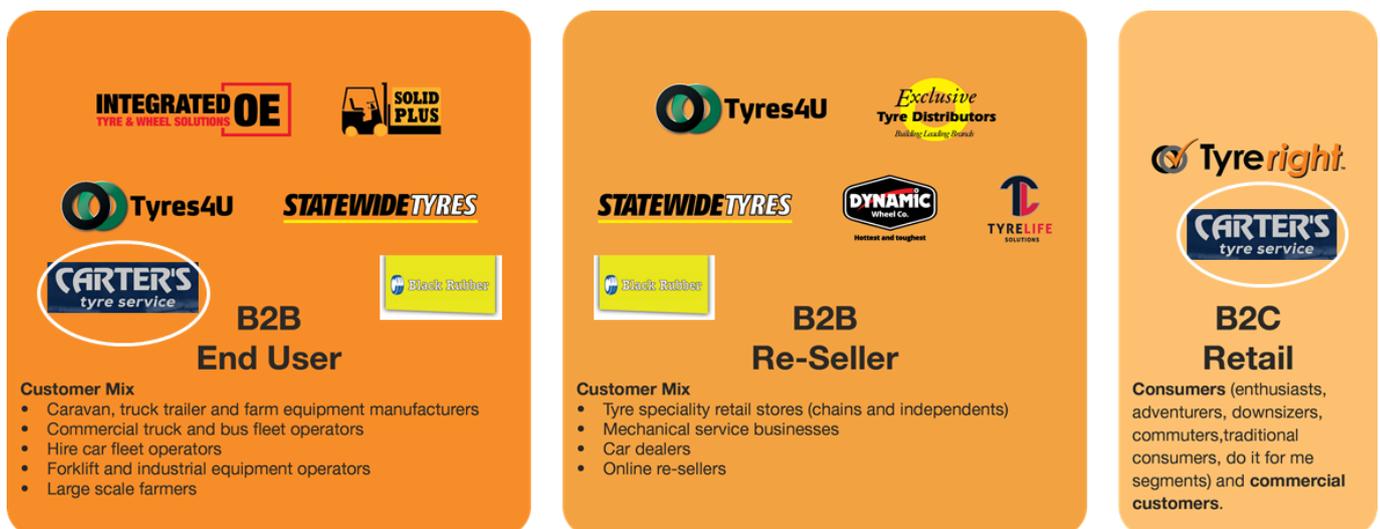
Carter's retreading business presently contributes less than 12% of revenue, mostly supplying retreads for customers buying new tyres.



### NTAW Group Post Acquisition

Carter's will continue to operate as a separate business unit in the NTAW Group, with Tyres4U and Carter's continuing to operate on an arm's length basis. Carter's and Exclusive Tyre Distributors (NZ) have not historically traded with each other due to ETD's exclusive business model. ETD will become a supplier to Carter's to the extent that it does not disrupt ETD's existing exclusive dealership arrangements.

The operating business units of the NTAW Group following the recent acquisition of Black Rubber in November 2021 and the purchase of Carter's are shown below:



Note – some business units operate in more than one distribution channel

It is intended that the senior leadership group at Carter's will continue in their present roles, including Mike Hollier (CEO/CFO), Rob Gosling (Group Sales Manager) and Paul Hood (Group Operations Manager). They are all experienced managers in the tyre industry with expertise developed from working in large multinational businesses and Carter's. Garry Carter will transition from Executive Chairman to Executive Director of Carter's, working on a part time basis.

## Transaction Highlights

NTAW has agreed to purchase all of the issued capital of the Carter's entities from vendors associated with Garry Carter.

NTAW expects Carter's normalised earnings before interest, tax, depreciation and amortisation ("**EBITDA**") in the financial year ending 31 March 2022 ("**FY22**") to be about NZ\$6.25m (\$5.9 million). Carter's normalised EBITDA in the financial year ended 31 March 2021 was NZ\$3.5m (\$3.3m), with the expected improvement in FY22 attributable to increased revenue from new fleet customers and improved gross margins.

The purchase price of NZ\$30m (\$28.3m) represents a multiple of 4.85 times Carter's forecast FY22 EBITDA.

The consideration for the acquisition is a combination of cash and scrip and is payable as follows:

- a cash payment of NZ\$28m (\$26.4m) on completion; and
- the issue of approximately 1.4m fully paid ordinary shares in NTAW at an issue price of \$1.35 per share, to reach a value of NZ\$2m with the final number to be determined based on the AUD:NZD FX rate on the completion date (the "**Vendor Shares**").

The purchase price will be adjusted for Carter's working capital and actual non-trading indebtedness within the month following completion. The acquisition of Carter's is conditional on customary closing conditions and consent of a key customer to the change in control of Carter's.

Completion of the acquisition is expected to occur on 5 January 2022.

## Funding and Financial Impact

The cash component of the Carter's acquisition completion payment will be funded from NTAW's existing cash reserves and debt facilities, with the capital raising increasing the undrawn headroom available under those facilities.

NTAW's debt facilities have been increased to \$100 million, comprising senior debt of \$31.5m, a trade finance facility of up to \$66m and an overdraft facility of \$2.5m.

The Vendor Shares will be issued within NTAW's present issuing capacity under ASX Listing Rule 7.1. The Vendor Shares will be subject to voluntary escrow restrictions for six months from completion.

The acquisition of Carter's is expected to increase NTAW's annualised sales revenue to approximately \$560m. The forecast additional annualised EBITDA of NZ\$6.25 (\$5.9m) would result in NTAW's net profit after tax and before amortisation ("**NPATA**") increasing by \$3.1m, representing additional NPATA of 2.7 cents per share on an annualised basis.

## Capital Raising

NTAW has received commitments from institutional and sophisticated investors to invest \$9 million under the Placement. All shares under the Placement will be issued at \$1.35 per share, representing:

- a 6% discount to the last closing price on 14 December 2021 of \$1.43; and
- a 3% discount to the 10-day VWAP on 14 December 2021 of \$1.39.

The Company will issue 6,666,666 new shares ("**New Shares**") under the Placement. The issue of the New Shares is within the Company's placement capacity under ASX Listing Rule 7.1A. Accordingly, no shareholder approval is required in connection with the Placement. The New Shares will not be entitled to participate in the SPP Offer.

NTAW will offer eligible shareholders an opportunity to acquire additional NTAW shares under the SPP Offer to raise \$3 million. The SPP Offer price is the lower of:

- the Placement issue price of \$1.35 per new NTAW share; and
- the VWAP of NTAW ordinary shares traded during the 5 trading days up to, and including, the SPP Offer closing date (expected to be 20 January 2022 discounted by 2.5% and rounded to the nearest cent).

Proceeds from the capital raising will be used to fund:

- further investment in NTAW's digital transformation strategy;
- increased promotional activity as consumers emerge from lock-downs;
- higher inventory levels to manage ongoing supply chain uncertainties that are expected to continue into 2022; and
- working capital and non-trading indebtedness adjustments associated with the purchase of Carter's.

Under the SPP Offer, each eligible NTAW shareholder as at 7.00pm (Sydney time) on 15 December 2021 ("**Record Date**") has an opportunity to subscribe for a minimum of \$500 and up to \$30,000 worth of new NTAW shares, without incurring brokerage or transaction costs.

Eligible NTAW shareholders are holders of fully paid ordinary shares in NTAW at the Record Date and whose address on the share register is in Australia or NZ (excluding those who are in the United States, or acting for the account or benefit of a person in the United States).

The SPP Offer is underwritten by Exldata Pty Ltd ("**Underwriter**"). The Underwriter is an associate of Anthony Young who became a substantial holder of the Company on 7 October 2021. The Underwriter and its associates currently have voting power of 5.52% in the Company. As a result of their participation in the Placement, immediately following settlement of the Placement but before the SPP, their voting power will increase to 6.74%. As underwriter of the SPP, their voting power could increase to as high as 8.31% (assuming that there are no acceptances under the SPP and the Underwriter takes up the whole of the shares that are the subject of the SPP Offer).

To the extent that the SPP Offer results in applications in excess of \$3 million, NTAW will scale back applications in its absolute discretion.

The SPP Offer will open on 23 December 2021 and close at 5pm (Sydney time) on 20 January 2022, subject to NTAW's right to close the SPP Offer early or to extend the SPP Offer period in its absolute discretion.

Full details of the SPP Offer will be set out in the SPP Offer Booklet which is expected to be released to the ASX and despatched to shareholders on 23 December 2021.

### Timetable

Event	Time and Date (Sydney time)
Record Date for SPP	7.00 pm, Wednesday 15 December 2021
Announcement Date for Placement and SPP	16 December 2021
Settlement of New Shares	21 December 2021
Allotment and normal trading of New Shares	22 December 2021
SPP Booklet despatched and SPP Offer opens	23 December 2021
SPP Offer closes	20 January 2022
Announcement of results of SPP Offer	25 January 2022
Allotment of new shares under the SPP Offer	28 January 2022
Commencement of trading of new shares under the SPP Offer	31 January 2022
Holding statements for new shares issued under SPP Offer despatched	31 January 2022

The above timetable (other than the SPP Record Date) is indicative only and may be changed by the Company.

### Comments

Garry Carter, Carter's Executive Chairman, said: "We have enjoyed a mutually beneficial relationship with Tyres4U for almost 25 years. This transaction consummates the logical evolution of that relationship. We see great opportunity to grow the Carter's business as part of the NTAW Group. Access to NTAW's shared services and its investment capacity will provide the impetus we need to achieve that growth".

Peter Ludemann, NTAW Managing Director and CEO, said: "We are looking forward to working with Garry Carter and his team – they have built a great business with a leading position in New Zealand's commercial tyre re-sale market. We obviously know each other very well as supplier and customer, with complementary cultures that have evolved together over many years. Tyre retreading will fill a gap in our wholesale product portfolio in New Zealand and is another step in our ongoing mission to be a more sustainable entity. Carter's also adds considerably to our drive to lead the industry in digital transformation".

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

### ENDS

For further information, please contact:

#### **National Tyre & Wheel Limited**

Mr Peter Ludemann

Managing Director and Chief Executive Officer

Phone: (07) 3212 0950

### **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 NTAW). 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.