



National Tyre & Wheel Limited
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ASX Announcement

28 October 2019

2019 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 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 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

2019 Annual General Meeting of National Tyre & Wheel Limited (ACN 095 843 020)

28 October 2019

Good morning and welcome to National Tyre and Wheel Limited's 2019 Annual General Meeting.

The 2019 financial year was a disappointing one for the Group. While the Group has been executing various strategies in response to a changing operating environment, the headwinds experienced during the year negated the expected growth from those measures. Challenges included negative consumer sentiment (especially in Australia and South Africa), our dependency on premium products at ETD Australia, competitor discounting while our cost of goods sold was rising, losing access to some key products in South Africa, a subdued South Australian economy and sluggish demand for caravans that use our wheels and tyres.

We felt confident coming into the 2019 financial year after a very solid performance in the 2018 financial year. We felt we had strategies in place that would address the risks inherent in each of the adverse conditions I just mentioned. More importantly, we believed we had time to execute those strategies.

We are well aware that diversity and scale will assist us to navigate changes that are occurring in our industry and to avoid the consequences of adverse macro-economic conditions.

During the 2019 financial year, and in pursuit of these objectives, the Company:

- Introduced upgraded and new products;
- Advanced the development of further products for release in the 2020 financial year;
- Expanded its wheel distribution into New Zealand and South Africa;
- Leased new premises in Melbourne, blending logistics for ETD and Dynamic Wheel Company in Victoria;
- Moved customer service operations in Brisbane, investing in people and technology to enhance the value of those services; and
- Launched the Dynamix customer loyalty program in South Africa.

Unfortunately, the positive impact of these initiatives was offset by adverse trading conditions and we were not advanced enough in our various programs to avoid the resulting outcomes. Peter will elaborate on our response to those conditions later.

As a consequence, we missed our EBITDA target for the 2019 financial year by a substantial amount. Having said that, we remained reasonably profitable with underlying EBITDA of \$13 million, representing 7.6% of revenue. Importantly, we enjoyed strong cash conversion and paid fully franked dividends totaling 4.8c per share - an attractive yield for shareholders regardless of their entry price.

The Company's balance sheet is strong with net cash at 30 June 2019 of \$6.2 million and a debt to equity ratio of 19%.

The difficult trading environment encountered in the 2019 financial year is likely to continue. The Company remains committed to delivering diversity and scale. Rather than changing course, the 2019 financial year result will bring about an acceleration of existing plans to return the Company to a growth trajectory.

The Company expects the 2020 financial year to deliver profits similar to the 2019 financial year with the strategic initiatives expected to provide a foundation for a return to growth in the 2021 financial year.



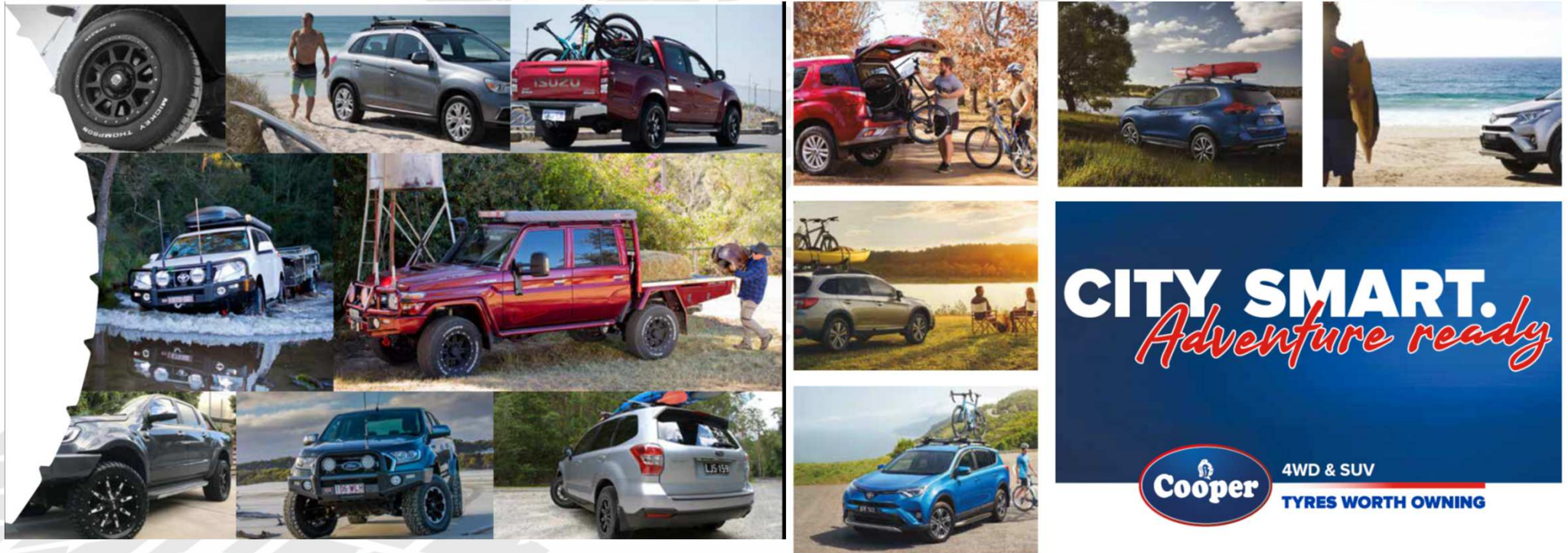
I am very pleased to be working with a very talented and committed Board and I thank them for the contribution they have all made over the past 12 months.

I would also like to thank our staff, customers, suppliers and shareholders for the support they have delivered over the past year.

Thank you.



2019 Annual General Meeting



CITY SMART.
Adventure ready



4WD & SUV

TYRES WORTH OWNING

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.
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- ☐ 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.
- ☐ The information in this presentation does not take into account the objectives, financial situation or particular needs of any person. Nothing contained in this presentation constitutes investment, legal, tax or other advice.

FY 19 Results Highlights



FY19 EBITDA of \$12.8 million (ahead of May 2019 guidance)

Underlying EBITDA for FY2019 is \$13 million

after adjusting for unrealised foreign exchange gains, share based payment expense on gifted shares and one off due diligence costs



Volumes adversely affected by negative consumer sentiment, with impacts particularly felt by premium products.



Gross margin (%) lower due to higher import prices (FX and raw materials) and intense price competition.



Balance Sheet remains strong – net cash: \$6.2 million



Final Dividend of 2.05 cents per share and a Special Dividend 1.5 of cents per share declared, taking the full year dividend to 4.8 cents per share. All dividends are fully franked.

FY 19 Financial Results



Results summary:

	FY18 Pro forma	FY19 Actual
Tyre Units	776,123	982,696
\$'000		
Revenue	153,402	168,376
Gross Profit	50,078	48,418
Gross Profit (%)	32.6%	28.8%
Operating Costs as % of total revenue	21.8%	21.2%
EBITDA	16,940	12,821
EBITDA Margin	11.0%	7.6%
NPAT	9,741	6,676
NPATA attributable to shareholders	10,740	7,967



FY19 EBITDA: \$12.8 million compared to FY18 Pro Forma EBITDA of \$16.9 million



FY19 NPATA: \$7.97 million compared to FY18 Pro Forma NPATA of \$10.7 million.



FY19 Revenue (including Statewide): \$168.4 million compared to FY18 Pro Forma (excluding Statewide): \$153.4 million



FY19 gross margin: 28.8% compared to FY18 gross margin: 32.6%



At 30 June 2019 net assets: \$70.7 million, net tangible assets: \$50.4 million, working capital at normal levels.

Valuation



At \$0.40

Price earnings ratio (FY19) 6.4

Yield (FY19 Div.) 12%*

NTA per share (30/6) \$0.49

Net assets per share \$0.69

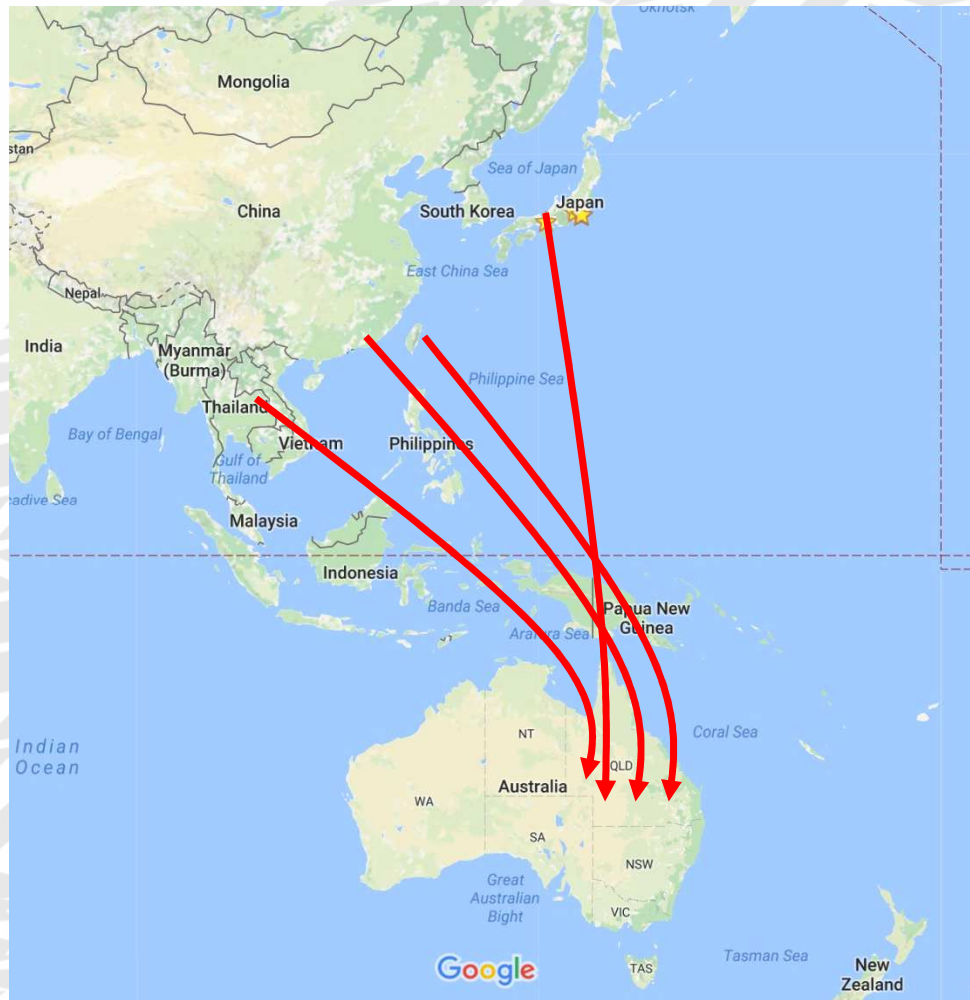
* Yield excluding the special dividend: 8.25%
 Grossed up for franking credits:

Normal 12%, Special 5% ... total 17%

Building investor confidence is a key objective.



Surplus capacity in Asia

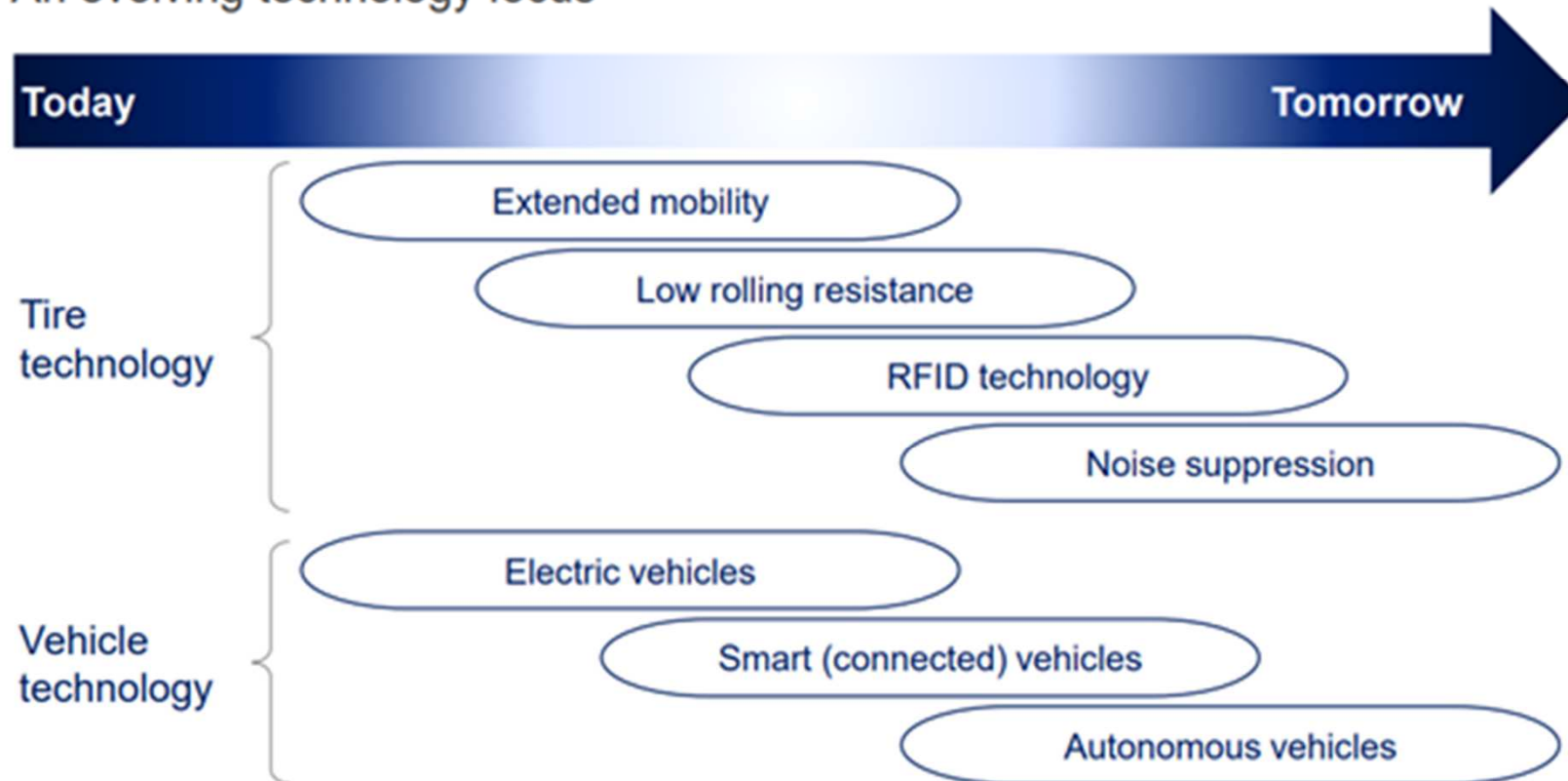




Focus on OE products



An evolving technology focus



Cooper Tire Company Data

4WD tyre of choice - 2nd Stage manufacture



Changing consumer purchase pathways



Tyre specialty retail trends

Exclusive
Tyre Distributors
Building Leading Brands



?



Independents

Independent
Tyre Shops

Non Aligned Chains



Manufacturer Owned/Franchise



Other



More near source procurement



Products with different price points



EXTREME MUD EVOLUTION M/T

SUITABLE FOR: 4x4 4x4 4x4 4x4 20% MUD 80% OFF-ROAD



TOUGH SIDEWALL PROTECTION

"Y" shaped SIDEWALL "CLIMBERS" help grip to rocks and wood. Giving you sidewall protection and extra grip when scaling rocks and rugged terrain.

IMPROVED TRACTION

MUD SLINGERS are deep, wide voids between tread blocks allowing continuous clearing away of stones and thick mud. Giving you improved traction off-road.

DAMAGE RESISTANCE

Cooper's specially designed high strength, high tensile body ply is 20% stronger than most other brands. Giving you enhanced resistance to rock cuts and impact damage when driving off-road.

EXTRA GRIP

EARTH DIGGERS forcefully dig into loose dirt, sand and sticky mud. Giving you extra traction in tough situations.

PUNCTURE RESISTANCE

STONE BARRIERS are raised ridges which expel lodged stones, reducing any chance of stone drilling into the tyre carcass. Giving you puncture resistance and peace of mind when driving off-road.

CUT AND CHIP RESISTANCE

Cooper's specially formulated rubber compound withstands cuts and chips from tough dirt and gravel roads. Giving you extended tread life and protection from cutting and chipping.

With a sidewall 20% stronger than the competitor, this makes it the clear choice for strength.

THE BOSS IS HERE!

COOPER
EVOLUTION
M/T

LEGENDARY OFF-ROAD TYRE



Synergies ... logistics



New ETD/Dynamic warehouse
Dandenong Vic.

Synergies - expanding Statewide



STATEWIDE TYRES

Pushing into the SUV Segment



New customer/consumer loyalty SA



TDYNAMIX



Continued growth in wheels



EXCLUSIVE TO CAPRICORN MEMBERS

6,000

BONUS REWARD POINTS



Simply purchase a set of Dick Cepek tyres to earn 2,000 BONUS REWARD POINTS!

MAKE IT A BUNDLE!
with a set of Pro Comp Trilogy wheels to earn a total of 6,000 BONUS REWARD POINTS.

(Set of Dick Cepek tyres 2,000 Bonus Reward points
Set of Pro Comp wheels 4,000 Bonus Reward points)

Our new **SERIES 74 TRILOGY** wheel is available in a large range of fitments to fit most of today's modern 4WD's.



HL **PRO COMP**

NOT SURE OF SIZES OR FITMENTS? CALL OUR TYRE AND WHEEL EXPERTS

1300 655 870
www.dynamicwheelfco.com.au

DYNAMIC Wheel Co.
Motors and toughness

*TYRES AND BUNDLES APPLY. NOT AVAILABLE IN VICTORIA WITH LEAST 4WD. 2,000 BONUS REWARD POINTS FOR A SET OF 4 TYRES OR 4,000 BONUS REWARD POINTS FOR A SET OF 4 TYRES AND 4 PRO COMP TRILOGY WHEELS. AVAILABLE WHILE STOCKS LAST. VALID: 01/06/2016-31/05/2018



FY20 Key Strategic Initiatives



More products at more price points



Invest in Customer Care Centre and an online ecosystem



Increase supplier support



New products (especially wheels, RT patterns and SUV)



Expand our distribution footprint

FY20 Key Strategic Initiatives



Roll out wheel expansion in NZ and South Africa, + new wheels



Synergy capture – logistics, cross selling (e.g. budget tyres, MPC)



Dynamix loyalty program in South Africa



Brand building – especially in the SUV category



Remain engaged with M&A prospects

FY20 Outlook



Market conditions unlikely to improve



FY20 earnings not expected to be materially better or worse than FY19

ETD Australia most affected, TLS and MPC less so



FY20 is a transitional year – heading for growth in Q4 and FY21

Strategic initiatives to deliver returns in Q4 and FY21



NZ growth set to continue



Dynamic & Statewide well positioned with products at lower price points



Exclusive
Tyre Distributors
Building Leading Brands



Questions

