



THE RPM GROUP

RPM Automotive Group Ltd
1-7 Ausco Place
Dandenong South, Vic 3175
ABN: 34 002 527 906

31 August 2023
ASX Announcement

RPM ACCELERATES FY23 GROWTH THROUGH SUCCESSFUL BUSINESS INTEGRATIONS

RPM Automotive Group Limited (ASX: RPM) ("RPM" or the "Company"), a leading player in the Australian automotive aftermarket sector, has released its results for the full year ended 30 June 2023 ("FY23"). Key highlights include:

- **Accelerating revenue growth:** Revenue up 48% to \$117 million (FY22: \$78.8 million), driven by organic growth and successful integration of two acquisitions
- **Increased gross margin:** Gross Profit up 35% to \$37.0 million (FY22: \$27.5 million)
- Underlying EBITDA up 40% to \$10.6 million (FY22: \$7.6 million)
- NPAT from continuing operations down 38% to \$1.8 million (FY22: \$2.8 million)
- **Successful equity raise** of \$2 million
- **Expanded national footprint:** two complementary businesses acquired; three new retail operations opened
- Cash balance of \$4.4 million as at 30 June 2023
- **Promising outlook for growth in FY24**

FY23 Financial Results Overview

(\$million)	FY23	FY22	change
Revenue	117	78.8	48%
Revenue excluding discounted operations	109	70.8	54%
Gross Profit	37.0	27.5	35%
Gross Profit excluding discounted operations	33.9	24.8	37%
Reported EBITDA	8.8	7.3	21%
Underlying EBITDA	10.6	7.6	40%
Net Profit After Tax excluding discounted operations	1.8	2.8	-38%
Net Profit After Tax (NPAT)	1.2	2.7	-54%
Net Operating Cash from continuing operations	0.9	(2.8)	\$3.7m
Cash Balance	4.4	7.0	-38%
Underlying Earnings per Share (EPS)	2.17cps	2.07cps	+0.10cps
Earnings per Share (EPS)	1.02cps	1.86cps	-0.84cps



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Commenting on the Company's full-year performance, RPM Automotive Group CEO, Clive Finkelstein said:

"Over the past 12 months, we have accelerated our rate of revenue and EBITDA growth across our portfolio of 15 automotive brands through all of our retail and wholesale divisions, Repairs and Roadside, Performance and Accessories, Motorsport, and Wheels and Tyres. Our vertically integrated network continues to expand, which has enabled increased cross selling of our market-leading brands supported by our new analytics systems capability, optimised the shared services in the group, and added diverse revenue streams, further pushing organic growth.

"We successfully acquired two businesses and launched three new retail operations, unlocking synergies through cross-selling and leveraging existing infrastructure. We improved our gross margin across the network by harnessing our scale and supply chain capability, consolidating brands to maximise awareness at both state and national level and in-filling the network with complementary products."

Overview of FY23 Results

RPM earned revenue of \$117 million in FY23, an increase of 48% on the prior corresponding period (pcp). This year-on-year growth was largely driven by 8% organic growth and the strong performance of recent acquisitions, including Metro Tyre Services (January 2023), as well as the successful integration of Safety Dave (acquired in Feb 2022), ACT Total Tyres (April 2022), VicWide Tyre Services (May 2022) and AFT Automotive (July 2022).

Total gross profit increased to \$37.0 million in FY23, up 35% from \$27.5 million in FY22 through lower COGS and increasing economies of scale across RPM's wholesale and retail networks.

Strong revenue growth combined with operational optimisation and disciplined cost management, improved RPM's FY23 EBITDA to \$8.8 million, up 21% on FY22, with underlying EBITDA of \$10.6 million.

Reconciliation of underlying EBITDA ('000)	FY23	FY22
Reported EBITDA	8,822	7,286
Refinance costs	253	-
Raise fees	220	-
Insurance claim reversal	350	-
Optimisation and disposal costs	919	-
Qld flood expenses	64	302
Underlying EBITDA	10,628	7,588



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Net Profit After Tax was \$1.2 million, down 54%. This was primarily due to accounting adjustments for the disposal of under-performing business units, as well as a one-off goodwill impairment.

Inventory stabilised at \$25.1 million, demonstrating a focus on active inventory management practices. As a result, there has been considerable improvement in inventory turnover to 3.4x, a substantial improvement on FY22, with 4.0 turns per annum being the ultimate objective.

In December 2022, the Company successfully raised \$3 million via an institutional placement and Share Purchase Plan.

While the optimisation strategy has affected the FY23 results, RPM is confident the strategic changes being implemented across the business will create a more resilient and ultimately more profitable company.

Division Commentary

In FY23, Wheels and Tyres (wholesale tyres) generated revenue of \$33.5 million, a 19% increase on FY22. This growth was primarily driven by increasing commercial tyre orders for the transport, agriculture and mining sectors which are more resilient industries to rising inflation. Further wholesale revenue increases were due in part to RPM's expanding national presence following the acquisition of Metro Tyre Services, the organic expansion of the retail network and continued enhancement of RPM's distribution capabilities.

Repairs & Roadside (retail tyres) saw substantial growth over FY23 through acquisitions and organic expansion, increasing revenue by 55% to \$51.0 million and profitability by 53%. As a result of strategic restructuring early in 2H23 to address inflationary pressures and labour availability issues in the service industry, the retail tyre division has significantly improved its margins. Further optimisation strengthens the division. While fluctuations in passenger tyre retail sales are anticipated due to increased volatility in trading conditions driven by cost-of-living rises, the impact on commercial and industrial tyres is expected to be minimal.

Performance & Accessories experienced strong trading throughout the year, reporting a 108% increase in revenue to \$23.6 million and 87% increase in profitability, due to RPM's expanding national presence, following the integration of a new business into the division and record sales growth in FY23. RPM has undergone strong organic growth in conjunction with favourable industry tailwinds, driven by the ongoing expansion of the automotive aftermarket segment, notably in the commercial trucking, 4WD and caravan sectors.

Motorsport division demonstrated steady revenue performance, generating \$8.6 million in revenue, an increase of 9% compared to FY22, along with consistent profitability. The Motorsport division is reaffirming its dominance in safety race gear as the motorsport calendar and car club track days return to pre-COVID conditions.





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Outlook

In FY24, RPM anticipates continued growth across the business and expects to achieve between \$130 million and \$140 million in revenue with a growing earnings ratio. This growth is underpinned by enhanced operating leverage through cross-selling and economies of scale. Simultaneously, the retail and wholesale divisions are expanding through network development, product diversification, and warehouse expansion. The wholesale tyre division will be further strengthened when Chapel Corner Tyres joins the group at the start of Q2 FY24.

RPM's continued commitment to sustainability is set to advance through the implementation of its Tyre Recycling Strategy, scheduled for rollout during FY24. This initiative builds on RPM's established dedication to sustainable practices across its supply chain but also underpins its pledge to ensuring that all materials in its tyre production process originate from ethically responsible sources.

The Company remains committed to seamless integration of acquisitions, optimising inventory management efficiency and exceptional on-going customer service.

Investor Webinar

A presentation of the results followed by a Q and A session for investors and analysts will be held tomorrow, **Friday, 1 September 2023, at 9:00am** (AEST).

To participate, please register at:

[FY23 RPM Results and Business Update Webinar](#)

After registering, you will receive a confirmation email containing information about the webinar.

Authorised for release by the Board of RPM Automotive Group Limited.

- ENDS -

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Important Information and Disclaimer

RPM Automotive Group

RPM Automotive Group Limited is a leading player in the Australian Automotive Aftermarket, comprising a number of businesses involved in importing, wholesaling and retailing of tyres, mechanical repairs, motorsport apparel and safety equipment, niche manufacturing and a roadside assistance service for the transport industry. RPM owns brands, such as: RPM Racewear, Carline, Genie, Formula Off-Road, RPM Autoparts, Safety Dave, Max 4x4.

For further information, please visit: <http://www.rpmgroup.net.au/>

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 positions 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 RPM). In particular, no representations, 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 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.



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