

25 October 2021
ASX Announcement

RPM AUTOMOTIVE GROUP DRIVES FURTHER GROWTH

Market Update for the quarter ended 30 September 2021¹

Q1 FY22 highlights:

- Revenue up 60% to \$15.0 million (Q1 FY21: \$9.4 million), with growth across three of the Company's four divisions
- Gross Profit up 36.9% to \$4.04 million (Q1 FY21: \$2.95 million)
- EBITDA down 37.9% to \$0.92 million (Q1 FY21: \$1.48 million) reflecting challenging retail trading conditions and supply chain disruptions given COVID-19, and investments in one-off setup costs, staff engagement, warehousing and stocking expenses for the two new distribution centres that were operational from 1 October 2021
- \$8 million of growth funding secured from Collins St Value Fund to accelerate the Company's operational strategy
- \$1.9 million was raised on the exercise of the listed options exercisable at \$0.25 expiring on 28 August 2021 which was underwritten.
- Completed acquisitions of Citic Autoparts (now RPM Autoparts), Elite Tyre Group and Super Tyre Mart
- Acquired Carline Stores and Direct Wholesale Tyres in Far North Queensland
- Opened RPM Autoparts distribution centres in Townsville, QLD and Gippsland, VIC

RPM Automotive Group Limited (ASX: RPM) ("RPM" or the "**Company**") is pleased to provide the following market update for the quarter ended 30 September 2021 ("Q1 FY22").

RPM has continued to grow, with Q1 FY22 revenue up 60% to \$15.0 million (Q1 FY21: \$9.4 million). Revenue was underpinned by continued demand for commercial tyres, accessories, and repairs across essential service sectors including transport, mining and agriculture. This result was achieved despite COVID-19 related extended lockdowns affecting retail trading conditions and the Company's supply chain.

Commenting on the Company's strong quarterly revenue performance, RPM Automotive Group CEO, Clive Finkelstein said:

"This quarter has demonstrated the resilience of the RPM Automotive Group and our ability to drive top line growth even through periods of extreme market volatility. Despite snap and extended lockdowns across New South Wales and Victoria affecting our retail businesses, our

¹ All quarterly financial data included in this release is unaudited.

commercial offerings remain in high demand, driving approximately 50 per cent of the Group's \$15 million in revenue, and underpinning a gross profit increase of 36.9 per cent to over \$4 million.

"COVID-19 restrictions locked down various parts of our operations, and in some cases we were forced to close sites for prolonged periods. At the same time, our wholesale business had to navigate COVID-related supply chain disruptions for imports and higher than normal international freight costs. While we have absorbed some of these expenses as we continue to drive growth in customers and sales, most of these additional costs will be able to be passed through to customers moving forward.

"We have strengthened our expansion strategy significantly, with an \$8 million raising from Collins St Value Fund to support our acquisition pipeline. The funding has enabled us to accelerate our expansion plans, having acquired businesses in North Queensland post raising while opening a new distribution centre in Townsville. In addition, we opened a new distribution centre in Gippsland to support the growth being achieved in Victoria.

"These recent acquisitions are great examples of our next expansion phase, purchasing some of our members as part of our forward integration plan. Opening the RPM Autoparts distribution centres will enable us to improve our store supply capability in Far North Queensland and regional Victoria. Our new warehousing facilities are fully equipped to support our vertical integration model and house the breadth of products we offer.

"The Company would like to thank its shareholders for their support, as it raised \$1.9 million on the exercise of the listed options which expired on 28 August 2021"

Strong revenue growth

RPM continues to grow as demand for automotive aftermarket goods and services increase across Australia, despite the NSW and Victoria lockdowns affecting some businesses across the Group. The Company's Q1 FY22 revenue was \$15.04 million, an increase of 60% on the prior corresponding period (pcp).

RPM completed the acquisition of three businesses during the period: Citic Autoparts (now RPM Autoparts), Elite Tyre Group and Super Tyre Mart. All three have now been successfully integrated into the RPM fold. The new businesses are expected to contribute more significantly towards revenue in Q2 FY22 given they will be owned for the entire quarter.

Over Q1 FY22 RPM invested in its wholesale and distribution infrastructure, with the establishment of two new distribution centres: in Townsville to service Far North Queensland and Traralgon to service the Gippsland region. All setup costs, staff engagement, warehousing and stocking expenses were completed in time for the branches to open on 1 October 2021, and while these costs were expensed in Q1 FY22, the benefits of the new distribution centres will flow through from Q2 FY22.



Division overview

Wheels and Tyres

| | | Q1 FY22 | Q1 FY21 | Variance |
|---------------------|--|---------|---------|----------|
| Revenue | | \$7.15m | \$3.15m | +127% |
| Gross Profit | | \$1.22m | \$0.66m | +85% |
| EBITDA | | \$170k | \$359k | -52.6% |

Wheels and Tyres traded strongly throughout the quarter, generating almost 50% of Group revenue, but experienced short term margin pressure from the New South Wales and Victoria lockdowns, along with significant increases in importation costs and the complexity of booking international freight given COVID-19 impacts.

The division experienced increased demand for commercial tyres for the transport, agriculture, and mining industries. Passenger tyre sales were down due to the decreased number of passenger cars on the road during lockdowns.

The Company's national footprint continued to grow with an additional two distribution centres added to our network in Victoria and Queensland, taking the total number of warehouses to six, with an additional warehouse expected to open in Q2 FY22.

Repairs and Roadside

| | | Q1 FY22 | Q1 FY21 | Difference |
|---------------------|--|---------|---------|------------|
| Revenue | | \$4.92m | \$3.30m | +49.1% |
| Gross Profit | | \$1.28m | \$0.93m | +37.6% |
| EBITDA | | \$168k | \$318k | -47.2% |

The Repairs and Roadside division performed strongly given many of its retail businesses were closed during the quarter. Revenue growth of 49% for the quarter-compared to corresponding quarter in the previous -year was largely driven by commercial and industrial tyre sales.

Performance and Accessories

| | | Q1 FY22 | Q1 FY21 | Difference |
|---------------------|--|----------------|----------------|-------------------|
| Revenue | | \$1.52m | \$1.21m | +25.6% |
| Gross Profit | | \$972k | \$708k | +37.3% |
| EBITDA | | \$452k | \$318k | +42.1% |

Performance and Accessories continues to outperform expectations, with demand for products and services buoyed by fleet contracts and increases in motor vehicle discretionary spending.

Motorsport

| | | Q1 FY22 | Q1 FY21 | Difference |
|---------------------|--|----------------|----------------|-------------------|
| Revenue | | \$1.39m | \$1.75m | -20.6% |
| Gross Profit | | \$605k | \$654k | -7.5% |
| EBITDA | | \$129k | \$462k | -72.1% |

The Motorsport division was the hardest hit by extended lockdowns in New South Wales and Victoria over Q1 FY22. However, with the imminent restart to the motorsport calendar as both States emerge from lockdown, RPM expects the division will bounce back aided by the welcomed announcement that the Australian Grand Prix will take place in Melbourne in April 2022.

Outlook

"With both Victoria and New South Wales emerging from lockdowns and an increased focus on our Queensland operations, everyone at RPM is looking forward to delivering further growth in our businesses. With adequate funding available to support our acquisition growth strategy, we continue to position ourselves to capitalise on the increased demand for automotive aftermarket products and services, and to grow RPM into a leading Australian business operating well-known brands across the transport and automotive aftermarket sectors," said Mr Finkelstein.

Authorised for release by the Chairman and CEO of RPM Automotive Group Limited.

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About 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, Air Anywhere, Formula Off-Road, RPM Autoparts.

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

Important Information and Disclaimer

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