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ASX Announcement

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FY19 Results Guidance

National Tyre & Wheel Limited (ASX: NTD) ('the Company') provides the following trading update and guidance for the year ending 30 June 2019 (**FY19**).

The following factors in the Company's year to date results are particularly relevant to the guidance:

- the successful launch of the new Cooper AT3 range of all-terrain tyres;
- unusual first half (**H1**) promotional costs associated with that launch;
- revenue growth in New Zealand and the Dynamic wheel business;
- average selling prices being approximately in line with last year;
- sluggish consumer demand having an adverse impact on sales volume for other products in all other markets (geographic and vehicle type);
- lower gross profit due to product mix and a short delay in passing on the impact of higher import prices arising from the devaluation of the Australian dollar against the US dollar;
- prices were realigned throughout the Group in October and November to compensate for higher (FX-induced) import prices. Further realignment is expected in the second half (**H2**) of FY19 as suppliers deal with higher raw material costs; and
- while the first quarter of FY19 was broadly in line with last year, October was well below the Company's expectations, prompting this update.

NTD expects its FY19 revenue will be between $170 million and $180 million. Gross profit margins have historically been within a range of 29-32% of revenue, with the gross profit margin for FY18 being in the upper end of that range. The Company expects the FY19 gross profit margin will be at the lower end of the range, i.e. between 29-30%. The Company's FY19 EBITDA[1] is expected to be between $16 million and $17 million.

The Company expects its H1 FY19 EBITDA to be between $6 million and $6.5 million, as compared with the pro forma[2] H1 FY18 EBITDA of $7.9 million. H2 is usually stronger than H1, an outcome likely to be more pronounced in FY19 due to the impact of higher marketing spend in H1 and new product sales in H2.

NTD continues to execute a number of key strategic plans for organic growth across the Group, including:

- Cooper brand extension into SUV and passenger in Australia and NZ;
- Following up the AT3 launch in Australia and NZ;
- Launching the AT3 in South Africa in Q3;
- Continuing to roll out customer loyalty programs in all markets;
- A customer expansion program for the Cooper brand in Australia;
- Offering the expanded Dynamic alloy wheel range in all markets and customer acquisition in NSW/WA by Dynamic;
- Launching wheels in South Africa and expanding the number of wheel customers in NZ;

[1] EBITDA means earnings before interest tax, depreciation and amortisation
[2] Pro forma results were presented (on an unaudited basis) in NTD's FY18 financial reports to enable the results for the financial year to be compared to the financial information contained in NTD's prospectus.

- Securing MPC supply arrangements and pitching to new van manufacturers;
- Changing the product mix (sourcing more competitive product from China and rolling out the MT range) in South Africa and growing the Cooper customer base in neighbouring countries;
- Rationalising the Statewide brand portfolio and improving Statewide's operating processes (ordering, warehouse management and OH&S) to improve profitability.

The Company believes these strategies will deliver organic growth in revenue and profit over time.

While inventory built up in H1 ahead of the expected rise in import prices, cash flow remains strong with net cash of $1.8 million at 30 October with cash of $15.7m offset by borrowings of $13.9m.

NTD continues to execute its M&A strategy with adverse trading conditions throughout the market impeding the speed with which this activity is being completed. The Company will incur abnormal costs of about $125k associated with M&A due diligence work in the first half of FY19. These costs are included in the forecast EBITDA mentioned earlier. No other income or expense associated with new acquisitions is included in the guidance.

NTD will maintain its dividend policy of paying out 40-60% of NPATA[3], including an interim dividend based on actual first half NPATA. In the absence of an acquisition, the Company expects to pay an interim and a full year dividend.

ENDS

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[3] NPATA means net profit after providing for income tax and non-controlling interests and excluding amortisation.