

RPM Automotive Group Ltd

08:59 28 Aug 2019

RPM Automotive Group gears up to be class-leading auto group

- The company has raised \$3.2 million in a public offer and \$2.6 million of the funds, being 13 million ordinary fully paid shares at 20 cents per share, were issued. The remaining \$550,000, being the founders investment, was required to settle vendor payments and will be reflected as a loan in the company and converted into shares post listing.
- The raise was at a 20% discount on a consolidated listed share price of 25 cents a share.
- RPM Automotive Group is organised around four core automotive sector pillars —

- Motorsport - Tyres - Repairs & roadside -
Performance & accessories

- The RPM Group is extremely diversified within the automotive industry, owning businesses involved in manufacturing, importing, wholesaling, retailing, digital retailing, supply and fit as well as roadside assistance.

Who is RPM Automotive Group?

RPM Automotive Group Ltd (ASX:RPM) is an Australian investment group seeking a listing on the Australian Securities Exchange.

As part of its transformation, RPM Automotive Group (RPMAG) plans to acquire a core asset known as RPM, or The RPM Group.

Who leads RPMAG's businesses?

Proposed core asset RPM Group is led by managing director Clive Finkelstein, a co-founder, investor and promoter with more than 20 years' experience in the automotive industry.

Finkelstein founded The RPM Group with executive director and promoter Lawrence Jaffe.

In Jaffe's words, the duo has a "history of buying, swelling and selling businesses into listed entities" through a professional management approach.

Finkelstein is an executive director and the chief executive officer of RPM Automotive Group (RPMAG).

He has owned and run a number of businesses in the automotive parts and accessories industry. Finkelstein's experience spans international markets, manufacturing, development, wholesale, retail and franchising of automotive businesses.

Price: 0.195

Market Cap: \$17.71 m

1 Year Share Price Graph



Share Information

Code: RPM

Listing: ASX

52 week High Low
0.29 0.105

Sector: Manufacturing & engineering

Website: www.rpmgroup.net.au

Company Synopsis:

RPM Automotive Group Ltd (ASX:RPM), formerly Kairiki Energy Ltd is listed on the Australian Securities Exchange.

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Jaffe has more than 20 years' experience in the automotive industry and was previously chief executive officer of RPM Australasia until 2015 when the group sold off a subsidiary.

He continues to serve on RPM Australasia's board as the non-executive chairman and is also a non-executive director of RPM Group business, Revolution Racegear.

Jaffe described himself and Finkelstein as "experienced automotive industry men" in a letter to investors, noting one of their last transactions was a 4WD business sale to Metcash Automotive.

RPMAG non-executive chairman Campbell Welch and non-executive director Scott Brown continue to serve the main investment outfit on its board, while Rob Downey is retiring as a non-executive director of RPMAG.

What does RPMAG own?

RPMAG's core assets are The RPM Group, a company that has automotive businesses as its assets.

Jaffe notes that every division of the investment turns over a profit.

"The company turns over \$34 million, has an EBITDA of a little over \$3.0 million, all divisions are profitable and cashflow positive — a solid private company," he told investors in his letter.

"The post raise market cap will be about \$18 million and the buy-in is at about 6 EV/EBITDA — very modest for our industry.

"Our intention is to simply springboard off current infrastructure - this is simply a growth story that has been four years in the making."

The main businesses, which are independently operated and generate their own incomes, are:

- Motorsport safety componentry business - Revolution Racegear;
- Automotive servicing and repairs company - Carline Automotive Group;
- Tyre retailer with multiple outlets - RW Tyres;
- Commercial transport tyre distributor - Spider GT;
- Transport industry tyre and ancillary services provider - Air Anywhere;
- Roadside assistance member company - Fix My Truck;
- Performance products manufacturer and wholesaler - Wildcat; and
- Towbar, roof-racks, side rails and accessories manufacturer, wholesaler and retailer - Formula Off-Road.

Finkelstein explains that the company's businesses cross-pollinate very well: "Our expansion strategy is solid (both organic and acquisitioned). The sectors that we are focused on are mature, but with serious opportunity in niche areas.

"We have always prided ourselves on being niche-market specialists within the automotive industry."

RPM Group made a \$1.1 million reviewed profit before income taxes in the December 2018 half-year and EBITDA of \$3.2 million for FY19.

RPMAG's key investment highlights

- **Favourable industry fundamentals**

- The Australian automotive aftermarket is large and growing with a total addressable market across all sectors of over \$25 billion per annum in 2017.

- **Leading market positions in attractive automotive sectors**

- The RPM Group comprises some of Australia's most pre-eminent companies in their respective sectors of the automotive industry.

- **Well-known brands**

- The RPM Group holds the rights to some of the most well-known Australian automotive brands with a rich history of association in the sector.

- **Positioned for growth**

- The RPM Group has a national platform with operations in five states in wholesale, distribution, and retail, supply-and-fit and manufacturing.

- The business is designed to be scalable and has multiple regional expansion opportunities.

- **Tyre niche opportunities**

- The RPM Group has a tyre wholesale business with major focus on TBR & OTR sector with real fundamental competitive advantages:

- Quality/price/trading terms & agreement.

- **Diversified businesses**

- The RPM Group has diversified revenue across various market sectors, distribution channels, products and services within the automotive industry, including motorsport, mechanical repairs, wheels & tyres and auto accessories & performance.

- **Management team with deep industry experience**

- The founders of the RPM Group have both been in the automotive industry for over 20 years, having experience in manufacturing, importing and distribution, wholesaling, franchising, retailing and online/digital platform sales.

- **Management team with successful track record**

- The founders of the RPM Group have a successful track record of owning, building (swelling) and operating automotive businesses and will continue to run the business going forward.

- They have sold multiple businesses into various listed entities.

- **Clear plan**

- Management has a clear plan to address multiple opportunities in the Australian market to aggressively grow the business on multiple fronts (both organically and through acquisitions).

- **Mature yet evolving automotive industry**

- With significant changes in the auto industry, the need to diversify and evolve existing operations has led to numerous opportunities.

RPMAG has "class-leading" vision: RPMAG chairman Welch

RPMAG chairman Campbell Welch advised in a prospectus for the company's public offer that the group expected to use proceeds from the raising to fund "the future growth of the business".

"The Australian automotive market is consolidating," Welch reported in the prospectus.

"The company, once the acquisition of The RPM Group is completed, will look to participate in this consolidation and grow a meaningful and profitable business both organically and via acquisition.

"The company's vision is to own a group of 'class-leading' automotive businesses, providing management drive and direction, while leveraging off their individually strong brands, customer relationships and management. Our focus is to meet the demands of Australian automotive consumers by striving for 'best in class' products and services so as to build a company that is respected in the market, has strong foundations, will be long-lasting and provide an acceptable return to shareholders."

RPMAG acknowledges that the automotive industry is consolidating at a rapid rate and automotive investment group RPMAG expects to participate in further consolidation to "grow a meaningful and profitable business both organically and via acquisition".

Jaffe told investors the company had a "detailed plan to accelerate expansion through organic growth and the targeted acquisition of a number of related automotive businesses".

He said: "We believe we are well-placed to take advantage of opportunities in the tyre sector, including consumer (PSR), commercial (TBR) and off-road (OTR) tyres, both as a wholesaler and a distributor."

Among its goals, is to grab a meaningful size of the combined \$1.6 billion TBR (commercial and transportation) and OTR (mining, agriculture, forestry, heavy machinery, construction) tyre market and to grow the already significant Carline Automotive Group from 120 stores to more than 200 stores.

Inflection points

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