MARKET UPDATE

MaxiTRANS Industries Limited ('MXI') is Australia's largest supplier of road transport trailing equipment and solutions.

Economic and trading environment

As foreshadowed in the half year results announcement on 18 February 2011, product demand in 2H11 was expected to continue at similar levels as 1H11 in the absence of improvements in the general Australian economy.

Despite subdued economic conditions in a number of segments of the Australian economy, year to date order intake for FY11 has improved on the position at the half year. Whilst order intake in Australia for trailers has remained relatively flat, order intake for vans and tippers has improved. This is especially notable in agricultural tippers. Order intake in New Zealand has continued its strong run and the Colrain parts business is performing extremely well and is on track to deliver a record contribution to Group results.

Strategic initiatives implemented

A number of strategic initiatives have been pursued with the key objective of improving the competitiveness and profitability of the Group in the medium to long term.

The integration of the Hamelex White manufacturing operation into the Ballarat facility and the establishment of a new retail branch and service facility in Dandenong are complete. This will improve the price competitiveness of our products and deliver a normalised annual net fixed cost saving of approximately $2 million. The main Hamelex White property in Hallam has settled ($10 million) and, subject to completion of subdivision, the remaining properties are scheduled to settle before 30 June 2011 ($1.9 million).

The acquisition of the remaining 50% equity in our Chinese joint venture company, Yangzhou Maxi-Cube Tong Composites Co Ltd (MTC), has been completed ($3.9 million) and the sale of 20% of the equity in the company to the existing management team is expected to be completed in early FY12. MTC is operating at full capacity. The process of designing an expanded manufacturing facility on a larger site in Yangzhou to meet increasing Chinese market demand is well under way and we expect the new factory to be operational in late FY12.

The completion of a larger purpose built manufacturing and service facility in New Zealand is on track for October 2011. This will enable us to expand our product range and maximise market opportunities in New Zealand.

Earnings guidance

Based on unaudited internal management accounts and projections, underlying net profit after tax for 2H11 is projected to be approximately 140% higher than underlying net profit after tax in 1H11.

As a result, the Board is of the opinion that underlying net profit after tax for the full year to 30 June 2011 will be in the order of 50% lower than the pcp. After a net non-operating profit of $0.5 million comprising gains on the sale of the properties and the first time consolidation of MTC ($2.2 million), less estimated restructuring costs ($1.7 million), reported net profit after tax is expected to be approximately $4.0 million compared with $5.8 million in the prior year.

Strong balance sheet

The balance sheet has strengthened further during 2H11 on the back of property sales and solid operational cash flows. Net debt at 30 June 2011 is expected to reduce to approximately $10 million from $21.9 million at 30 June 2010 and accordingly net debt to equity will fall to approximately 10% from 25% in the prior year.

As a result of the implementation of various strategic initiatives and our strong balance sheet position, we continue to be very well positioned to benefit from an improvement in the economic and trading environment and to pursue incremental investment and expansion opportunities.

For more information please contact the Managing Director, Mr. Michael Brockhoff, or the Chief Financial Officer, Mr. Marcello Mattia on (03) 8368 1100.

Michael Brockhoff
Managing Director
30 May 2011