



## MaxiTRANS returns to growth

MaxiTRANS is pleased to report revenue of \$340.2 million in FY16, a 3.3% increase on the prior year in what continues to be challenging market conditions. Reported net profit after tax attributable to MaxiTRANS equity holders of \$5.23 million is 16% above prior year. Underlying net profit after tax attributable to MaxiTRANS equity holders of \$8.75 million is 39% above prior year and is also above the trading update provided to the market in May, 2016.

| (A\$'000)                                                                      | Year ended<br>30/06/16 | Year ended<br>30/06/15 | % Increase |
|--------------------------------------------------------------------------------|------------------------|------------------------|------------|
| <b>Sales revenue</b>                                                           | <b>340,179</b>         | <b>329,165</b>         | <b>3%</b>  |
| <b>EBIT</b> <sup>1, 2</sup>                                                    | <b>9,175</b>           | <b>8,024</b>           | <b>14%</b> |
| Interest expense                                                               | (2,359)                | (2,525)                |            |
| <b>Net profit before tax</b>                                                   | <b>6,816</b>           | <b>5,499</b>           | <b>24%</b> |
| Tax expense                                                                    | (1,320)                | (1,036)                |            |
| <b>Net profit after tax</b>                                                    | <b>5,496</b>           | <b>4,463</b>           | <b>23%</b> |
| Non-controlling interests                                                      | (261)                  | 34                     |            |
| <b>Net profit attributable to MXI equity holders</b>                           | <b>5,235</b>           | <b>4,497</b>           | <b>16%</b> |
| <b>Underlying net profit attributable to MXI equity holders</b> <sup>2,3</sup> | <b>8,752</b>           | <b>6,303</b>           | <b>39%</b> |
| <b>EPS (basic) (cents per share)</b>                                           | <b>2.83</b>            | <b>2.43</b>            | <b>16%</b> |
| <b>Underlying EPS (basic) (cents per share)</b> <sup>2,3</sup>                 | <b>4.73</b>            | <b>3.41</b>            | <b>28%</b> |

1. EBIT refers to profit for the period before income tax expense and finance costs.

2. Non-IFRS measures have not been subject to audit or review by external auditors.

3. Represents net profit attributable to MXI equity holders excluding the after tax value of the Lusty and Hamelex White impairment charge of \$3.079m and closure cost of the Bundaberg facility of \$0.438m.

The underlying net profit after tax excludes the closure costs of the Bundaberg manufacturing facility in November 2015 of \$0.4 million post-tax and impairment charges totalling \$3.1 million post-tax against the carrying values of the intangible assets relating to Hamelex White and Lusty EMS. Based on the inherent volatility in the markets in which our tipper products operate, such as weather conditions and construction activity levels, it is difficult to predict the future earnings of these products. Accordingly, given the challenging market conditions in recent years and uncertain outlook, the Company has impaired the carrying values of these intangible assets.

## TRAILER BUSINESS

### Australia

The Australian trailer market was significantly adversely impacted in the second half of FY16 by the announcement of the Federal Election on 2 July, 2016 and the uncertainty created by the Road Safety Remuneration Tribunal's order on contractor minimum rates. These factors contributed to unit sales in the second half of FY16 declining 10% below the first half of FY16. This particularly impacted sales of the Freighter-type general freight trailers.

However, we continue to see an increase in the average age of trailer fleets, thereby placing increased pressure on operators to upgrade their fleets to take advantage of efficiency improvements resulting from trailer design innovation and to minimize maintenance costs.

Whilst trailer unit sales were flat year on year, MaxiTRANS' market share in 2016 has marginally improved. Our diverse product portfolio creates a broad exposure to many sectors of the economy,

thus mitigating the impact on the business of the downturn of any particular sector.

Strong demand for Maxi-CUBE's superior refrigerated vans led to a 7% sales growth and an increase in its share of the company's product mix. However, this revenue and market share growth came at the expense of margins as aggressive discounting was experienced across the market. Whilst the efficiencies realised from the Company's continuous improvement program reduced the margin impact of the sales discounting the underlying profit of the Australian trailer business improved slightly.

Improved rainfall along the east coast of Australia has improved confidence in the agricultural sector and increased construction activity resulted in tipper unit sales improving 4% over the prior year. The closure of our Bundaberg manufacturing facility in November, 2015 and consolidation of production into our Queensland facility ensured margins for these products were maximised.

Furthermore, the opening of our Company-owned dealership in Sydney in November 2015 is enabling us to capture additional opportunities that arise in the buoyant NSW market. Our experienced team and substantial facilities has allowed it to quickly establish itself in the market.

### **New Zealand**

The business experienced a strong first half performance, however, the announcement of proposed transport regulation changes affecting vans resulted in customers delaying purchasing decisions in the second half of FY16. The business' sales mix comprised lower margin units, thereby impacting profitability. As a result, revenue declined 7% on prior year and profitability declined by 16%, most of which occurred in H2 FY16.

The new regulations are in the final stages of consultation and are expected to come into effect in 2017. We expect to experience improved order levels once these changes take effect.

In addition, the business continues to build its product portfolio including the MaxiTRANS' tipper range to improve its customer offering and gain market share.

## **PARTS & COMPONENTS BUSINESSES**

Revenue for the Parts & Components businesses were flat on prior year, largely due to further declines in the MaxiPARTS business.

### **Australia**

The MaxiPARTS business experienced further softening in the truck and trailer parts market in FY16, in particular in Queensland, its largest market, and Western Australia where further contraction in resources activity and continued drought has had a significant economic impact. Furthermore, the wholesale business was also impacted by lower sales to other trailer manufacturers in Western Australia due to lower trailer sales in that market. These market conditions led to revenue declining by 7%, however cost saving measures resulted in profitability remaining flat after removing the effects of the product recall costs incurred in FY15.

During the year, the business launched a number of new business initiatives to offset the decline in the traditional retail business and provide platforms for growth. Most notably, the business has:

- significantly expanded its truck parts product range;
- added a new sales channel by launching a technology-enabled customer managed inventory system, MaxiSTOCK which has gained strong customer acceptance and is generating solid sales growth; and
- launched its second proprietary suspension solution to its product portfolio which has also gained strong market acceptance.

### **China**

A renewed sales strategy resulting in several new customers combined with increased sophistication and regulation of the Chinese transport and logistics sector saw our China panel business, MTC, experience strong growth in FY16 with revenue increasing 43% and profit

improving 200%.

The business will look to further growth as it launches a number of new products in FY17.

## **DIVIDENDS**

The Board has resolved that a fully franked final dividend for FY16 of \$0.01 per share will be paid. The Company paid an interim fully franked dividend of 2.0 cents per share in April, 2016, representing a full year payout ratio of 106% of reported net profit after tax attributable to MaxiTRANS shareholders (63% of underlying net profit after tax attributable to MaxiTRANS shareholders).

## **OUTLOOK**

### *Australian Trailer Business*

The Company has entered FY17 with a trailer order bank significantly stronger than the prior corresponding period and with a number of significant opportunities in the market.

If business confidence returns in the aftermath of the Australian Federal election and the contractor minimum rates issue does not arise again, a number of recent product improvements should position us well to capture any improved demand. The demand for refrigerated vans remains strong and our market-leading Maxi-CUBE products will continue to drive further growth. Furthermore, the recent rains along the Australian east coast has led to an improved order bank for MaxiTRANS' tipper products.

The business continues to focus on new product innovation and improving its existing product range to deliver value-added solutions to its customers. The continuous improvement program is expanding across the wider business to optimise efficiency opportunities and eliminate waste.

In terms of our market presence, we should experience an improvement in trailer sales as the NSW dealership continues to establish itself in its market. With the closure of the Bundaberg facility behind us, the business will continue to benefit from efficiencies created through the continuous improvement program together with a full year of the rationalised manufacturing footprint.

### *MaxiPARTS*

The new business initiatives launched by MaxiPARTS in late FY16 should gain traction in the market in FY17 to more than offset any further underlying deterioration in market conditions.

### *Offshore markets*

In our offshore markets, New Zealand should experience an improvement in sales as the regulation change takes effect and it continues to launch new products.

Our China business should continue to benefit from the evolution of the supply chain in China and growth opportunities are pursued across Asia.

MaxiTRANS believes that its focus on delivering innovative customer solutions and efficiency led through continuous process improvement will see it deliver growth ahead of the market.

**Robert Wylie**  
Chairman

**Michael Brockhoff**  
Managing Director

**19 August, 2016**