MaxiTRANS ANNOUNCES FY18 ANNUAL RESULT

MaxiTRANS Industries Limited ("MXI") today announced a net profit after tax attributable to MXI shareholders of $10.1 million for the year ended 30 June, 2018, which is in line with its trading update in May, 2018.

The directors have declared a final fully franked dividend of 1.5 cents per share (1H18 2.0 cents per share) resulting in total dividends payable for the year to 3.5 cents per share, the same as the prior year. The final dividend will be payable on 12th October, 2018 to all shareholders at the record date, 27th September, 2018. This represents a 64% payout ratio of NPAT.

(A$'000)	Year ended 30/6/18	Year ended 30/6/17	% Increase / Decrease
Sales revenue	**409,312**	**340,072**	**20%**
EBIT [1, 2]	**16,133**	**16,836**	**(4.2%)**
Interest expense	2,474	(2,316)	
Net profit before tax	**13,659**	**14,520**	**(5.9%)**
Tax expense	(3,648)	(3,475)	
Net profit after tax	**10,011**	**11,045**	**(9.4%)**
Non-controlling interests	66	(350)	
Net profit attributable to MXI equity holders	**10,077**	**10,695**	**(5.8%)**
EPS (basic) (cents per share)	**5.44**	**5.78**	**(5.8%)**
Operating Cashflow	**$19,767**	**4,445**	**345%**

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

SUMMARY OF RESULT

- **Strong revenue growth in all businesses except for China**
- **Both Australian and New Zealand business performance highlights buoyant market conditions**
- **Solid revenue and profit growth in Australian MaxiPARTS parts business**
- **Profit impacted by:**
  - **short term production inefficiencies in the Australian Trailer manufacturing operations associated with rapid growth and production mix changes; and**
  - **historical New Zealand Trailer business warranty issues**
- **Strong operating cashflow of $19.7 million represents a 345% improvement**
- **Announce planned divestment of under-performing China business as part of a capital reallocation to improve returns**
- **Buoyant market conditions and sound corporate strategy sets a solid platform for growth**

GROUP FINANCIAL RESULTS

Total revenue for FY18 increased 20% to $409.3 million.

The Australian MaxiPARTS business delivered 12% revenue growth during the year as it continued to expand its product range and develop solutions for customers.

The Trailer businesses in Australia and New Zealand delivered 26% revenue growth for the year.

Unfortunately, the strong sales growth in the trailer businesses was offset by production inefficiencies in the Australian trailer manufacturing operations in the last quarter as well as historical warranty issues that impacted the New Zealand business. Accordingly, Net Profit After Tax attributable to MaxiTRANS shareholders declined 5.8% to $10.1m in the year.

Operating cashflow improved 345% to $19.7m during the year, reflecting improved working capital across the business.

BUSINESS RESULTS

MAXIPARTS BUSINESS

Further underlining the high quality of MaxiPARTS, the business experienced strong revenue and profit growth from the launch of new products into the range including tyres, European aftermarket truck parts and North American aftermarket engine parts as well as continued success of the MaxiSTOCK customer inventory management system to drive incremental sales.

A change in the group business model now has MaxiPARTS operating as a key supplier to our manufacturing and service facilities, thus ensuring parts and component procurement is leveraging the company's full scale, procurement and logistics capability. This more integrated supply chain is already showing early benefit in inventory levels and assisted in the improved working capital performance for the year.

The strategic intent to drive sales volume increase through our existing national wholesale and retail network of 20 locations together with tight cost control resulted in net margin improvement over the prior year. This should continue as the benefits of our national footprint start to become clearer to key fleet customers.

AUSTRALIAN TRAILER BUSINESS

We continue to see an improvement in conditions for the Australian trailer market with new trailer registrations in 2017 increasing 17% over the prior year, representing the second year in a row of market growth, albeit somewhat affected by the scale of the Coles trailers being registered . This appears to indicate the start of the trailer equipment replacement cycle. Pleasingly, MaxiTRANS has continued its long-term trend of increasing market share.

Assisted by the order to build 386 trailers for Coles Supermarkets, the Australian trailer business increased its unit sales by 17% and revenue by 25%. The order, regarded as the single largest order in the Australian trailer industry at the time, was completed on budget and ahead of time, confirming the company's credentials to deliver large-scale orders. Since completion of the Coles order, MaxiTRANS has also secured a number of other high volume contracts, but not of the same magnitude as the Coles contract.

The Coles order drove the strong sales growth of Maxi-CUBE refrigerated vans. We also experienced strong sales growth of our Freighter brand products as a result of improved confidence in the general freight sector. In addition, the company experienced a better than expected launch of a standard model trailer that can be delivered in a shorter lead time.

Whilst still above average historical levels, sales of our portfolio of tipper products into infrastructure construction, agriculture and waste sectors declined from the abnormally high sales levels of the prior year. We expect tipper sales to remain strong whilst investment in infrastructure construction continues.

A solid pipeline of product development initiatives to deliver new innovative solutions for our customers and cost reductions will continue to deliver incremental sales into the future.

The current market conditions are requiring our manufacturing facilities to increase production rates to high levels over a sustained period. This challenge, compounded by the sudden and dramatic shift in production mix placed great strain on the manufacturing facilities, the impact of which was experienced in the last quarter of FY18, thus resulting in the trading update in May, 2018. Pleasingly, operating efficiency is being restored towards normal levels as we enter the new financial year.

INTERNATIONAL BUSINESSES

NEW ZEALAND

As foreshadowed last year, the New Zealand trailer market rebounded after the period of uncertainty surrounding the transport regulation changes. This, combined with a number of customer contract changes drove a 45% increase in trailer unit sales.

In addition, the business established its first permanent presence in the South Island during the year by opening a new service facility in Christchurch. This has been well received by our customers as it provides national support for our products.

However, the business' profit was significantly impacted by a number of product warranty claims resulting from unacceptable component design and manufacture in 2014. The issues have now been identified and largely resolved.

CHINA

Our China business has been challenged this past year due to input cost increases combined with increased competition and product commoditisation. This has resulted in the compression of trading margins. An employee labour dispute in the second half also contributed to the margin pressure. The dispute is now resolved.

As outlined above, as a result of a review of the returns generated by our businesses, the Board has determined that our China business will not generate sufficient returns in the foreseeable future and therefore has decided to divest the business.

Outlook

We continue to see improving conditions in the Australian trailer market as operators upgrade their ageing fleets and most key economic drivers remain positive. This will benefit both our Australian trailer business as well as the MaxiPARTS parts business.

In the short term, order intake remains strong, particularly in both the general freight and the food and grocery sectors, benefitting our Freighter and Maxi-CUBE products. Whilst our tipper order intake is lower than the last financial year, it is still somewhat dependent on the crop outlook and the timing of commencement of new infrastructure projects.

With the New Zealand warranty issues now largely behind us and the further establishment of our Christchurch service facility, we can look forward to this business returning to profitability in the next financial year.

We look forward to completing the significant investment in our new IT systems over the next financial year. This will be a key enabler to driving operational efficiency through the business resulting in strong operating cashflow in future years. In conjunction with this investment, the Company has made good progress in reviewing the Group's capital allocation. Along with today's announcement regarding the current business in China, a number of other plans continue in development and will be implemented during FY19.

The Company continues to execute upon its corporate strategy to not only improve the operational efficiency in our current business but also to pursue growth opportunities in our existing markets, looking to identify new market opportunities, all with the aim of improving shareholder returns. Underlying this will be a continued focus on improving our safety performance to not only ensure we send our people home safely but that MaxiTRANS' products design also send our customer's people home safely.

The Company also advises that it will be holding its Annual General Meeting on Friday 19th October, 2018 at the offices of ComputerShare – Yarra Falls, 452 Johnston Street, Abbotsford, Victoria.

Rob Wylie

Chairman

Dean Jenkins

Managing Director

24 August, 2018