



# MaxiTRANS Industries Limited - FY18 Investor Presentation

## LEADING THE WAY



Cover image: MaxiTRANS' latest graduate intake

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At MaxiTRANS, we are leading our industry to become safer and more efficient, so that our customers can better deliver the needs of a nation



One of the largest suppliers of truck and trailer parts to the road transport industry in Australia through the MaxiPARTS wholesale and retail network



Australia's largest supplier of locally manufactured, high quality engineered road transport trailer solutions including trailer repairs, service and rental

A major player in the New Zealand road transport trailer industry

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# TWO COMPLEMENTARY AND WELL POSITIONED BUSINESSES



## MaxiPARTS Differentiators

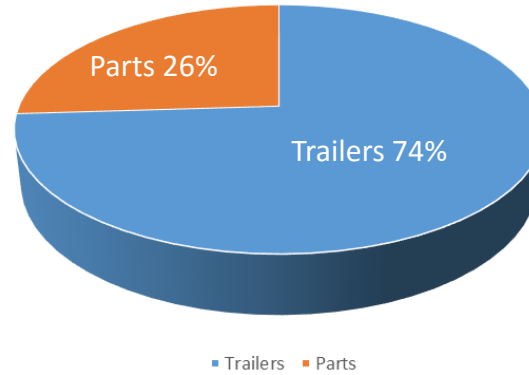
A national store footprint in the right locations

Unique technology enabled customer solutions

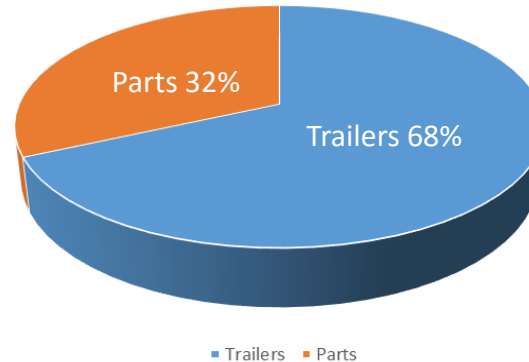
Scale benefits from being associated with the largest trailer manufacturer

Breadth of range and product expertise

FY18 Segment Revenue Contribution\*



FY18 Segment Profit Contribution\*\*



## Trailers Differentiators

Strong brand heritage and reputation

Broadest range of products

Innovation driving leadership in product safety and quality

Multiple manufacturing sites across two Australian states and NZ

\* % of Continuing Operations

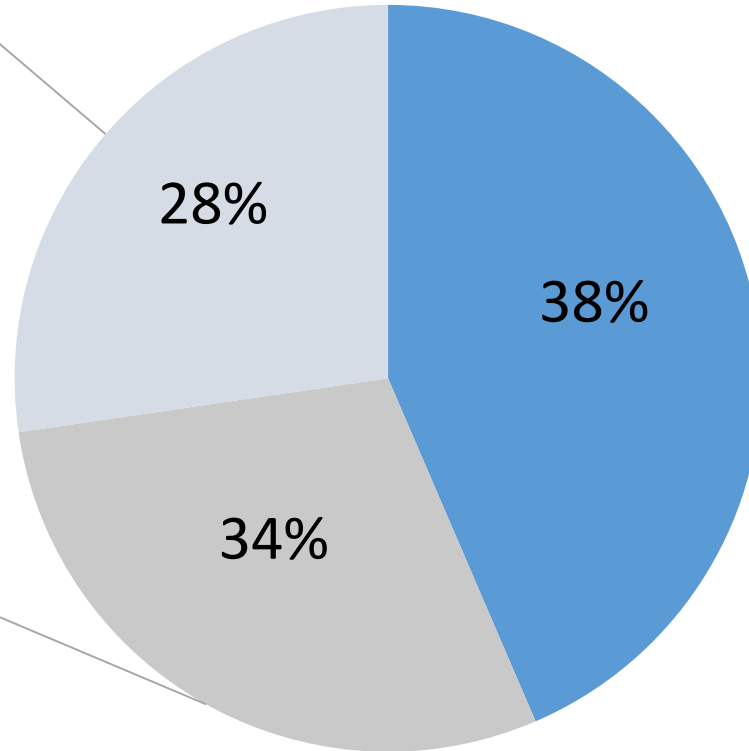
\*\* % of Continuing Operations and excludes unallocated corporate expenses

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# TRAILERS: A DIVERSE PORTFOLIO OF BRANDS EXPOSED TO MULTIPLE SEGMENTS OF THE ECONOMY



**PRODUCT REVENUE CONTRIBUTION FROM NEW TRAILER SALES**  
(3 YEAR AVE)



**Bulk Transport**

- Infrastructure
- Housing Starts
- Agriculture
- Waste
- Mining
- Population Growth



**General Freight**

- Population Growth
- Consumer Spending
- Infrastructure
- Mining
- Import/Export
- Manufacturing

**Food & Grocery**

- Population Growth
- Consumer Spending

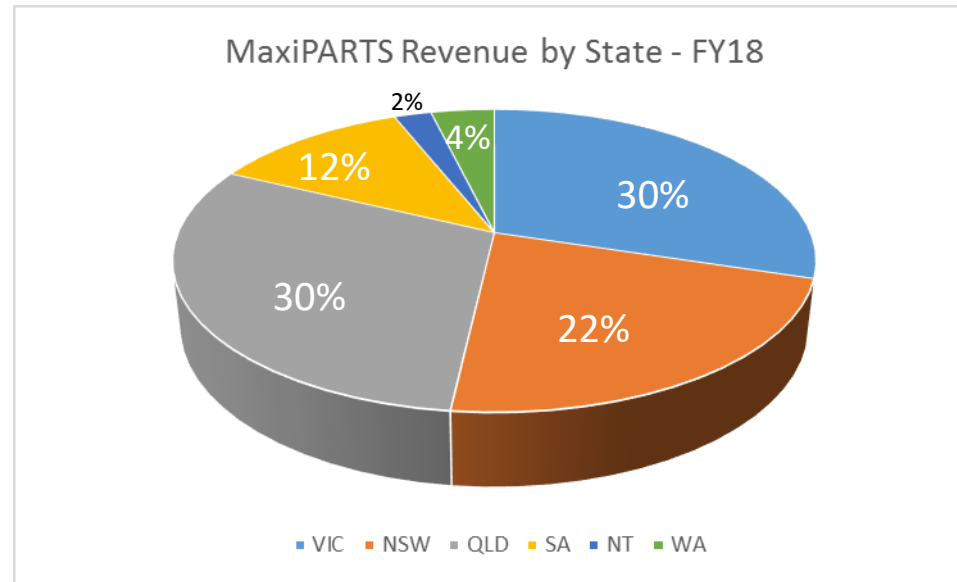
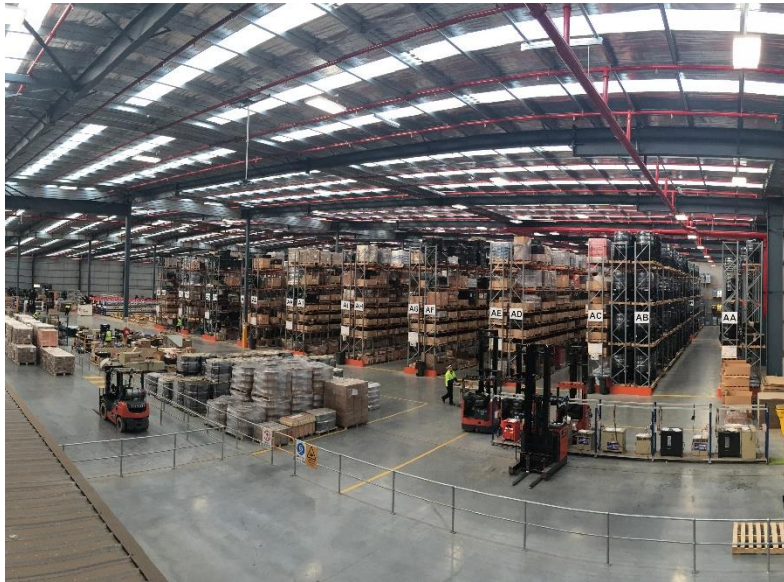


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# MAXIPARTS: EXTENSIVE RANGE OF PARTS/CONSUMABLES AND EXPERTISE



- 20 locations nationally
- Portfolio includes trailer parts, after-market truck and engine parts / consumables
- In excess of 180,000 products in the portfolio, including many leading brands, as well as specialty products procured to meet customers' specific needs
- Rejuvenation of portfolio to include higher-margin, value added products



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# FY18 RESULT HIGHLIGHTS



- Result in line with guidance (May 2018)
  - Revenue up 20% to \$409.3m
  - NPAT down 5.8% to \$10.1m – impact of manufacturing efficiency in Q4 FY18, NZ warranty issues and poor China performance
- Operating cashflow improved 345% to \$19.7m with improved working capital performance
- Net debt/equity down from 32% to 30%
- Final dividend 1.5cps taking total dividend to 3.5cps, a payout ratio of 64% and equivalent to prior year (6.3% fully franked dividend yield based on closing share price on 24/8/18)
- Decision to sell under-performing China JV due to increased competition / product commoditisation and input cost increases resulting in poor capital returns
- Order book remains strong post Coles contract
- Strategy on track despite short term manufacturing issues

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Maxi-CUBE®

LUSTY EMS®

HamelexWhite®

AZMEB®

PEHI®

MaxiPARTS®

# FINANCIAL OVERVIEW

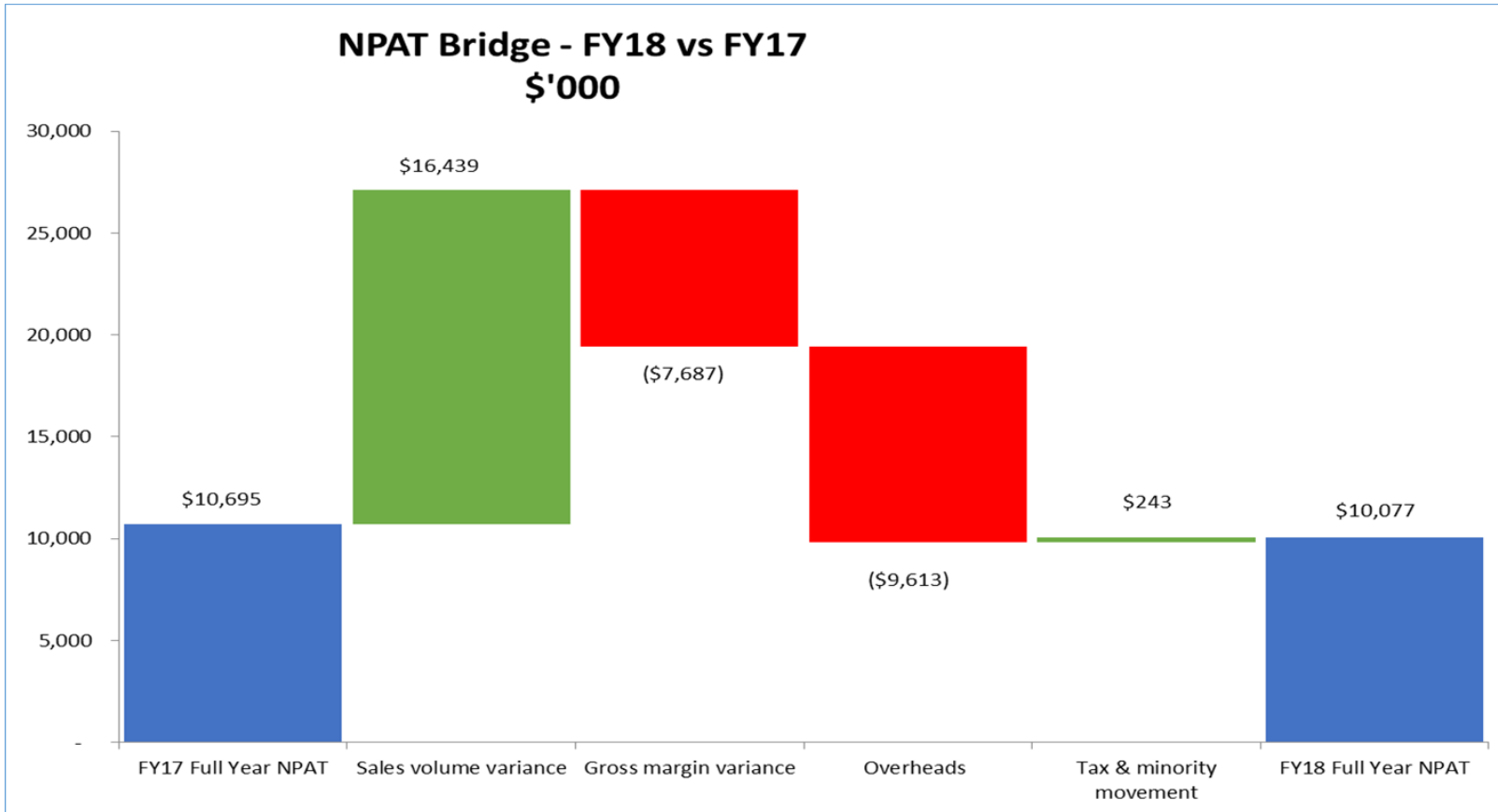


A\$M	FY17	FY18	% Change
Revenue	340.1	409.3	20.3
EBITDA	21.4	20.9	(2.3)
D&A	(4.6)	(4.8)	(4.3)
EBIT	16.8	16.1	(4.2)
Interest Expense	(2.3)	(2.5)	8.7
NPBT	14.5	13.7	(5.5)
Tax	(3.5)	(3.6)	(2.9)
Non-Controlling Interest	(0.3)	0.1	133.3
<b>NPAT (Underlying)</b>	<b>10.7</b>	<b>10.1</b>	<b>(5.6)</b>
Significant Items	-	-	
<b>Reported NPAT</b>	<b>10.7</b>	<b>10.1</b>	<b>(5.6)</b>
<b>ROIC (%)</b>	<b>6.6</b>	<b>6.3</b>	<b>(4.4)</b>
<b>Net Debt</b>	<b>41.6</b>	<b>41.0</b>	<b>(1.4)</b>

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# EARNINGS BRIDGE



- Benefit of volume growth offset by gross margin decline (Coles volume at lower margin and Q4 manufacturing issues) and increased overheads
- Overhead increase due to:
  - increased warranty costs (NZ),
  - selling costs associated with volume growth
  - depreciation on rental fleet and
  - increased corporate costs

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# CASHFLOW



A\$M	FY17	FY18	% Change
EBITDA	21.4	20.9	(2.3)
Change in Working Capital	(10.3)	4.5	143.7
Other	(6.7)	(5.6)	16.4
<b>Operating Cashflow</b>	<b>4.4</b>	<b>19.8</b>	<b>345.0</b>
Dividends Paid	(5.9)	(6.5)	(10.2)
Dividends Received	0.6	1.0	66.7
CAPEX	(8.2)	(14.5)	(76.8)
Purchase of minority interest	(0.5)	0.0	100.0
Other	0.1	(0.1)	(200.0)
<b>Free Cashflow *</b>	<b>(9.5)</b>	<b>(0.3)</b>	<b>96.8</b>

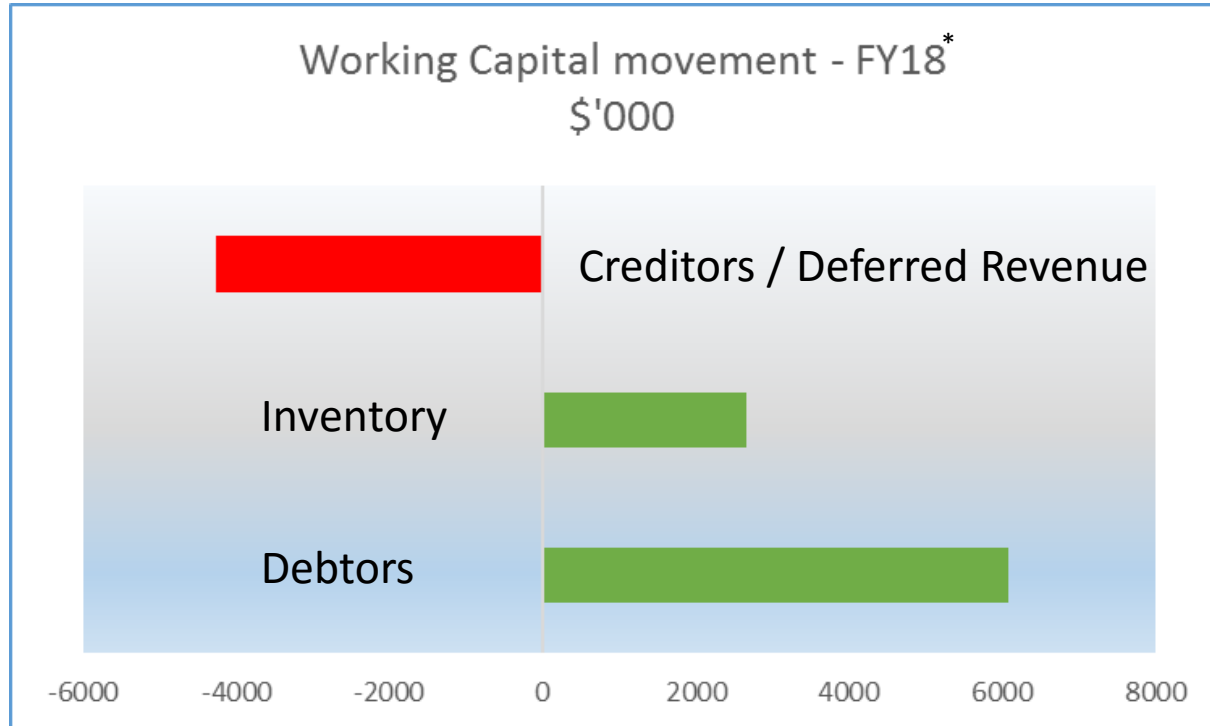
- Strong operating cashflow used to fund significant capex program and dividends
- High conversion rate of earnings to operating cashflow

\*Excludes borrowings

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# BALANCE SHEET – WORKING CAPITAL

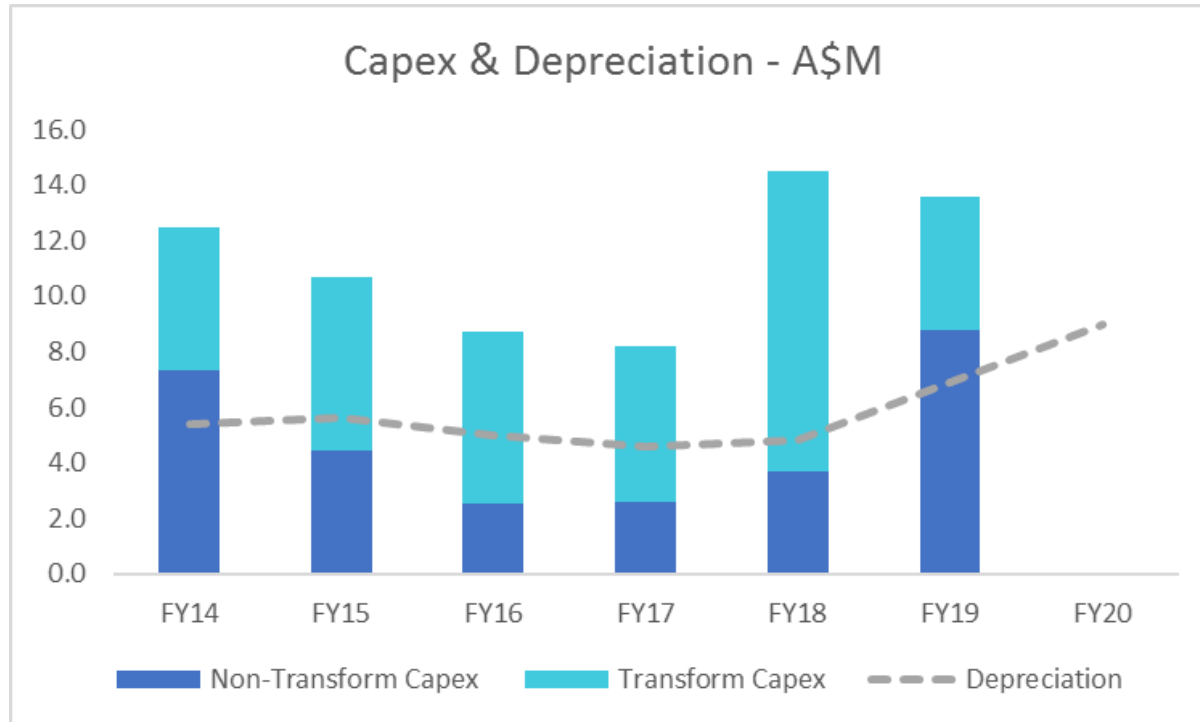


- Reduced inventory levels partially due to Coles working capital unwind but also improved supply chain integration between MaxiPARTS and the trailer operations (manufacturing and service/repairs)
- Improved debtor collections
- Reduction in trade creditors partially offset by higher customer deposits

\* Continuing Operations

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# CAPEX



- Significant investment in new IT systems (ERP and associated systems) over past 5 years due to wind down in FY19
- Manufacturing to go-live Q2 FY19 and rest of business H2 FY19
- Increased depreciation from FY19
- Operating benefits from combination of common systems and processes as well as continuous improvement activities to be obtained from FY19

Combination of reduction in capex and realisation of operating benefits to generate strong operating cashflows in future years

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# BUSINESS UNIT PERFORMANCE

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# SEGMENT EARNINGS – MaxiPARTS



A\$M	FY17	FY18	% Change
Revenue	91.1	102.0	11.9
NPBT	6.0	8.8	47.7
NPBT Margin %	6.5	8.6	31.9
ROIC %	9.2	10.2	10.2

ROIC: Return on Invested Capital (excludes unallocated corporate costs)



- Profit growth significantly ahead of revenue
- Scale benefits associated with:
  - Expanded product range at higher margins;
  - MaxiSTOCK customer inventory management system drives additional volume
  - Supply chain efficiencies from supplying parts to MaxiTRANS' manufacturing facilities and service workshops
  - Driving customer solutions through major fleets

Strategic focus to continue to expand product range into after-market truck and engine parts

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# SEGMENT EARNINGS – TRAILERS (AUSTRALIA & NZ)



A\$M	FY17	FY18	% Change
Revenue	230.9	291.0	26.0
NPBT	16.8	18.9	12.2
NPBT Margin %	7.3	6.5	(11.0)
ROIC %	16.1	21.0	30.0

ROIC: Return on Invested Capital (excludes unallocated corporate costs)



- Notwithstanding strong revenue growth in both Australia and New Zealand, profit significantly impacted by:
  - NZ warranty claims arising from on some trailers built between 2014 -15. Issues identified and rectified
  - Sudden shift in production mix at high production rates at Ballarat from Maxi-CUBE to Freighter products in Q4 FY18 resulted in significant labour inefficiency, rework and reduced volume resulting in lower gross profit. Efficiencies back towards normal levels
  - Gross profit impact from the above – circa \$4.5 million pre-tax

Strategic focus on operational excellence initiatives including ERP go-live and growth initiatives to drive future profit growth

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# AUSTRALIAN TRAILERS



- Market growth – New trailer registrations in 2017 17% higher than 2016
- Market share – MaxiTRANS continues long term trend of increasing its market leading position

## GENERAL FREIGHT



- Unit sales 27% higher than FY17
- Order book at June '18 89% higher than June '17
- Launch of base model range successful
- New product improvements successfully launched

## FOOD & GROCERY



- Coles order delivered on budget and ahead of schedule drove 85% increase in unit sales
- Order bank at June '18 at normal levels
- New model launched with additional features and benefits

## BULK TRANSPORT



- Unit sales 24% lower than historical highs of FY17
- Order bank at June '18 64% higher than June '17

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# NEW ZEALAND



- Unit sales increased 45% as long-awaited regulation changes took effect enabling customers to purchase new equipment with certainty
- Profit impacted by significant warranty costs associated with engineering design issues and trailer wall panel manufacturing process issues in prior years. Cause of issues known with rectification works under way.
- Refined engineering processes and good progress on continuous improvement initiatives to result in reduced manufacturing costs going forward



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# CAPITAL ALLOCATION



- **China**

- China business challenged in recent times from increased competition resulting in product commoditisation as well as increased input costs
- Strategic review undertaken to assess all opportunities and options
- Decision to sell on the basis that the business will not generate acceptable capital returns i.e. above weighted average cost of capital, sale announced 6<sup>th</sup> September, 2018. The impact of the sale on FY19 earnings is to be finalised after completion of the transaction.
- **Strategy of generating greater proportion of earnings from offshore by pursuing growth in new markets remains – actively reviewing offshore opportunities in China and SE Asia**

- **MaxiTRANS Footprint**

- Currently reviewing manufacturing footprint to ensure best balance of future growth needs, single site reliance on Ballarat and best use of capital

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# STRATEGY UPDATE – BUILDING ON SOLID FOUNDATIONS

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# STRATEGIC INITIATIVES DRIVING VALUE



**Our Strategy :** Partner with operators in the freight transport business to improve efficiency and effectiveness. Add value by reducing customers' operating risks.

**Our Values :** Send all our people home safely | A balanced focus on customers and results | Enable and empower people to achieve results | Be honest, forthright and ethical in our dealings | Encourage collaboration and deep seated accountability | Become better every day in all that we do

Organisational development & corporate image

ENABLERS

Operational excellence

GENERATORS

Growth in new markets

Growth in existing markets

## VALUE CREATION

### Industry Leader

- Trusted business partner
- Safety & efficiency
- Employer of choice

Earnings & cash flow growth

Improving return on capital

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**GOALS**

- An organisation empowered to grow in the MaxiTRANS way
- Build on industry leadership position focussing on safety & efficiency

Key  
Driver

**1** Embed the MaxiTRANS way

- Cross functional collaboration and accountability
- Whole of organisation change Management process
- Values & behaviours
- Trusted business partner for safety, efficiency, operating risk reduction
- Employer of choice

# VALUE GENERATOR: OPERATIONAL EXCELLENCE



Drive efficiency and margin improvement

1 Implement ERP system and continuous improvement initiatives

2 Implement common end to end business processes and quality management system

3 Optimise supply chain efficiencies and footprint

Go live FY19.

Benefits:

- Business analytics
- Inventory management
- Labour efficiency
- Production scheduling

Resulting in better delivery performance for the customer

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# VALUE GENERATOR: GROWTH IN EXISTING MARKETS



**GOAL** Revenue growth; improved asset utilisation

Key Drivers

- 1** Grow national market share in trailers
  - Expand Footprint
  - New products
- 2** Increase volume in parts business
  - Expand range to include after-market truck/engine parts and tyres
  - Technology enabled customer solutions
- 3** Grow share in service
  - Expand service dealer network/on-road service vans

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# VALUE GENERATOR: GROWTH IN NEW MARKETS



Establish longer term growth drivers and geographic diversification

Key  
Drivers

① Target opportunities in Fleet Management

② Value accretive growth in China

③ Evaluate other Asian growth markets

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# THE MAXITRANS INVESTMENT OPPORTUNITY



Revenue Growth

Attractive growth options in existing and new markets (Domestic & International)

Margin Improvement

Significant opportunity to improve operating performance

Value Creation

Growth in earnings and cash flow | Improving return on capital

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# OUTLOOK

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# FY19 OUTLOOK



- Key Australian markets continue to perform strongly
  - Signs of replacement cycle underway
  - Order Book continues to be strong
  - Significant opportunities remain
- Trailer manufacturing now back on track.
- Strong sales growth in NZ experienced in FY18 not expected to continue and should revert back to normalised levels
- Expect further growth momentum from Parts
- The new ERP system to go live in manufacturing in Q2 FY19. Remainder of business to go live 2H19. Benefits expected from late 2H19.
- ~\$40m CAPEX investment IT systems to modernise business operations coming to an end in FY19 – expect to see associated increase in depreciation and lower CAPEX (pre acquisitions).

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