

19 October 2018

2018 Annual General Meeting

Chairman's Address and Managing Director's Presentation

Attached is a copy of the Chairman's Address and the Managing Director's Presentation to be delivered at today's Annual General Meeting.

Alison Groves
Company Secretary

19 October 2018

2018 Annual General Meeting

Chairman's Address

Introduction

I would like to share with you a brief overview of the current position of our Company and our broad strategic direction. Following this, our Managing Director, Dean Jenkins, will discuss, in detail, the operational performance of the Company for the 2018 financial year.

It was a year of mixed fortunes. Our parts business, MaxiPARTS, had a very satisfactory year with profit growth ahead of solid revenue growth. On the other hand, whilst we experienced strong revenue growth in the Trailer business, the volume growth was impacted by a combination of manufacturing inefficiency as foreshadowed in our May trading update, higher NZ warranty costs and increased selling costs. Our profit was also impacted by the poor performance from our business in China as well as increased costs to improve our corporate compliance and strategy execution. Our Managing Director will go into our current year performance in more detail shortly.

Business confidence in Australia generally improved throughout FY2018. These improved general conditions in conjunction with interest rates at or around the bottom of the cycle contributed to an increase in equipment and plant and machinery capital expenditure, including demand for trailer products, that broadly saw demand outstrip supply.

Infrastructure spending around the country has remained strong and, along with an uplift in the resource sector, has driven demand for certain tipper product lines. However this demand has been somewhat offset by effects of the well-publicised drought conditions gripping much of the eastern seaboard.

Overall the increased market activity was reflected in the age of the Australian trailer fleet. Whilst the fleet is still ageing it is at a significantly slower rate, signifying the first sign of a reversal of that trend.

Our strategy

As the leading provider in our markets, our overall strategy is to partner with operators in the freight transport business to improve efficiency and effectiveness and to reduce operator risk.

Since we last met, we have completed the strategic review kicked off following Dean's appointment. The Board has mapped out the future under five Strategic Pathways. This strategy aims to double earnings over the plan period.

Operational Excellence is a key focus for us and an anticipated significant source of margin improvement.

We are introducing more standardised and repeatable processes in order to build the foundations for the future of our business.

This is being undertaken through a consistent MaxiTRANS production system, supported by the new ERP platform successfully installed in our manufacturing sites on 2 October and currently being deployed across the business.

This, along with a rigorous Health, Safety, Environment and Quality platform and a whole-of-business supply chain network, will significantly advance our manufacturing capability.

Our strategic pathway **Growth in Existing Markets** is making good progress as reflected in our top line growth of 20.3% this year, albeit a large proportion was a result of the Coles order delivered in the first half of FY 2018.

In our MaxiPARTS business, we continue to build a first class distribution business, through the successful growth of the product portfolio and by leveraging our national customer relationships.

In our Trailer business we will continue to increase market share while protecting margins through a systematic review of our National sales, service and parts footprint along with innovative product enhancements, and the flow on effects of our Operational Excellence strategy.

Growth in New Markets is a transformational pathway. We aim to have 25% of Group earnings not exposed to the Australian economy by 2022.

Our recent decision to sell our China panels business was driven by poor returns on invested capital and the commoditisation of the Chinese panels market rather than a desire to withdraw from this market.

To the contrary we have a key desire to move up the value chain in China, focus also on South East Asia markets, and better leverage and expand our footprint in New Zealand.

Organisation Development and **Corporate Image** are the two enabling pathways.

We will only be able to deliver on our vision for MaxiTRANS if we build an enabled, proud and empowered organisation. To this end we are embedding a consistent set of values through our entire team and creating a talent management and performance framework that aligns with the competencies of our people thus ensuring that we have an organisation capable to deliver on our strategies and plans. We are continuing to enhance our capability to execute on our plans and in that regard I welcome to our Executive Leadership Team Trevor Negus, Group General Manager Manufacturing. Trevor joined us in January after a long and distinguished career at Ford where his last role was as President and CEO of AAT, a Joint Venture between Ford Thailand and Mazda. I also welcome Josephine De Martino our new Chief Financial Officer, who joined us on the 8th of this month.

Capital Management

We are continuing to make good progress with our focus on improving Returns on Invested Capital, on capital structure and capital allocation.

The recent sale of our China business was all about better returns and we are confident that there are available opportunities for better uses for our capital in the future.

I am pleased to report total dividends for the year of 3.5 cents per share, the same as last year.

I am also pleased to report that after the first quarter trading review we are on track to our expectations, the order book remains very healthy and MaxiPARTS has continued in our expected growth trajectory.

As always it is appropriate to thank all of our more than 1,000 management and staff for their dedication and hard work. Through the MaxiSAFE programme, we aim to send them all home safely to their families every day.

I would also like to thank our customers, suppliers, and you our shareholders for your continued support.

[end]

2018 Annual General Meeting



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Chairman's Address



Purpose

To lead our industry to become safer and more efficient, so our customers can deliver the needs of a nation

Strategy

Partner with operators in the freight transport business to improve efficiency and effectiveness.
Add value by reducing customers' operating risk

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

**Operational
excellence**

**Organisation
development**

**Growth in
existing
markets**

**Growth in
new markets**

**Corporate
image**

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Managing Director's Address



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At MaxiTRANS, we are leading our industry to become safer and more efficient, so 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

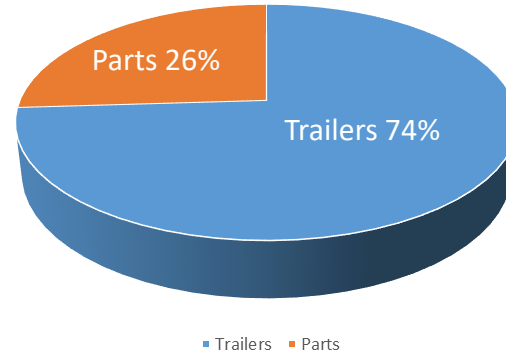
A national store footprint in the right locations

Unique technology enabled customer solutions

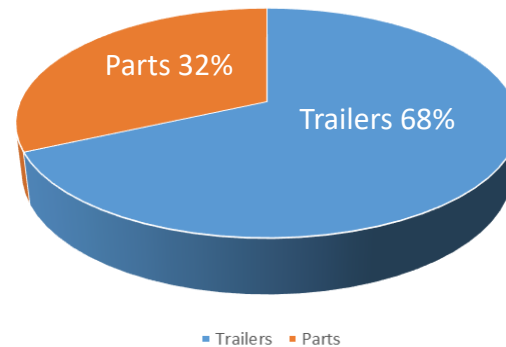
Scale benefits from being associated with the largest trailer manufacturer

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

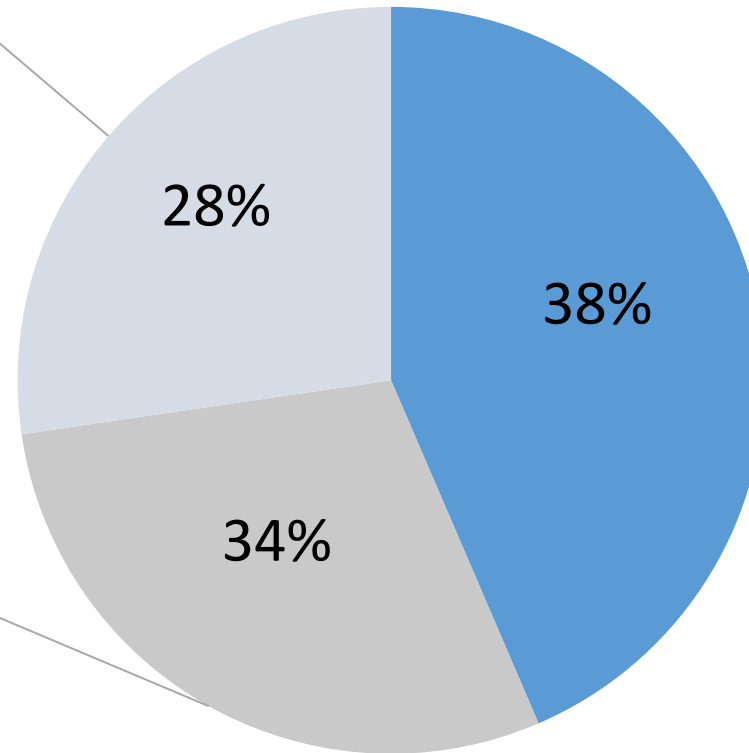
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TRAILERS: A DIVERSE PORTFOLIO OF BRANDS EXPOSED TO MULTIPLE SEGMENTS OF THE ECONOMY



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

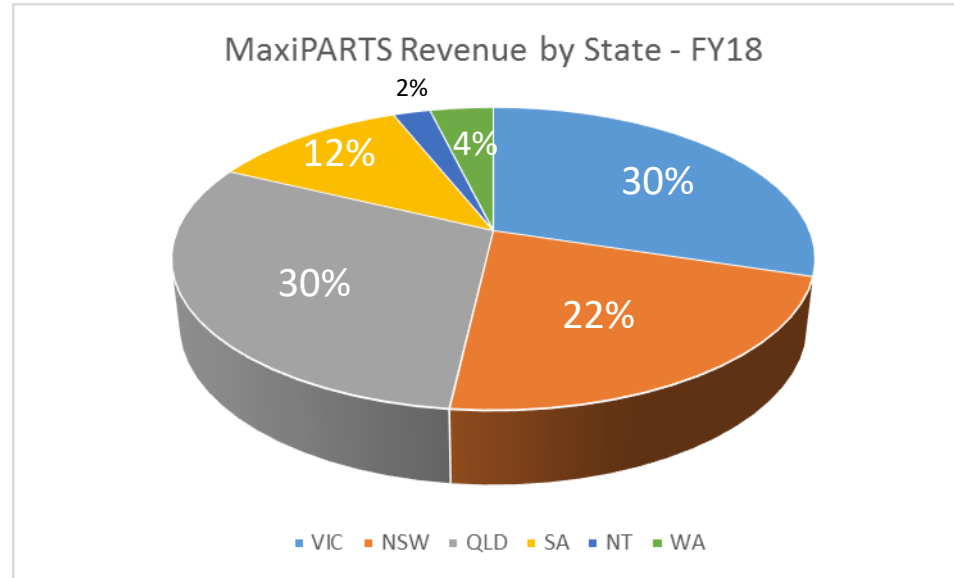
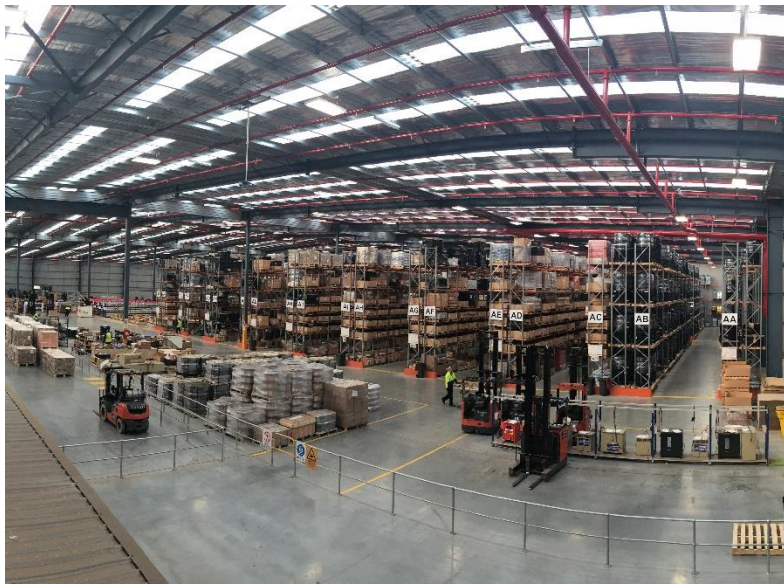


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MAXIPARTS: EXTENSIVE RANGE OF PARTS/CONSUMABLES AND EXPERTISE



- 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, poor China performance (-\$1.4m) and higher costs associated with the rental fleet, compliance costs and increased staffing
- 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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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
NPAT (Underlying)	10.7	10.1	(5.6)
Significant Items	-	-	
Reported NPAT	10.7	10.1	(5.6)
ROIC (%)	6.6	6.3	(4.4)
Net Debt	41.6	41.0	(1.4)

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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
Operating Cashflow	4.4	19.8	345.0
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)
Free Cashflow *	(9.5)	(0.3)	96.8

- 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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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 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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CAPITAL ALLOCATION



- **China**

- China business challenged in recent times from increased competition resulting in product commoditisation as well as increased input costs
- Sale to Zhejiang Huazheng New Material Co Ltd announced in September 2018 – remains on track with completion expected in the next 4-6 weeks
- 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 6th 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
- Good opportunities exist in the medium term to deploy any capital available post China sale / footprint review

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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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VALUE ENABLERS: ORGANISATIONAL DEVELOPMENT AND CORPORATE IMAGE



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

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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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TRANSform (New IT system)

- Significant milestone with the successful TRANSform go-live on 2 October throughout the Australian manufacturing plants
- As expected, some issues requiring focus but nothing which isn't normal for a systems deployment
- As part of the go-live, production during October & November was planned to reduce to ensure an orderly transition
- The new system for MaxiPARTS, Trailer Sales / Service and NZ is due to go-live progressively during first half of 2019

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

FY19 OUTLOOK



- Trailer manufacturing now back on track (three consecutive months of performance at Ballarat at long run efficiency levels)
- Strong sales growth in NZ experienced in FY18 not expected to continue and should revert back to normalised levels
- No adverse change in warranty assumptions since early 2018
- MaxiPARTS' growth continuing as expected
- The new ERP system now live in manufacturing in Q2 FY19. 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)
- Trailer order book still high and similar to 30 June 2018 although quote levels in all segments have reduced significantly over the last 4-6 weeks, albeit off a very high base
- We would expect TRANSform implementation and Coles contract delivery in FY18 to result in a H1/H2 split different to prior corresponding period

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Questions



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Financial Statements and Reports



To receive and consider the financial report, the directors' report and the auditors' report for the Company and its controlled entities for the year ended 30 June 2018.

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Adoption of the Remuneration Report



That the Company's Remuneration Report for the year ended 30 June 2018 be adopted.

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Adoption of the Remuneration Report

Valid proxies have been received in respect of this resolution as follows:

For	Against	Proxy's discretion	Abstain
51,449,468	6,855,302	3,631,296	1,115,704
83.07%	11.07%	5.86%	

Re-election of Mr James Curtis



That Mr James Curtis, who retires in accordance with the Company's Constitution and being eligible for election, is re-elected as a Director of the Company.

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Re-election of Mr James Curtis



Valid proxies have been received in respect of this resolution as follows:

For	Against	Proxy's discretion	Abstain
82,204,972	1,571,293	3,504,629	253,024
94.19%	1.8%	4.01%	

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Grant of Performance Rights to the Managing Director



For the purposes of Listing Rule 10.14, to approve the grant of performance rights to Mr Dean Jenkins, Managing Director and Chief Executive Officer, as described in the Explanatory Memorandum accompanying the Notice of Meeting.

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Grant of Performance Rights to the Managing Director



Valid proxies have been received in respect of this resolution as follows:

For	Against	Proxy's discretion	Abstain
75,001,917	8,377,235	3,747,913	406,853
86.09%	9.61%	4.3%	

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Poll



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Board of Directors and Management



Rob Wylie
James Curtis
Samantha Hogg
Joseph Rizzo
Dean Jenkins

Chairman, Non-Executive Director
Deputy Chairman, Non-Executive Director
Non-Executive Director
Non-Executive Director
Managing Director & CEO

Josephine De Martino
Justin O'Brien
Angelique Zammit
Peter Loimaranta

Chief Financial Officer
General Manager MaxiPARTS
Group Human Resources Manager
Group GM International

Trevor Negus
Scott Harkin
Andrew McKenzie
Alison Groves

Group GM Manufacturing
Group Supply Manager
Group GM Sales & Marketing
Company Secretary

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