MaxiTRANS Industries Limited – H1 FY19 Investor Presentation

LEADING THE WAY

H1 FY19 HIGHLIGHTS

Total Injury Frequency Rate (TIFR)

From FY18 to current rolling 12 month TIFR

↓ **40.48%**

Women in senior management roles

24%

2018 Employee Engagement Score

↑ **9%** FROM 2017

Programs & Systems Launched

- Launched leadership development programs for all frontline Managers, as well as Executive and Senior Management Teams
- Manufacturing ERP system went live 2nd October 2018
- Launched employee recognition program (recognising employees living the MaxiTRANS values) with +190 nominations to date

H1 FY19 revenue

$191m

↑ **9.1%** PCP excl. Coles

Capital Reallocation

Sale of MTC and acquisition of Trout River Australia

(Australasian Machinery Sales Pty Ltd)

MaxiPARTS NPS

(Net Promoter Score)

Q2 FY19 **+54**

H1 FY19 **+56**

Significant upward trend on final results 2016 **+39** and 2017 **+45**

MaxiPARTS revenue

↑ **15%** ON PCP

Manufacturing efficiency

↑ **3.3%** ON PCP

End of Line Performance

(ready to ship same day of build)

↑ **250%** IN LAST 12 MONTHS

LEADING THE WAY

H1 FY19 RESULTS

- **External sales** of **$190.68m**, down 11% on PCP.
- **Underlying net profit after tax** (NPAT) of **$3.66m**.
- **Underlying EBITDA** of **$8.47m**.
- **Capital reallocation**
  - Sale of **MTC** – underperforming venture due to increased competition, product commoditization, and input cost increases
  - Purchase of **Trout River Australia** – leading manufacturer of live bottom trailers in Australia

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**

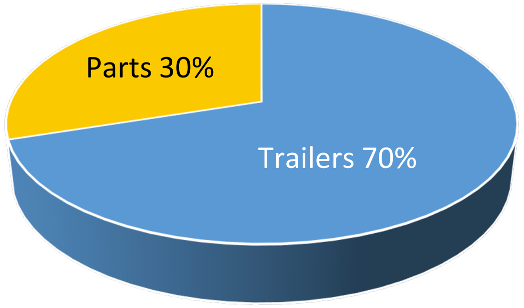
- One of the largest suppliers of truck and trailer parts to the road transport industry in Australia through the MaxiPARTS wholesale and retail network
- Australia’s largest supplier of locally manufactured, high quality engineered road transport trailer solutions including trailer repairs, service and rental
- A major player in the New Zealand road transport trailer industry

TWO COMPLEMENTARY AND WELL POSITIONED BUSINESSES

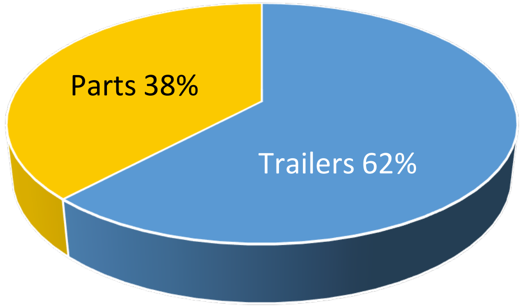
MaxiPARTS Differentiators

- 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

HY19 Segment Revenue Contribution*



HY19 Segment Profit Contribution**



Trailers Differentiators

- Strong brand heritage and reputation
- Broadest range of products, national distribution and service capability
- Innovation driving leadership in product safety and quality
- Multiple manufacturing sites across two Australian states and NZ

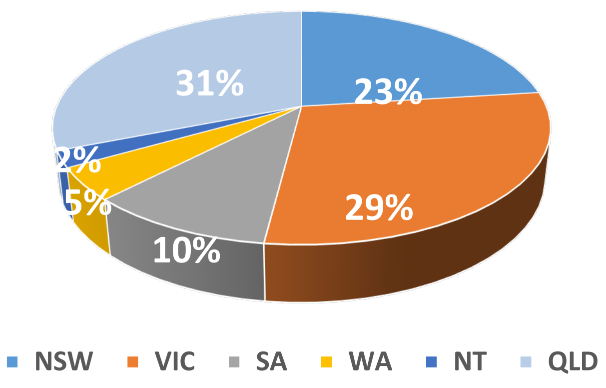
* % of Continuing Operations
** % of Continuing Operations and excludes unallocated corporate expenses

MAXIPARTS

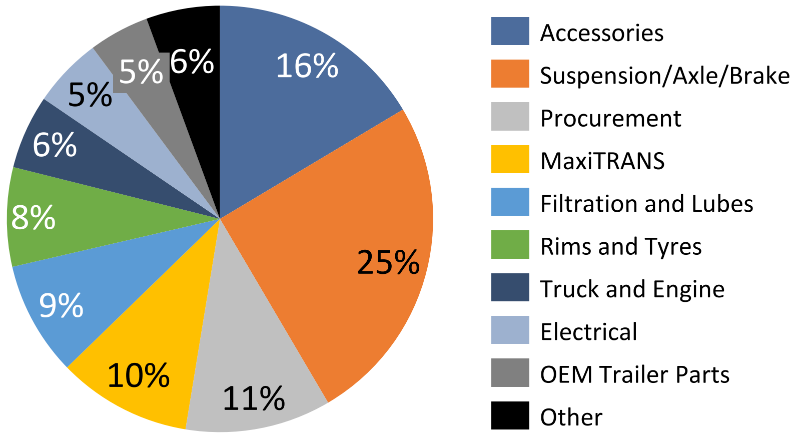
EXTENSIVE RANGE OF PARTS/CONSUMABLES AND EXPERTISE

- 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 has included higher-margin, value added products

H1 FY19 Revenue by State



H1 FY19 Revenue by Product



LEADING THE WAY

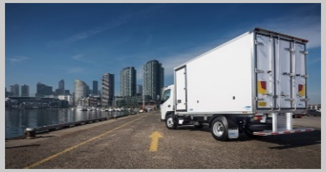
TRAILERS

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



Bulk Transport

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

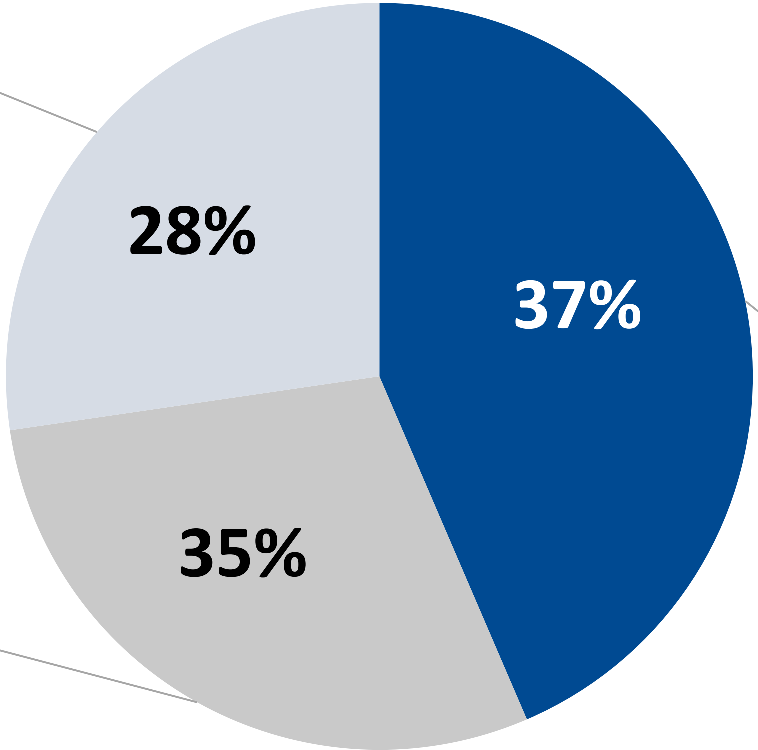



Food & Grocery

- Population Growth
- Consumer Spending

PRODUCT REVENUE CONTRIBUTION FROM NEW TRAILER SALES

(3 YEAR AVE)



General Freight

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

FINANCIAL OVERVIEW

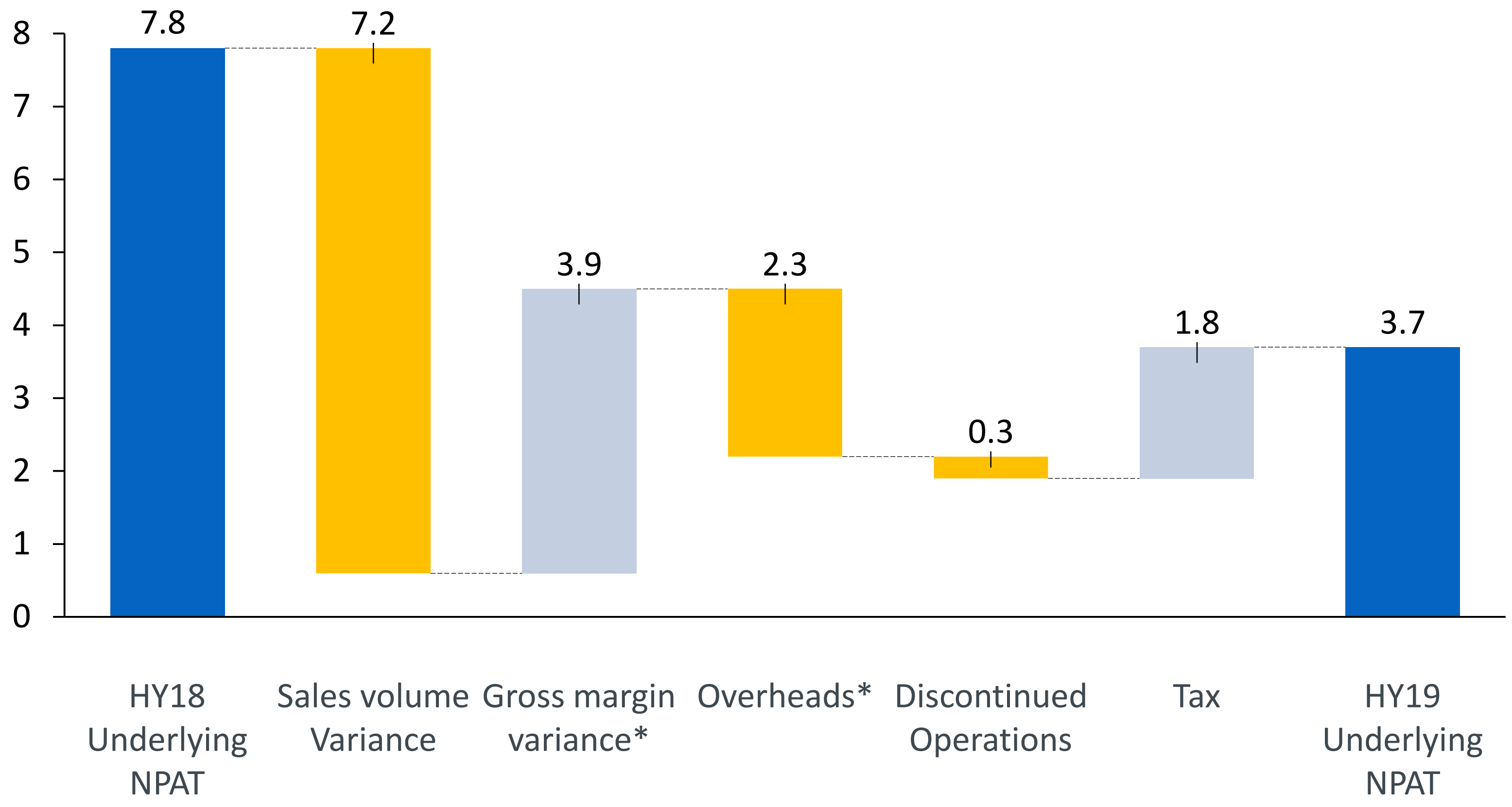
A$M	1H18	1H19	% Change
External Revenue*	**214.1**	**190.7**	**(11.0)**
EBITDA	**13.5**	**5.6**	**(58.5)**
Depreciation & Amortisation	(2.2)	(2.5)	13.6
EBIT	**11.3**	**3.1**	**(72.6)**
Interest Expense	(1.1)	(1.3)	18.2
NPBT	**10.2**	**1.8**	**(82.4)**
Tax	(2.7)	(0.7)	(74.1)
Non-Controlling Interest	(0.1)	-	N/A
NPAT (Underlying)	**7.5**	**3.7**	**(50.7)**
Significant Items (after tax)	-	(2.6)	N/A
Reported NPAT^	**7.8**	**1.1**	**(85.9)**
Net Debt	**41.0**	**52.2**	**27.3**

*Based on total operations; external revenue of $185.2m in H1 FY19 from continuing operations.
^Reported NPAT includes $0.3m from MTC in HY18

- Results
  - Australian Trailers revenue of $121.9m, down by 16.5% from first half FY18.
  - Revenue growth in the first half of FY2018 was principally driven from the Coles contract. Adjusting for the Coles contract, the Australian Trailer Solutions revenue saw an increase of 13.8% on PCP.
  - New Zealand Trailers revenue fell by $2.0m, with EBITDA increasing 66.6% on PCP.
  - MaxiPARTS experienced revenue growth of 15.3% to $55.1m ($47.8m in PCP).
  - While H1 FY19 does not compare favourably to H1 FY18, it does show improvement on H2 FY18 (see slide 10)

- Pre-tax amounts for significant items:
  - Loss on sale of MTC of $1.60m
  - Enterprise resource planning (ERP) system implementation OPEX of $1.03m
  - Transaction costs associated with the Trout River Australia acquisition and assessing other strategic opportunities, as well as disposal costs for the sale and leaseback of Richlands, of $0.24m

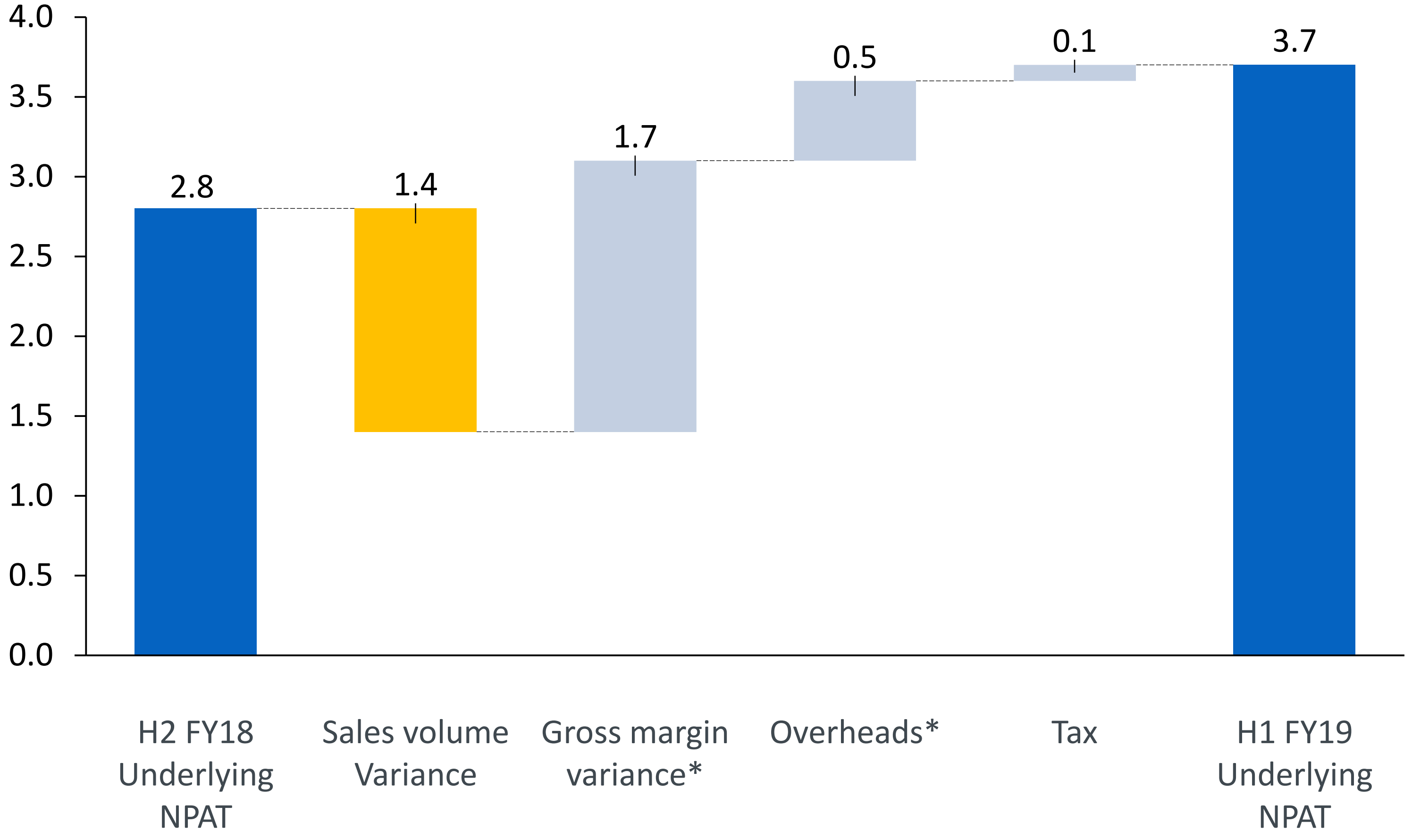
EARNINGS BRIDGE



- Decline in sales volume partially offset by gross margin improvements, with a net gross profit decrease on H1 FY18 of $1.5m
- Overhead increase due to higher depreciation and amortisation costs, as well as IT licence fees from October 2018 after ERP go-live
- Otherwise, overheads increased at a lower rate than inflation

*Includes impact of international contract on a net basis

FY18 H2 AND FY19 H1 PERFORMANCE COMPARISON



- Lower sales with gross margin improvements on H2 FY18
- Lower warranty costs in FY19 compared to abnormal warranty costs in New Zealand in FY18

*Includes impact of international contract on a net basis

CASHFLOW

A$M	1H18	1H19	% Change
EBITDA	13.5	5.6	(58.5)
Change in Working Capital	(4.8)	(2.4)	50.0
Other	(1.8)	(2.9)	(61.1)
Operating Cashflow	**6.9**	**0.3**	**(95.7)**
Dividends Paid	(2.8)	(2.8)	-
Dividends Received	0.6	0.6	-
CAPEX	(6.1)	(9.2)	(50.8)
Other	0.1	-	N/A
Free Cashflow	**(1.4)**	**(11.1)**	**(>100)**

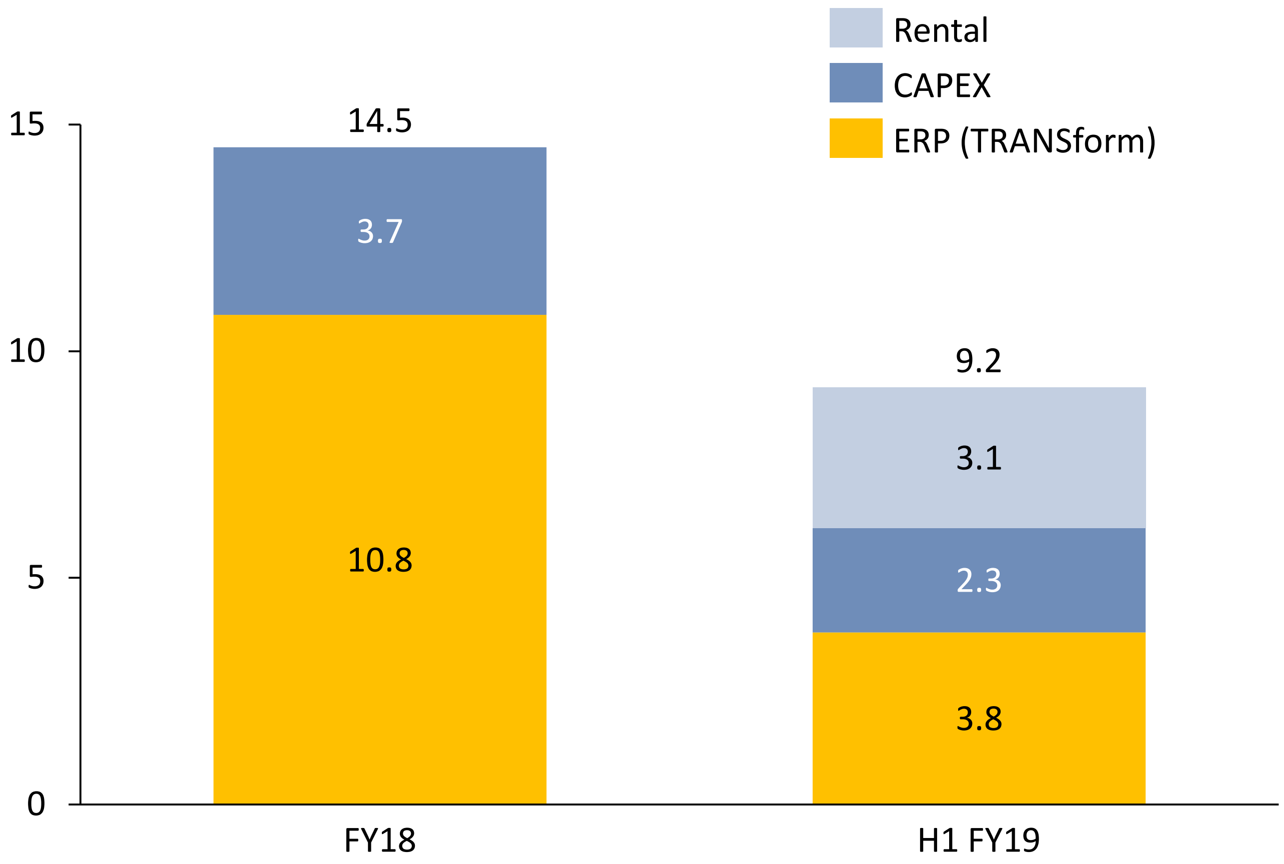
- Significant CAPEX in H1 on ERP system – to slow in H2 FY19
- Operating cash outflow due to higher inventories held on hand in MaxiPARTS
- Sale of MTC funded purchase of Trout River Australia

BALANCE SHEET

A$M	Dec 2017	June 2018	Dec 2018
Receivables	40.2	39.1	36.7
Inventories	65.0	57.7	62.7
Total Current Assets	**118.1**	**130.1**	**126.3**
PP&E	93.0	93.7	55.8
Intangible Assets	37.3	34.3	70.7
Total Non-Current Assets	**136.4**	**134.1**	**138.2**
Payables	49.3	47.3	47.5
Interest Bearing Loans	4.3	0.1	61.2
Total Current Liabilities	**69.8**	**74.8**	**125.1**
Total Non-Current Liabilities	**49.4**	**53.6**	**5.2**
Net Assets	**135.3**	**135.8**	**134.3**

- Increase in inventories held in H1 FY19, set to unwind in H2.
- Increase in intangible assets due to reclassification of ERP system from PP&E to intangible assets, as well as additional CAPEX in FY19.
- Loan reclassification ($60m) to current liabilities in H1 FY19, bank waiver received after 31st December 2018 and expected to reclassify to non-current at the next reporting date.

CAPEX



- Significant investment in new IT systems (ERP and associated systems) over past 5 years due to wind down in H2 FY19
- ERP go-live in Manufacturing (Q2 FY19) and rest of business to follow in FY20
- Increased depreciation from FY19 due to ERP go-live
- 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

BUSINESS UNIT PERFORMANCE

SEGMENT EARNINGS – MaxiPARTS

A$M	1H18*	1H19	% Change
Total Revenue	60.8	69.0	13.5
External Revenue	47.8	55.1	15.3
EBITDA^	4.5	5.1	13.3
EBITDA Margin %	9.4	9.3	

^Includes allocated corporate costs

*MTC excluded from prior period comparatives

MaxiPARTS continues to become a larger share of the MaxiTRANS business.

- As a high quality distribution asset, MaxiPARTS now represents 38% of total segment profit contribution, up from 27% at the end of FY18.
- Revenue improvements were largely a result of continued success selling an integrated MaxiTRANS solution to fleet customers and new product introduction through the retail network.
- Gross margin improved slightly with new product (truck/engine lines), but offset by higher corporate allocation as MaxiPARTS becomes a larger portion of the business.

SEGMENT EARNINGS – TRAILERS (AUSTRALIA & NZ)

A$M	1H18	1H19	% Change
Total Revenue	161.9	130.6	(19.3)
External Revenue	156.3	130.2	(16.7)
EBITDA^	12.9	7.1	(45.0)
EBITDA Margin %	8.3	5.5	

^Includes allocated corporate costs

- Revenue growth in H1 FY18 was principally driven from the Coles contract.
- Adjusting for the Coles contract, the Australian trailer solutions revenue H1 FY19 of $121.0m increased 15% on PCP.
- Unadjusted H1 FY19 EBITDA is down 28.6% on PCP; however, if the Coles impact is excluded, EBITDA is up 10.4% on PCP.
- The new ERP system went live in all MaxiTRANS Australian manufacturing sites in October 2018.
- Labour efficiency remained well controlled during the half, improving slightly on PCP.
- Rental fleet achieving an annualised post tax ROIC of 12-13%. Fleet utilisation was 72% with a net $2.7m invested in H1 FY19.

NEW ZEALAND

- New Zealand revenue was down 19.4% whilst EBITDA grew by 66.6% on PCP.
- Regulation changes late FY17 drove revenue spike in FY18
    - Revenue now normalised.
- No adverse change in warranty assumptions since FY18
- 5% improvement in efficiency levels and on track to exceed this for full year improvement.

AUSTRALIAN TRAILERS

- Market growth – New trailer registrations in 2018 3% higher than 2017, though slower in second half of 2018

- Market share – MaxiTRANS lost some market share (≈ 1%) in 2018 due to:
  - Coles impact in H1 FY18
  - Loss of volume from H2 FY18 manufacturing challenges
  - Rapid decline in the agricultural market

- Long run market share still stable

- Jan ’19 order book reflects strong 2018 intake (Jan-Sep), and slower Q4 production due to ERP go-live

GENERAL FREIGHT

- Unit sales 33% higher than H1 FY18
- Order book at Jan ’19 18% higher than Jan ‘18
- Base model range launched H2 FY18, now approximately 25% of volume

FOOD & GROCERY

- Unit sales down 57% on PCP, excluding Coles contract unit sales up 5%
- Order book at Jan ‘19 remains at normal levels

BULK TRANSPORT

- Unit sales 26% lower than historical highs of FY18 due predominantly to East Coast drought
- Order book at Jan ‘19 21% higher than Jan ’18
- Unusual mix of low margin rigid tubs as truck manufacturers prepare for anticipated construction contracts

CAPITAL ALLOCATION

China

- MTC sale finalised in November 2018. Sale resulted in a loss of $1.6m (inclusive of costs).
- The funds released by this transaction subsequently allowed the Group to fund the acquisition of 80% of Trout River Australia

Trout River Australia

- Acquisition to be completed in two tranches: 80% for $5.9m in cash (completed in December'19 subject to customary completion adjustments) and 20% by 30 June 2021 under an earn-out arrangement.

Richlands (asset held for sale at half-year)

- The Board decided to release capital from the sale and leaseback of Richlands, and the Group has now executed a contract for the sale and leaseback. The facility will be relocated following the development of a new purpose-built, more efficient, leased facility over the next 12-18 months.

MaxiTRANS Footprint

- Continue to review manufacturing footprint to balance future growth needs, address single site reliance on Ballarat, and enable best use of capital.

TROUT RIVER AUSTRALIA

- Leading manufacturer and supplier of live bottom trailers in Australia.
- $10m annual sales and $2m EBITDA in FY18. Returns in FY19 expected to exceed MaxiTRANS' weighted average cost of capital in first year of ownership.
- Acquisition is a key step in MaxiTRANS' Growth in Existing Markets strategic initiative.
- The addition of live bottom trailers into MaxiTRANS' comprehensive portfolio will add products with strong application in the infrastructure construction sector.
- Leveraging MaxiTRANS' national dealer network will drive increased sales of Trout River Australia live bottom trailers.
- Improved production capacity and efficiency of the existing Trout River Australia business by leveraging MaxiTRANS' facilities, procurement systems and engineering and manufacturing expertise.
- Improved after-sales customer service for Trout River Australia customers through the MaxiTRANS' national parts network, MaxiPARTS, as well as MaxiTRANS' national network of repair and service facilities.
- Integration progressing to plan.

STRATEGY UPDATE – BUILDING ON SOLID FOUNDATIONS

STRATEGIC INITIATIVES DRIVING VALUE

MaxiTRANS®

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

Growth in new markets

Growth in existing markets

GENERATORS

VALUE CREATION

Industry Leader

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

Earnings & cash flow growth

Improving return on capital

VALUE ENABLERS:
ORGANISATIONAL DEVELOPMENT AND CORPORATE IMAGE

GOAL

- 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

- ✓ Launched tailored training programs designed to build leadership capability, founded on our core values and competencies
- ✓ Launched employee recognition program
- ✓ Send all our people home safely. 40.48% reduction in our Total Injury Frequency Rate (TIFR) from FY18 to the current rolling 12 month TIFR
- ✓ 9% increase in employee engagement from 2017
- ✓ Increased collaboration through quarterly Executive and Senior Leadership workshops
- ✓ Monthly site collaboration events

VALUE GENERATOR: OPERATIONAL EXCELLENCE

MaxiTRANS

GOAL Drive efficiency and margin improvement

1. Implement ERP system and continuous improvement initiatives
   - ✓ ERP system went live in all MaxiTRANS Australian manufacturing sites in October 2018
2. Implement common end to end business processes and quality management system
   - ✓ Realised warranty expense per trailer -20% YoY, final inspection results 10% better Q2 FY19 versus FY18
3. Optimise supply chain efficiencies and footprint
   - ✓ New warehouse in Ballarat optimises material flow
   - ✓ Material savings driving gross margin improvement

VALUE GENERATOR: GROWTH IN EXISTING MARKETS

MaxiTRANS

GOAL Revenue growth; improved asset utilisation

Key Drivers

1. Grow national market share in trailers
   - ✓ Expand footprint: Trout River
   - ✓ New products: Base model now approximately 25% of General Freight sales
2. Increase volume in parts business
   - ✓ Product additions outstripping internal plans
   - ✓ Integrated MaxiTRANS/large fleet relationships driving volume increase
3. Grow share in service
   - ✓ 3 new 24 hour breakdown vans launched successfully.
   - ✓ EBIT $300k up against PCP on same revenue

VALUE GENERATOR: GROWTH IN NEW MARKETS

MaxiTRANS

GOAL Establish longer term growth drivers and geographic diversification

Key Drivers

1. Target opportunities in Fleet Management
   - ✓ Rental fleet meeting internal targets
2. Value accretive growth in China
   - ✓ Decision to exit MTC based on ROIC analysis past and future
   - ✓ Slow burn on JV discussions which continue with potential partners
3. Evaluate other Asian growth markets
   - ✓ Evaluating Thailand as a supply source for SE Asia
   - ✓ General discussions underway

OUTLOOK

H2 FY19 OUTLOOK

- General economic conditions have become more challenging over recent months:
  - Drought conditions have substantially impacted capital purchasing in the agricultural market.
  - Expenditure on the east coast infrastructure projects has been at a slower rate than anticipated which, overlaid with the recent drops in housing starts, is expected to reduce demand for MaxiTRANS construction-focused products.
  - Smaller customers remain cautious although larger fleet quotation levels have remained marginally above long run levels.
  - Political uncertainty at a Federal level is also negatively impacting the buying decisions of some customer segments, in particularly smaller fleets and owner/drivers.
- These general conditions have contributed to a slowing of new trailer registration growth over the second half of calendar 2018, which looks set to continue in calendar 2019.
- Recent quotation and order intake levels remain subdued and the normal post-Christmas recovery is slower than prior periods. Q4 production is currently underpinned by the imminent timing of a number of larger fleet opportunities rather than normal quotation levels. The timing of those orders is a risk to full year performance and MaxiTRANS is currently implementing strategies to manage this risk if required.

H2 FY19 OUTLOOK (continued)

- However, the Australian trailer business is expected to benefit from the recovery of production deferred from Q2 and the retention of some margin accretion associated with price rises initiated in July 2018.
- The initial gains from the ERP system deployment are still expected to be realised towards the end of FY2019.
- New Zealand will continue improving profitability levels as the traditional Q3 order cycle of key customers supports Q4 volumes.
- Expectations for solid full year growth in the MaxiPARTS business remain unchanged. The growth rate in the second half is expected to dampen - due to a stronger H2 prior year comparator and continued softness in the base market - but will remain positive.

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

IMPORTANT INFORMATION

This document should be read in conjunction with the periodic and continuous disclosure announcements of MaxiTRANS Industries Limited (MaxiTRANS) that have been lodged with the ASX, in particular the financial report for the half-year ended 31 December 2018 (available at www.asx.com.au).

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