



MaxiTRANS Industries Limited

FY19 Investor Presentation



FY19 HIGHLIGHTS



Total Injury Frequency Rate (TIFR)

From FY18 to current rolling 12 month TIFR

↓ 48%



Women in senior management roles

24.4%



2018 Employee Engagement Score

↑ 9%



Programs & systems launched

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

FY19 Revenue

\$352m



MaxiPARTS Revenue

4.9% ↑
on PCP



Manufacturing efficiency

7% ↑
in last 12 months



Capital Reallocation

Sale of MTC and acquisition of Trout River Australia.
Sale & Leaseback of Richlands and NZ properties.



Our People & Community

Our Business

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



FY19 RESULTS



- External sales of \$352.5m, down 13.9% on PCP.
- Underlying net profit after tax (NPAT) of \$4.8m.
- Underlying EBITDA of \$14.2m.
- 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
 - Completed sale and leaseback of Richlands manufacturing facility and Auckland manufacturing and service facility



FINANCIAL OVERVIEW



A\$M	FY18	FY19	% Change
External Revenue*	409.3	352.5	-13.9%
EBITDA	20.9	14.2	-32.4%
Depreciation & Amortisation	(4.8)	(5.5)	15.3%
EBIT	16.1	8.6	-46.5%
Interest Expense	(2.5)	(2.6)	5.7%
NPBT	13.6	6.0	-56.1%
Tax	(3.6)	(1.2)	-67.5%
Non-Controlling Interest	0.1	0.0	-100.0%
NPAT (Underlying)	10.1	4.8	-52.5%
Significant Items (after tax)	0.0	(22.5)	N/A
Reported NPAT	10.1	(17.7)	-274.7%
Net Debt	41.0	31.7	-22.6%

*Based on total operations; including discontinued operations.

- Results
 - Weak economic conditions throughout the Australian economy had an adverse impact on both MaxiTRANS business segments.
 - MaxiPARTS increased revenue and underlying EBITDA over PCP by 4.9% and 15.8% respectively
 - Trailer Solutions experienced revenue decline of 19.4% on the PCP
 - The New Zealand business improved profitability as a result of increased service revenues, better warranty performance and manufacturing efficiency
 - Trout River Australia, which was acquired in December 2018, is now successfully integrated into the MaxiTRANS business and has met all internal business expectations.
- Significant items:
 - Includes: Impairment of TRANSform Software Intangible asset; Loss on sale of disposal of business (MTC); ERP system implementation OPEX; Transaction costs associated with the Trout River Australia acquisition, disposal costs for the sale and leaseback of Richlands and Auckland properties and Redundancy / Restructuring costs

TWO COMPLEMENTARY AND WELL POSITIONED BUSINESSES



MaxiPARTS Differentiators

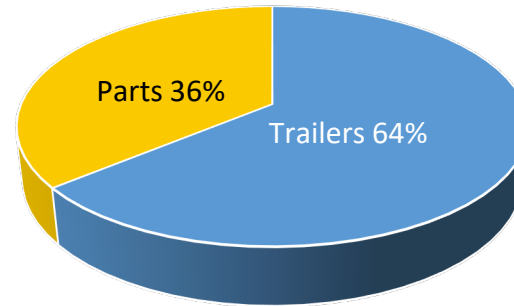
A national store footprint in the right locations

Unique technology enabled customer solutions

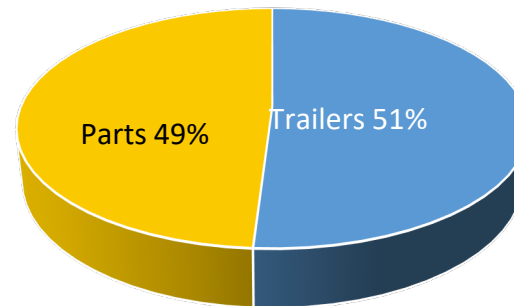
Scale benefits from being associated with the largest trailer manufacturer

Breadth of range and product expertise

FY19 Segment Revenue Contribution*



FY19 Segment EBITDA 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

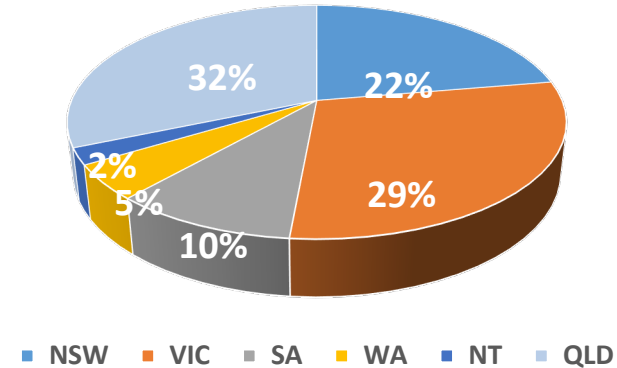
MAXIPARTS

EXTENSIVE RANGE OF PARTS/CONSUMABLES AND EXPERTISE

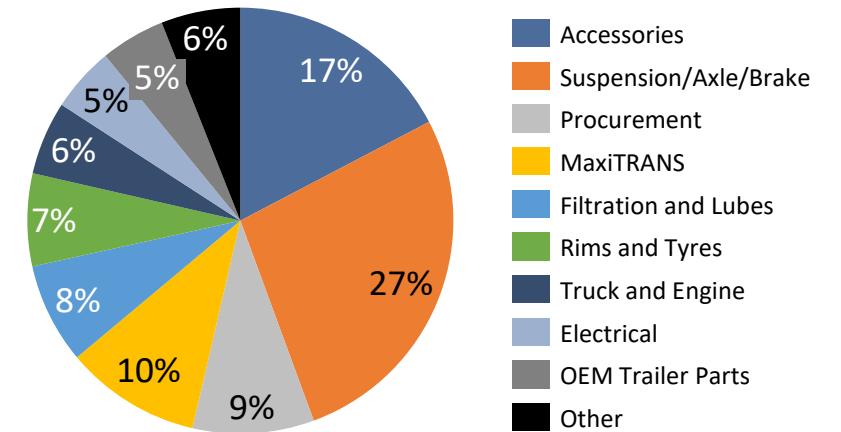
- 20 locations nationally
- Portfolio includes trailer parts, after-market truck and engine parts / consumables
- In excess of 180,000 products in the portfolio, including many leading brands, as well as specialty products procured to meet customers' specific needs
- Rejuvenation of portfolio has included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



FY19 Revenue by State



FY19 Revenue by Product

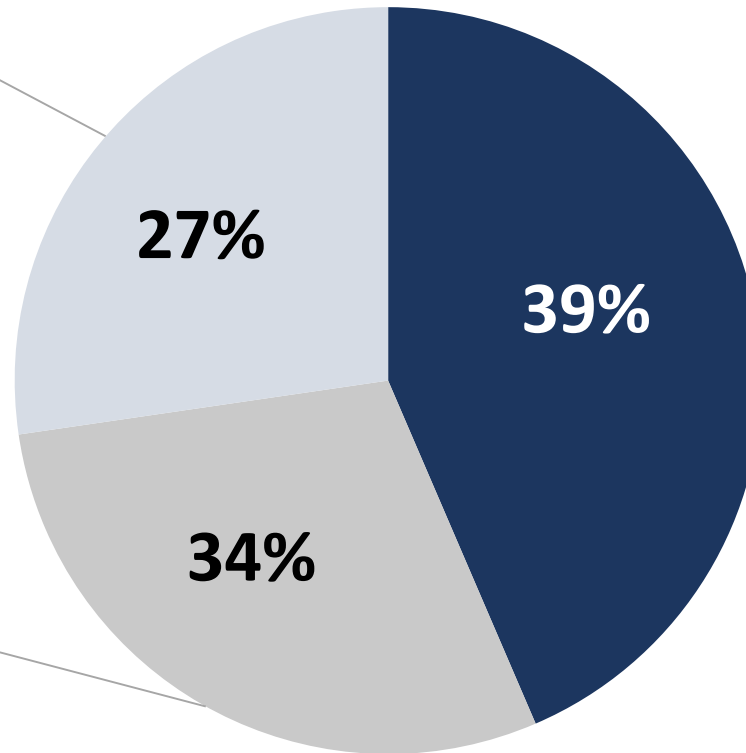


TRAILERS

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



Food & Grocery

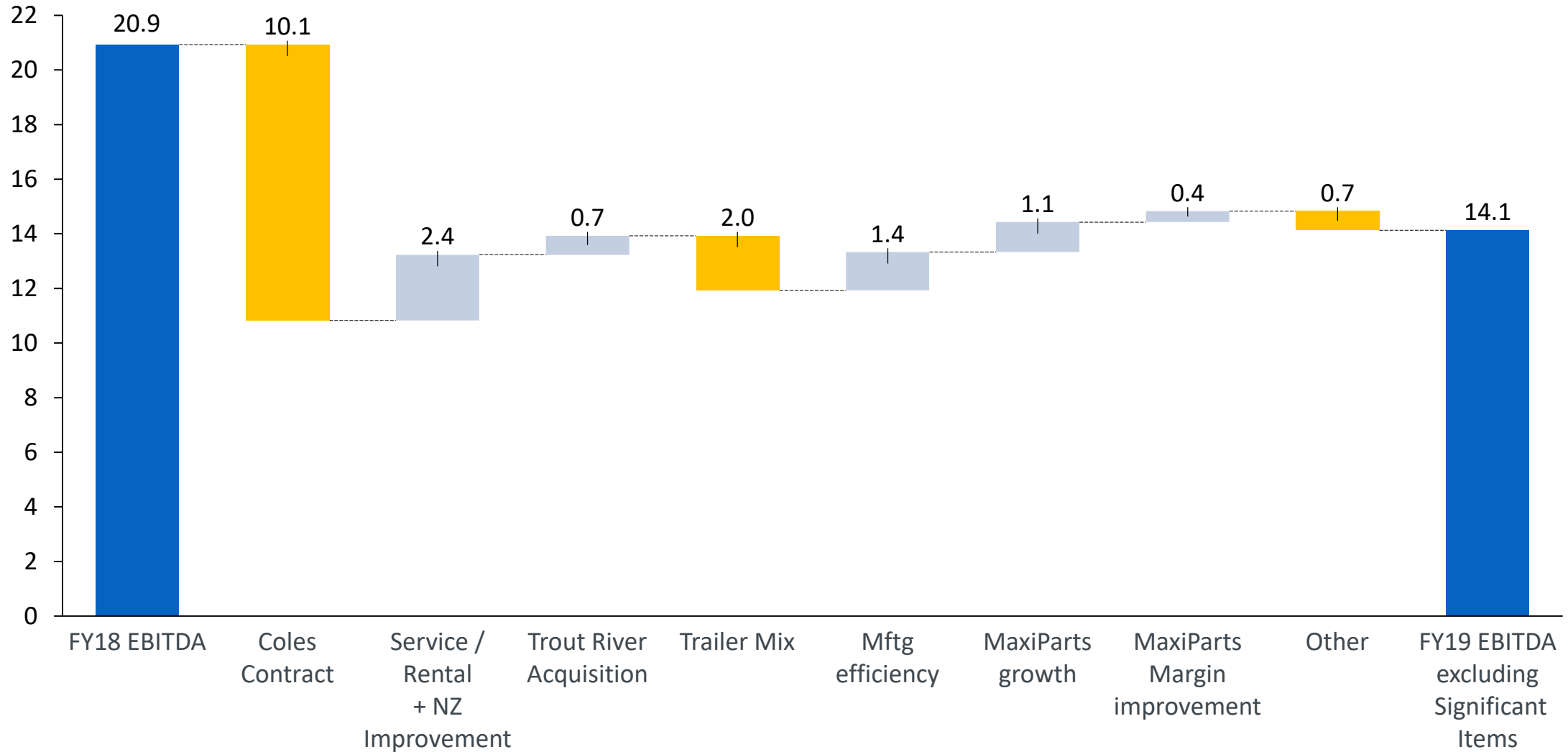
- Population Growth
- Consumer Spending



General Freight

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

EARNINGS BRIDGE

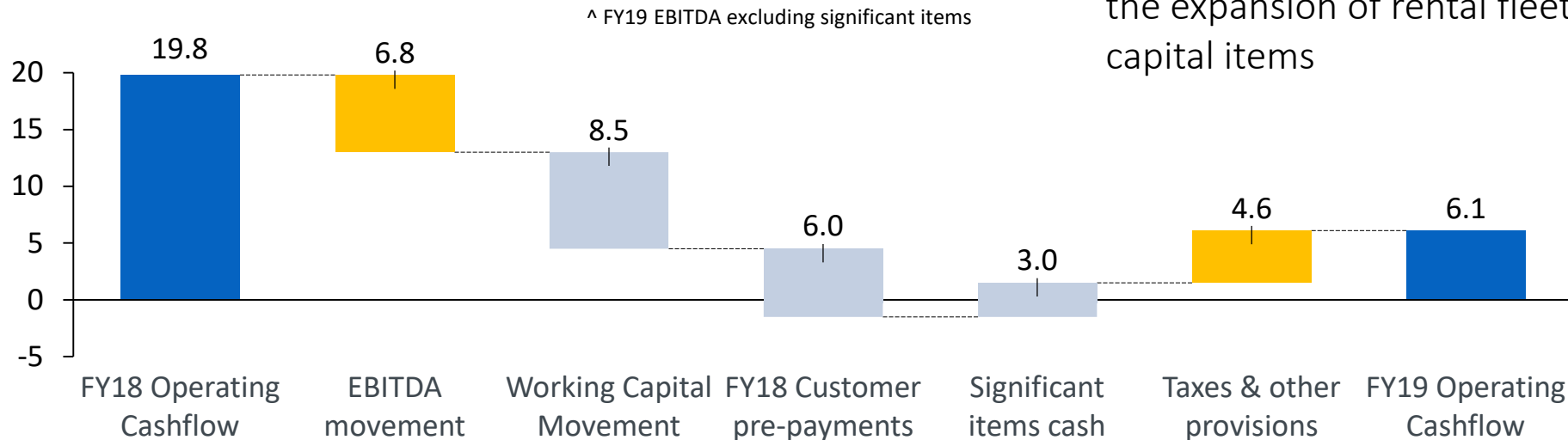


CASHFLOW



A\$M	FY18	FY19
EBITDA ^	20.9	14.2
Change in Working Capital	5.4	(9.1)
Other	(6.6)	(11.1)
Operating Cashflow	19.8	(6.1)
Dividends Paid	(6.5)	(2.8)
Dividends Received	1.0	1.4
CAPEX	(14.5)	(13.7)
Other	(0.1)	0.0
Free Cashflow	(0.3)	(21.2)

- Operating cash outflow due to higher debtors with a higher mix of fleet customers and a decrease in deferred revenue (i.e. customer deposits received in advance)
- Sale of MTC funded purchase of Trout River Australia
- Capital allocation review resulted in the sale and leaseback of Queensland & Auckland facilities assisting to reduce net debt to \$32m at 30 June 2019
- Capital expenditure consisted of the continued development and rollout of the TRANSform project throughout the year, the expansion of rental fleet of trailers and other sustaining capital items



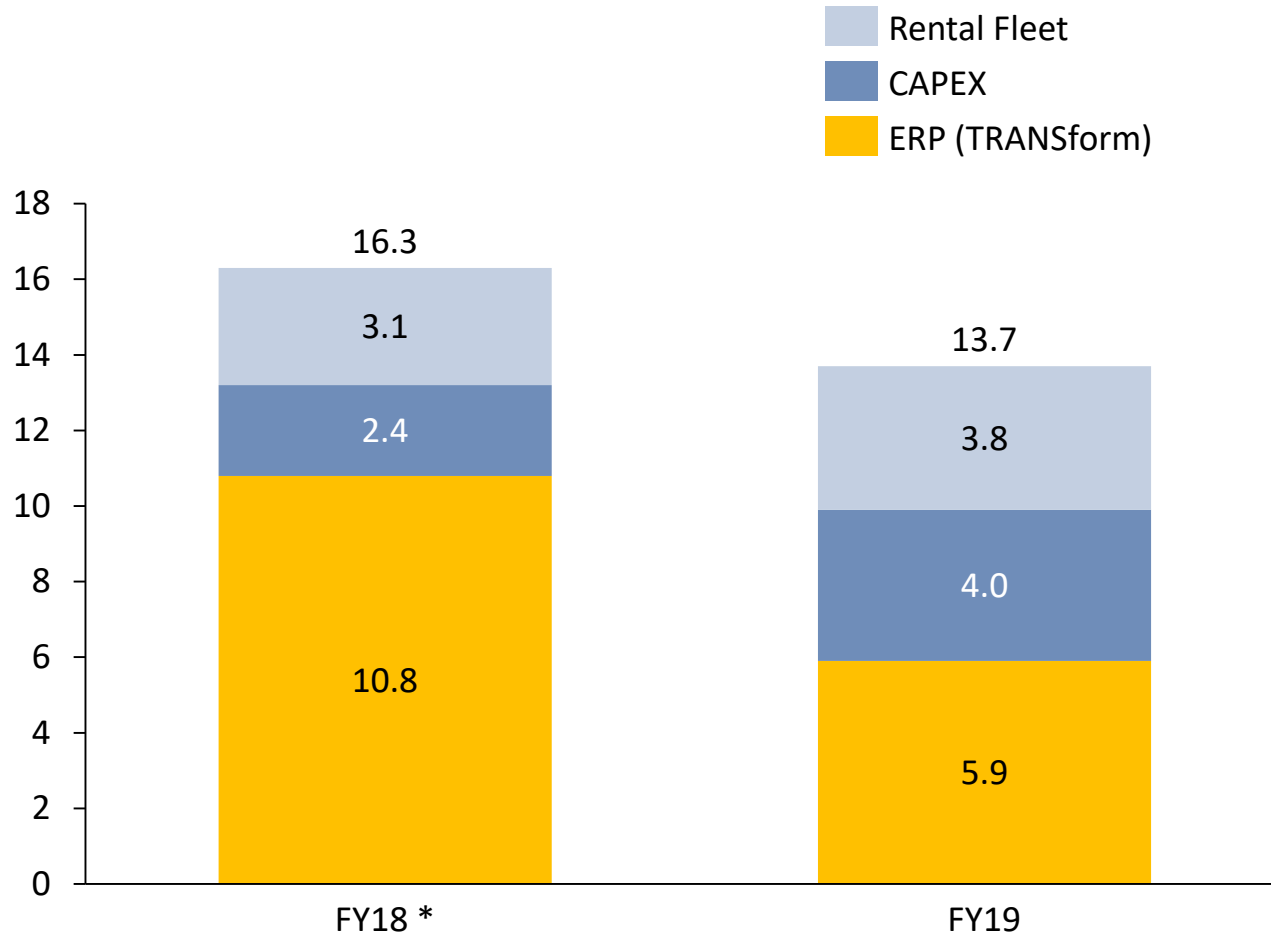
BALANCE SHEET



A\$M	FY18	FY19
Receivables	39.1	42.4
Inventories	57.7	59.3
Total Current Assets	130.1	118.1
PP&E	93.7	41.7
Intangible Assets	34.3	44.3
Total Non-Current Assets	134.1	108.2
Payables	47.3	44.6
Interest Bearing Loans	0.8	0.3
Total Current Liabilities	74.8	59.8
Total Non-Current Liabilities	53.6	44.7
Net Assets	135.8	121.8

- Increase in debtors due to higher mix of fleet customers
- Decrease in Property, Plant and Equipment due to reclassification of ERP system from PP&E to intangible assets and subsequent impairment, and sale of Richlands and Auckland properties
- Decrease in non-current liabilities due to reduced borrowings

CAPEX



- Significant investment in new IT systems (ERP and associated systems) over past 5 years
- ERP go-live in Manufacturing (Q2 FY19) and rest of business to follow in FY20
- Operating benefits from combination of common systems and processes as well as continuous improvement activities to be obtained from FY19
- Capital Investment in Trailer Rental Fleet over FY18 and FY19 of approximately 100 trailers

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	FY18	FY19	% Change
Total Revenue	127.4	133.5	4.7%
External Revenue	101.9	106.9	4.9%
EBITDA excl Corporate Costs	9.7	11.2	15.8%
EBITDA Margin % excl Corp Costs	9.5%	10.5%	10.4%

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

- As a high quality distribution asset, MaxiPARTS represents 41% of total segment profit contribution before corporate costs, up from 29% 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), cost control and margin management at sale.



SEGMENT EARNINGS – TRAILERS (AUSTRALIA & NZ)



A\$M	FY18	FY19	% Change
Total Revenue	298.5	240.5	-19.4%
External Revenue	290.9	240.2	-17.5%
EBITDA excl Corporate Costs	23.3	16.2	-30.3%
EBITDA Margin % excl Corp Costs	8.0%	6.8%	-15.6%



- Revenue growth in FY18 was principally driven from the Coles contract.
- Adjusting for the Coles contract, the Australian trailer solutions revenue decreased 2% on PCP due to softer economic conditions, particularly in H2 2019.
- Unadjusted FY19 EBITDA is down 30.3% on PCP; however, if the Coles impact is excluded, EBITDA is up 23% on PCP.
- The new ERP system went live in all MaxiTRANS Australian manufacturing sites in October 2018.
- Manufacturing Direct labour efficiency in FY19 versus FY18 improved by 7%.
- Trout River acquisition is fully integrated into the MaxiTRANS business and has met all internal business expectations.
- New Zealand revenue was down 23%, however EBITDA grew by 180% on PCP, through improved service margins and improvement in efficiency levels

AUSTRALIAN TRAILERS



- Market growth – New trailer registrations in 2019 4% lower than 2018. The final quarter of 2019 was 15% lower than Q4 2018.
- Average age of trailer fleet increased from 11.99 to 12.24 years.
- Long run market share still stable after accounting for end market variations.

GENERAL FREIGHT



- Unit sales 14% higher but significant negative product mix effect
- Order book at Jun-19 53% down on Jun-18
- Base model range launched H2 FY18, now approximately 22.3% of volume

FOOD & GROCERY



- Unit sales down 44% on PCP, excluding Coles contract unit sales down 3%
- Order book at Jun-19 47% down on Jun-18

BULK TRANSPORT



- Unit sales 29% lower than historical highs of FY18 due predominantly to East Coast drought and slower infrastructure expenditure
- Order book at Jun-19 85% down than Jun-18

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) and 20% by 30 June 2021 under an earn-out arrangement.

Richlands and Auckland, New Zealand

- The Board decided to release capital from the sale and leaseback of Richlands and Auckland, and the Group has now executed contracts for the sale and leaseback. For Richlands, the facility will be relocated following the development of a new purpose-built, more efficient, leased facility over the next 12 months. For Auckland, a long-term lease has been negotiated for the site with a development option with the landlord that would see a new factory built on undeveloped land on the site.

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.
- 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 of business into the MaxiTRANS Group has progressed to plan.



New Lease Accounting Standard



- MaxiTRANS will adopt the new lease accounting standard (AASB 16) from 1 July 2019 on a modified retrospective approach (comparative amounts will not be restated)
- The adoption will recognise on the balance sheet:
 - Lease asset – right of use of the underlying leased assets
 - Lease liability – present value of the future lease payments
 - Depreciation of lease assets and interest on lease liabilities will be recognised in the income statement over the relevant lease terms, replacing rental expense

Estimated impact on FY20 includes:

- NPAT estimated reduction of \$0.9m
- No impact on cash flows

Estimated impact of new lease accounting standard on FY2020		
Balance sheet – impact on adoption at 1 July 2019		
Lease asset (right of use)	Inc	\$51.1
Lease liability	Inc	\$51.0
Make Good Provision	Inc	\$0.1
Income statement (FY2020 full year)		
Occupancy Cost (Rent)	Dec	\$7.5m
Depreciation	Inc	\$6.2m
Interest expense	Inc	\$2.2m
NPAT	Dec	\$0.9m

STRATEGY UPDATE – BUILDING ON SOLID FOUNDATIONS

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

Key focus areas for FY20

VALUE ENABLERS:

ORGANISATIONAL DEVELOPMENT AND CORPORATE IMAGE



- 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. 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



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

- ✓ Year on Year savings at operating level in excess of \$2m across Australia and NZ manufacturing

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



GOAL → Revenue growth; improved asset utilisation

Key Drivers

① Grow national market share in trailers

② Increase volume in parts business

③ Grow share in service

- ✓ Expand footprint: Trout River
- ✓ New products: Base model now approximately 19% of General Freight sales

✓ Integrated MaxiTRANS/large fleet relationships driving volume increase

- ✓ 3 new 24 hour breakdown vans launched successfully.
- ✓ EBIT \$500k up against PCP on same revenue

VALUE GENERATOR: GROWTH IN NEW MARKETS



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

✓ Deferred until market recovers in Australia

3 Evaluate other Asian growth markets

✓ Deferred until market recovers in Australia

OUTLOOK

FY20 OUTLOOK



- It is expected market conditions in the Australian trailer market will continue to be slow as consumer confidence and other macros-economic drivers remain soft and operators continue to age their fleets, estimating approximately a 15% decline in end market trailer registrations.
- Despite weaker underlying MaxiPARTS end markets, the organic growth initiatives planned should more than offset this over the full year.
- The Group 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, all with the aim of improving shareholder returns.

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 full-year ended 30 June 2019 (available at www.asx.com.au).

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