19 February 2021

FY21 Half Year Results

MaxiTRANS Industries Limited (ASX: MXI) today announced its financial results for the half-year ended 31 December 2020.

Review of Operations

- External sales of $184.6m were up 12.9% on the prior corresponding period (pcp) due primarily to stronger revenue in Q2 FY21 across the trailer market.
- Trailer solutions revenue of $126.9m was an increase of 21.4% over the pcp. The business experienced a stronger market driven by an increase in the food and grocery sector due to COVID-19 with annual buying plans being brought forward by some customers, a strong agricultural sector with a good grain season due to favourable weather conditions and the general freight market was strong compared to the depressed levels in the pcp.
- MaxiPARTS revenue of $68.6m was 1.3% ahead of the strong H1 FY20 pre-COVID-19 comparative period and 8.7% or $5.5m ahead of H2 FY20.
- Reported net profit / (loss) after tax (NPAT) was $5.7m, with an underlying net profit / (loss) before tax of $8.3m.
- The Group continued its focus on cash generation and debt reduction throughout H1 FY21 with operating cashflows for the half of $21.6m and a closing net cash position of $2.8m, an improvement of $32.9m over the last twelve months from the net debt balance of $30.2m at 31 December 2019.
- Government assistance in the period totalled $4.6m in Job Keeper support from the Australian government.

Group results summary

$'000	Dec 2020	Dec 2019	Variance $	Variance %
External sales	184,605	163,475	21,130	13%
Reported Net Profit after Tax	5,700	(14,446)	20,146	139%
Reported Net Profit before Tax	7,983	(19,327)	27,310	141%
Significant Items				
ERP System implementation expenses	-	24	(24)	
Redundancy Costs	-	1,732	(1,732)	
Impairment losses	-	15,427	(15,427)	
Acquisition / disposal / legal & other costs	360	953	(592)	
Underlying Net Profit (Loss) Before Tax^	**8,343**	**(1,192)**	**9,535**	**800%**
Underlying EBIT^	**10,767**	**1,035**	**9,732**	**940%**
Underlying EBITDA^	**14,675**	**6,536**	**8,139**	**125%**
Net Debt	**(2,750)**	**30,187**	**(32,937)**	**109%**

Given the continuing uncertainty in the economic climate, the Board has determined not to pay an interim dividend. With the improvement the Group has seen in sales volumes in recent months along with the continued strengthening of the Group balance sheet the payment of a dividend will be reviewed at the full year.

MaxiPARTS

MaxiPARTS continues to become a more diverse business and better able to produce consistent results through various market cycles. MaxiPARTS represents 31.8% of the group's total revenue, down from 36.2% in the pcp (pcp represented a depressed end market for the Trailers CGU and a strong comparative period for the MaxiPARTS division).

MaxiPARTS revenue of $68.6m was an increase over pcp by 1.3%, and an increase of 8.7% or $5.5m over H2 FY20 representing a quicker recovery from the COVID-19 revenue challenges than expected. Underlying EBITDA before corporate allocations of $9.2m increased by $1.2m or 15% over the pcp. The increase in profit was a combination of improvement in volume and margins in the underlying business and reduction in overhead costs implemented in response to the COVID-19 impact and reduced trading performance early in H2 FY20.

Trailer Solutions

Revenue in the first half of FY21 increased 21.4% over the pcp driven by an increase in the sales volume across a number of sectors including food and groceries, agriculture and general freight.

Underlying EBITDA of $10.7m before corporate allocations and Job Keeper assistance represented an increase of $4.0m over the pcp. Total segment EBITDA of $15.2m included $4.5m of Job Keeper assistance. The improved profitability of the division was driven by volume and product mix, including manufacturing recoveries, along with continued improvement in manufacturing operating and quality performance measures and the realisation of benefits of the overhead reductions implemented throughout FY20 extending through to H1 FY21 profit performance. The profit for the period included a profit impact of ($1.1m) for the start-up of the Queensland manufacturing facility from Richlands to Carole Park by way of impacted production volumes and other operational metrics.

Outlook

The group remains cautious about the economic outlook in calendar year 2021, though has seen many positives in both the resilience and consistency in the MaxiPARTS trading performance and a strong order bank at end of calendar year 2020 for the Trailers CGU, which is nearly 300% higher than the order bank in the pcp and this has continued to increase in the first 6 weeks of H2 FY21.

Expectations are for MaxiPARTS to focus on revenue growth for the second half of the year, whilst maintaining margin and cost control across the operations. Organic growth initiatives are expected to provide continued momentum in H2 FY21, including accelerated plans to add a second site in Sydney as a 'click and collect' outlet to go operational late in the year and a new ecommerce platform set for delivery in late H2 FY21 to drive more online sales in FY22 and beyond. In addition to this, MaxiPARTS remains the focus of the group's strategic growth platform and based on the strengthening of the balance sheet the Group has re-initiated the M&A strategy for MaxiPARTS.

The Trailers business strong order bank is currently constrained by the ability to recruit and train the appropriate trades and labour to fulfil the current orders. Management's immediate focus is on recruiting appropriately skilled labour to increase production at all key manufacturing sites however, equally as important, management will maintain a strong focus on ensuring that the growth is balanced with maintaining production efficiency and quality metrics and therefore maintaining the margin of the business. The Queensland Carole Park facility is expected to deliver greater capacity to support our Queensland and NSW customers as we head into FY22, which will also provide benefit in improved margins without the one-off start up related costs that were incurred during FY21.

The Group does not expect the Commonwealth government stimulus incentives, such as the temporary full expensing incentive, to accelerate any end customer purchasing during H2 FY21, although this may be a factor for our customers next year as the program comes to an end in June 2022.

The stress on the global supply chain due to the COVID-19 pandemic, particularly Europe and North America, may continue to see challenges in product supply becoming more pronounced. In addition to the supply chain risk profile, substantial cost inflation in freight and steel is very likely to see the group process market price increases through both the Trailers and MaxiPARTS businesses sometime in the second half of this year.

It is expected that the group's net debt position will unwind a little from the 31 December 2020 cash positive position of $2.8m, as Trailer customers payment in advance of $3.3m reduces and the trailer inventory stock is replenished in planned production over the course of the next few months (approx.$2.0m-$3.0m). The Group will continue to focus on cash generation and debt reduction throughout H2 FY21 and, as stated above, the Board will review the payment of a dividend at the full year.

Authorised by the Board of Directors of MaxiTRANS Industries Limited

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About MaxiTRANS Industries

MaxiTRANS Industries Limited (ASX:MXI) is one of the largest suppliers of truck and trailer parts to the road transport industry in Australia. MaxiTRANS is also the largest supplier of locally manufactured, high quality heavy road transport trailer solutions, including trailer repairs and service, in Australia and New Zealand.