SALE OF TRAILER BUSINESS
NOTICE OF EXTRAORDINARY GENERAL MEETING

MaxiTRANS Industries Limited
ACN 006 797 173

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NOTICE OF EXTRAORDINARY GENERAL MEETING, EXPLANATORY MEMORANDUM AND INDEPENDENT EXPERT REPORT

Place:	The offices of Maddocks, Lawyers, Level 25 Tower 2, 727 Collins Street, Melbourne and online
Date:	Friday, 27 August 2021
Time:	2.30 pm

This Notice of Meeting, Explanatory Memorandum and Independent Expert Report should be read in their entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser prior to voting.

The independent Expert has concluded that the Transaction as set out in the Explanatory Memorandum and in the enclosed Independent Expert Report is fair and reasonable to, and in the best interests of, the Shareholders.

The directors unanimously recommend that Shareholders vote in favour of the Resolutions.

Letter from the Chairman

I am pleased to invite you to an Extraordinary General Meeting of MaxiTRANS Industries Limited (**Company**).

On 22 July 2021 the Company announced that it had entered into the Transaction Agreements in relation to the sale of its Trailer Business (including the manufacturing site in Ballarat) to Australian Trailer Solutions Group (**Transaction**). The key terms of the Transaction Agreements are set out in Schedule 1.

In addition to, and as a consequence of, the Transaction, the Company proposes to also:

1. change its name from MaxiTRANS Industries Limited to 'MaxiPARTS Limited' (**Change of Name**); and

2. conduct a consolidation of the Shares in the Company by converting every five Shares into one Share (**Share Consolidation**).

These last 2 resolutions do not take effect unless and until completion of the sale of the Trailer Business occurs.

In a separate transaction, the Company also proposes to sell its Derrimut and Hallam properties to an unrelated third party (**Property Transaction**).

The Transaction and the Property Transaction are expected to be for a total sale price of $48.3 million, subject to customary adjustments.

The Board has convened this Extraordinary General Meeting to obtain the approval of Shareholders:

1. under ASX Listing Rule 11.2 to the Transaction;

2. under section 157 of the Corporations Act for the Change of Name; and

3. under section 254H of the Corporations Act for the Share Consolidation.

The Property Transaction does not require Shareholder approval but is conditional on the Transaction proceeding.

The Transaction arose out of an on-going strategic review of the Company. The Directors unanimously approved the entering into of the Transaction Agreements on the basis that this allowed the Company to exit from the cyclical, low margin Trailer Business (which has over some years generated a low return on capital) on an appropriate basis.

If approved by Shareholders, the Board proposes that the Company will use the proceeds of the Transaction and the Property Transaction to reduce bank debt and pay the costs associated with the sale and separation of the Trailer Business, and to pay a special fully franked dividend of approximately 12.5 cents per Share (equating to 62.5 cents per Share after the Share Consolidation). The final amount of the dividend will be determined once all adjustments to the proceeds from the Transaction and the Property Transaction have been finalised.

Following the completion of the Transaction, the Company will continue as an ASX listed entity under the name MaxiParts Limited. The Company's existing MXI listing code will be retained.

The sale of the Trailer Business will enable the Company to reposition itself as solely a commercial parts business. It is anticipated that, with this less complex business structure, there will be a strengthening of the Company's balance sheet with significant reduction in corporate costs and capital expenditure and more consistent earnings.

The Board engaged the Independent Expert to provide the Independent Expert's Report and determine whether the Transaction is fair and reasonable to, and in the best interests of, Shareholders. The Independent Expert has determined that the Transaction (and associated transactions) is fair and reasonable to, and in the best interests of, Shareholders.

Since the announcement of the Transaction no Superior Proposal has emerged.

Your Directors unanimously recommend that Shareholders vote in favour of the Resolutions to give effect to the Transaction. Each Director who is also a Shareholder and who is not otherwise restricted from voting intends to vote in favour of the Resolutions.

Your vote is important in determining whether or not the Transaction proceeds. Please read the entirety of this Notice of Meeting, Explanatory Memorandum and Independent Expert Report before making a decision as to how to vote on the Resolutions.

If you have any questions regarding this Notice of Meeting please contact Dean Jenkins, Managing Director and CEO, on (03)8638 1100 or ea@maxitrans.com.au.

Yours sincerely
Robert Wylie
Chairman

26 July 2021

IMPORTANT DATES

Deadline for lodgment of Proxy Forms for the EGM	**2.30 pm, 25 August 2021**
Record date for voting at EGM	**7.00 pm, 25 August 2021**
EGM	**2.30 pm, 27 August 2021**
Notification to ASX that Completion has occurred (being the effective date of the Consolidation and Change of Company name)	**Expected to be 31 August 2021**
Last day for trading in pre-Consolidation Shares. In particular, all dates after the date of the EGM assume that Completion under the Transaction Agreements occurs on 31 August 2021.	**1 September 2021**
Trading in post-Consolidation Shares commences on a deferred settlement basis	**2 September 2021**
Record Date	**3 September 2021**
First day for the Company to update its register and to send holding statements to Shareholders	**4 September 2021**
Last day for Company to update its register and send holding statements to Shareholders	**10 September 2021**

Note - dates and times in this Notice of Meeting are indicative only and subject to change.

All times are Melbourne time.

MAXITRANS INDUSTRIES LIMITED
ACN 006 797 173

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is hereby given that an Extraordinary General Meeting of MaxiTRANS Industries Limited will be held at the offices of Maddocks, Lawyers, Level 25, Tower 2, 727 Collins Street, Melbourne and online on 27 August 2021 at 2.30 pm (Melbourne Time).

Shareholders may elect to attend the meeting online rather than in person. Shareholders who attend online will participate in a live webcast of the meeting and have the opportunity to participate, ask questions and cast direct votes at the appropriate times whilst the meeting is in progress.

Shareholders who wish to participate in the EGM online may do so by visiting **https://web.lumiagm.com/369049405** on your smartphone, tablet or computer.

Lumi EGM is a server / application that enables Shareholders to:
- see the EGM presentation materials and listen to the EGM live;
- vote online during the EGM; and
- ask questions and make comments online during the EGM.

IMPORTANT INFORMATION

To participate in the EGM online, rather than in person, you will be required to enter the unique 9 digit Meeting ID provided below.

https://web.lumiagm.com
Meeting ID: 369-049-405

To participate and vote online you will also need your Shareholder number and postcode. Shareholders should register at least 15 minutes before the commencement of the EGM.

Voting on all resolutions will be conducted by a poll.

Shareholders may also cast their votes at the EGM by appointing a proxy (preferably the Chair of the EGM) online at ***www.investorvote.com.au*** by 2.30 pm (Melbourne time) on 25 August 2021 or by the other means identified under the heading "How to Vote" later in this Notice.

In the event of a technological failure that prevents Shareholders from having a reasonable opportunity to participate in the EGM, the Company will provide an update on its website and the ASX platform to communicate the details of the postponed or adjourned EGM to Shareholders. Further information will be made available on our website: https://www.maxitrans.com/egm.

The Explanatory Memorandum that accompanies and forms part of this Notice of Meeting describes the various matters to be addressed at the meeting. The Explanatory Memorandum should be read in conjunction with this Notice of Meeting.

Capitalised terms used in this Notice of Meeting and the Explanatory Memorandum have the meanings given to them in the Glossary unless the context indicates otherwise.

ITEMS OF BUSINESS

1. Disposal of main undertaking

To consider and, if thought fit, pass the following resolution, with or without amendment, as an ordinary resolution:

"That, for the purpose of ASX Listing Rule 11.2 and for all other purposes, approval is given for the disposal of the Trailer Business and the Ballarat Property, being the main undertaking of the Company, by way of the sale by the Seller Entities of the Assets and the Ballarat Property to Australian Trailer Solutions Group Pty Ltd and related companies on the terms and conditions described in the Explanatory Memorandum that accompanies the Notice of Meeting."

Note: A voting exclusion applies to this Resolution. See page 8 for details.

2. Change of Company Name

To consider and, if thought fit, pass the following resolution, with or without amendment, as a special resolution:

"That, with effect on and from but subject to Completion of the Asset Sale Agreements (as those terms are defined in the Explanatory Memorandum), the name of the Company be changed to 'MaxiPARTS Limited'."

3. Share consolidation

To consider and, if thought fit, pass the following resolution, with or without amendment, as an ordinary resolution:

"That, for the purposes of section 254H of the Corporations Act 2001 (Cth), the Company's Constitution and for all other purposes, approval is given to the Shares being consolidated on the basis that:

(a) every 5 Shares held by a Shareholder be consolidated into 1 Share; and

(b) where this Consolidation results in a fraction of a Share being held, the Company be authorised to round that fraction up to the nearest whole Share.

The Consolidation will take effect from, but will be subject to, the date on which Completion under the Asset Sale Agreements (as those terms are defined in the Explanatory Memorandum) occurs."

By order of the Board.

Amanda Jones
Company Secretary
26 July 2021

IMPORTANT NOTES

VOTING ENTITLEMENTS

For the purposes of ascertaining voting entitlements for the Extraordinary General Meeting, the Board has determined that the shareholding of each member will be as it appears in the Company's register of members at 7.00 pm (Melbourne time) on Wednesday, 25 August 2021.

HOW TO VOTE

To vote at the meeting you will need to follow these steps:

EITHER 1. Complete the enclosed proxy form and return it in person, by facsimile or mail (to be received no later than 2.30 pm (Melbourne time) on Wednesday, 25 August 2021) to the following office addresses or facsimile numbers:

Computershare Investor Services Pty Limited
GPO Box 242
Melbourne Victoria 3001
Facsimile number: 1800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia)

OR

Computershare Investor Services Pty Limited
"Yarra Falls," 452 Johnston Street
Abbotsford Victoria 3067

OR 2. Lodge your proxy online – go to www.investorvote.com.au, log in Control Number: 135399 and follow the prompts. Custodians – Relevant custodians may lodge their proxy form online by visiting www.intermediaryonline.com. Proxies must be lodged online no later than 2.30 pm (Melbourne time) on Wednesday, 25 August 2021.

OR 3. Attend the EGM in person.

OR 4. Attend the EGM virtually by visiting **https://web.lumiagm.com/369049405** on your smartphone, tablet or computer.

To participate in the EGM virtually, you will be required to enter the unique 9 digit Meeting ID provided below.

https://web.lumiagm.com
Meeting ID: 369-049-405

The lodging of a completed proxy form will not prevent you from attending and voting (either in person or virtually) at the EGM.

VOTING EXCLUSION STATEMENTS

Resolution 1

The Company will disregard any votes cast on Resolution 1 by the Buyers (as defined in the Explanatory Memorandum) or any person who might obtain a benefit, except a benefit solely in the capacity as a holder of Shares, if Resolution 1 is passed, or an associate of such persons.

However, the Company need not disregard a vote in respect of Resolution 1 if:

1 it is cast by a person who is entitled to vote, in accordance with the directions on the proxy form;

2 it is cast by a person chairing the EGM as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides; or

3 it is cast by a person acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:

- the beneficiary provides written confirmation to the person that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on Resolution 1; and

- the person votes on the resolution in accordance with directions given by the beneficiary to the person to vote in that way.

Resolution 2

There are no voting exclusions applicable to Resolution 2.

Resolution 3

There are no voting exclusions applicable to Resolution 3.

PROXIES AND COMPANY REPRESENTATIVES

1. A proxy form is enclosed.

2. A Shareholder entitled to attend and vote at the meeting may appoint up to two proxies to attend and vote at the meeting on that Shareholders' behalf. A proxy need not be a Shareholder. If a Shareholder appoints two proxies, neither proxy may vote on a show of hands. If you wish to appoint two proxies, please contact the Share Registry on 1300 850 505 (within Australia) or +61 3 9415 5000 (outside Australia).

3. The proxy form must be signed by the Shareholder or his or her attorney in accordance with the instructions on the proxy form.

4. A Shareholder which is a body corporate and entitled to attend and vote at the EGM, or a proxy which is a body corporate and is appointed by a member entitled to attend and vote at the EGM, may appoint an individual to act as its representative at the EGM in accordance with section 250D of the Corporations Act. The representative must bring to the meeting a certificate to evidence his or her appointment unless it has previously been provided to the Share Registry. The proxy form contains instructions for obtaining a form of the certificate.

5. A proxy may decide whether to vote on any motion, except where the proxy is required by law or the Constitution to vote, or abstain from voting, in their capacity as proxy. If a proxy is directed to vote on an item of business, the proxy may vote on that item only in accordance with the direction. If a proxy is not directed how to vote on an item of business, the proxy may vote as he or she thinks fit, subject to any voting restrictions that may apply to the proxy.

6. If the proxy form is signed but is blank in all other material aspects, it will be taken to mean that it is in favour of the chair of the meeting for full voting rights.

APPOINTING THE CHAIR AS YOUR PROXY

The proxy form accompanying this Notice of Meeting contains detailed instructions regarding how to complete the proxy form if a Shareholder wishes to appoint the chair of the meeting as his or her proxy. You should read those instructions carefully.

If a Shareholder directs the chair how to vote on an item of business, the chair must vote in accordance with the direction.

The chair intends to exercise all undirected proxies by voting in favour of all Resolutions.

EXPLANATORY MEMORANDUM

This Explanatory Memorandum is to be read in conjunction with the accompanying Notice of Meeting.

Purpose

The purpose of this Explanatory Memorandum is to provide Shareholders with an explanation of the business of the EGM and of the Resolutions to be proposed and considered at the EGM of the Company to be held on Friday, 27 August 2021 and to allow Shareholders to determine how they wish to vote on those resolutions.

Shareholders should read the Notice of Meeting and this Explanatory Memorandum in full before deciding how to vote.

Independent Expert Report

An Independent Expert Report prepared by the Independent Expert in respect of Resolution 1 is set out in Schedule 2 to this Explanatory Memorandum. Shareholders should read this Explanatory Memorandum (including the Independent Expert Report) carefully before deciding how to vote in respect of Resolution 1. The Independent Expert has determined that the Transaction is fair and reasonable to, and in the best interests of, the Shareholders.

Capitalised Terms

Capitalised terms used in this Explanatory Memorandum have the meanings given to them in the Glossary accompanying this Explanatory Memorandum unless the context indicates otherwise.

1. **Resolution 1 – Disposal of main undertaking**

1.1 **Purpose of resolution**

1.1.1 Resolution 1 seeks the approval of Shareholders for the purpose of satisfying ASX Listing Rule 11.2 to dispose of the Trailer Business and the Ballarat Property to Australian Trailer Solutions Group Pty Ltd and related companies (**Buyers**).

1.1.2 Resolution 1 is proposed as an ordinary resolution.

1.2 **Background**

1.2.1 As announced to the market on 22 July 2021, the Seller Entities entered into the Transaction Agreements in respect of the sale of the Trailer Business and the Ballarat Property to Australian Trailer Solutions Group Pty Ltd and related companies. The key terms of the Transaction Agreements are summarised in Schedule 1 to this Explanatory Memorandum.

1.2.2 As part of the Transaction, the Company will enter into a Supply Agreement (for an initial term of 3 years) under which:

(a) the Trailer Business under its new ownership will acquire parts from the Parts Business; and

(b) the Parts Business will acquire and exclusively sell specialist parts manufactured by the Trailer Business.

1.2.3 The Company will also provide vendor finance of $4,000,000 to the Buyers in connection with the Transaction.

1.2.4 Separately to the Transaction, the Company proposes to enter into a contract of sale in respect of the premises located at 346 Boundary Road, Derrimut, Victoria 3026 and 31-35 Hallam South Road, Hallam Victoria 3803 with an unrelated third party purchaser subject to a lease back to the Company of those properties. Under the Transaction, the Buyers will assume responsibility for these leases.

1.2.5 Following Completion of the Transaction, the Company intends to remain an ASX listed company and continue to operate and expand the Parts Business.

1.2.6 The Transaction will allow the Company to reposition itself as a commercial vehicle parts business and create more sustainable value for Shareholders across the economic cycle. The proceeds from the Transaction will enable the Company to repay bank debt and fund costs associated with the Transaction and separation of the Trailer Business from the Parts Business.

1.2.7 The Transaction will strengthen the balance sheet of the Company as a result of the repayment of bank debt. The Parts Business will also employ a less complex business model, resulting in a significant reduction in corporate overhead costs and capital expenditure.

1.2.8 If Resolution 1 is passed, the Company will be able to proceed with and complete the Transaction and also complete the Property Transaction (which is conditional on Completion of the Transaction).

1.2.9 It is intended that a fully franked special dividend of approximately 12.5 cents per Share (equating to 62.5 cents per Share following the Share Consolidation) will be paid to Shareholders upon completion of both the Transaction and the Property Transaction.

1.2.10 If Resolution 1 is not passed, the Company will not be able to proceed with the Transaction, no special dividend will be paid and the Company will continue to operate the two business segments.

1.3 Independent Expert Report

1.3.1 The Board engaged the Independent Expert to prepare the Independent Expert Report (**IER**).

1.3.2 The IER prepared by the Independent Expert in respect of Resolution 1 is set out in Schedule 2 to this Explanatory Memorandum.

1.3.3 The Independent Expert has determined that the Transaction is fair and reasonable to, and in the best interests of, the Shareholders.

1.3.4 The IER also contains an assessment of the advantages and disadvantages of the Transaction, which is designed to assist Shareholders in making an informed decision in relation to Resolution 1.

1.4 Advantages and Disadvantages

1.4.1 The Board is of the opinion that the benefits of the Transaction include:

(a) the Transaction will result in a significant reduction in working capital requirements, improving the overall group profit margins and materially lowering the annual corporate, marketing and employee costs;

(b) the Transaction is considered the best option for Shareholders to realise value for the Trailer Business in circumstances where profitability has been declining;

(c) post Transaction, there will be a $9 million reduction in centralised support and functional costs owing to a more simplified business and corporate structure;

(d) the Parts Business post Transaction will be substantially simpler and will deliver more stable earnings, steady growth, lower capex requirements, more predictable dividends and will have an improved cash position;

(e) the proposed consideration under the Transaction provides Shareholders with certainty of a cash return in respect of the sale of the Trailer Business in circumstances where:

(i) such a return may not otherwise be available given an active trading market for the Assets may not develop, or if it does, may not be sustained; and

(ii) Shareholders can retain their participation in the future financial performance of the Parts Business; and

(f) the Transaction, in conjunction with the Property Transaction, will mean that Shareholders will be able to access franking credits through the proposed special dividend where it would otherwise may be difficult to realise the value of these.

1.4.2 Potential disadvantages of the Transaction include:

(a) you may not agree with the recommendation by the Board and the Independent Expert. Notwithstanding the unanimous recommendation of the Directors and the Independent Expert's opinion that the Transaction is fair and reasonable, you may believe that the Transaction is not fair and reasonable, or otherwise not in your best interest or in the interests of Shareholders as a whole;

(b) you may prefer to participate in the future financial performance of the Trailer Business;

(c) you may wish to maintain an interest in a publicly listed investment with the specific characteristics provided by the Trailer Business and maintain your investment profile;

(d) the sale of the Trailer Business requires a change in Company name that may adversely affect customer sentiment; and

(e) you may consider that there is potential for a Superior Proposal for the Trailer Business to be made in the foreseeable future.

1.4.3 On balance, the Board believes that the advantages of the Transaction outweigh the disadvantages.

1.5 Impact of the Transaction and the Property Transaction

1.5.1 On Completion of the Transaction and the Property Transaction, the impact on the assets and liabilities of the Company (assuming it continues operating on its current basis) will be as follows:

(a) a reduction of total assets from $248,900,000 to $100,100,000; and

(b) a reduction of total liabilities from $156,600,000 to $42,900,000.

1.5.2 A pro forma balance sheet of the Parts Business assuming Completion of the Transaction and the Property Transaction is set out below:

Pro forma balance sheet

$mil	Dec-20 MXI Group	Jun-21 MXI Group (unaudited)	Proforma MaxiParts at 1 Sept 2021
Assets			
Cash	26.5	22.4	7.0
Receivables	21.7	28.4	15.2
Inventory	52.1	56.4	26.5
Vendor Finance	-	-	4.0
Prepayments / Other	2.1	2.1	0.2
Land & Buildings	25.6	25.6	-
PPE	5.7	6.9	2.0
Intangibles	21.7	21.2	7.6
Investments	11.0	11.3	1.8
Right to Use Asset	52.6	55.5	16.8
DTA/ DTL	19.2	19.0	19.0
Total Assets	**238.2**	**248.9**	**100.1**
Liabilities			-
Payables	43.4	46.8	18.9
Provisions & Other	13.9	17.8	6.4
Lease Liability	73.2	74.7	17.6
Borrowings	23.8	17.3	-
Total Liabilities	**154.3**	**156.6**	**42.9**
Net Assets	**84.0**	**92.3**	**57.2**
Net Debt / (Net Cash)	**(2.8)**	**(5.2)**	**(7.0)**

Net debt/net cash shown above excludes lease liabilities under AASB 16.

Deferred tax assets and liabilities have not been updated for the Group's financial results for the financial year ended 30 June 2021 or for the impact of the proposed transactions described in this presentation.

Also excluded are receivables owing to and trade creditors owing by the Trailer Business at Completion which are to be retained in the Parts

1.5.3 The purchase price to be received (or anticipated to be received) by the Company:

(a) under the under the Asset Sale Agreements and Ballarat Contract of Sale is $30,257,000 before taking into account customary purchase price adjustments;

(b) in respect of the Derrimut Sale is $11,850,000; and

(c) in respect of the Hallam Sale is $6,200,000.

1.5.4 The Board proposes to apply the proceeds of the Transaction and the Property Transaction as follows:

(a) $6.7 million to repay bank debt (with a further $10.5 million payment from cash on hand);

(b) $3.7 million to be used to pay costs associated with the Transaction and separation of the Trailer Business from the Company; and

(c) approximately $23,200,000 to be paid to Shareholders by way of payment of a fully franked dividend of 12.5 cents per share (equating to 62.5 cents per Share (following the Share Consolidation).

1.5.5 The Transaction will result in the Company making a capital loss on the sale of the Trailer Business. This capital loss will offset the anticipated capital gain arising from the Property Transaction. As a consequence, the Company will not incur a taxation liability as a result of the Transaction and the Property Transaction. The Transaction and Property Transaction will result in around $25 million of revenue tax losses being available for the Company to carry forward.

1.5.6 As part of the Transaction, the Company will provide vendor financing to the Buyers by way of a loan facility of $4,000,000. The loan will be for a maximum term of 2 years and interest will be charged at 3% per annum for the first 6 months, 5% per annum for the next 6 months and 8% per annum thereafter.

1.6 Overview of regulatory approval requirements

1.6.1 ASX Listing Rule 11.2 requires a listed company to obtain the approval of its shareholders to a disposal of its main undertaking. The Notice of Meeting must include a voting exclusion statement and must comply with any ASX requirements in relation to such a notice.

1.6.2 The Directors consider that the sale of the Trailer Business constitutes a disposal of the Company's main undertaking and, therefore, Shareholder approval is being sought under ASX Listing Rule 11.2. The Asset Sale Agreements contain a condition precedent that the Company has obtained Shareholder approval for the Transaction as required by ASX Listing Rule 11.2.

1.7 Other information

1.7.1 ASX compliance

(a) ASX Listing Rule 11.1 provides that, where an entity proposes to make a significant change, either directly or indirectly, to the nature or scale of its activities, it must provide full details to ASX as soon as practicable.

(b) ASX has been notified and kept informed of the full details of the Transaction.

1.7.2 Rule 11.1.3

(a) ASX Listing Rule 11.1.3 provides that, where an entity proposes to make a significant change, either directly or indirectly, to the nature or scale of its activities, ASX may require the entity to meet the requirements in chapters 1 and 2 of the ASX Listing Rules as if the entity were applying for admission to the official list.

(b) ASX has advised that the Company will not be required to comply with Listing Rule 11.1.3.

1.8 Directors' recommendations and interests

1.8.1 The Directors unanimously recommend that Shareholders vote in favour of Resolution 1.

1.8.2 Each Director who is also a Shareholder and who is not otherwise restricted from voting intends to vote in favour of Resolution 1.

1.8.3 The Chair of the Extraordinary General Meeting intends to vote all undirected proxies in favour of Resolution 1.

2. Resolution 2 – Change of Company Name

2.1 Purpose of resolution

2.1.1 Resolution 2 seeks the approval of Shareholders to change the name of the Company from 'MaxiTRANS Industries' to 'MaxiPARTS Limited' (and to amend the Constitution to change the Company's name by replacing all references to 'MaxiTRANS Industries' to 'MaxiPARTS Limited').

2.1.2 Resolution 2 is proposed as a special resolution.

2.2 Background

The Transaction includes the sale of intellectual property, including trade marks, related to the Trailer Business. For this reason the Asset Sale Agreements include a requirement that the Company change its name (and the names of any remaining Subsidiaries) from Completion to a name that does not include any other name similar to the intellectual property included in the Transaction.

2.3 Overview of regulatory approval requirements

2.3.1 Section 157(1) of the Corporations Act enables a company to change its name by a special resolution passed at an Extraordinary General Meeting. Accordingly, Resolution 2 seeks Shareholder approval to change the name of the Company from 'MaxiTRANS Industries' to 'MaxiPARTS Limited'. The proposed new name has been reserved with ASIC. The change in name will take effect from, but will be subject to, Completion under the Asset Sale Agreements.

2.4 Other information

The Company has received confirmation from the ASX that, subject to Shareholders approving a name change, the Company's ASX listing code will remain MXI.

2.5 Directors' recommendations and interest

2.5.1 The Directors unanimously recommend that Shareholders vote in favour of Resolution 2.

2.5.2 Each Director who is also a Shareholder and who is not otherwise restricted from voting intends to vote in favour of Resolution 2.

2.5.3 The Chair of the Extraordinary General Meeting intends to vote undirected proxies in favour of Resolution 2.

3. Resolution 3 – Share Consolidation

3.1 Purpose of resolution

3.1.1 Resolution 3 seeks the approval of Shareholders for the Company to consolidate its issued capital through the consolidation of every five (5) Shares into one (1) Share (**Consolidation**).

3.1.2 Resolution 3 is proposed as an ordinary resolution.

3.2 Background

3.2.1 The Company currently has a large number of Shares on issue (185,075,653 Shares as at the date of this Explanatory Memorandum).

3.2.2 Immediately after the Consolidation, each Shareholder will still hold the same proportion of the Company's Share capital as before the Consolidation. The current rights attaching to the Shares will not be affected.

3.2.3 The Consolidation will result in a more appropriate and effective capital structure for the Company and a Share price that is more appealing to a wide range of investors. The Board is of the opinion that a consolidation of the number of shares to increase the share price would be consistent with the strategy of repositioning the Company with a new direction and a new name.

3.3 Effect of the Consolidation

Effect on Capital Structure

3.3.1 The effect which the Consolidation will have on the Company's capital structure is set out in the table below.

Capital Structure	**Shares**
Current (pre- Consolidation)	185,075,653
Current (post- Consolidation) (Resolution 3)	37,015,131

3.3.2 If Resolution 3 is approved, every five (5) Shares on issue will be consolidated into one (1) Share (subject to rounding).

3.3.3 As the Consolidation applies equally to all Shareholders, individual shareholdings will be reduced in the same ratio as the total number of Shares (subject to rounding). Accordingly, assuming no other market movements or impacts occur, the Consolidation will have no effect on the percentage interest in the Company of each Shareholder.

3.3.4 The Consolidation will not result in any change to the substantive rights and obligations of existing Shareholders.

3.4 Fractional Entitlements

Where the Consolidation results in an entitlement to a fraction of a Share, that fraction will be rounded up to the nearest whole number of Shares.

3.5 Holding Statements

Taking effect from the date of the Consolidation, all existing holding statements will cease to have any effect, except as evidence of entitlement to a number of securities on a post- Consolidation basis. New holding statements will be issued to Shareholders, who are encouraged to check their holdings after the Consolidation.

3.6 Taxation

It is not considered that any taxation implications will exist for Shareholders arising from the Consolidation. However, Shareholders are advised to seek their own tax advice on the effect of the Consolidation, and the Company does not accept any responsibility for the individual taxation implications arising from the Consolidation.

3.7 Overview of regulatory approval requirements

Section 254H of the Corporations Act provides that a company may, by resolution passed at a general meeting, convert all or any of its shares into a larger or small number.

3.8 Directors' recommendation and interest

3.8.1 The Directors unanimously recommend that Shareholders vote in favour of Resolution 3.

3.8.2 Each Director who is also a Shareholder and who is not otherwise restricted from voting intends to vote in favour of Resolution 3.

3.8.3 The Chair of the Extraordinary General Meeting intends to vote all undirected proxies in favour of Resolution 3.

GLOSSARY

AMS means Australasian Machinery Sales Pty Ltd ACN 105 105 208.

Asset Sale Agreements means the Australian Asset Sale Agreement and the NZ Asset Sale Agreement.

Assets mean the assets held by the Seller Entities comprising the Trailer Business or used in connection with the Trailer Business (including the shares held by the Seller Entities in AMS and Trailer Sales).

ASX means Australian Securities Exchange Limited.

Australian Asset Sale Agreement means the asset sale agreement entered into between the Seller Entities as sellers, the Company as the seller guarantor and the Buyers, in relation to the sale of the Assets located in Australia dated 21 July 2021.

Ballarat Contract of Sale means the contract of sale for the Ballarat Property from Transtech Research Pty Ltd ACN 082 200 986, a wholly owned subsidiary of the Company, to the Buyers.

Ballarat Property means the property located at 233-243 Learmonth Road, Wendouree, Victoria 3355.

Board means the Board of Directors.

Buyers means:

(a) Australian Trailer Solutions Group Pty Ltd ACN 614 717 261;

(b) Australian Trailer Solutions Group Services Pty Ltd ACN 651 774 499;

(c) Australian Trailer Solutions Group Operations Pty Ltd ACN 651 774 720;

(d) Australian Trailer Solutions Group Property Pty Ltd ACN 651 774 917; and

(e) Australian Trailer Solutions Group New Zealand Limited (8204854).

Company means MaxiTRANS Industries Limited ACN 006 797 173.

Completion means the completion of the sale of the Assets by the Seller Entities to the Buyers under the Asset Sale Agreements.

Constitution means the constitution of the Company.

Corporations Act means the *Corporations Act 2001* (Cth).

Director means a director of the Company.

EGM means the 2021 Extraordinary General Meeting of the Company to be held on Friday, 27 August 2021

Explanatory Memorandum means this explanatory memorandum which accompanies and forms part of the Notice of Meeting.

Independent Expert means ShineWing Australia Securities Pty Ltd ABN 98 614 616 389.

Listing Rules means the listing rules of the ASX.

NZ Asset Sale Agreement means the asset sale agreement entered into between MaxiTRANS Industries (N.Z.) Pty Ltd ACN 070 204 536 as seller, the Company as the seller guarantor and certain of the Buyers as buyer, in relation to the sale of the Assets located in New Zealand dated 21 July 2021.

Parts Business means the remaining business and operations of the Company after the Transaction, primarily consisting of the importing, wholesaling and distribution of commercial vehicle parts.

Resolution means a resolution referred to in the Notice of Meeting.

Seller Entities means:

(a) MaxiTRANS Industries (N.Z.) Pty Ltd ACN 070 204 536;

(b) Lusty EMS Pty Limited ACN 073 705 263;

(c) MaxiTRANS Australia Pty Ltd ACN 081 151 699;

(d) MaxiTRANS Services Pty Limited ACN 004 964 452;

(e) Transport Connection Pty Limited ACN 159 813 733; and

(f) Transtech Research Pty Ltd ACN 082 200 986.

Share means a fully paid ordinary share in the Company.

Share Registry means Computershare Investor Services Pty Ltd.

Shareholder means a holder of at least one Share.

Subsidiary has the meaning given in section 46 of the Corporations Act.

Supply Agreement means the agreement of that name entered into between the Company and certain of the Buyers dated 22 July 2021 in relation to the supply of spare parts.

Trailer Business means the design, manufacture, sale, rental and servicing of trailers in Australia and New Zealand.

Trailer Sales means Trailer Sales Pty Ltd ACN 106 983 199.

Transaction Agreements means the Asset Sale Agreements and the Ballarat Contract of Sale.

Schedule 1 Transaction Agreements

A. Asset Sale Agreements

Under the Asset Sale Agreements the Sellers will sell and the Buyers will acquire the Trailer Business (other than the Ballarat Property). Although separate agreements have been entered into in relation to the Australian and New Zealand assets, the terms of the Australian Asset Sale Agreement and the NZ Sale Agreement are substantially the same.

1.	**Buyers**	▪ Australian Trailer Solutions Group Pty Ltd (**ATSG**); ▪ Australian Trailer Solutions Group Services Pty Ltd; ▪ Australian Trailer Solutions Group Operations Pty Ltd Australian Trailer Solutions Group Property Pty Ltd; and ▪ Australian Trailer Solutions Group New Zealand Limited (**ATSG NZ**).
2.	**Sellers**	The Sellers are: ▪ Lusty EMS Pty Limited; ▪ MaxiTRANS Australia Pty Limited; ▪ MaxiTRANS Services Pty Limited; ▪ Transport Connection Pty Limited; ▪ Transtech Research Pty Ltd; and ▪ MaxiTRANS Industries (N.Z.) Pty Ltd.
3.	**Sellers' Guarantor**	MaxiTRANS Industries Limited agrees to guarantee the obligations of the Sellers under the Asset Sale Agreements.
4.	**Assets**	The Assets to be sold to the Buyers under the Asset Sale Agreements are all of the goodwill and assets relating to the Trailer Business in Australia and New Zealand including: ▪ Plant and Equipment, motor vehicles and IT facilities; ▪ Leases and Leasehold Improvements; ▪ inventory and work in progress; ▪ all intellectual property rights of the Sellers used in the Trailer business; ▪ the interest of the Sellers under customer orders and business contracts; and

		▪ the shares held by the Sellers in AMS and Trailer Shares. The transaction does not include: ▪ the Derrimut or Hallam properties; ▪ cash on hand or cash at bank; and ▪ the receivables owing to the Sellers in relation to the Trailer Business at Completion (**Receivables**) which will continue to be collected by the Sellers.
5.	**Employees**	The Sellers are required to offer the existing employees of the Trailer Business employment on terms no less favourable than their existing terms of employment with the Sellers.
6.	**Assumed Liabilities**	The Buyers will assume liability for accrued leave and long service leave entitlements for transferring employees, obligations under leases (subject to an adjustment to the Purchase Price for known make good obligations), business contracts and Customer Warranties (up to a cap of $2,350,000). The Buyers will not assume responsibility for Trade Creditors which will remain with the Sellers.
7.	**Purchase Price**	The Purchase Price under the Asset Sale Agreements is $30,257,000 subject to customary adjustments relating to movements in assets of the Trailer Business and liabilities to be assumed by the Buyers. The Purchase Price (plus or minus an estimate of the likely adjustments to the Purchase Price) is payable by the Buyers at Completion. Subject to a dispute resolution process, the final adjustments will be agreed within 2 months of Completion.
8.	**Completion**	Completion is scheduled to occur on 31 August 2021 (subject to satisfaction of the Conditions Precedent).
9.	**Conditions Precedent**	Completion under the ASA is conditional on, and cannot occur until the following Conditions Precedent are either satisfied or waived in writing by the parties: ▪ The Company's Shareholders have passed the Resolutions at the EGM. ▪ The Sellers obtain and deliver a consent to the transfer of the shares in Trailer Sales. The counterparty to each "Key Contract" has consented in writing to the assignment or novation of the Key Contract**:** ▪ At least 75% of Employees who receive an offer of employment from the Buyers accept that offer ▪ The Buyers, acting reasonably, being satisfied that it holds, or at Completion will hold, all authorisations required to run the Trailer Business. ▪ The Buyers, acting reasonably, being satisfied that at Completion it will hold, all intellectual property rights relating to the Trailer Business.

		▪ The Buyers obtain approval from the Overseas Investment Office in New Zealand (if required).
10.	**Exclusivity and Break Fee**	The Company and the Sellers have given standard "no shop, no talk" exclusivity undertakings to the Buyers, subject to a fiduciary carve- out if the Board receives a Superior Proposal. The Company must pay the Buyers a break fee equal to $650,000, if Completion does not occur and: ▪ a Competing Proposal from a Third Party is publicly announced during the exclusivity period and is implemented or completed within 12 months; or ▪ a Seller enters into an agreement with a Third Party in respect of a "Competing Proposal" under which they agree to give effect to a "Competing Proposal"; or ▪ a member of the MaxiTRANS Board changes their recommendation or recommends a Competing Proposal (other than as result of the Independent Expert forming the view that the Transaction is neither fair nor reasonable); or ▪ the Company does not convene the EGM by 30 September 2021.
11.	**Sellers Restraint**	To protect the goodwill of the Trailer Business and of the businesses of AMS and Trailer Sales , during the period of 36 months commencing on the Completion Date (**Restricted Period**), the Sellers and the Company undertake: ▪ Not to be involved in Australia and New Zealand in any business which competes with the Business, AMS Business or the Trailer Sales Business; or ▪ otherwise interfere with the relationship between the Business, AMS Business or the Trailer Sales Business and any of its customers, officers, employees or suppliers. The undertakings expressly do not apply to the Company carrying on the Parts Business.
12.	**Buyers Undertaking**	Subject to the Supply Agreement remaining valid and binding on the parties, during the Restricted Period, the Buyers undertake not: ▪ be involved in being Australia and New Zealand in any business which competes with the Parts Business except to the extent related to the business of building and servicing trailers; or ▪ otherwise interfere with the relationship between the Parts Business and any of its customers, officers, employees or suppliers.
13.	**Other Terms**	The Asset Sale Agreements contain undertakings, representations and warranties and indemnities usual for sale agreements of this kind.

B. Ballarat Contract of Sale

1.	**Parties**	The parties to the Contract are Transtech Research Pty Ltd, as vendor, and Australian Trailer Solutions Group Property Pty Ltd, as purchaser
2.	**Price**	The price is $7,350,000 payable on Completion under the Asset Sale Agreement.
3.	**Settlement date**	The settlement date is the date of Completion under the Asset Sale Agreement.
4.	**Interdependence**	The Contract is interdependent with the Asset Sale Agreement.
5.	**Warranties**	The Contract contains a number of warranties by the Vendor in favour of the Buyers which are in standard form for a commercial transaction of this nature, including, but not limited to: ▪ the Vendor's capacity to enter into the Contract and sell the Property to the Buyers; ▪ general warranties regarding the condition of the Property and that the Vendor is not aware of any encumbrances or other issues relating to the Property other than those disclosed in the Contract, the Vendor's Statement or the Disclosure materials.
6.	**Other terms**	The Contract is otherwise on standard terms and conditions for a transaction of this nature.

Schedule 2 Independent Expert's Report

Accountants & Advisors

Take the lead

22 July 2021

The Directors
MaxiTRANS Industries Limited
346 Boundary Road
Derrimut VIC 3026

Dear Sirs

Independent Expert's Report

1. Introduction

MaxiTRANS Industries Limited (**MXI** or the **Company**) is listed on the Australian Securities Exchange (**ASX**) and is engaged in the design, manufacture, sale, service and repair of transport equipment and related components and spare sparts in Australia and New Zealand. As at 21 July 2021, MXI has a market capitalisation of $83.3 million.

MXI operates under two business segments:

- The Trailer Solutions segment which comprises:
  - The manufacture and sale of trailers, as well as the provision of after sales service and repair of trailers (**Trailer Business**).
  - A 100%[1] equity interest in Australasian Machinery Sales Pty Ltd (**Trout River**), a manufacturer and supplier of live bottom trailers based in Hallam, Victoria.
  - A 36.67% equity interest in Trailer Sales Pty Ltd (**TSQ**), a Queensland-based trailer and parts retailer and provider of after sales service and repair.
- The MaxiPARTS segment which sells truck and trailer parts (**MaxiPARTS Business**).

Australian Trailer Solutions Group Pty Ltd (previously known as Australian Infrastructure Services Group Pty Ltd) (**ATSG**) is a privately held entity with no trading operations or assets of its own.

On 22 July 2021, MXI announced that it had entered into various agreements for the sale of the Trailer Business (including the manufacturing site in Ballarat), 100% of the equity interest in Trout River and 36.67% equity interest in TSQ[2] (hereinafter, collectively referred to as the **Trailer Assets**) to ATSG and related companies[3] for a purchase

[1] On 1 July 2021, MXI acquired the remaining 20% stake in Trout River not held by it as part of an agreed earn-out arrangement under the 2018 acquisition for an 80% stake.

[2] The Trailer Business, Ballarat property; and the investments in Trout River and TSQ, are operated / owned by various subsidiaries of MXI.

[3] For the remainder of this Report (defined on page 3), reference to **ATSG** may refer to any one, some or all of ATSG and its related companies as set out in the Explanatory Memorandum (defined on page 3).

price of $28.150 million (**Purchase Price**) in cash, subject to customary adjustments as discussed below (**Proposed Transaction**).

If the Proposed Transaction completes, MXI will remain a listed ASX entity focussing on the sale of truck and trailer parts through the MaxiPARTS Business (**Continuing Business**) and change its name to MaxiPARTS Limited.

Other key terms of the Proposed Transaction are as follows:

- The sale of the Trailer Business is on a debt free cash free basis, and includes the Australian and New Zealand trailer operations (including the Ballarat property), property leases and employees.
- Master Supply Agreement – MXI will enter into a supply agreement (**Master Supply Agreement**) under which the Continuing Business will supply parts to the Trailer Business under its new ownership and continue as the exclusive aftersales distributor of genuine MaxiTRANS trailer parts for a minimum of three years.

  Adjustment to the Purchase Price – After taking customary purchase price adjustments into account (including working capital adjustments) and based on the Trailer Business' proforma forecast balance sheet as at the anticipated completion date of 31 August 2021, the management of MXI (**Management**) has estimated the Purchase Price for the Proposed Transaction to be $19.552 million[4].

  We understand the final adjustment amounts will change depending on the movements in the various adjustment items up to the completion date of the Proposed Transaction.
- Vendor finance - MXI will provide $4.0 million in vendor finance to ATSG for a maximum of two years, at an interest rate of 3% per annum for the first six months, 5% per annum for the next six months and 8% per annum thereafter.
- Incentive payment – MXI will pay ATSG an incentive payment of $250,000 if the Proposed Transaction completes.
- Break fee – A break fee of $650,000 is payable by MXI to ATSG under certain circumstances.
- Board recommendation - The announcement of the Proposed Transaction and the Notice of Meeting must state that the Board of Directors of MXI unanimously recommends that the shareholders of MXI (**MXI Shareholders**) vote in favour of each aspect of the Proposed Transaction, in the absence of a superior proposal, and subject to the independent expert concluding and continuing to conclude in the independent expert's report that the Proposed Transaction is fair and reasonable, or not fair but reasonable to and in the best interests of the MXI Shareholders.

Separate to the Proposed Transaction:

- MXI proposes to enter into a contract to sell its Derrimut and Hallam properties to an unrelated third party for a total cash consideration of $18.05 million (**Derrimut and Hallam Sale**), subject to a lease back to MXI of those properties. Under the Proposed Transaction, ATSG will assume responsibility for the leases (other than the portion of the Derrimut property that will continue to be occupied by the Continuing Business).
- Separate to and as a consequence of the Proposed Transaction, MXI proposes to consolidate the shares in MXI by converting every five ordinary shares into one ordinary share (**Share Consolidation**) and pay a fully franked dividend of 62.5 cents per share to the MXI Shareholders following the Share Consolidation (**Special Dividend**). The final amount of the Special Dividend will be determined once all adjustments to the proceeds from the Proposed Transaction and the Derrimut and Hallam Sale have been finalised.

[4] The terms of the Asset Sale Agreement allow for a reduction in the Purchase Price to account for any make good obligations that MXI may need to meet in relation to the leasehold properties and the completion incentive payment payable to ATSG. The make good amount, if any, is subject to discussions between MXI and the landlords.

Management's estimate of the adjusted Purchase Price of $19.552 million above is before deducting the make good amount and completion incentive payment. Instead, these obligations have been included as part of the estimated transaction costs of the Proposed Transaction on page 7.

The Derrimut and Hallam Sale is conditional on the completion of the Proposed Transaction. As set out in the Explanatory Memorandum (defined below), if the Proposed Transaction is not approved, no Special Dividend will be paid.

The Share Consolidation requires the approval of the MXI Shareholders. The Derrimut and Hallam Sale and the Special Dividend do not require the approval of the MXI Shareholders.

If they complete, the total proceeds from the Proposed Transaction and the Derrimut and Hallam Sale of $37.602 million ($33.602 excluding vendor financing) together with existing cash will be used to:

- repay MXI's bank debt in full - $17.25 million.
- pay the Special Dividend – $23.2 million.
- fund transaction and separation costs relating to the Proposed Transaction - $3.7 million.

2. Purpose of the report

ASX Listing Rule 11.2 provides that where a company proposes to make a significant change to the nature or scale of its activities which involves the disposal of its main undertaking, it must first obtain approval of its shareholders.

ASX Listing Rule 11.2 is relevant to the Proposed Transaction as it involves the proposed disposal of MXI's main undertaking, being the Trailer Business. MXI's only other operating business is the MaxiPARTS Business.

Further, one of the conditions precedent of the Proposed Transaction is that MXI has obtained shareholder approval for the Proposed Transaction as required by ASX Listing Rule 11.2.

While there is no legal requirement for the commissioning of an independent expert's report in relation to the Proposed Transaction, the Directors of MXI have engaged ShineWing Australia Securities Pty Ltd (**ShineWing Australia Securities** or **SW Securities**) to prepare an Independent Expert's Report (**Report**) setting out whether, in our opinion, the Proposed Transaction is fair and reasonable to and in the best interests of the MXI Shareholders.

For the avoidance of doubt, we have not been engaged to form an opinion on the Derrimut and Hallam Sale, the utilisation of proceeds from the Proposed Transaction, the Share Consolidation or the Special Dividend.

This Report has been prepared for inclusion in MXI's Explanatory Memorandum (**Explanatory Memorandum**) to accompany the Notice of Meeting to be sent to the MXI Shareholders to assist them in deciding whether to approve the Proposed Transaction.

3. Summary of opinion

In ShineWing Australia Securities' opinion, in the absence of a superior proposal, the Proposed Transaction is **fair and reasonable to the MXI Shareholders and is therefore, in the best interests of the MXI Shareholders.**

Assessment of fairness

In accordance with our basis of evaluation (set out in **Section 2** of this Report), we have assessed whether the Proposed Transaction is fair to MXI Shareholders by comparing the fair market value of the Trailer Assets to the Purchase Price.

The results of our analysis are summarised below:

$'000	Low	High	Reference
Trailer Business	6,600	7,100	**Section 8**
Trout River (100% stake)	7,000	9,000	**Section 9**
TSQ (36.67% stake)	5,377	6,998	**Section 9**
Total fair market value of the Trailer Assets (A)	**18,977**	**23,098**	
Initial Purchase Price	28,150	28,150	
Purchase price adjustment	(8,598)	(8,598)	
Adjusted Purchase Price (B)	**19,552**	**19,552**	

Source: SW Securities analysis

As the Purchase Price is within the range of our assessment of the fair market value of the Trailer Assets, we have concluded that the Proposed Transaction is fair to MXI Shareholders.

Assessment of reasonableness

The Australian Securities and Investments Commission (**ASIC**) Regulatory Guide 111 "Contents of Expert Reports" (**RG 111**) establishes that an offer is reasonable if it is fair. As we have assessed the Proposed Transaction to be fair, we have concluded that the Proposed Transaction is reasonable. Notwithstanding the statutory obligation to conclude that the Proposed Transaction is reasonable, we have also considered the following likely advantages, disadvantages and other factors which the MXI Shareholders may wish to consider in assessing whether to approve the Proposed Transaction.

Advantages

Certainty of the cash consideration

If the Proposed Transaction is completed, MXI Shareholders will no longer be exposed to the ongoing risks associated with the Trailer Business, including the following:

- Revenue of the Trailer Business has been on a declining trend since the financial year (**FY**) ended 30 June 2018, improving in FY21. This is in part due to the cyclical nature of the agriculture and construction industries to which the Trailer Business is exposed to, as well as lower demand due to the subdued industry and economic outlook, compounded by the impact of the COVID-19 pandemic since March 2020.
- The Trailer Business is a low margin, capital intensive business with significant investments in fixed assets, software and working capital.
- In March 2019, the Trailer Business undertook a sale and leaseback of the Richlands (Queensland) and Takanini (New Zealand) properties to reduce MXI's debt, followed by a sale and leaseback of the rental trailer fleet in December 2019. In November 2020, the Trailer Business' Queensland business relocated from Richlands to Carole Park which is a larger new purpose-built facility. The subsequent lease obligations have increased the fixed costs of the Trailer Business.
- Production at the Carole Park facility is behind schedule. The anticipated revenue upside and / or cost savings at the site are taking longer than expected to materialise.
- During the down-cycle in FY19, despite MXI's efforts to realign the overhead cost structure (mainly through a reduction in employee headcount), the overhead cost reduction had not been sufficient to offset the declining revenue.

Capital return

Some of the proceeds from the Proposed Transaction and the Derrimut and Hallam Sale will be returned to MXI Shareholders as a Special Dividend following the Share Consolidation, thereby providing certainty of a cash return to MXI Shareholders.

Earn out consideration in relation to Trout River

MXI was obligated to purchase the remaining 20% stake in Trout River by 30 June 2021 as part of an agreed earn out arrangement when MXI acquired the initial 80% stake in 2018. This was completed on 1 July 2021, with MXI paying $2.8 million for the 20% stake in Trout River inclusive of a dispute settlement amount.

Management has calculated the earn out consideration based on the terms of the 2018 Trout River share sale agreement to be approximately $2.1 million. Under the terms of the Proposed Transaction, ATSG will reimburse MXI the earn out consideration calculated based on the terms of the 2018 Trout River share sale agreement (i.e. excluding the dispute settlement amount). MXI, however, will be providing vendor financing to ATSG to fund the earn out payment.

Stronger balance sheet after the Proposed Transaction

MXI, in recent times, has experienced cash flow constraints due to significant cash required to fund the cyclical, high fixed cost and capital intensive Trailer Business. MXI has also experienced pressure from its lenders who wanted to reduce their exposure to the MXI business.

The proceeds from the Proposed Transaction and the Derrimut and Hallam Sale will be used to repay bank debt which will improve and strengthen MXI's financial position.

Improved business performance

Following the Proposed Transaction, MXI is anticipated to operate with a less complex business structure with significantly reduced corporate costs and capital expenditure, thereby generating more consistent earnings.

Focus on the MaxiPARTS Business

The Proposed Transaction provides MXI an opportunity to exit from a cyclical, low margin and capital intensive business. If the Proposed Transaction completes, MXI will be able to focus on the MaxiPARTS Business.

The MaxiPARTS Business is one of Australia's leading independent commercial vehicle parts distribution businesses. The MaxiPARTS Business has experienced steady growth in the last few years and provides a more stable earnings stream with lower capital expenditure requirements.

A standalone MaxiPARTS Business will have a stronger financial platform from which to develop its market leading position and greater financial flexibility to play a prominent role in the consolidation of the commercial vehicle aftermarket parts industry.

The sale of the Trailer Business will allow MXI to reposition itself as a commercial vehicle parts business and create more sustainable value for MXI Shareholders across the economic cycle.

As the MaxiPARTS Business matures, the Company expects to broaden its focus to include other business-to-business parts sectors.

Disadvantages

MXI Shareholders will not be able to participate in any future upside of the Trailer Business

If the Proposed Transaction completes, MXI Shareholders will forgo the opportunity to participate in the future potential upside of the Trailer Business which may arise from the following:

- Recent relocation to Carole Park

  In November 2020, Trailer Business' Queensland business relocated from Richlands to Carole Park. The Carole Park manufacturing facility is a new purpose-built facility that is expected to deliver greater capacity to support the growing Queensland and New South Wales markets, while realising operating efficiency on Queensland manufactured products.

  With the relocation to Carole Park, Trailer Business' Queensland production range is expected to expand beyond tippers to include trailers (skeletal, Dolly's, semi-trailers) and live floor trailers. This capability is anticipated to release the capacity constraint at the Ballarat manufacturing facility.

  The relocation is also expected to improve efficiency and create cost savings through a reduction in freight cost.

  However, we note it will require a few years for the above potential upside to be fully realised. Management advised the freight savings have not yet been achieved. The level of efficiency improvements will also depend on the level of utilisation at the Carole Park facility in the future.

- The Trailer Business operates a cyclical business and has experienced declining revenue in FY19 and FY20, which improved in YTD21. If the Proposed Transaction completes, MXI Shareholders will not be able to benefit from any improvement in performance of the Trailer Business.

Share price of MXI after the Proposed Transaction

Following completion of the Proposed Transaction and the Special Dividend, MXI's market capitalisation may decline.

Provision of vendor financing

Under the terms of the Proposed Transaction, MXI will provide ATSG $4.0 million of vendor finance for a maximum term of two years. The purpose of the vendor finance is to fund ATSG's acquisition of the earn out consideration for Trout River and the shortfall in the Trailer Business' inventory level compared to the target level.

MXI will receive interest income from this finance facility and the loan is secured against assets of the Trailer Business.

We consider there remains a risk that ATSG may default and the loan may not be recoverable.

Other considerations

Master Supply Agreement

Under the terms of the Master Supply Agreement, the Continuing Business will supply parts to the Trailer Business under its new ownership and continue as the exclusive aftersales distributor of genuine MaxiTRANS trailer parts for a minimum of three years.

While the margin for parts supply and the proportion of parts the Continuing Business will supply the Trailer Business under its new ownership under the Master Supply Agreement will differ from the current arrangement, Management advised the terms of the Master Supply Agreement have been structured such that they do not expect either the Continuing Business or the Trailer Business under its new ownership will be worse off as a result of the new arrangement.

The Proposed Transaction is considered by MXI to be the best option

We understand that the MXI Directors have considered a number of strategic options to improve MXI's business performance including the divestment of its capital intensive and low margin Trailer Business. As set out in the Explanatory Memorandum, The MXI Board considers the Proposed Transaction to be the best option for MXI Shareholders to realise value for the Trailer Assets in circumstances where profitability has been declining.

Prior to the Proposed Transaction, MXI was in discussions with two other parties who were interested in acquiring the Trailer Business. However, the discussions did not eventuate into binding offers and were discontinued.

At this time, the Directors are unaware of any alternative or more superior proposals which may provide greater benefit to MXI Shareholders.

Proforma financial position post-Transaction

After the Proposed Transaction, the Derrimut and Hallam Sale and payment of the Special Dividend, MXI's proforma forecast net assets will reduce from $92.3 million as at 30 June 2021 to $57.2 million as at 1 September 2021 and it will have proforma net cash (excluding AASB 16 lease liabilities) of $7.0 million. Refer to **Section 6** of this Report for further details.

Prospect of a superior offer

To date no superior proposal to the Proposed Transaction has emerged.

Whilst MXI has agreed not to solicit any competing proposals or, subject to a fiduciary exception, to participate in discussions or negotiations in relation to any competing proposals, there are no material impediments to an alternative proposal being submitted by potentially interested parties.

The transaction process may act as a catalyst for other interested parties and provide significant additional information in the Notice of Meeting, Explanatory Memorandum and Independent Expert's Report to enable such potential acquirers to assess the merits of potential alternative transactions.

If a superior proposal emerges before MXI Shareholders cast their vote on the Proposed Transaction, the extraordinary general meeting may be adjourned or MXI Shareholders may vote against it.

Break fee

In the event that a competing proposal is announced and completed, or a member of the MXI Board withdraw their recommendation of the Proposed Transaction, MXI will pay to ATSG a break-fee of $650,000. The break fee may also become payable under other circumstances as set out in the Asset Sale Agreement (**ASA**).

Tax implications

The Proposed Transaction will result in MXI incurring a capital loss / tax loss on the sale of the Trailer Business (excluding the Ballarat property), Trout River and TSQ. Provided the sale of the Trailer Assets, Derrimut property and Hallam property occur in the same income year for tax purpose, the capital / tax loss will offset the anticipated capital gain arising from the sale of the Ballarat, Derrimut and Hallam properties.

As a consequence, MXI is not expected to incur a taxation liability as a result of the Proposed Transaction and the Derrimut and Hallam Sale.

The Proposed Transaction and Derrimut and Hallam Sale are estimated to result in around $25 million of net tax losses available for MXI to carry forward.

Implications if the Proposed Transaction is not approved

If the Proposed Transaction is not approved, MXI will continue operating as it is and require additional funds to build the Trailer Business' inventory, fund production at the Carole Park facility along with managing the normal working capital fluctuations of the Trailer Business.

One-off transaction costs

MXI would have incurred one-off costs relating to the Proposed Transaction without gaining any benefits from the Proposed Transaction.

The total estimated transaction costs are $3.7 million including redundancy costs, property valuer fees for the Derrimut and Hallam Sale, advisory costs, lease make good amount, settlement incentive payable to ATSG and bank early settlement fees, of which $1.5 million will be incurred even if the Proposed Transaction does not proceed. We note that approximately 20% of the transaction costs amount relates to lease make good costs that are subject to discussion with the landlords following the announcement of the Proposed Transaction and Management have advised that they consider the lease make good cost estimate to be conservative (i.e. the actual costs may potentially be lower).

Reasonableness conclusion

Based on the qualitative factors identified above, it is our opinion that on balance, the Proposed Transaction is reasonable to MXI Shareholders.

Overall conclusion

After considering the abovementioned quantitative and qualitative factors, ShineWing Australia Securities has concluded that in the absence of a superior proposal, the Proposed Transaction is fair and reasonable to the MXI Shareholders and is therefore, in the best interests of the MXI Shareholders.

4. Other matters

ShineWing Australia Securities has prepared a Financial Services Guide (**FSG**) in accordance with the Corporations Act. The Financial Services Guide is set out in the following section.

This Report has been prepared solely for the purpose of assisting MXI Shareholders in deciding whether to approve the Proposed Transaction as set out in the Explanatory Memorandum. We do not assume any responsibility or liability to any party as a result of reliance on this Report for any other purpose.

This Report constitutes general financial product advice only and in undertaking our assessment, we have considered the likely impact of the Proposed Transaction to the shareholders as a whole. We have not considered the potential impact of the Proposed Transaction on individual shareholders. Our opinion therefore does not consider the financial situation, objectives or needs of individual shareholders. Individual shareholders have different financial circumstances and it is neither practicable nor possible to consider the implications of the Proposed Transaction on individual shareholders. Accordingly, before acting in relation to their investment, shareholders should consider the appropriateness of the advice having regard to their own financial situation, objectives or needs.

ShineWing Australia Securities' opinion should not be construed as a recommendation as to whether or not to vote in favour of the Proposed Transaction. The decision of whether to approve the Proposed Transaction is a matter for each shareholder to decide based on their views as to matters including value and future market conditions, and their particular circumstances including risk profile, liquidity preference, investment strategy and tax position. If in any doubt as to the action they should take in relation to the Proposed Transaction, shareholders should consult their own professional adviser.

Our opinion is made at the date of this letter and reflects circumstances and conditions as at that date.

This letter should be read in conjunction with the full text of the Report as attached including the appendices.

Yours sincerely

ShineWing Australia Securities Pty Ltd

Phillip Rundle	Vikas Nahar
Director	Director

FINANCIAL SERVICES GUIDE

We are required to issue to you, as a retail client, a Financial Service Guide (**FSG**). The FSG, dated 22 July 2021, is designed to assist retail clients in their use of the general financial product advice provided by ShineWing Australia Securities Pty Ltd ABN 98 614 606 389 (**ShineWing Australia Securities**), Australian Financial Services License (**AFSL**) number 509026. This FSG contains important information about:

1. Who we are, what our engagement is and who engaged our services;
2. The services we are authorised to provide under the AFSL held by ShineWing Australia Securities;
3. Remuneration that we may receive in connection with the preparation of the general financial product advice;
4. Any relevant associations, relationships and or referrals arrangements;
5. Our internal and external complaints handling procedures and how you may access them;
6. The compensation arrangements that ShineWing Australia Securities has in place;
7. Our privacy policy; and
8. Our contact details.

This FSG forms part of an Independent Expert's Report (**Report**) which has been prepared for inclusion in an Explanatory Memorandum to be dated on or about 22 July 2021 prepared by MaxiTRANS Industries Limited ACN 006 797 173 (**Explanatory Memorandum**). The purpose of the Explanatory Memorandum is to help you make an informed decision in relation to a financial product.

1. About us

ShineWing Australia Securities is a related entity of ShineWing Australia and independent member of ShineWing International Limited.

The general financial product advice in our Report is provided by ShineWing Australia Securities and not by ShineWing Australia which provide services primarily in the areas of audit, tax and business consulting.

ShineWing Australia Securities has been engaged by MaxiTRANS Industries Limited to issue a Report for inclusion in the Explanatory Memorandum.

2. Financial services we are authorised to provide and our responsibility to you

We are authorised to provide general financial product advice for securities only to retail and wholesale clients.

The Report contains only general financial product advice as it was prepared without taking into account your personal objectives, financial situation or needs. You should consider the appropriateness of the general advice in the Report having regard to your circumstances and consider obtaining personal financial advice from an appropriately licensed person before you act on the general advice in the Report.

You should also consider all other parts of the Explanatory Memorandum before making any decision in relation to the financial product.

The Report has been prepared for the directors of MaxiTRANS Industries Limited. You have not engaged us directly but have received a copy of the Report because you have been provided with a copy of the Explanatory Memorandum.

ShineWing Australia Securities is not acting for any person other than MaxiTRANS Industries Limited.

ShineWing Australia Securities is responsible and accountable to you for ensuring there is a reasonable basis for the conclusions in the Report.

3. Fees, commission and other benefits we may receive

ShineWing Australia Securities charges fees for providing reports, which are agreed to upfront, and paid by, the entity who engages us to provide the report.

Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the entity who engages us. In this case, MaxiTRANS Industries Limited has agreed to pay us approximately $150,000 for preparing the Report.

Except for the fees referred to above, neither ShineWing Australia, nor any of its directors, authorised representatives, employees, associates or related entities, received any pecuniary benefit, directly or indirectly, for or in connection with the provision of the Report. All employees receive a salary and bonus based on overall productivity and not linked to our opinions expressed in this Report.

Further details may be provided on request.

4. Associations, relationships and referrals

The ShineWing Australia group, including ShineWing Australia and ShineWing Australia Securities are members of ShineWing International Limited, consisting of independent member firms and correspondents.

ShineWing Australia and its authorised representatives, employees and associates may from time to time have relationships with the issuers of financial products in the ordinary course of its business. Partners of ShineWing Australia through their shareholdings will receive a direct benefit from the fees received below.

No individual involved in the preparation of the Report holds an interest in, or is a substantial creditor of MaxiTRANS Industries Limited or has other material financial interests in the transaction proposed by the Explanatory Memorandum.

ShineWing Australia group does not pay commissions or provide any benefits to any person for referring customers to them in connection with the Report.

5. Complaints

Internal complaints resolution

If you have concerns with the general advice provided in the Report, please contact us at the details provided in section 8 below. If your concerns are not addressed in a timely manner, please send your complaint in writing to the Complaints Manager, ShineWing Australia Pty Ltd, Level 10, 530 Collins St, Melbourne, VIC 3000.

External dispute resolution

If your concern is not resolved, or if you are not satisfied with the decision, you may contact the Australian Financial Complaints Authority (**AFCA**).

AFCA is an ASIC-approved external dispute resolution body and provides fair and independent financial services complaint resolution that is free to consumers. Their contact details are as follows:

Australian Financial Complaints Authority

GPO Box 3, Melbourne VIC 3001

Telephone: 1 800 931 678

Email: info@afca.org.au

Website: www.afca.org.au

The Australian Securities & Investments Commission (**ASIC**) is Australia's corporate, markets and financial services regulator. ASIC contributes to maintaining Australia's economic reputation by ensuring that Australia's financial markets are fair and transparent, and is supported by informed investors and consumers alike. ASIC seeks to protect consumers against misleading or deceptive and unconscionable conduct affecting all financial products and services. You may contact ASIC by:

Australian Securities & Investments Commission

GPO Box 9827, Your Capital City

Phone: 1300 300 630

Website: www.asic.gov.au

Before you send your concern to any of these respective bodies, please contact them first to understand the process of lodging your concern with them.

6. Compensation arrangements

The law requires ShineWing Australia Securities to have arrangements in place to compensate certain persons for the loss or damage they suffer from certain breaches of the Corporations Act made by its past and present representatives.

7. Privacy Statement

We are required or authorised to collect personal information from you by certain laws. Details of these laws are in our privacy policy.

Our full privacy policy is available at http://www.shinewing.com.au/privacy-policy. It covers:

- how you can access the personal information we hold about you and ask for it to be corrected;
- how you may complain about a breach of the Privacy Act 1988 (Cth), or a registered privacy code and how we will deal with your complaint; and;
- how we collect, hold, use and disclose your personal information in more detail.

We will update our privacy policy from time to time.

Where you have provided information about another individual, you must make them aware of that fact and the contents of this privacy statement.

8. Contact Details—ShineWing Australia Securities

Level 10, 530 Collins Street

Melbourne, VIC 3000

Australia

T: +61 3 8635 1800

F: +61 3 8102 3400

www.shinewing.com.au

This Financial Services Guide has been authorised for distribution by the authorising licensee.

References to 'we' or 'us' or 'ours' should be read as ShineWing Australia Securities Pty Ltd (ABN 98 614 606 389*),* AFSL 509026*.*

Contents

1. Overview of the Proposed Transaction

1.1. Terms of the Proposed Transaction

On 22 July 2021, MXI announced that it had entered into various agreements for the sale of the Trailer Assets to ATSG for the Purchase Price in cash, subject to customary adjustments.

Other key terms of the Proposed Transaction are as follows:

- The sale of the Trailer Business is on a debt free cash free basis, and includes the Australian and New Zealand trailer operations (including the Ballarat property), property leases and employees.
- Vendor finance - MXI will provide $4.0 million in vendor finance to ATSG for a maximum of two years, at an interest rate of 3% per annum for the first six months, 5% per annum for the next six months and 8% per annum thereafter.
- Incentive payment – MXI will pay ATSG an incentive payment of $250,000 if the Proposed Transaction completes.
- Break fee – A break fee of $650,000 is payable by MXI to ATSG under certain circumstances.
- Board recommendation - The announcement of the Proposed Transaction and the Notice of Meeting must state that the Board of Directors of MXI unanimously recommends that the MXI Shareholders vote in favour of each aspect of the Proposed Transaction, in the absence of a superior proposal, and subject to the independent expert concluding and continuing to conclude in the independent expert's report that the Proposed Transaction is fair and reasonable, or not fair but reasonable to and in the best interests of the MXI Shareholders.
- Carole Park Funding Agreement – MXI will maintain the existing bank guarantees provided to the State of Queensland on the terms of the Advance Queensland Industry Attraction Fund Agreement dated 1 October 2020 (**Carole Park Funding Agreement**), subject to novation of the Carole Park Funding Agreement to ATSG and provision by ATSG of substitute bank guarantee.
- Transitional Services Agreement – The buyers and the sellers will enter into an agreement setting out the terms on which they will provide services to each other after completion and their obligations to separate each of its operations, systems and facilities from those of the trailer business.

Please refer to the Explanatory Memorandum for further details on the key terms of the Proposed Transaction.

1.2. Conditions precedent

The Proposed Transaction is subject to the satisfaction, or waiver, of various conditions precedent, including:

- MXI Shareholders have approved the Proposed Transaction (Resolution 1 in the Explanatory Memorandum) and MXI changing its name to MaxiPARTS Limited (Resolution 2 in the Explanatory Memorandum).
- The sellers obtain and deliver to ATSG a consent for the transfer of MXI's stake in TSQ to ATSG.
- The counterparty to the key contracts set out in the ASA has consented to the assignment of the key contracts from the sellers to ATSG on terms acceptable to ATSG.
- At least 75% of the sellers' employees who receive an offer of employment in accordance with the terms of the ASA accept that offer.

- ATSG, acting reasonably, being satisfied that it holds, or at completion will hold, all authorisations required to run the trailer business.
- ATSG, acting reasonably, being satisfied that it holds, or at completion will hold the intellectual property rights relating to the trailer business.

Please refer to the Explanatory Memorandum for further details on the conditions precedent for the Proposed Transaction.

1.3. Master Supply Agreement

MXI will enter into a Master Supply Agreement under which the Continuing Business will supply parts to the Trailer Business under its new ownership and continue as the exclusive aftersales distributor of genuine MaxiTRANS trailer parts for an initial term of three years with the option to renew for a further 12 months if agreed in writing by the parties.

Please refer to the Explanatory Memorandum for further details on the key terms of the Master Supply Agreement and **Section 4** for details on existing interdivisional sales.

2. Purpose and scope of the report

2.1. Purpose of the report

ASX Listing Rule 11.2 provides that where a company proposes to make a significant change to the nature or scale of its activities which involves the disposal of its main undertaking, it must first obtain approval of its shareholders.

ASX Listing Rule 11.2 is relevant to the Proposed Transaction as it involves the proposed disposal of MXI's main undertaking, being the Trailer Business. MXI's only other operating business is the MaxiPARTS Business.

Further, one of the conditions precedent of the Proposed Transaction is that MXI has obtained shareholder approval for the Proposed Transaction as required by ASX Listing Rule 11.2.

While there is no legal requirement for the commissioning of an independent expert's report in relation to the Proposed Transaction, the Directors of MXI have engaged ShineWing Australia Securities to opine whether the Proposed Transaction is fair and reasonable to and in the best interests of the MXI Shareholders.

2.2. Basis of evaluation

Neither the Corporations Act, the Corporations Regulations nor the ASX Listing rules provide a definition as to the meaning of "fair and reasonable".

In preparing this Report, ShineWing Australia Securities has had regard to RG 111 which establishes certain guidelines for independent expert's reports prepared for the purposes of the Corporations Act. RG 111 is framed largely in relation to reports prepared pursuant to section 640 of the Corporations Act and comments on the meaning of "fair and reasonable" are in the context of a takeover offer. RG 111 also regulates independent expert's reports prepared in relation to the disposal of a substantial asset to a related party under ASX Listing Rule 10.

RG 111 provides the following guidance on the meaning of "fair and reasonable" in the context of a takeover offer:

- An offer is "fair" if the value of the offer price or consideration is equal to or greater than the value of the securities the subject of the offer. The comparison is made assuming 100% ownership of the target and irrespective of whether the consideration is scrip or cash.
- An offer is "reasonable" if it is fair. It might also be "reasonable" if despite being "not fair" the expert believes that there are sufficient reasons for shareholders to accept the offer in the absence of any higher bid before the close of the offer. These might include:
    - the bidder's pre-existing voting power, if any, in the target.
    - other significant shareholdings in the target.
    - the liquidity of the market in the target's shares.
    - taxation losses, cash flow or other benefits through achieving 100% ownership of the target company.
    - any special value of the target to the bidder.
    - the likely market price if the offer is unsuccessful.
    - the value to an alternative bidder and likelihood of an alternative offer being made.

As the Proposed Transaction is not a takeover, we have also considered RG111.58 on related party transactions which states that where the proposed transaction consists of an asset acquisition by the entity, it is "fair" if the value of the financial benefit being offered by the entity to the related party is equal to or less than the value of the assets being acquired.

Having regard to the above, ShineWing Australia Securities has assessed whether the Proposed Transaction is fair to MXI Shareholders by comparing the fair market value of the Trailer Business to the Purchase Price.

In considering whether the Proposed Transaction is reasonable to the MXI Shareholders, we have considered a number of factors, including:

- Whether the Proposed Transaction is fair.
- The implications to MXI Shareholders if the Proposed Transaction does not complete.
- Other likely advantages and disadvantages associated with the Proposed Transaction.
- Other costs and risks associated with the Proposed Transaction that could potentially affect MXI Shareholders.

For the purpose of our opinion, fair market value is defined as the amount that would be negotiated in an open and unrestricted market between an informed and willing but not anxious buyer and an informed and willing but not anxious seller acting at arm's length.

2.3. Use of specialist report

ShineWing Australia Securities has not undertaken any valuation of the properties owned by MXI and used for the Trailer Business. For the purpose of this Report, we have considered the property valuation report commissioned by MXI from CBRE Valuations Pty Limited (**CBRE**) for the purpose of determining the fair value of the Ballarat property for financial reporting purposes as at 30 June 2020 (**Property Valuation Report**).

We note the following:

- CBRE regard themselves as independent of MXI in relation to the Property Valuation Report.
- The Property Valuation Report was prepared for financial reporting purposes and set out the market value of the property assuming ongoing occupancy.
- Given the reasonably short time that has elapsed since 30 June 2020 and the nature of the asset being valued (commercial property), we do not consider there is likely to have been any material change in the fair market value of the asset since it was valued.

Having regard to the nature of the valuation, we do not have any reason to believe that:

- the property valuation is not a reasonable estimate of the fair market value of the Ballarat property.
- the net market rent in the Property Valuation Report is not a reasonable estimate of the commercial rent for the Ballarat property.
- it is not reasonable to consider the property valuation and net market rent for the purpose of this Report.

CBRE consents to reference to the Property Valuation Report in this Report subject to among others, the following:

- Reference to the Property Valuation Report is for information purposes only and is on a non-reliance basis.
- CBRE does not endorse any of the comments or conclusions in this Report.

Please refer to **Appendix A** for further details on the limitations of CBRE's consent.

2.4. Limitations and reliance on information

In preparing this Report, we have used and relied upon the information set out in **Appendix B** and representations made by the Management. All material information and explanations requested to prepare this Report have been made available.

We have considered and relied upon this information. We believe that the information from which this Report was compiled was reliable, complete and appropriate for our purposes and we have no reason to believe that material facts have been withheld. The information provided was evaluated through analysis, enquiry and review for the purpose of preparing our Report. However, we do not warrant that our enquiries have identified or verified all the matters which an audit, extensive examination or 'due diligence' investigation might disclose. None of these additional tasks have been undertaken.

An important part of the information used in forming our opinion of the kind expressed in this Report comprises of the opinions and judgement of management. This type of information has also been evaluated through analysis, enquiry and review to the extent practical. However, such information is often not capable of external verification or validation.

The information provided to ShineWing Australia Securities included forecasts / projections and other statement and assumptions about future matters prepared by Management. Whilst ShineWing Australia Securities has in part relied upon this information in preparing this Report, MXI remains responsible for all aspects of this information.

ShineWing Australia Securities considers, based on enquiries it has undertaken and analytical procedures applied to the financial data (which do not constitute, and are not as extensive as, an audit or investigating accountant's examination), there are reasonable grounds to believe that the prospective financial information included in this Report has been prepared on a reasonable basis.

We express no opinion as to whether the prospective financial information will be achieved. Prospective financial information are predictions by management of future events that cannot be assured and are necessarily based on assumptions, many of which are beyond the control of the company or its management. Actual results may differ from the prospective financial information and such differences may be material. Any variations in the prospective financial information may affect our valuation and opinion.

The statements and opinions included in this Report are given in good faith, and in the belief that such statements and opinions are not false or misleading.

Other than this Report, ShineWing Australia Securities has not been involved in the preparation of the Explanatory Memorandum or any other document prepared in respect of the Proposed Transaction. Accordingly, we take no responsibility for the content of the Explanatory Memorandum as a whole or any other document prepared in respect of the Proposed Transaction other than this Report.

Our opinions are based on economic, market and other conditions prevailing at the date of this Report. Such conditions can change significantly over relatively short periods of time.

Our valuation of the Trailer Assets at the date of the Report does not take into account events that have occurred subsequent to the date of the Report, that were not expected to occur at that date.

3. Industry overview

3.1. Introduction

MXI manufactures and sells trailers and parts, as well as provide service and repair in Australia and New Zealand.

3.2. Freight trailer manufacturing industry

Industry performance and outlook

Based on IBISWorld report “Freight Trailer Manufacturing in Australia” dated Nay 2021, the freight trailer manufacturing industry in Australia increased at a compound annual growth rate (**CAGR**) of 3.1% over the past five years to 2021.

According to ARTSA-I Institute (formerly, the Australian Road Transport Suppliers Association) (**ARTSA-i**), total new heavy vehicle registrations grew by 0.8% for the 12 months to the end of March 2021 compared to the same period in 2020, suggesting moderate growth. Total heavy vehicle registrations passed one million in January 2021, with heavy trailers being the largest category at nearly 28%.

Revenue of the freight trailer manufacturing industry in Australia has been adversely impacted by the COVID-19 outbreak which reduced the demand for trailers, caused global supply chain disruptions affecting industry exports and imports, and forced the closure of some manufacturing plants.

According to ARTSA-i, the March quarter 2021 new heavy vehicle registrations increased by 15.7% compared to the same quarter last year, with double digit growth for prime movers, heavy trailers, heavy rigids and special purpose vehicles. While the COVID-19 pandemic has impacted the supply of critical components, there is a strong sense that order books are full and new heavy vehicle registrations in the remaining three quarters of 2021 are likely to be strong.

Based on IBISWorld, industry revenue is forecast to grow at an CAGR of 2.9% over the next five years to 2026, to $1.3 billion.

Industry demand and drivers

Australia relies heavily on road freight for transportation of consumer goods and food products. As a result, population and consumption growth drive the performance of this segment of the industry. Demand for Australian food products from the growing middle-class population in Asia and Australia’s rising domestic freight task are also expected to benefit the industry.

The freight trailer manufacturing industry has faced volatile trading conditions over the past five years due to its exposure to the cyclical downstream mining, construction and agriculture sectors.

Harsh climate conditions have constrained production in some agricultural commodities which have limited demand for industry services.

Demand from the construction sector is expected to grow over the next five years which will increase the sale of freight trailers to deliver building materials to construction sites.

Although demand from the mining sector is projected to increase over the next five years, the market is expected to decline as a share of industry revenue as transport of mined ore is more cost effective through rail infrastructure. Furthermore, a stagnation of capital expenditure on mining has hampered greater revenue growth from this sector.

In Australia, the trailer manufacturing industry relies mostly on domestic demand because:

- cheaper manufacturing processes overseas makes it difficult for Australian companies to compete on prices internationally.
- domestic customers have difficulties sourcing overseas trailers that comply with the high Australian road safety regulations. In addition, freight trailers are large bulky items which makes their import expensive.

Competition

MXI is the largest market participant in the industry with an estimated market share of around 18.5% according to IBISWorld.

Key competitors include:

- Vawdrey Australia Pty Ltd (9.5% market share).
- Barker Trailers Pty Ltd (5% market share).
- CIMC Group Australia Pty Ltd (5% market share).

The industry faces strong internal competition which prevents operators from introducing significant price hikes to increase revenue. The second-hand trailer market is a further source of competition particularly in times of weak economic conditions when customers prefer second-hand trailers.

3.3. Heavy duty truck parts wholesaling industry

Industry performance and outlook

According to IBISWorld report “Heavy Duty Truck Parts Wholesalers in Australia” dated May 2021, the truck parts wholesaling industry in Australia decreased at a CAGR of 0.4% to $2.1 billion over the past five years through 2021. Demand has largely stemmed from truck drivers and operators, as the domestic freight task has been growing significantly.

Industry revenue is forecast to grow more strongly over the next five years to $2.3 billion in 2026, at a CAGR of 1.6%. Supporting this growth is an expectation that the number of trucks registered in Australia will increase over the next five years, an ageing fleet requiring repair and logistics companies increasing the use of their truck fleet to improve productivity. However, barriers such as the decreasing price of new trucks may hamper growth, as more truck operators may purchase more efficient and technologically advanced trucks instead of repairing old trucks.

Industry demand and drivers

The industry has benefited from a greater number of trucks on the road and rising road freight transport demand due to Australia's growing domestic freight task over the past five years. As greater transport activity exists, there is greater wear on trucks, which typically results in increased demand for truck maintenance and parts.

The distance travelled by trucks has increased over the years, causing more wear on parts and trucks must also meet roadworthy requirements to legally operate. As a result, industry demand tends to be inelastic for certain truck parts, which supports industry revenue. Truck operators have largely focused on repairing and maintaining their vehicles rather than purchasing new ones.

A depreciating Australian dollar in the last five years has also supported demand for parts as truck operators prefer to repair and maintain their vehicles rather than buy new ones as well as increasing the price of imported parts. At the same time, strong competition and economic uncertainty have limited the industry’s ability to increase prices. As most of the industry’s products are imported, a depreciating Australian dollar has pushed up the price of parts. As the industry is not able to fully pass on the price increase to customers, this has resulted a decline in industry profit margins. To increase profitability, industry participants have focused on implementing more effective inventory management and distribution systems in the past five years to reduce labour costs.

Products

Tyres are the industry's largest product segment. The average truck typically requires a minimum of six tyres, increasing with overall load and size. During acceleration and braking, these tyres undergo significant wear due to the heavy pressure exerted. This segment has increased as a share of industry revenue due to the greater kilometres travelled and the greater number of trucks on the road.

Engine parts, gearboxes, clutches and truck differentials are generally referred to as the drive train. These products are replaced less frequently, with the transmission and clutch undergoing the most wear. Start-stop traffic induces greater wear on these parts than highway driving. This product segment has fallen as a share of industry revenue as trucks have become more reliable and easier to operate.

Brakes and brake pads share characteristics with the tyre segment. Brakes are replaced regularly for safety reasons. This product segment has risen as a proportion of industry revenue due to increasing kilometres travelled.

Consumables such as lighting and oil and air filters are crucial for trucks, although largely discretionary compared to other product segments. This segment is important for night driving and variable temperatures, and has remained stable as a share of industry revenue.

Competition

Major market participants include:

- Daimler Truck and Bus Holding Australia Pacific Pty Ltd (5.8% market share).
- Isuzu Australia Limited (5.7% market share).
- Paccar Australia Pty Ltd, Scania Australia Pty Limited and Volvo Group Australia Pty Ltd (each holding a 4.0% market share)

Larger operators tend to have relationships with a wide range of parts suppliers which have been one of the main barriers to entry, preventing an influx of potential entrants. Larger industry participants also tend to be vertically integrated with international automotive manufacturers and often source original equipment manufacturer (**OEM**) parts. Providers of high-quality OEM parts have an advantage over competitors as they can potentially establish exclusive contracts with logistics companies that only use a single brand of truck.

4. Profile of MXI

4.1. Overview of MXI

In 1998, Maxi-CUBE Limited (an-ASX listed entity at the time) acquired Freighter Industries, a long-standing trailer brand, and was subsequently renamed MaxiTRANS. Since then, MXI has acquired a number of other trailer brands.

Headquartered in Derrimut, Victoria, MXI is engaged in the design, manufacture, sale, service and repair of transport equipment and related components and spare parts.

Through its product range, MXI provides engineered solutions for many sectors of the road transport industry including agriculture, general and refrigerated freight, infrastructure, manufacturing, mining and waste management.

MXI operates under two business segments:

- The Trailer Solutions segment which comprises:
    - The Trailer Business which is involved in the manufacture and sale of trailers, as well as the provision of after sales service and repair of trailers in Australia and New Zealand. The Trailer Business' products are sold through its dealer network, comprising both owned dealerships and licensed dealerships.
    - A 100% equity interest in Trout River, a manufacturer and supplier of live bottom trailers based in Hallam, Victoria.
    - A 36.67% equity interest in TSQ, a Queensland-based trailer and parts retailer and provider of after sales service and repair.
- The MaxiPARTS Business which sells truck and trailer parts at wholesale and trade level in Australia through 21 wholesale sites and retail stores (including Erskine Park which opened in Q4 FY21).

  The MaxiPARTS Business is a distributor of leading genuine brands as well as an extensive range of aftermarket commercial vehicle parts.

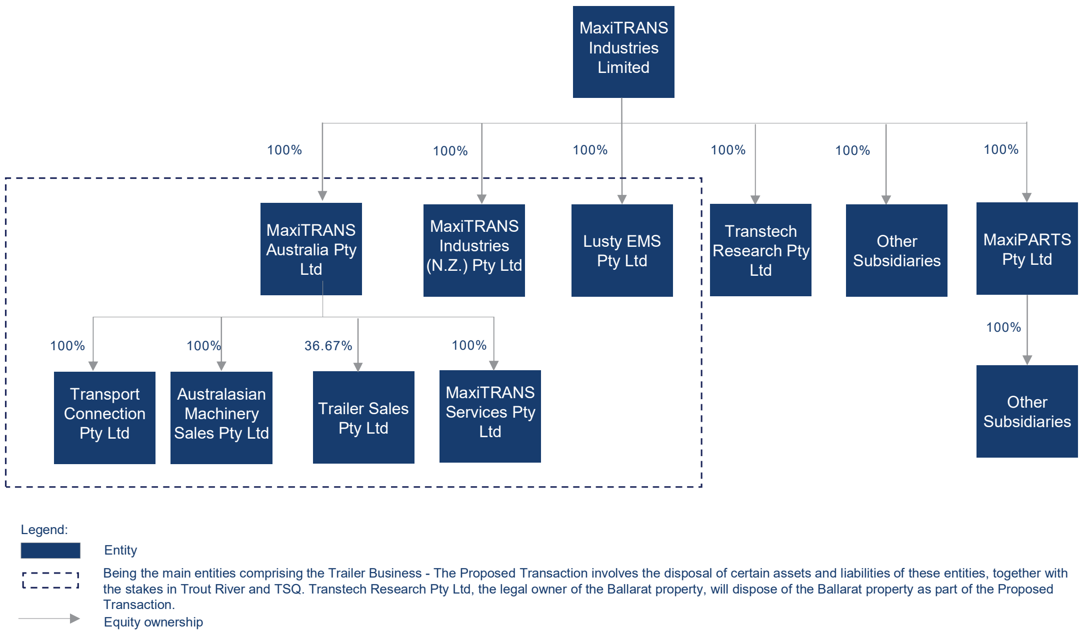
  The parts business sells parts to road transport operators and commercial vehicle service and repair providers in Australia under the MaxiPARTS brand. The wholesale business operates in Victoria, Queensland, New South Wales and Western Australia. Wholesale customers are typically parts resellers and trailer manufacturers.

The Trailer Business purchases commercial vehicle parts from the MaxiPARTS Business for its manufacturing and service business, as well as from third party suppliers. In FY20 and FY21, sales to the Trailer Business averaged 19% of the total annual sales of the MaxiPARTS Business.

Conversely, the MaxiPARTS Business also sources certain genuine MaxiTRANS trailer parts from the Trailer Business. In FY21, purchases from the Trailer Business comprised around 1% of the MaxiPARTS Business' total purchases.

Further details on Trout River and TSQ are set out in **Section 5**.

MXI's group structure is set out below:



Source: Management

4.2. MXI products and services

The Trailer Business sells a variety of products including tautliners, semi-trailers, skels, refrigerated and dry freight vans, semi-tippers, side-tippers, truck bodies and dog tippers, moving floors, multi-loaders and dollies. The Trailer Business also provide after sales services and trailer repairs.

The MaxiPARTS Business was formed in May 2013 following a rebranding of MXI's retail and wholesale parts chains, Colrain, Queensland Diesel Spares and Gladstone Air Cleaner Services. The MaxiPARTS Business sells over 130,000 commercial vehicle parts.

The following table summarises MXI's product range:

Product	Description	Vans	T-Liners, semis and skels	Dollys	Tippers	Walking floors	Live bottoms
Freighter	Products including curtain-sided trailers, as well as flat top, drop deck semi and skeletal trailers.		✓	✓			
Maxi-CUBE	A leader in the Australian temperature controlled transport market.	✓					
Hamelex White	A range of tippers and bulk haulage equipment.				✓	✓	
Lusty EMS	Bulk transport equipment for agriculture, resources, waste management and construction.			✓	✓	✓	
Trout River	Live bottom trailers for bulk transport applications with a complementary range of attachments.						✓
AZMEB	Heavy duty side tipper trailers for the transfer of bulk products in the mining and resources industries, quarries, waste industry and other heavy duty applications.			✓	✓		
Peki	PEKI rigid truck bodies are available in ambient and refrigerated, along with a multi-fit chassis runner to suit all truck makes and models.	✓					
MaxiPARTS	Offers a comprehensive range of parts including lights, tools, oils and filters through to axles, suspensions and brakes.						

Source: Management

4.3. Project TRANSform

In 2014, MXI initiated 'Project TRANSform' to replace 13 legacy IT systems and its unsupported core IT system with a new JD Edwards enterprise resource planning (**ERP**) system and other integrated systems across its business. The aim was to improve operational efficiencies by streamlining its business processes and practices while reducing operational risk.

In October 2018, MXI deployed the new ERP system to the Trailer Business' Australian manufacturing sites. The roll-out of the ERP system to the remainder of the Australian Trailer Business (i.e. sales and service) and New Zealand business was completed in FY21. The planned roll-out to the MaxiPARTS Business has been delayed to post-FY21.

MXI has spent a total of approximately $40 million on the new ERP system since 2014.

4.4. Properties

MXI owns and leases properties in relation to the Trailer Business and MaxiTRANS Business.

A summary of the Trailer Business' site locations is set out below:

No.	Location	Address	Purpose	Note
	Owned properties			
1	Ballarat, VIC	233-243 Learmonth Road Wendouree VIC 3355	Manufacturing and assembly	**1**
2	Derrimut, VIC	346 Boundary Road Derrimut VIC 3030	Service centre and head office	**2, 3**
3	Hallam, VIC	31-35 Hallam South Road Hallam VIC 3803	Panel manufacturing	**3**
	Leased properties			
1	Dandenong, VIC	175 South Gippsland Highway, Dandenong South, VIC 3175	Service centre	
2	Smeaton Grange, NSW	5 Anzac Avenue, Smeaton Grange, NSW 2567	Service centre	
3	Wingfield, SA	539 Grand Junction Road, Wingfield, SA 5013	Service centre	
4	Auckland, NZ	51 and 61 Spartan Road, Takanini, Auckland, NZ	Manufacturing and assembly	**4**
5	Christchurch, NZ	9 Washbournes Road, Wigram, Christchurch, NZ	Service centre	
6	Carole Park, QLD	39 Silica Street, Carole Park, QLD 4300	Manufacturing & assembly	**5**
7	Ballarat	7-11 Trewin Street, Wendouree, VIC 3355	Warehouse for trailer parts	
8	Craigieburn	270 Hume Highway, Craigieburn	Trailer rental and secondhand trailer	**6**

Source: Management
Notes:
1 *The Ballarat property will be sold to ATSG as part of the Proposed Transaction.*
2 *The Derrimut property is currently used by the Trailer Business, MXI head office and the MaxiPARTS Business. Management advised that after the Derrimut and Hallam Sale, MXI will lease a portion (20%) of the Derrimut property for an annual rental of $120,000.*
3 *The Derrimut and Hallam properties will be sold to an unrelated third party pursuant to the Derrimut and Hallam Sale subject to a lease back to MXI of those properties. Under the terms of the Proposed Transaction, ATSG will assume responsibility for the leases (other than the portion of the Derrimut property that will continue to be occupied by the Continuing Business).*
4 *In March 2019, MXI undertook a sale and leaseback of the Richlands (Queensland) and Takanini (New Zealand) properties. The Takanini lease includes a development option. Management advised that there is no immediate plan to exercise the development option. In accordance with MXI's accounting policies, the properties were revalued to reflect their sale value and therefore, no profit on sale is reflected in the FY19 results.*
5 *In November 2020, the Queensland business relocated from Richlands to Carole Park, a new purpose-built facility.*
6 *Management advised that MXI is considering relocating the Craigieburn site as the site has been sold by the owner.*

4.5. Financial performance of MXI

A summary of the historical consolidated financial performance of MXI for the financial years ended 30 June 2018 (**FY18**), 30 June 2019 (**FY19**), 30 June 2020 (**FY20**) and 6 months ended 31 December 2021 (**1HFY21**) is set out below:

MXI $'000	Audited FY18	Audited FY19*	Audited FY20	Reviewed 6 months to 31 Dec 2020
Continued operations				
Trailer sales	273,142	222,972	191,675	120,345
Trailer repairs and other services	14,907	17,187	11,537	5,487
Total trailer revenue	**288,049**	**240,159**	**203,212**	**125,832**
Sale of parts	101,945	112,728	114,387	58,773
Total revenue	**389,994**	**352,887**	**317,599**	**184,605**
Total revenue growth (%)	*na*	*(9.5%)*	*(10.0%)*	
Changes in inventories of finished goods and work in progress	2,578	(169)	2,656	(1,764)
Raw materials and consumables used	(241,132)	(211,206)	(202,702)	(116,654)
Gross profit	**151,440**	**141,512**	**117,553**	**66,187**
Gross profit margin (%)	*38.8%*	*40.1%*	*37.0%*	*35.9%*
Interest income	58	48	44	1
Other income	72	202	5,303	5,442
Employee and contract labour expenses	(100,976)	(98,168)	(84,535)	(45,015)
Warranty expenses	(3,770)	(3,014)	(4,488)	(1,388)
Other expenses	(27,750)	(31,806)	(25,892)	(12,254)
Depreciation and amortisation expenses (others)	(4,073)	(5,533)	(3,974)	(1,477)
Depreciation of ROU assets	-	-	(6,910)	(2,431)
Finance costs (others)	(2,328)	(2,643)	(2,106)	(760)
Lease interest	-	-	(2,475)	(1,664)
Impairment loss - goodwill	-	(9,336)	(4,923)	-
Impairment loss - ROU assets	-	-	(20,893)	-
Impairment loss - other non-financial assets	-	(26,882)	(18,660)	-
Share of net profits of associates accounted for using the equity method	1,404	2,058	2,042	1,342
(Loss) / Profit before income tax	**14,077**	**(33,562)**	**(49,914)**	**7,983**
Income tax benefit /(expense)	(3,734)	8,092	14,422	(2,283)
(Loss) / Profit from continued operations	**10,343**	**(25,470)**	**(35,492)**	**5,700**
Discontinued Operation				
(Loss) / Profit from discontinued operation, net of tax	(332)	(2)	-	-
(Loss) / Profit on disposal of subsidiary, net of tax	-	(1,568)	-	-
(Loss) / Profit for the year	**10,011**	**(27,040)**	**(35,492)**	**5,700**
Profit / (Loss) attributable to:				
Equity holders of the Company	10,077	(27,040)	(35,492)	5,700
Non-controlling interests	(66)	-	-	-

Source: MXI Annual Reports and semi-annual report (with comparatives), Management, SW Securities analysis
*Note: * Sourced from the restated FY19 comparatives in MXI's FY20 Annual Report*

We note the following regarding MXI's historical financial performance as summarised above:

- The Trailer Business contributed to more than 65% of MXI's revenue from continued operations between FY18 and 1HFY21. Over the same period, around 95% of the revenue of the Trailer Business is attributable to trailer sales with the remaining from repairs and services.
- In April 2017, MXI secured a $60 million contract to manufacture 386 trailers for Coles. This contributed substantially to the 22% growth in MXI's revenue from continued operations, which increased from $321 million in FY17 to $390 million in FY18.

- While revenue from trailer sales declined in FY19 (albeit from a higher base) and FY20, revenue from the sale of parts grew by 10.6% and 1.5% over the same period. The growth in parts sale during this period was partly attributable to an expansion of the MaxiPARTS product range to include after-market North American engine parts and Euro truck and bus parts.
- A number of significant events occurred in FY19:
  - In October 2018, MXI deployed the new ERP system to the Trailer Business' Australian manufacturing sites.
  - In November 2018, MXI disposed of its 80% stake in Maxi-CUBE Tong Composites Co Ltd (**MTC**), a China-based panel manufacturing business which was a part of the MaxiPARTS Business, incurring a loss on disposal of $1.6 million.
  - In December 2018, MXI reinvested some of the funds from the MTC disposal to acquire an 80% stake in Trout River.
  - In March 2019, MXI completed the sale and leaseback of the Richlands manufacturing facility for $12.5 million and the Takanini manufacturing facility for NZ$17.2 million, freeing up funds to repay some of MXI's debt.
  - In FY19, MXI impaired the $38 million carrying value of the ERP asset by $26.9 million; and the goodwill of the Trailer Business and the MaxiPARTS Business by a total of $9.3 million.
- Significant events that occurred in FY20 and 1HFY21:
  - MXI adopted AASB 16 *Leases* with effect from 1 July 2019 which resulted in the recognition of depreciation expenses on right of use (**ROU**) assets and lease interest in lieu of rental expenses.
  - In December 2019, MXI completed the sale and leaseback of 113 units of rental trailer fleet, generating a profit of around $0.1 million.
  - As a result of declining revenue, MXI recognised further impairment in respect of the goodwill of the Trailer Business and the MaxiPARTS Business ($4.9 million), ROU assets ($20.9 million), various fixed assets ($9.3 million) and other intangible assets ($9.3 million).
  - In November 2020, the Queensland business relocated from Richlands to Carole Park.
  - MXI recognised Jobkeeper allowance from the Australian government and wage subsidy from the New Zealand government totalling $9.8 million.
- Share of profits from the investment in Trout River and TSQ is around $2.0 million in FY19 and FY20 respectively.
- MXI reported losses before tax in FY19 and FY20, and generated profit before tax of $8.0 million in 1HFY21.

4.6. Financial position of MXI

A summary of the historical consolidated financial position of MXI as at 30 June 2018, 30 June 2019, 30 June 2020 and 31 December 2020 is set out below:

MXI $'000	Audited As at 30 Jun 2018	Audited As at 30 Jun 2019*	Audited As at 30 Jun 2020	Reviewed As at 31 Dec 2020
Current assets				
Cash and cash equivalents	9,692	11,925	25,523	26,523
Trade and other receivables	39,120	42,381	26,545	21,668
Inventories	57,700	59,267	58,361	52,147
Current tax assets	2,237	768	1,954	188
Assets held for sale	19,813	-	-	-
Other current assets	1,584	3,779	1,898	2,077
Total current assets	**130,146**	**118,120**	**114,281**	**102,603**
Non-current assets				
Investment in associates and joint ventures	4,826	11,356	11,154	10,999
Land and buildings	46,205	24,300	25,700	25,643
Other fixed assets	47,528	17,380	3,765	5,692
ROU assets	-	-	25,231	52,593
Intangible assets	34,265	34,961	21,565	21,657
Deferred tax assets	-	10,858	19,846	19,018
Other non-current assets	1,249	-	-	-
Total non-current assets	**134,073**	**98,855**	**107,261**	**135,602**
Total assets	**264,219**	**216,975**	**221,542**	**238,205**
Current liabilities				
Trade and other payables	47,327	44,635	41,154	40,079
Other liabilities	4,090	3,133	4,490	3,317
Interest bearing loans and borrowings	752	255	147	23
Current tax liability	-	-	-	178
Provisions	13,126	11,743	12,113	12,657
Liabilities held for sale	9,550	-	-	-
Lease liability	-	-	7,362	8,043
Total current liabilities	**74,845**	**59,766**	**65,266**	**64,297**
Non-current liabilities				
Interest bearing loans and borrowings	49,908	43,670	37,500	23,750
Deferred tax liabilities	2,409	-	-	-
Provisions	1,141	1,034	1,007	1,048
Other	97	-	-	-
Lease liability	-	-	39,688	65,159
Total non-current liabilities	**53,555**	**44,704**	**78,195**	**89,957**
Total liabilities	**128,400**	**104,470**	**143,461**	**154,254**
Net assets	**135,819**	**112,505**	**78,081**	**83,951**
Equity attributable to equity holder of MXI	134,481	112,505	78,081	83,951
Non-controlling interest	1,338	-	-	-
Total equity	**135,819**	**112,505**	**78,081**	**83,951**

Source: MXI Annual Reports and semi-annual report (with comparatives), Management
*Note: * Sourced from the restated FY19 comparatives in MXI's FY20 Annual Report*

We note the following regarding MXI's historical financial position as summarised above:

- Assets held for sale as at 30 June 2018 relate to the investment in MTC.
- Lease liability (AASB 16) exceeded ROU assets as at 30 June 2020 and 31 December 2020 due mainly to the partial impairment of ROU assets in FY20. ROU assets increased as at 31 December 2020 reflecting the longer lease term for the Carole Park premises compared to the Richlands premises.

- Investment in associates and joint ventures in FY18 relates to TSQ. The FY19 increase is due to the acquisition of an 80% stake in Trout River. The investment in Trout River and TSQ are equity accounted.
- Land and buildings which are owned are stated at fair value at each reporting period in accordance to MXI's accounting policy.
- Intangible assets as at 31 December 2020 comprise mainly of software and goodwill.
- As at 31 December 2020, MXI has bank borrowings of $23.8 million. The bank loan, overdraft and other facilities are fully secured by a registered mortgage over certain land and buildings of MXI's subsidiaries.
- MXI currently has a $24 million bank bill and $10 million working capital facility which was recently extended to 30 September 2022.
- In MXI's FY20 Annual Report, the Directors acknowledge that uncertainty remains over the MXI group's ability to meet its funding requirements and to refinance or repay its banking facilities as and when they fall due. If for any reason the MXI group is unable to continue as a going concern, then this could have an impact on the group's ability to realise assets at their recognised values, in particular goodwill and other intangible assets, and to extinguish liabilities in the normal course of business at the amounts stated in the consolidated financial statements. There is no similar disclosure in MXI's Half-year Report for the 6 months ended 31 December 2020.

4.7. Segment information

A summary of the segment information of MXI for FY18, FY19, FY20 and 1HFY21 is set out below:

$'000	Audited FY18	Audited FY19*	Audited FY20	Reviewed 6 months to 31 Dec 2020
Revenue				
Trailer Solutions	298,501	240,503	205,462	126,905
MaxiPARTS	127,422	133,474	130,822	68,619
Corporate / eliminations	(35,929)	(21,698)	(18,685)	(10,919)
Continuing operations	**389,994**	**352,279**	**317,599**	**184,605**
Discontinued operations	19,318	6,043	-	-
Total revenue	**409,312**	**358,322**	**317,599**	**184,605**
Segment result				
Trailer Solutions				
Segment earnings pre associate, interest and significant items	15,070	3,937	(2,074)	7,312
Share of net profit of equity accounted investments	1,404	2,058	2,042	1,342
Interest income	-	-	-	-
Interest expense	-	-	(1,307)	(1,146)
Segment net profit before tax (excluding significant items)	**16,474**	**5,995**	**(1,339)**	**7,508**
Significant items, before tax[1]	-	(4,265)	(42,455)	-
Segment net profit before tax (including significant items)	**16,474**	**1,730**	**(43,794)**	**7,508**
Income tax expense	-	-	-	-
Net profit / (loss) after tax	**16,474**	**1,730**	**(43,794)**	**7,508**
MaxiPARTS				
Segment earnings pre associate, interest and significant items	8,104	7,953	9,133	5,810
Share of net profit of equity accounted investments	-	-	-	-
Interest income	-	-	-	-
Interest expense	-	-	(1,233)	(517)
Segment net profit before tax (excluding significant items)	**8,104**	**7,953**	**7,900**	**5,293**
Significant items, before tax[2]	-	(5,336)	(3,860)	-
Segment net profit before tax (including significant items)	**8,104**	**2,617**	**4,040**	**5,293**
Income tax expense	-	-	-	-
Net profit after tax	**8,104**	**2,617**	**4,040**	**5,293**
Corporate / eliminations (including significant items[3])	(14,061)	(29,817)	4,262	(7,101)
Discontinued operations	(506)	(1,570)	-	-
(Loss) / Profit for the year	**10,011**	**(27,040)**	**(35,492)**	**5,700**

Source: MXI Annual Reports and semi-annual report (with comparatives), Management

Note:

1 *Significant items of the Trailer Business include impairment of goodwill, ROU assets and other non-financial assets; redundancy costs and acquisition / disposal transaction costs.*

2 *Significant items of the MaxiPARTS Business include impairment of goodwill and redundancy costs.*

3 *Significant items of the Corporate segment include one-off ERP implementation expenses, impairment of software, redundancy costs and acquisition / disposal transaction / litigation costs.*

** Sourced from the restated FY19 comparatives in MXI's FY20 Annual Report*

4.8. Proforma financial performance of the Trailer Business and share of the profits of Trout River and TSQ

A summary of the proforma historical financial performance of the Trailer Business, and share of the profits of Trout River and TSQ, for FY18, FY19, FY20 and the 11 months ended 31 May 2021 (**YTD21**) is set out below:

Trailer Business and share of the profits of Trout River and TSQ $'000	Proforma (Historical) FY18	Proforma (Historical) FY19	Proforma (Historical) FY20	Proforma (Historical) 11 months ended 31 May 2021
Revenue				
External Sales	282,427	232,234	190,984	200,122
Secondhand sales and rental	9,056	9,555	11,002	12,469
Total revenue	**291,483**	**241,789**	**201,986**	**212,591**
Revenue growth (%)	*na*	*(17.0%)*	*(16.5%)*	
Cost of sales	(248,165)	(202,880)	(173,806)	(180,889)
Gross profit	**43,317**	**38,909**	**28,180**	**31,703**
Gross profit margin (%)	*14.9%*	*16.1%*	*14.0%*	*14.9%*
Operating expenses				
Warranty expenses	(5,366)	(3,563)	(5,193)	(2,977)
Freight out expenses	(418)	(486)	(401)	(322)
Selling expenses	(13,708)	(13,164)	(12,731)	(10,753)
Marketing expenses	(187)	(1,315)	(1,042)	(937)
Other operating expenses	(45)	191	5,875	4,880
Adminstration expenses	(5,621)	(4,938)	(3,377)	(3,079)
Corporate expenses	(9,000)	(9,000)	(9,577)	(7,849)
License fees	35	-	-	-
Total operating expenses	**(34,309)**	**(32,274)**	**(26,446)**	**(21,038)**
EBITDA	**9,009**	**6,635**	**1,734**	**10,665**
EBITDA margin (%)	*3.1%*	*2.7%*	*0.9%*	*5.0%*
Depreciation expenses (others)	(2,617)	(2,158)	(2,433)	(883)
Depreciation of ROU assets	-	(3,293)	(3,905)	(1,852)
EBITA	**6,391**	**1,184**	**(4,604)**	**7,931**
EBITA margin (%)	2%	0%	na	4%
Amortisation expenses	(401)	(2,204)	(1,415)	(1,117)
EBIT	**5,991**	**(1,020)**	**(6,019)**	**6,813**
EBIT margin (%)	*2.1%*	*na*	*na*	*3.2%*
Interest income	-	-	-	-
Interest expense (others)	-	142	(0.1)	(0.01)
Lease interest	-	-	-	(2,411)
PBT (excluding share of profts of equity accounted investments and non-recurring expenses)	**5,991**	**(878)**	**(6,019)**	**4,403**
Share of net profit of equity accounted investments	1,404	2,058	2,042	2,375
Other income / (expenses)	(62)	(153)	(1)	(95)
Income tax expense	-	-	-	-
NPAT (including share of profts of equity accounted investments and non-recurring expenses)	**7,332**	**1,026**	**(3,978)**	**6,682**

Source: Management

We note the following regarding the proforma financial performance of the Trailer Business and share of the profits of Trout River and TSQ as summarised above:

- Management has prepared the proforma historical financial performance in the table above based on the following key assumptions:
  - The proforma revenue differs to the segment reporting revenue due to the reclassification of dealer commissions.

- Purchases of general parts from and sales of proprietary parts to the MaxiPARTS Business are based on historical arrangements between the Trailer Business and the MaxiPARTS Business i.e. the historical transactions do not reflect the terms of the Master Supply Agreement.
- For the period they are owned, an internal rent has been imputed for the Ballarat, Derrimut, Hallam and Richland properties, in line with internal management reporting.
- Management has estimated the corporate overhead expenses that would be incurred by the Trailer Business on a standalone basis, based on the remuneration of the employees who will transfer across under the terms of the Proposed Transaction and other overhead costs of the business to be sold.

  Corporate overhead expenses include the salaries of the chief executive officer and chief financial officer; human resources, marketing, purchasing and accounting personnel; audit, tax and other advisory costs and insurance expenses.

  Corporate overhead expenses also include information technology (**IT**), data management and IT personnel costs.
- Management's estimate of the corporate overhead expenses for the purpose of the proforma differs to the corporate overhead expenses allocated to the Trailer Business in the segment reporting. In the segment reporting, corporate overhead expenses are allocated between the MXI segments based on revenue contribution or headcount.
- Amortisation of software costs relating to the Trailer Business which is included as an expense of the Corporate segment for segment reporting purposes is reallocated to the Trailer Business in the proforma.
- AASB 16 is adopted from and including FY19 onwards in the proforma (by comparison, AASB 16 is adopted from and including FY20 onwards for statutory reporting purposes).
- Significant items of the Trailer Business such as the impairment of goodwill, ROU assets and other non-financial assets; redundancy costs and acquisition / disposal transaction costs which have been included as an expense for segment reporting purposes, have been excluded in the proforma.
- Interest on borrowings and taxation expenses have been excluded.
- Share of profits of Trout River and TSQ reflect MXI's 80% and 36.67% equity interest respectively.

- The Trailer Business generates revenue mainly from the sale of trailers, and to a lesser extent from trailer service. The Trailer Business also derives rental income from its trailer fleet.
- Following the completion of the Coles contract in FY18, revenue of the Trailer Business declined by around 17% in FY19 and FY20 respectively. This was due primarily to seasonal factors (drought), a subdued construction market and declining consumer confidence. Revenue for 1HFY20 dropped by 22% compared to the previous corresponding period. Revenue for 2HFY20 was adversely impacted by lower trailer sales as a result of COVID-19 uncertainty, declining by 10% compared to the previous corresponding period.
- In 1HFY21, the Trailer Business experienced a stronger market driven by an increase in the food and grocery sector due to COVID-19 with some customers bringing forward their annual buying plans, a good grain season due to favourable weather conditions and a stronger general freight market. Revenue for 1HFY21 improved by 21% compared to the previous corresponding period.

- Revenue for the 5 months to 31 May 2021 also improved from the previous corresponding period.
- The Trailer Business' gross profit margin ranged from 14.0% to 16.1% between FY18 and YTD21. Movements in gross profit margin are due mainly to changes in the product mix and the Trailer Business' ability to fully pass on the cost increase during the year to the customers.
- Warranty expenses represent 2.7% of external sales in FY20 compared to 1.5% of external sales in FY19 and YTD21.
- Other operating expenses in FY20 and YTD21 comprise mainly of Jobkeeper income.
- The year-on-year EBITDA[5] is not comparable due to the adoption of AASB 16.
- Amortisation expenses relate primarily to the TRANSform ERP software. Amortisation expenses were lower in FY18 as the ERP software was completed and commenced amortisation in October 2018.
- Share of the profits in Trout River and TSQ is around $2.0 million per annum in FY19 and FY20.

4.9. Proforma financial position of the Trailer Business and investment in Trout River and TSQ

A summary of the proforma historical financial position of the Trailer Business and investment in Trout River and TSQ as at 30 June 2020 and 31 May 2021 is set out below:

Trailer Business and investment in Trout River and TSQ $'000	Proforma (Historical) As at 30 Jun 2020	Proforma (Historical) As at 31 May 2021
Current assets		
Cash and cash equivalents	20,809	5,521
Trade and other receivables	12,255	17,766
Inventories	30,804	31,510
Prepayments	1,564	1,140
Other current assets	186	381
Total current assets	**65,618**	**56,319**
Non-current assets		
Investment in associate	11,154	11,294
Land and buildings	-	-
Other fixed assets	2,648	4,768
ROU assets	5,956	37,215
Intangible assets (TRANSform software)	12,390	12,167
Intangible assets (others)	1,542	1,517
Total non-current assets	**33,689**	**66,962**
Total assets	**99,308**	**123,280**
Current liabilities		
Trade creditors and other payables	32,106	30,381
Warranty provisions	2,347	1,904
Employee benefits	7,939	9,022
Total current liabilities	**42,393**	**41,308**
Non-current liabilities		
Lease liability	27,489	56,573
Total non-current liabilities	**27,489**	**56,573**
Total liabilities	**69,882**	**97,881**
Net assets	**29,426**	**25,399**

Source: Management

5 EBITDA means earnings before interest, tax, depreciation and amortisation

We note the following regarding the proforma financial position of the Trailer Business and investment in Trout River and TSQ as summarised above:

- Management has prepared the proforma balance sheet in the table above based on the following key assumptions:
  - Excluding the Ballarat, Derrimut and Hallam properties.
  - Excluding debt and income tax liabilities.
  - Including the TRANSform ERP software which is included as an asset of the Corporate segment for segment reporting purposes.
  - AASB 16 is adopted from and including FY20 onwards.
  - Investment in associate reflects MXI's 80% and 36.67% equity interest in Trout River and TSQ respectively.
- Inventories include finished goods, work-in-progress, raw materials and second-hand trailer units.
- Prepayments include prepaid workers compensation insurance and software license fees.
- As at 31 May 2021, other fixed assets comprise mainly of other plant and equipment, office equipment (including fit out at Carole Park) and motor vehicles.
- Lease liability (AASB 16) exceeded ROU assets as at 30 June 2020 due to the partial impairment of ROU assets in FY20.
- Other intangible assets as at 31 May 2021 comprise primarily of brand names and intellectual property.
- Employee benefits include annual leave and long service leave provisions.

4.10. Strategic plans

MXI's strategic plan is to continue to expand its stable revenue stream (via the MaxiPARTS Business) by expanding the parts product lines, Australian locations as well as seek synergistic inorganic opportunities.

4.11. Dividend history

MXI paid a dividend of 3.5 cents per share (totalling $6.5 million) in FY18.

MXI has not paid any dividends since in view of declining financial performance and the need to maintain financial flexibility.

4.12. Taxation

MXI and its 100%-owned Australian subsidiaries have formed a tax consolidated group.

As at 30 June 2021, MXI is estimated to have minimal carried forward revenue tax losses and nil capital losses.

As at 30 June 2021, MXI is estimated to have accumulated franking credits of $17.3 million, which will be available for the issue of the fully franked Special Dividends.

4.13. Contingent liabilities and litigation

We note from MXI's FY20 Annual Report that at any given point in time MXI group may be engaged in defending legal actions brought against it. In the opinion of the directors, such actions are not expected to have a material effect on the group's financial position.

MXI commenced legal proceedings against the service provider in relation to the TRANSform ERP in late FY19. On 9 June 2021, MXI announced that it has agreed to settle the legal proceedings for $7.2 million. The litigation and settlement proceeds are not part of the Proposed Transaction and will remain with MXI.

4.14. Capital structure and ownership

As at 30 June 2021, MXI has 185,075,653 ordinary shares on issue.

The substantial shareholders of MXI as at 30 June 2021 are set out below:

Shareholder	No. of shares	% shareholding
Transcap Pty Ltd and related parties	24,943,030	13.48%
HGT Investments Pty Ltd	20,250,000	10.94%
Spheria Asset Management	11,493,808	6.21%
Telstra Super Pty Ltd ATF Telstra Superannuation Scheme	11,079,503	5.99%
Pinnacle Investment Management Group Limited and its subsidiaries	9,551,557	5.16%
Total substantial shareholders	**77,317,898**	**41.78%**
Other shareholders	107,757,755	58.22%
Total shares on issue	**185,075,653**	**100.00%**

Source: MXI Annual Report, ASX announcements, Management

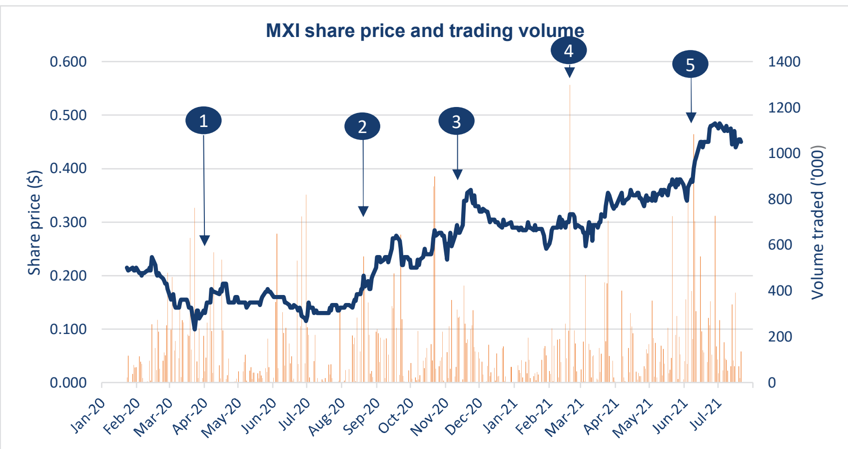
4.15. Performance rights

As at 30 June 2021, MXI has 10,179,476 performance rights on issue relating to MXI's Performance Rights Plan that entitles executive directors and senior management to receive a specific number of performance rights.

The performance rights have different vesting dates being no later than one month after the announcement of the FY21, FY22 and FY23 results, and will vest on a sliding scale subject to achievement of return on invested capital targets (**ROIC**) and service conditions. Management advised that the MXI Board intends to make changes to the relevant ROIC targets as a result of the Proposed Transaction.

4.16. Share price and trading volume

The following graph shows the daily share price on the ASX and the trading volume of MXI shares from 1 January 2020 to 21 July 2021:



Source: S&P Global

The daily closing price of MXI shares trended up to a closing high of $0.485 on 28 June 2021 and 2 July 2021.

In addition to regular interim and annual reporting announcements, significant announcements made by MXI in the period 1 January 2020 to 21 July 2021 that may have had an impact on the share price include:

Event	Date	Description
1	3-Apr-20	MXI announced the withdrawal of any FY20 profit guidance previously provided following the effect of COVID-19, and changes to directors and key management personnel's remuneration which will be either reduced or deferred.
2	21-Aug-20	MXI released its preliminary FY20 financial report showing a decrease in sales of 9.9% whilst reiterating the MaxiPARTS segment maintained its consistent performance.
3	13-Nov-20	MXI announced the expectation of achieving an underlying net profit before tax for 1HFY21 of between $7.2 million and $8.3 million, including Jobkeeper income of $4.6 million. The expected results reflect improved business segment performance, coupled with continuing benefit of the overhead reductions implemented in the previous year.
4	19-Feb-21	MXI announced the 1HFY21 results showing an underlying net profit before tax of $8.3 million. MXI remains cautious about the economic outlook in calendar year 2021 despite many positives in both the resilience and consistency in the MaxiPARTS segment's trading performance and a strong order bank at the end of calendar year 2020 for the Trailer business.
5	9-Jun-21	MXI announced its agreement to settle the legal proceedings in relation to the TRANSform ERP for $7.2 million, receivable by MXI before 30 June 2021.

Source: ASX announcements

Trading liquidity on ASX

The following table summarises the trading prices and volume of trade in MXI shares on the ASX in the 12 months to 21 July 2021:

Month end	Volume traded ('000)	Total value of shares traded ($'000)	Monthly VWAP ($)	Volume traded as % of total shares	Volume traded as % of total free float shares
Jul-21	2,006	936	0.467	1.1%	1.8%
Jun-21	7,156	3,002	0.420	3.9%	6.4%
May-21	3,318	1,213	0.366	1.8%	3.0%
Apr-21	2,248	780	0.347	1.2%	2.0%
Mar-21	3,645	1,133	0.311	2.0%	3.3%
Feb-21	3,399	1,054	0.310	1.8%	3.0%
Jan-21	1,437	405	0.282	0.8%	1.3%
Dec-20	1,231	377	0.306	0.7%	1.1%
Nov-20	4,094	1,265	0.309	2.2%	3.7%
Oct-20	3,427	897	0.262	1.9%	3.1%
Sep-20	3,683	904	0.246	2.0%	3.3%
Aug-20	3,447	621	0.180	1.9%	3.1%
Jul-20	420	59	0.140	0.2%	0.4%

Source: S&P Global, SW Securities analysis

Notes:

1 Low and high share price represent intra-day trading rather than closing price

2 VWAP means volume weighted average price

MXI shares demonstrated reasonable liquidity with approximately 21.3% of total shares on issue traded over the 12 months to 21 July 2021.

5. Profile of Trout River and TSQ

5.1. Overview of Trout River

Trout River is a manufacturer and supplier of live bottom trailers based in Hallam, Victoria.

MXI (via its subsidiary, MaxiTRANS Australia Pty Ltd) acquired an 80% equity interest in Trout River in December 2018. On 1 July 2021, MXI acquired the remaining 20% stake in Trout River as part of an agreed earn-out arrangement under the 2018 acquisition.

Trout River's dividend history is set out below:

Trout River $'000	Actual FY18	Actual FY19	Actual FY20	Actual FY21
Dividends	305	300	-	1,440

Source: Management

5.2. Financial performance of Trout River

A summary of the historical financial performance of Trout River for FY18, FY19, FY20 and YTD21 is set out below:

Trout River $'000	Actual FY18	Actual FY19	Actual FY20	Actual 11 months ended 31 May 2021
Total revenue	**9,947**	**12,590**	**14,952**	**13,967**
Revenue growth (%)	*61.4%*	*26.6%*	*18.8%*	
Cost of sales	(5,890)	(8,400)	(10,534)	(10,610)
Gross profit	**4,057**	**4,191**	**4,418**	**3,357**
Gross profit margin (%)	*40.8%*	*33.3%*	*29.5%*	*24.0%*
Other income	(3)	105	243	154
Operating expenses				
Marketing expenses	(77)	(57)	(52)	(11)
Bad and doubtful debt expense	-	(24)	(23)	-
Consultancy fees	(21)	(228)	(16)	(298)
IT expenses	(5)	(17)	(9)	(4)
Employee expenses	(1,014)	(979)	(1,709)	(651)
Commissions paid	(109)	(237)	(237)	(208)
R&D expenses	(384)	(103)	(73)	(0.5)
Occupancy expenses	(272)	(393)	(435)	(401)
Motor vehicle expenses	(57)	(71)	(78)	(50)
Other operating expenses	(264)	(398)	(286)	(144)
Total operating expenses	**(2,204)**	**(2,507)**	**(2,918)**	**(1,767)**
EBITDA	**1,850**	**1,789**	**1,743**	**1,744**
EBITDA margin (%)	*18.6%*	*14.2%*	*11.7%*	*12.5%*
Depreciation expenses	(102)	(73)	(133)	78
EBIT	**1,748**	**1,716**	**1,610**	**1,822**
EBIT margin (%)	*17.6%*	*13.6%*	*10.8%*	*13.0%*
Interest income	4	3	3	4
PBT	**1,752**	**1,719**	**1,613**	**1,826**
Income tax expense	-	(617)	(448)	(528)
NPAT	**1,752**	**1,102**	**1,165**	**1,298**

Source: Management accounts of Trout River, SW Securities analysis

We note the following regarding Trout River's historical financial performance as summarised above:

- The information in the table above is extracted from Trout River's management accounts. Management advised that Trout River does not prepare statutory financial statements.
- Trout River generates revenue mainly from the sale of trailers, and to a lesser degree from service, repair and sale of parts.
- Since MXIs acquisition of Trout River in December 2018, revenue has grown by 26.6% and 18.8% in FY19 and FY20 respectively. Trout River's revenue is expected to increase by a lower rate of 1.9% on an annualised basis in FY21.
- Gross profit margin has been on a declining trend between FY18 and YTD21. Management advised that explanation for the decline is not available due to insufficient information and could be attributable to timing issues as Trout River did not adopt accrual accounting.
- Following the 2018 acquisition, a portion of the wages of certain MXI employees who are involved in the Trout River business is allocated to Trout River.

5.3. Financial position of Trout River

A summary of the historical consolidated financial position of Trout River as at 30 June 2018, 30 June 2019, 30 June 2020 and 31 May 2021 is set out below:

Trout River $'000	Actual As at 30 Jun 2018	Actual As at 30 Jun 2019	Actual As at 30 Jun 2020	Actual As at 31 May 2021
Current assets				
Cash and cash equivalents	1,775	995	2,432	2,271
Trade and other receivables	396	1,238	822	2,193
Inventories	654	1,078	788	891
Work-in-progress	1,044	1,119	903	685
Potential sale of business	58	289	289	-
Other assets	38	79	79	85
Total current assets	**3,965**	**4,799**	**5,314**	**6,125**
Non-current assets				
Deferred tax asset	-	-	-	51
Property, plant and equipment	437	423	360	229
Intangible assets	2	3	3	3
Total non-current assets	**440**	**426**	**363**	**283**
Total assets	**4,404**	**5,225**	**5,677**	**6,407**
Current liabilities				
Trade and other payables	964	653	518	747
Tax liabilities	313	732	600	147
Customer deposits	549	364	-	-
Provision for warranty	-	90	90	90
Provisions and accruals	129	434	352	927
Total current liabilities	**1,955**	**2,274**	**1,561**	**1,911**
Net assets	**2,450**	**2,951**	**4,116**	**4,496**

Source: Management accounts of Trout River

We note the following regarding Trout River's historical financial position as summarised above:

- The "potential sale of business" asset relates to capitalised consultancy fees relating to the proposed disposal of Trout River. The asset was written-off in YTD21.
- Trout River's key customers are MXI and TSQ.

- Provisions and accruals relate to Pay As You Go (**PAYG**) liabilities, other employee provisions and expense accruals.
- Tax liabilities are lower as at 31 May 2021 as Trout River made a $0.6m payment in December 2020 relating to the FY19 and FY20 assessment years.

5.4. Overview of TSQ

TSQ is a Queensland-based trailer and parts retailer and provider of after sales service and repair.

TSQ has a wholly-owned subsidiary, Trailer Sales (N.Q.) Pty Ltd.

The shareholders of TSQ are:

TSQ Shareholder	Number of ordinary shares held '000	Stake held %
MaxiTRANS Australia Pty Ltd	11.0	36.67%
Crawgold Pty Ltd	10.0	33.33%
Oddesey Holdings Pty Ltd ATF Kelly Family Trust	4.5	15.00%
Saldo Investments Pty Ltd ATF Sutcliffe Trust	4.5	15.00%
Total	**30.000**	**100.00%**

Source: Management

TSQ's dividend history is set out below:

TSQ $'000	Actual FY18	Actual FY19	Actual FY20	Actual 11 months ended 31 May 2021
Dividends	2,783	5,190	4,770	4,020

Source: TSQ Annual Reports (with comparatives), TSQ management accounts, Management

5.5. Financial performance of TSQ

A summary of the historical consolidated financial performance of TSQ for FY18, FY19, FY20 and YTD21 is set out below:

TSQ $'000	Actual FY18	Actual FY19	Actual FY20	Actual 11 months ended 31 May 2021
Revenue				
Trailer sales	52,794	45,017	43,824	45,585
Spare parts sales	13,224	13,222	13,579	13,723
Workshop sales	7,471	7,882	8,497	6,555
Other revenue	52	40	29	36
Total revenue	**73,540**	**66,161**	**65,929**	**65,898**
Revenue growth (%)	*na*	*(10.0%)*	*(0.4%)*	
Cost of sales	(63,406)	(55,621)	(56,154)	(56,292)
Gross profit	**10,134**	**10,540**	**9,775**	**9,606**
Gross profit margin (%)	*13.8%*	*15.9%*	*14.8%*	*14.6%*
Other income				
Other income	18	11	34	96
Operating expenses				
Marketing expenses	(183)	(186)	(154)	(170)
Bad and doubtful debt expense	(9)	(14)	(32)	(38)
Consultancy fees	(49)	(52)	(53)	(52)
IT expenses	(61)	(57)	(58)	(49)
Employee expenses	(3,458)	(3,519)	(3,715)	(3,321)
Commissions / bonus paid	(308)	(346)	(298)	(321)
Rent	360	369	378	354
Other cccupancy expenses	(244)	(236)	(226)	(212)
Motor vehicle expenses	(116)	(120)	(109)	(110)
Other operating expenses	(370)	(366)	(379)	(489)
Total operating expenses	**(4,437)**	**(4,528)**	**(4,646)**	**(4,407)**
EBITDA	**5,714**	**6,023**	**5,162**	**5,294**
EBITDA margin (%)	*7.8%*	*9.1%*	*7.8%*	*8.0%*
Depreciation expenses	(227)	(238)	(274)	(207)
Amortisation expenses	-	-	-	-
EBIT	**5,487**	**5,785**	**4,889**	**5,088**
EBIT margin (%)	*7.5%*	*8.7%*	*7.4%*	*7.7%*
Interest income	29	25	8	0
Interest expense	(39)	(27)	(58)	-
PBT	**5,476**	**5,782**	**4,839**	**5,088**
Income tax expense	(1,647)	(1,738)	(1,455)	(1,526)
NPAT	**3,829**	**4,044**	**3,384**	**3,561**

Source: TSQ Annual Reports (with comparatives), TSQ management accounts, SW Securities analysis

We note the following regarding TSQ's historical financial performance as summarised above:

- TSQ generates around 70% of its revenue from the sale of trailers, with the remaining from the sale of spare parts and services. TSQ has a dealership arrangement with MXI and sells mostly MXI trailers.
- Revenue declined by 10.0% and 0.4% in FY19 and FY20 respectively. TSQ's revenue is expected to increase by 9.0% on an annualised basis in FY21.

- Gross profit margin was around 14% to 16% between FY18 and YTD21.
- Management has not provided an explanation for the rent expense which is a positive number.

5.6. Financial position of TSQ

A summary of the historical consolidated financial position of TSQ as at 30 June 2018, 30 June 2019, 30 June 2020 and 31 May 2021 is set out below:

TSQ $'000	Actual As at 30 Jun 2018	Actual As at 30 Jun 2019	Actual As at 30 Jun 2020	Actual As at 31 May 2021
Current assets				
Cash and cash equivalents	1,273	1,691	4,073	1,072
Trade and other receivables	2,583	2,776	3,123	3,422
Inventories	9,022	9,575	6,581	9,384
Other assets	30	33	33	56
Total current assets	**12,909**	**14,075**	**13,810**	**13,934**
Non-current assets				
Deferred tax assets	415	458	358	358
Land and buildings	6,336	6,263	6,191	7,157
Other fixed assets	617	735	1,063	-
Goodwill	212	212	212	212
Total non-current assets	**7,580**	**7,668**	**7,824**	**7,727**
Total assets	**20,489**	**21,743**	**21,635**	**21,662**
Current liabilities				
Trade and other payables	4,669	4,429	4,574	6,317
Loans and borrowings	525	405	907	906
Employee benefits	831	858	976	1,085
Current tax payable	418	626	1	226
Warranty provisions	118	139	128	-
Income received in advance	1,478	1,382	2,001	1,441
Dividend payable	-	1,350	-	-
Total current liabilities	**8,039**	**9,189**	**8,587**	**9,976**
Non-current liabilities				
Loans and borrowings	260	1,533	3,467	2,642
Employee benefits	155	131	78	-
Total non-current liabilities	**415**	**1,665**	**3,545**	**2,642**
Total liabilities	**8,453**	**10,854**	**12,132**	**12,617**
Net assets	**12,035**	**10,889**	**9,503**	**9,044**

Source: TSQ Annual Reports (with comparatives), TSQ management accounts
Note: Numbers may not add up due to rounding

We note the following regarding TSQ's historical financial position as summarised above:

- As at 31 May 2021, the book value of TSQ's land and buildings amounted to $7.2 million. Management advised a recent valuation of the land and buildings is not available.
- As at 31 May 2021, TSQ's bank borrowings totalled $3.5 million.
- There is no warranty provision as at 31 May 2021. Management advised an estimate is normally made at financial year end for financial reporting purposes.

6. Impact of the Proposed Transaction

6.1. Proforma profit and loss statement of MXI Post Transaction

The proforma profit and loss statement of MXI following completion of the Proposed Transaction, the Derrimut and Hallam Sale and payment of the Special Dividend is set out below:

$'000	Proforma FY20	Proforma FY21
Revenue	**127,000**	**133,475**
EBITDA (pre-corporate costs)	**15,708**	**17,523**
Centralised functional / support costs transitioned to standalone MaxiPARTS	(5,000)	(4,969)
Proforma EBITDA	**10,708**	**12,554**
Proforma EBITDA margin %	8.4%	9.4%
Depreciation and amortisation - other assets	(510)	(428)
Depreciation - ROU assets	(3,637)	(3,503)
Proforma EBIT	**6,561**	**8,623**
Interest - Lease liability	(1,233)	(953)
Taxation (assumed 30% tax rate)	(1,598)	(2,334)
Proforma NPAT	**3,730**	**5,336**
EBITDA before AASB16 (pre-corporate costs)	10,838	13,067

Source: Management

We note the following regarding the table above:

- Management advised the proforma statement of financial performance of MXI above has been prepared using the historical FY20 and FY21 segment information of the MaxiPARTS Business and adjusted for the following assumptions:
  - Revenue of the MaxiPARTS Business will reduce by $3.8 million as a result of the transfer of certain revenue streams to the Trailer Business under its new ownership, pursuant to the terms of the Master Supply Agreement. Relevant expenses will also be transferred. Adjustment is also made to reflect different sales margins. The impact on the profit of the MaxiPARTS Business is assumed to be nil (in line with the intention of the Master Supply Agreement).
  - Corporate costs are adjusted to reflect the corporate costs required by the MaxiPARTS Business on a standalone basis.
  - Loss on the sale of the Trailer Assets and other significant items (including redundancy costs, asset impairment) have been excluded.

6.2. Proforma statement of financial position of MXI Post Transaction

The proforma statement of financial position of MXI following completion of the Proposed Transaction, the Derrimut and Hallam Sale and payment of the Special Dividend is set out below:

$'000	Reviewed MXI As at 31 Dec 2020	Unaudited MXI As at 30 June 2021	Proforma Afer the Proposed Transaction, the Derrimut and Hallam Sale and payment of the Special Dividend Forecast as at 1 September 2021
Assets			
Cash	26,523	22,442	6,994
Receivables	21,668	28,413	15,212
Inventories	52,147	56,421	26,450
Vendor finance	-	-	4,000
Prepayments / other current assets	2,077	2,072	220
Land and buildings	25,643	25,590	-
Other property, plant and equipment	5,692	6,882	1,956
Intangible assets	21,657	21,239	7,632
Investment in associates and joint ventures	10,999	11,318	1,800
ROU assets	52,593	55,506	16,845
Deferred tax assets / liabilities	19,206	19,001	19,001
Total assets	**238,203**	**248,885**	**100,111**
Liabilities			-
Payables	43,395	46,790	18,872
Provisions and other liabilities	13,882	17,845	6,365
Lease liability	73,225	74,735	17,643
Borrowings	23,750	17,250	-
Total liabilities	**154,252**	**156,619**	**42,879**
Net assets	**83,951**	**92,265**	**57,232**
Net debt / (Net cash)	**(2,773)**	**(5,192)**	**(6,994)**

Source: Management

We note the following regarding the table above:

- Management advised the following key assumptions have been adopted in preparing the proforma statement of financial position of MXI:
  - Based on the consolidated financial position of MXI as at 30 June 2021 (which includes proceeds from the Red Rock litigation of $7.2 million), adjusted to reflect the forecast balance sheet as at 1 September 2021.
  - The assets and liabilities of the Trailer Business, the Ballarat property as well as the investments in Trout River and TSQ to be disposed of pursuant to the Proposed Transaction are excluded based on their forecast book values as at 1 September 2021.
  - Proceeds from the Proposed Transaction and Derrimut and Hallam Sale are $19,552 million and $18.050 million respectively (i.e. totalling $37.602 million).
  - MXI provides vendor finance of $4.0 million to ATSG.

- Proceeds from the Proposed Transaction and Derrimut and Hallam Sale together with existing cash, are used to pay transaction costs ($3.7 million), settle borrowings in full ($17.25 million) and pay the Special Dividend ($23.2 million).
- Deferred tax assets and liabilities have not been updated for MXI's FY21 financial results or the impact of the Proposed Transaction and the Derrimut and Hallam Sale (as mentioned on page 7 of this Report, the Proposed Transaction and Derrimut and Hallam Sale are estimated to result in net tax losses which will be available for MXI to carry forward).
- Receivables owing to and trade creditors owing by the Trailer Business at completion which are to be retained in the Continuing Business have been excluded.

- Based on the table above, after the Proposed Transaction, the Derrimut and Hallam Sale and payment of the Special Dividend:
  - MXI's proforma forecast net assets will reduce from $92.3 million as at 30 June 2021 to $57.2 million as at 1 September 2021.
  - MXI will have proforma net cash (excluding AASB 16 lease liabilities) of $7.0 million.

7. Valuation methodologies

7.1. Introduction

ShineWing Australia Securities has assessed the value of the Trailer Business using the concept of fair market value. Fair market value is commonly defined as the amount that would be negotiated in an open and unrestricted market between an informed and willing but not anxious buyer and an informed and willing but not anxious seller acting at arm's length.

Fair market value excludes any special value. Special value is the value that may accrue to a particular purchaser. Special purchasers may be willing to pay higher prices to gain control or obtain the capacity to reduce or eliminate competition, ensure a source of material supply or sales, achieve cost savings arising on business combinations following acquisitions or other synergies which could be enjoyed by the purchaser. Our valuation is not premised on the existence of a special purchaser.

7.2. Valuation methodologies

The value of shares in a company or the value of a business is usually determined with regards to both asset values and the consistency and quality of earnings / cash flows. The principal methodologies which can be used are as follows:

- capitalisation of maintainable earnings
- discounted cash flow analysis
- asset-based valuations
- comparable market value
- quoted market price valuations.

A summary of each of these methodologies is outlined in **Appendix C**.

We have considered the relevance of each of these methodologies prior to undertaking our valuation. Different methodologies are appropriate in valuing particular companies, based on the individual circumstances of the company and available information.

7.3. Valuation methodologies adopted

Trailer Business

We have adopted the capitalisation of future maintainable earnings as our primary method to assess the value of the Trailer Business after considering the following:

- Despite recent adverse market conditions impacting the performance of the Trailer Business, it is a mature business with a history of profitability and has growth prospects.
- The application of the discounted cash flow (**DCF**) method generally requires cash flow forecasts for a minimum of five years. Forecasting cash flows is a complex exercise requiring assumptions as to the future direction of the company, growth rates, operating and capital expenditure and numerous other factors. We are advised that Management has not prepared any long-term financial forecast for the Trailer Business. In the absence of long term financial forecasts that may be relied upon, we have not adopted this method for the purpose of this Report.

In applying the future maintainable earnings approach, we have used earnings before interest and tax (**EBIT**) as a suitable measure of earnings considering the following:

- The Trailer Business is a capital intensive business with investment in plant and equipment for the manufacturing aspect of the business. EBIT can better adjust for differences in capital expenditure levels on the basis that depreciation expenses can be used as a proxy for capital expenditure.

Given the low return generated by the Trailer Business compared to its asset base, we have also adopted the asset-based method as a cross-check to our primary method.

Trout River and TSQ

We have adopted the capitalisation of future maintainable earnings as our primary method to assess the value of Trout River and TSQ considering they have historically been profitable and have growth prospects.

We have used EBIT as a suitable measure of earnings in applying the future maintainable earnings approach.

In the absence of long term financial forecasts for Trout River and TSQ that may be relied upon, we have not adopted a DCF methodology for the purpose of this Report.

7.4. Capitalisation of future maintainable earnings methodology

The capitalisation of future maintainable earnings method estimates fair market value of the business by capitalising future maintainable earnings using an appropriate multiple.

To value the business using the capitalisation of future maintainable earnings requires the determination of the following:

- An estimate of future maintainable earnings.
- An appropriate earnings multiple.
- Consideration of any surplus or unrelated assets and liabilities that are not reflected in the future maintainable earnings.

7.5. Premium for control

Multiples applied in a capitalised earnings methodology are generally based on data from listed companies and recent transactions in a comparable sector, with appropriate adjustment after consideration has been given to the specific characteristics of the business being valued.

The multiples derived for listed comparable companies are generally based on share prices reflective of the trades of small parcels of shares. As such, they generally reflect prices at which portfolio interests change hands. That is, there is no premium for control incorporated within such pricing. They may also be impacted by the level of liquidity in trading of the particular stock. Accordingly, when valuing a business as a whole, i.e. 100%, it is appropriate to also reference the multiples achieved in recent transactions, where a control premium and breadth of purchaser interest are more fully reflected.

Controlling interests in companies generally confer benefits greater than non-controlling interests. Such benefits include the ability to:

- elect directors and appoint management
- influence managerial control, including day to day running of the business
- determine management compensation
- set company policies and business strategy
- award business contracts

- make acquisitions
- influence decisions about the corporate structure
- register the company’s shares for a public offering
- impact dividend policy.

Accordingly, controlling interests are generally considered to be more valuable than non-controlling interests.

It is observed that takeovers involving the acquisition of a majority interest generally take place at significant premiums to portfolio or minority interests. This premium is generally in the range of 20% to 40% and represents two elements:

- a pure control premium, and
- the expected synergy benefits which the acquirer is prepared to pay the target shareholders.

Observed premiums in takeovers therefore include both elements however it is not possible to separate these two elements in any meaningful way. A number of studies have been conducted in this area, and they are subject to the facts surrounding the company being valued and the unique features of the transaction including:

- the synergies to be achieved, and
- the costs of integrating the businesses.

8. Valuation of the Trailer Business

8.1. Valuation approach

We have assessed the value of the Trailer Business using the capitalisation of future maintainable earnings method.

8.2. Future maintainable earnings

Future maintainable earnings (**FME**) represent the level of maintainable earnings that the business could reasonably expect to generate in future on an ongoing basis.

In determining the future maintainable EBIT of the Trailer Business, we have considered the following:

- The proforma historical earnings of the Trailer Business for FY18, FY19, FY20 and YTD21 as discussed in **Section 4**.
- The forecast for FY21 (11 months actual plus 1 month forecast) and FY22[6] prepared by Management.

Our assessment of the historical normalised EBIT of the Trailer Business on a standalone basis, after adjusting for one-off and other items based on discussions with Management and the information provided, is set out below:

Trailer Business $'000	Proforma (Historical) FY18	Proforma (Historical) FY19	Proforma (Historical) FY20	Proforma (Historical) 11 months ended 31 May 2021	Note
Revenue	**291,483**	**241,789**	**201,986**	**212,591**	
EBITDA	**9,009**	**6,635**	**1,734**	**10,665**	
EBITDA margin (%)	*3.1%*	*2.7%*	*0.9%*	*5.0%*	
Normalisation adjustments					
Jobkeeper income / NZ wage subsidy	-	-	(5,256)	(4,584)	1
Carole Park relocation / start-up costs	-	(300)	(300)	1,000	2
Market rental adjustment	(1,119)	(2,991)	(240)	(235)	3
Lease expenses (leased properties, rental trailer fleet, motor vehicle, equipment)	(390)	(2,434)	(5,395)	(6,133)	4
One-off profit from sale of trailers and trailer fleet	-	-	(135)	(1,123)	5
One-off warranty provision release and loss on sale of old inventory	300	(600)	472	108	6
Normal level of depreciation expenses (fixed assets)	(2,647)	(2,188)	(1,869)	(1,390)	7
Notional overhead expenses	571	505	570	(522)	8
One-off settlement income (Carole Park)	-	-	-	(370)	9
Total adjustments	**(3,285)**	**(8,007)**	**(12,153)**	**(13,249)**	
Normalised EBIT	**5,723**	**(1,373)**	**(10,419)**	**(2,584)**	
Normalised EBIT margin (%)	*2.0%*	*na*	*na*	*na*	

Source: Management, SW Securities analysis

[6] Details of Management's FY21 and FY22 forecast for the Trailer Business are not disclosed due to confidentially and commercial sensitivity factors, and as they do not meet the disclosure requirements under ASIC Regulatory Guide 170 *Prospective Financial Information* (**RG 170**).

We have made the following adjustments in estimating the normalised EBIT of the Trailer Business:

Note 1 – Jobkeeper income / NZ wage subsidy: Being elimination of income which is non-recurring in nature.

Note 2 – Carole Park relocation / start-up costs: One-off stock write-off ($0.7 million) relating to the relocation of Carole Park in 1HFY21 is assumed to relate to the periods FY19 to 1HFY21. Non-recurring operational losses due to productivity as a result of the relocation in 1HFY21 ($0.4 million), is added back.

Note 3 – Market rental adjustment: The Ballarat, Derrimut and Hallam properties are owned by Transtech Research Pty Ltd (**TTR**) (a subsidiary of MXI).

Management advised that the proforma financial performance of the Trailer Business (refer to **Section 4.8**) includes notional rental expenses for the Ballarat, Derrimut and Hallam properties above the EBITDA level (except for FY19, when the notional rental expenses are classified under depreciation of ROU assets). For the Derrimut property which the Trailer Business shares with the MXI head office and the MaxiPARTS Business, Management has estimated a notional rental for only the portion of the Derrimut property used by the Trailer Business.

We have made an adjustment to reflect the market rental (as is, assuming on-going occupancy) for the Ballarat, Derrimut and Hallam properties. To estimate the market rental for periods other than FY20, we have assumed the market rental increases by an inflation rate of 2.0% per annum.

Management has also imputed a notional rent for the Richlands property in the proforma financial performance of the Trailer Business (above the EBITDA level) for the period prior to the sale and leaseback in March 2019, but not the Takanini property. For the periods when the Richlands and Takanini properties were owned (i.e. prior to their sale and leaseback in March 2019), we have imputed a market rental for the two properties based on the actual rent paid following the sale and lease back, and assuming a 2% per annum inflation adjustment – to facilitate better comparability of the year-on-year normalised earnings.

Note 4 - Lease expenses (leased properties, rental trailer fleet, motor vehicle, equipment): Management has adopted AASB 16 in the proforma financial performance of the Trailer Business except for FY18. As our starting point for estimating the normalised EBIT of the Trailer Business is the EBITDA, we have deducted the corresponding lease expenses that would otherwise have been recognised if AASB 16 were not adopted, based on information provided by Management. No such adjustment is made for FY18 as the relevant lease expenses have been incorporated into the FY18 EBITDA.

For the periods when the trailer fleet was owned (i.e prior to their sale and leaseback in December 2019), we have imputed a notional lease expense based on Management's estimate (net of depreciation expenses recognised during the period of ownership) – to facilitate better comparability of the year-on-year normalised earnings.

MXI is considering relocating the Craigieburn site in FY22. Any increase in rental at the new site is assumed to be offset by additional revenue generated by the business.

Note 5 - One-off profit from sale of trailers and trailer fleet: Being adjustment to eliminate one-off profit from the sale and leaseback of the trailer fleet in December 2019, which were recognised in FY20 ($0.1 million) and YTD21 ($1.1 million). Additional trailers from the fleet were sold in June 2021.

Note 6 - One-off warranty provision release and write-off of inventory: The Trailer Business made a one-off warranty provision release totalling $0.9 million in FY19. Based on discussions with Management on the warranty period, we have made an adjustment to spread the write-back of the provision over FY17 to FY19. We have also made an adjustment to add back a one-off loss on sale of old inventory (FY20: $0.5 million, YTD21: $0.1 million).

Note 7 - Normal level of depreciation expenses (fixed assets): As our starting point for estimating the normalised EBIT of the Trailer Business is the EBITDA, we have deducted the estimated normal level of fixed asset depreciation expenses. The actual fixed assets depreciation expenses for FY18, FY19 and FY20 is assumed to reflect the normal level of depreciation. Depreciation expenses of the rental trailer fleet during the period of ownership is added back in Note 4 above. FY20 depreciation expenses are adjusted to exclude depreciation expenses for the trailer fleet which should have been included as depreciation on ROU assets.

There was significant impairment of fixed assets in FY20 which reduced the accounting depreciation expenses in the subsequent periods. Based on discussions with Management, we have assumed $1.5 million to be the normal level of fixed asset depreciation expenses in FY21 (i.e. $1.4 million for YTD21), and made an adjustment to reflect this.

Note 8 – Notional overhead expenses: Management subsequently revised the FY18, FY19 and FY20 overhead expenses to remove duplicated expenses and accrue for YTD21 bonus expenses. We have made an adjustment to reflect Management’s revised estimates.

Note 9 – One-off settlement income (Carole Park): Being one-off settlement income from the previous builder of the Carole Park site.

We have estimated an FME for the Trailer Business of $500,000, considering the following:

- The proforma financial performance of the Trailer Business reflects historical arrangements between the Trailer Business and the MaxiTRANS Business regarding the purchase of parts i.e. the transactions do not reflect the terms of the Master Supply Agreement.

  Management advised the terms of the Master Supply Agreement have been structured such that they do not expect either the Continuing Business or the Trailer Business under its new ownership will be worse off as a result of the new arrangement.
- The Trailer Business operates a cyclical business:
  - Following the Coles contract in FY18 (and part of FY19), the Trailer Business’ revenue dropped in FY19 and FY20 owing to seasonal factors (drought) and declining consumer confidence, compounded by uncertainty in the early months of the COVID-19 pandemic.
  - In FY21, an increase in the food and grocery sector due to COVID-19 resulted in some customers bringing forward their annual buying plans. Coupled with a good grain season and a stronger general freight market, revenue is expected to improve by 15% on an annualised basis in FY21.
- On the back of a cyclical business, the Trailer Business also has significant fixed costs in the form of:
  - property lease costs which are exacerbated by the sale and leaseback of the Richlands (Queensland) and Takanini (New Zealand) properties in March 2019 to reduce bank debt, and the relocation to Carole Park (Queensland) in November 2020 which is a larger facility with higher rent.

- lease cost from the sale and leaseback of the trailer fleet in December 2019.
- corporate overhead including software maintenance costs.

- Production at the Carole Park facility is behind schedule. The anticipated revenue upside and / or cost savings at the site are taking longer than expected to materialise. Management advised that it may take a number of years for the benefits to be fully realised, and do not expect any significant improvement in FY22. We note that the quantum and timing of the potential future upside, if any, cannot be reliably estimated at this stage.
- While the Trailer Business has a strong order book, it was unable to meet FY21 demand due to labour shortages at the Ballarat manufacturing facility and production at the Carole Park facility which was behind schedule. As a result, Management estimates that more than half of the forecast production volume in FY22 is expected to meet the production backlog.
- Except for FY18, the Trailer Business incurred normalised losses at EBIT level through to YTD21. Management advised that the Trailer Business is expected to continue to underperform in FY22.

8.3. Earnings multiple

In selecting an appropriate multiple, we have considered the following:

- Earnings multiple of listed comparable companies.
- Transaction multiples of recent comparable company acquisitions that have occurred in the relevant industry.

Trading multiples

The trading multiples of comparable listed companies are based on the listed share price, which represents a marketable minority interest value and therefore do not include a premium for control.

We have researched companies operating in the trailer manufacturing and truck dealership industries which are listed on the ASX. Due to the limited number of companies in these sectors, we have also researched companies that provide aftermarket parts to the commercial vehicle industry considering they have broadly similar exposure to the risks of the underlying target markets.

A summary of the trading multiples of the observed listed companies is set out below:

Company name	Latest FY	Market capitalisation ($'m)	Historical EBIT multiple LTM	Forecast EBIT multiple FY+1	Forecast EBIT multiple FY+2
MaxiTRANS Industries Limited	30/06/2020	89	169.1x	10.5x	11.8x
Austin Engineering Limited	30/06/2020	81	6.9x	na	na
Eagers Automotive Limited	31/12/2020	4,280	23.5x	16.1x	18.4x
National Tyre & Wheel Limited	30/06/2020	121	9.6x	7.2x	7.2x
Supply Network Limited	30/06/2020	311	19.8x	na	na

Source: S&P Global, ASX announcements, SW Securities analysis
Notes:
1. *Enterprise value is the sum of market capitalisation as at 30 June 2021 and net debt as at the latest reporting date, adjusted for minority interest holdings (if applicable) (downloaded on 3 July 2021)*
2. *FY – Financial year*
3. *LTM – Last twelve months*
4. *Forecast based on broker consensus estimates.*
5. *nmf / na– not meaningful or not available*

We note the following in respect of the observed comparable companies:

- The observed companies are not directly comparable to the Trailer Business due to the nature of business activities, market segment, scale of operation and / or level of diversification.
- We have included MXI in the analysis for a broad comparison. MXI traded at a multiple of 10.5 times FY21 and 11.8 times FY22 forecast EBIT.

  MXI's trading multiple reflects the recurring revenue of the MaxiPARTS Business as well as the cyclical Trailer Business.

  We note there may also be a lag in the brokers' consensus forecast.
- Austin Engineering Limited (**Austin Engineering**) is involved in the manufacture, repair and overhaul and supply of mining attachment and other associated products (off-highway truck bodies, buckets and water tanks) and services for the industrial and resources sector.

  In FY20, around 50% of its revenue is derived from the Asia-Pacific region, with the remaining from North America and South America. Austin Engineering is similar to the Trailer Business in that it is exposed to a cyclical industry, although with a narrower focus on mining.

  Austin Engineering traded at a LTM EBIT multiple of 6.9 times. A forecast multiple is not available.
- Eagers Automotive Limited (**Eagers Automotive**) owns and operates motor vehicle dealerships including service, sale of parts and the facilitation of allied consumer finance. Eager Automotive has substantial investments in strategically located properties through which it operates the dealership operations. While Eagers Automotive has a substantial truck retailing business, car retailing is its primary business activity.

  Eagers Automotive is not directly comparable to the manufacturing aspect of the Trailer Business.
- National Tyre & Wheels Limited and Supply Network Limited are distributors of aftermarket parts to the commercial vehicle industry, and are therefore, less comparable to the Trailer Business.
- Given the lack of directly comparable companies to the Trailer Business, we have placed limited reliance on the observed trading multiples.

Further details including brief descriptions of the business activities of the observed listed companies is set out in **Appendix D**.

Transaction multiples

The transaction multiples of comparable companies provide guidance as to the price that potential acquirers might be willing to pay for a controlling interest in a company.

Our research identified limited transactions that have occurred in the trailer manufacturing industry in Australia that have reliable publicly available information. Therefore, we have extended our research to include overseas trailer manufacturing companies. We have also researched truck and truck part retailers and distributors.

A summary of the observed comparable transactions is set out below:

Completion date	Target	Acquirer	Implied enterprise value ($' million)	Implied EBIT multiple (times)	Revenue ($' million)	EBIT margin (%s)
Trailer manufacturers						
27/09/2017	Supreme Industries, Inc.	Wabash National Corp	386	10.6x	414	9.7%
27/06/2016	Retlan Manufacturing Ltd	CIMC Vehicles (Group) Co., Ltd	165	8.3x	348	5.9%
28/12/2015	Load King Trailers, Inc.	Custom Truck One Source, L.P.	9	na	23	na
21/05/2012	AZMEB Global Trailers	MaxiTRANS Industries Ltd	6	3.2x	20	10.0%
Truck and truck part retailers and distributors						
2/12/2019	Diesel Drive Pty Limited	Bapcor Limited	19	na	13	na
2/12/2019	Truckline Business Of CNH Industrial N.V.	Bapcor Limited	29	na	100	na
16/08/2019	Automotive Holdings Group Limited (71.16% Stake)	A.P. Eagers Limited	2,101	13.5x	6,474	2.4%
2/04/2012	Queensland Diesel Spares Pty Ltd	MaxiTRANS Industries Ltd	22	4.8x	40	11.3%
31/10/2011	Diesel Motors Trucks	Automotive Holdings Group Limited	6	3.8x	55	2.9%
9/11/2010	Adtrans Group Limited (72.1% Stake)	A.P. Eagers Limited	198	11.6x	699	2.4%

Source: S&P Global, Mergermarket, ASX announcements, SW Securities analysis

We note the following in respect of the observed comparable transactions:

- Transaction multiples can vary significantly depending on the anticipated synergy of the acquisition, strategic considerations of the buyer and the number of bidders.
- Most of the acquisitions were completed prior to the adoption of AASB 16.
- We consider the MXI acquisition of Queensland-based AZMEB Global Trailers to be most comparable to the Trailer Business in terms of geographic focus. AZMEB Global Trailers is a manufacturer of side tippers to the mining and resource sector, and to the waste management industry. However, the transaction was completed in May 2012, when the economy and competitive landscape were different. AZMEB is also significantly smaller than the Trailer Business in terms of revenue. AZMEB Global Trailers was acquired at an implied EBIT multiple of 3.2 times.
- Supreme Industries Inc (US) and Retlan Manufacturing Ltd (UK) manufacture truck and other commercial vehicles. Due to their different geographic focus, they are exposed to different market, industry and regulatory factors compared to the Trailer Business. Supreme Industries Inc and Retlan Manufacturing Ltd generate higher revenue and have a higher EBIT margin compared to the Trailer Business, and therefore, we would expect their EBIT multiple to be higher. Supreme Industries Inc and Retlan Manufacturing Ltd were acquired for an implied EBIT multiple of 10.6 times and 8.3 times respectively.
- Load King Trailers Inc (**Load King**), a US-based trailer manufacturer, was acquired in 2015 for an implied EBITDA multiple of 8.2 times. The acquisition was the acquirer's sixth acquisition since its formation in February 2015 and will enable the acquirer to diversify its product offerings to the heavy equipment and utility industries. Information on the EBIT multiple is not available.
- In 2019, ASX-listed automotive retailer (87% of FY18 revenue) and refrigerated logistics provider (9% of FY18 revenue), Automotive Holdings Group Limited (**AHG**) was acquired for an implied EBIT multiple of 13.5 times. Around the time of acquisition, AHG represented 27 manufacturers of passenger brands (including Audi, Bentley, Ford) and nine truck commercial vehicle brands (including Mercedes-Benz, Freightliner, Hino). Truck sales comprise a nominal portion of FY18 revenue. The acquisition of AHG by A.P. Eagers Limited (**A.P. Eagers**) formed one of the largest motor vehicle retailer group in Australia.
- In 2010, A.P. Eagers acquired another ASX-listed motor vehicle dealership, Adtrans Group Limited (**Adtrans**) for an implied multiple of 11.6 times EBIT. While primarily an operator of car dealerships, Adtrans also operates a truck dealership predominantly based in New South Wales and Victoria.

- In 2012, MXI acquired Queensland Diesel Spares Pty Ltd, a retailer of truck parts with 9 retail stores in Gladstone, the metropolitan and greater area of Brisbane and Gold Coast for an implied EBIT multiple of 4.8 times.
- In 2011, AHG acquired a Perth-based truck automotive retailer operation for an implied EBIT multiple of 3.8 times. Diesel Motors Trucks generated revenue of around $55m and EBIT margin of 2.9% at the time of acquisition.
- We note the lack of directly comparable transactions make it difficult to draw a conclusion from the research.

Further details including brief descriptions of the business activities of the observed target companies is set out in **Appendix D**.

Conclusion on multiple

In estimating an appropriate multiple for the Trailer Business, we have considered the following:

- The nature and size of the business.
- The Trailer Business' exposure to cyclical underlying industries reduces the stability of earnings.
- The Trailer Business' low margin due to the capital intensive and high fixed cost nature of the business.
- Industry outlook as noted in **Section 3.**

Based on the above, we consider an EBIT multiple of between 3.0 times and 4.0 times (on a controlling basis) to be appropriate in assessing the value of the Trailer Business.

8.4. Surplus assets and liabilities

Surplus assets and liabilities represent those that are not required by the Trailer Business to continue to realise its principal source of earnings.

Based on discussions with Management and the information provided, we identified the following to be a surplus assets and liabilities of the Trailer Business:

- As we have deducted the market rental for the Ballarat property in assessing the future maintainable EBIT of the Trailer Business, we have included the Ballarat property as a surplus asset. For this purpose, we have assumed the market value of the Ballarat property assessed by CBRE for financial reporting purposes as at 30 June 2020 of $8,500,000 (as is, assuming on-going occupancy) to represent its fair market value.

  We note by comparison that as part of the Proposed Transaction, ATSG will acquire the Ballarat property for $7,350,000 in a separate contract. Based on discussions with Management, we understand that the purchase price of $7,350,000 is the midpoint of CBRE's assessment of the market value of the Ballarat property "as is, assuming vacant possession" ($6,200,000) and "as is, assuming on-ongoing occupancy" ($8,500,000).
- Our analysis of the monthly working capital of the Trailer Business from July 2019 to 31 May 2021 indicates the Trailer Business' working capital fluctuates significantly over the period. There is a shortfall in the Trailer Business' working capital as at 31 May 2021 compared to the average working capital over the period above. While noting the fluctuation, we have considered the shortfall of $3.4 million (rounded) to be a surplus liability in assessing the value of the Trailer Business, calculated as follows:

$'000	Average balance (A)	Balance as at 31 May 2021 (B)	Surplus / (shortfall) (B-A)
Inventory	33,125	31,510	(1,615)
Prepayment, net debtor and trade creditors	(2,379)	(4,217)	(1,838)
Total	**30,746**	**27,293**	**(3,453)**

Source: Proforma monthly balance sheet of the Trailer Business, SW Securities analysis

8.5. Valuation summary – capitalisation of future maintainable earnings method

Based on our analysis above, we have assessed the fair market value of the Trailer Business (on a controlling basis) based on the capitalisation of future maintainable earnings method to be as follows:

Trailer Business $'000	Low	High
Future maintainable earnings	500	500
EBIT multiple (times)	3.0x	4.0x
Enterprise value (control basis)	**1,500**	**2,000**
Surplus assets / (liabilities)		
- Market value of Ballarat property	8,500	8,500
- Working capital shortfall	(3,400)	(3,400)
Net surplus assets / (liabilities)	**5,100**	**5,100**
Fair market value of the Trailer Business (control basis)	**6,600**	**7,100**

Source: SW Securities analysis

8.6. Asset-based approach

Given the low return generated by the Trailer Business compared to its asset base, we have also adopted the asset-based method as a cross-check to our primary method, specifically the net assets on a going concern basis.

The net assets on a going concern basis estimates the value of the business by estimating the fair market value of the net assets of the business. The net assets approach is considered to represent a controlling valuation.

Using this approach, the fair market value of the Trailer Business is determined as follows:

- By having regard to the assets and liabilities set out in the Trailer Business' proforma balance sheet as at 31 May 2021 and adjusting the assets and liabilities to reflect their fair market values.
- Based on discussions with Management and the information provided, we have estimated the fair market value of the net assets on the following basis:
  - Excluded cash as the Proposed Transaction is on a debt free cash free basis.
  - Excluded the investment in associate as we have assessed the value of the investment in Trout River and TSQ separately.
  - Assumed the market value of the Ballarat property assessed by CBRE for financial reporting purposes as at 30 June 2020 of $8,500,000 (as is, assuming on-going occupancy) to represent its fair market value.
  - Assume no value is attributed to the TRANSform software, other intangible assets, ROU assets and lease liability.
  - Unless otherwise stated, the book value of all other assets and liabilities are assumed to reflect their fair market value.

The following table summarises our valuation of the assets and liabilities of the Trailer Business (on a going concern basis):

Trailer Business $'000	
Net assets (book value)	25,399
Add:	
Ballarat property (fair market value)	8,500
Lease liability	56,573
Less:	
Investment in associate	(11,294)
Intangible assets (others)	(1,517)
Cash	(5,521)
ROU assets	(37,215)
Intangible assets (TRANSform software)	(12,167)
Adjusted net assets	**22,758**

Based on the above, we have assessed the value of the net assets of the Trailer Business (on a going concern basis) to be $22.8 million.

However, as the Trailer Business has been incurring losses since FY19 (based on its normalised EBIT) and is expected to continue to underperform in FY22, we do not consider it unreasonable to assume that the value of the assets and liabilities under the asset-based approach will likely be realisable under a closed down scenario.

We understand based on discussions with Management, that a closed down scenario will trigger off-balance sheet liabilities (including estimated redundancies for the Trailer Business of $23 million) that are anticipated to eliminate most, if not all, of the value of the net assets above.

Based on the above, the value of the Trailer Business using the asset-based method is anticipated to be lower than our valuation assessment based on the capitalisation of future maintainable earnings method.

9. Valuation of Trout River and TSQ

9.1. Valuation of Trout River

Capitalisation of maintainable earnings method

We have assessed the value of Trout River using the capitalisation of future maintainable earnings method.

Future maintainable earnings

FME represent the level of maintainable earnings that the business could reasonably expect to generate in future on an ongoing basis.

In determining the future maintainable EBIT, we have considered the actual earnings of Trout River for FY18, FY19, FY20 and YTD21.

Our assessment of the historical normalised EBIT of Trout River after adjusting for one-off and other items based on discussions with Management and the information provided, is set out below:

Trout River $'000	Actual FY18	Actual FY19	Actual FY20	Actual 11 months ended 31 May 2021	Note
Revenue	**9,947**	**12,590**	**14,952**	**13,967**	
Reported EBITDA	**1,850**	**1,789**	**1,743**	**1,744**	
Reported EBITDA margin (%)	*18.6%*	*14.2%*	*11.7%*	*12.5%*	
Normalisation adjustments					
Jobkeeper income	-	-	(239)	(172)	1
One-off consultancy fees	-	206	-	289	2
R&D expenses	284	-	-	-	3
Small assets write-off	126	49	-	-	4
Other non-recurring (income) / expenses	2	34	-	18	5
Payroll tax reflief adjustment	-	-	-	(25)	6
Normal level of depreciation expenses (fixed assets)	(102)	(73)	(133)	(122)	7
Total adjustments	**310**	**215**	**(373)**	**(12)**	
Normalised EBIT	**2,160**	**2,004**	**1,371**	**1,731**	
Normalised EBIT margin (%)	*21.7%*	*15.9%*	*9.2%*	*12.4%*	

Source: Management, SW Securities analysis

We have made the following adjustments in estimating the normalised EBIT of Trout River:

Note 1 – Jobkeeper income: Being elimination of income which is non-recurring in nature.

Note 2 – One-off consultancy fees: Being adjustment to eliminate consultancy fees incurred or written-off in FY19 and YTD21 in relation to the disposal of Trout River, as they are non-recurring in nature. An adjustment is also made to normalise accounting fees in FY19.

Note 3 – R&D expenses: Being adjustment to normalise higher R&D expenses in FY18.

Note 4 – Small assets write-off: Being elimination of asset write-offs that would otherwise have been capitalised.

Note 5 – Other non-recurring (income) / expenses: Being adjustment to eliminate non-recurring profit or loss from the sale of fixed assets in FY18, FY19 and YTD21. Also adjustment to normalise higher than normal freight expenses (FY19: $0.1 million), and employee leave entitlement expenses in FY19

Note 6 – Payroll tax relief adjustment: Trout River obtained a non-recurring payroll tax relief of $25k in YTD21 due to the COVID-19 pandemic.

Note 7 – Normal level of depreciation expenses (fixed assets): As our starting point for estimating the normalised EBIT of Trout River is the EBITDA, we have deducted the estimated normal level of fixed asset depreciation expenses. Based on discussions with Management, we have assumed the actual fixed assets depreciation expenses reflect the normal level of depreciation. For YTD21, we have assumed the same level of depreciation as FY20 (pro-rated).

We have estimated the FME of Trout River to be $2.0 million, considering the following:

- Trout River revenue continued to grow following MXI's acquisition in December 2018, however at declining gross profit margin. We have not been provided an explanation for the declining gross profit margin.
- We understand that the management accounts for YTD21 may not have adequately accrued for certain expenses or reflect adjustments which are typically made at financial year end.
- Trout River did not adopt accrual accounting and there may be timing issues.

Earnings multiple

In selecting an appropriate multiple, we have considered the earnings multiple of the observed listed comparable companies and the transaction multiples in **Section 8**.

In estimating an appropriate multiple for the Trout River, we have also considered the following:

- The nature and size of the business
- Industry outlook as noted in **Section 3**
- The stability and quality of earnings
- Future prospects of the business
- MXI and TSQ are key customers of Trout River.

Based on the above, we consider an EBIT multiple of between 3.5 times and 4.5 times (on a controlling basis) to be appropriate in assessing the value of Trout River.

Net debt

A valuation undertaken by capitalising EBIT gives the aggregate value of the business on an ungeared basis, commonly referred to as the enterprise value. In order to place a value on the equity of the business, net interest bearing debt must be deducted from the enterprise value.

As at 31 May 2021, Trout River has cash of $2.3 million and nil interest-bearing debt.

In estimating whether Trout River has any surplus cash, Management advised the following:

- the Trout River Board has determined that Trout River must retain a cash balance equal to the rolling average quarterly cash outflows. Depending on the level of orders, Management estimates the cash balance to be retained based on the above criteria would be around $1.5 million to $2.5 million.
- any excess funds above the dividend policy are paid-out as dividends.

Considering the above, we assumed Trout River has nil net debt.

Surplus assets and liabilities

Surplus assets and liabilities represent those that are not required by Trout River to continue to realise its principal source of earnings.

Based on discussions with Management and the information provided, we have not identified any surplus assets and liabilities.

Valuation summary –MXI's 100% stake in Trout River

Based on the above, we have assessed the fair market value of MXI's 100% equity interest in Trout River to be as follows:

Trout River $'000	Low	High
Future maintainable earnings	2,000	2,000
EBIT multiple (times)	3.5x	4.5x
Enterprise value (control basis)	**7,000**	**9,000**
Net debt	-	-
Equity value (control basis)	**7,000**	**9,000**

Source: SW Securities analysis

Valuation cross-check – recent transaction in Trout River shares

In 2018, MXI paid $5.8 million for an 80% stake in Trout River, implying a value of around $7.2 million for a 100% stake.

Alternatively, considering Management's estimate of the earn out consideration of approximately $2.1 million, the implied value for a 100% stake in Trout River is around $10.5 million.

The midpoint value of Trout River implied by the recent transactions above of $8.9m is within our assessed value range for Trout River. Our assessed value of 100% of the equity interest in Trout River ranging from $7.0 million to $9.0 million straddles the value implied by the recent transactions in Trout River shares.

Considering that Trout River's revenue has increased since 2018 although at a lower normalised EBIT margin, we consider the implied value of Trout River based on the recent transactions broadly supports our value assessment.

9.2. Valuation of TSQ

Capitalisation of maintainable earnings method

We have assessed the value of TSQ using the capitalisation of future maintainable earnings method.

Future maintainable earnings

FME represent the level of maintainable earnings that the business could reasonably expect to generate in future on an ongoing basis.

In determining the future maintainable EBIT, we have considered the actual earnings of TSQ for FY18, FY19, FY20 and YTD21.

Our assessment of the historical normalised EBIT of TSQ after adjusting for one-off and other items based on discussions with Management and the information provided, is set out below:

TSQ $'000	Actual FY18	Actual FY19	Actual FY20	Actual 11 months ended 31 May 2021	Note
Revenue	**73,540**	**66,161**	**65,929**	**65,898**	
Reported EBITDA	**5,714**	**6,023**	**5,162**	**5,294**	
Reported EBITDA margin (%)	*7.8%*	*9.1%*	*7.8%*	*8.0%*	
Normalisation adjustments					
Sundry income	(14)	(11)	(29)	(96)	1
Payroll tax adjustment	-	-	-	(57)	2
Rental expense	-	-	-	-	3
Staff training and recruitment expenses	-	65	-	-	4
Warranty expenses	-	-	-	(117)	5
Normalised depreciation expenses	(227)	(238)	(274)	(207)	6
Total adjustments	**(242)**	**(184)**	**(302)**	**(476)**	
Normalised EBIT	**5,473**	**5,839**	**4,860**	**4,819**	
Normalised EBIT margin (%)	*7.4%*	*8.8%*	*7.4%*	*7.3%*	

Source: Management, SW Securities analysis

We have made the following adjustments in estimating the normalised EBIT of TSQ:

Note 1 – Sundry income: Being elimination of income which is non-recurring in nature.

Note 2 – Payroll tax adjustment: Based on discussions with Management, we have made an adjustment to normalise the payroll tax expense for YTD21.

Note 3 – Rental expenses: TSQ owns a property in Brisbane and leases the Townsville premises. Management has not provided an explanation for the rent expense which is a positive number. It is unclear whether the positive rent expense is an internal rent recovery. In the absence of an explanation being provided, we have not made any adjustments.

Note 4 – Staff training and recruitment expenses: Staff training and recruitment expenses were $0.08 million in FY19 compared to around $0.02 million in FY18 and FY20. We have an adjustment to reflect a normal level of expenses.

Note 5 – Normal level of depreciation expenses (fixed assets): As our starting point for estimating the normalised EBIT of TSQ is the EBITDA, we have deducted the estimated normal level of fixed asset depreciation expenses. Based on discussions with Management, we have assumed the actual fixed assets depreciation expenses reflect the normal level of depreciation.

We have estimated the FME of TSQ to be $5.2 million, considering the following:

- Revenue declined from FY18 to FY20 and is expected to grow by 9% in Fy21 on an annualised basis, reflecting a similar buoyant market as the Trailer Business.
- The normalised EBIT margin is relatively stable except for FY19.

Earnings multiple

In selecting an appropriate multiple, we have considered the earnings multiple of the observed listed comparable companies and the transaction multiples in **Section 8**.

In estimating an appropriate multiple for TSQ, we have also considered the following:

- The nature and size of the business
- Industry outlook as noted in **Section 3**
- The stability and quality of earnings
- Future prospects of the business
- MXI is a key supplier to TSQ.

Based on the above, we consider an EBIT multiple of between 4.0 times and 5.0 times (on a controlling basis) to be appropriate in assessing the value of TSQ.

Net debt

A valuation undertaken by capitalising EBIT gives the aggregate value of the business on an ungeared basis, commonly referred to as the enterprise value. In order to place a value on the equity of the business, net interest bearing debt must be deducted from the enterprise value.

As at 31 May 2021, TSQ has cash of $1.0 million and debt of $3.5 million.

Based on discussions with Management and considering that in the past few years, TSQ paid regular dividends throughout the year, we have assumed there is no surplus cash in TSQ.

Considering the above, we assumed TSQ has net debt of $3.5 million.

Surplus assets and liabilities

Surplus assets and liabilities represent those that are not required by TSQ to continue to realise its principal source of earnings.

Based on discussions with Management and the information provided, we have not identified any surplus assets and liabilities.

Valuation summary –MXI's 36.67% stake in TSQ

MXI (via MaxiTRANS Australia Pty Ltd) holds a 36.67% equity interest in TSQ.

The size of the minority interest discount will depend on the interest of the stakeholder and the interest of the other shareholders, particularly where there is one shareholder that exerts significant control over the company. The control premium is generally in the range of 20% to 40%, which implies minority discounts in the order of 17% to 29%[7].

We note the following regarding the terms of the TSQ Shareholders' Agreement:

- Each shareholder holding at least 10% of the issue shares in TSQ may appoint one director (we note from TSQ's FY20 Annual Report there is a total of four directors).
- The quorum of the TSQ Board meeting is two directors, one of whom must be a director of MaxiTRANS Australia Pty Ltd.

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[7] Implied minority discount based on a control premium is calculated as follows:
1 – 1 / (1 + control premium)

- A super majority vote (i.e. directors who together represent more than 75% of the shares on issue and must include MaxiTRANS Australia Pty Ltd director) is required for certain TSQ Board resolutions such as the decision to purchase real property, major asset purchase, entering into major contracts and amendments to the business plans.
- A super majority vote (i.e. shareholders who together hold more than 75% of the shares on issue and must include MaxiTRANS Australia Pty Ltd) is required for certain TSQ shareholder resolutions such as amendments to the TSQ Constitution, sale of the business and offer of securities for subscription.
- Unless otherwise specified, all decisions of the TSQ Board or the shareholders will be made by simple majority vote (which must include the MaxiTRANS Australia Pty Ltd director or MaxiTRANS Australia Pty Ltd respectively).

We consider the above suggests MaxiTRANS Australia Pty Ltd has greater influence on the operations of TSQ than the other shareholders, albeit not full control.

Considering the above, we have applied a minority interest discount of 15.0% which is at the lower end of the general minority interest discount range, in assessing the value of MXI’s stake in TSQ.

Based on the above, we have assessed the fair market value of MXI’s 36.67% equity interest in TSQ to be as follows:

TSQ $'000	Low	High
Future maintainable earnings	5,200	5,200
EBIT multiple (times)	4.0x	5.0x
Enterprise value (control basis)	**20,800**	**26,000**
Net debt	(3,548)	(3,548)
Equity value (control basis)	**17,252**	**22,452**
Stake held by MXI (%)	36.67%	36.67%
Pro-rata value of equity stake held by MXI (control basis)	**6,326**	**8,233**
Minority interest discount	15%	15%
Fair market value of MXI's stake in TSQ	**5,377**	**6,998**

Source: SW Securities analysis

Appendix A - Qualifications, limitations and consent

Qualifications

ShineWing Australia Securities Pty Ltd ABN 98 614 606 389 holds Australian Financial Services Licence 509026.

ShineWing Australia Securities provides a full range of corporate finance services and has advised on numerous takeovers, corporate valuations, acquisitions, and restructures.

The individuals responsible for preparing this report on behalf of ShineWing Australia Securities are Phillip Rundle and Vikas Nahar.

Phillip Rundle is an Authorised Representative of and a Director in ShineWing Australia Securities Pty Ltd. Phillip is a Fellow of Chartered Accountants Australia and New Zealand, a Fellow of the Australian Institute of Company Directors, a Fellow of the Financial Services Institute of Australasia, an Accredited Business Valuation Specialist by Chartered Accountants Australia and New Zealand and holds a Bachelor of Commerce and Graduate Diploma in Applied Finance & Investment.

Vikas Nahar is a Director in ShineWing Australia Securities Pty Ltd. Vikas is a CFA Charterholder and holds a Master of Business Administration with majors in Finance. Vikas has significant experience in valuation of businesses, financial instruments and intangible assets for financial reporting, taxation, strategy, and merger and acquisition purposes. He also has extensive experience in preparation of independent expert reports under Corporations Act and ASX Listing Rules.

Independence

Prior to accepting this engagement, ShineWing Australia Securities considered its independence with respect to MXI and all other parties involved in the Proposed Transaction with reference to the ASIC Regulatory Guide 112 *Independence of expert* (**RG 112**) and APES 110 *Code of Ethics for Professional Accountants* issued by the Accounting Professional and Ethical Standard Board. We have concluded that there are no conflicts of interest with respect to MXI, its shareholders and all other parties involved in the Proposed Transaction.

ShineWing Australia Securities and its related entities do not have at the date of this Report, and have not had within the previous two years, any shareholding in or other relationship with MXI or its associated entities that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Proposed Transaction.

ShineWing Australia Securities has no involvement with, or interest in the outcome of the transaction, other than the preparation of this Report.

ShineWing Australia Securities will receive a fee based on commercial rates for the preparation of this Report. This fee is not contingent on the outcome of the transaction. ShineWing Australia Securities' out-of-pocket expenses in relation to the preparation of this Report will be reimbursed. ShineWing Australia Securities will receive no other benefit for the preparation of this Report.

ShineWing Australia Securities considers itself to be independent in terms of RG 112.

Draft reports

An advance draft of this Report was provided to the management of MXI for their comments as to its factual accuracy. As a result, certain changes were made to factual statements in this Report including Management's estimate of the Purchase Price, which is reflected in our conclusion. However, no alterations were made to the methodology or valuations as a result of these factual reviews.

Indemnity

Recognising that ShineWing Australia Securities may rely on information prepared by MXI and its officers, MXI has agreed to make no claim against ShineWing Australia Securities to recover any loss or damage which MXI may suffer as a result of reasonable reliance by ShineWing Australia Securities on the information provided by MXI, and to indemnify ShineWing Australia Securities and its officers and employees, who may be involved in or in any way associated with the preparation of this Report, against any and all losses, claims, damages and liabilities arising out of or related to the performance of services by ShineWing Australia Securities in connection with our assessment and occasioned by reliance by ShineWing Australia Securities on information provided by MXI or its representatives which is subsequently found to be false or misleading or not complete. Complete information is deemed to have been provided, which at the time of completing our Report, should have been available to ShineWing Australia Securities and would reasonably have been expected to have been made available to ShineWing Australia Securities to enable us to form our opinion.

Consents

ShineWing Australia Securities consents to the inclusion of this Report in the form and context in which it accompanies the Notice of Meeting and Explanatory Memorandum to be issued to the shareholders of MXI. Neither the whole nor any part of this Report or any reference thereto may be included in any other document without the prior written consent of ShineWing Australia Securities as to the form or context in which it appears.

CBRE consents to the references to them and the Property Valuation Report in the form and context in which they occur in this Report which accompanies the Notice of Meeting and Explanatory Memorandum of MXI subject to among others, the following:

- Reference to the Property Valuation Report is for information purposes only and is on a non-reliance basis.
- CBRE does not endorse any of the comments or conclusions in this Report.
- CBRE has not inspected the property since the date of valuation (30 June 2020) and the reliance period expired 90 days from the date of valuation.
- CBRE has no duty of care or liability to the non-reliance party in respect of any use the non-reliance party may make of the Property Valuation Report or of any of its content.
- CBRE disclaims any liability whatsoever to the non-reliance party in relation to the Property Valuation Report and its contents.

Professional standards

Our Report has been prepared in accordance with professional standard APES 225 “Valuation Services” issued by the Accounting Professional & Ethical Standards Board.

Appendix B - Sources of information

In preparing this Report, we have considered the following key sources of information:

- the draft Notice of Meeting and Explanatory Memorandum
- the draft Asset Sale Agreement in relation to the Proposed Transaction
- Annual Report of MXI for the financial year ended 30 June 2018, 30 June 2019 and 30 June 2020 (with comparatives)
- Half-year report of MXI for the 6 months ended 31 December 2020
- Proforma financial performance of the Trailer Business for the financial year ended 30 June 2018, 30 June 2019, 30 June 2020, the 11 months ended 31 May 2021 and the financial year ending 30 June 2021 and 30 June 2022
- Proforma balance sheet of the Trailer Business as at 30 June 2020 and 31 May 2021
- Management accounts of Trout River for the financial year ended 30 June 2019, 30 June 2020 and 11 months ended 31 May 2021
- Annual Report of TSQ for the financial year ended 30 June 2018, 30 June 2019 and 30 June 2020 (with comparatives)
- Management accounts of TSQ for the 11 months ended 31 May 2021
- Shareholders' Agreement in relation to Trout River
- Shareholders' Agreement in relation to TSQ dated 12 July 2005
- Property Valuation Report prepared by CBRE in relation to the Ballarat property
- Shareholders and performance rights register
- S&P Global
- Mergermarket
- IBISWorld reports
- Other publicly available information
- Discussions and correspondences with the management of MXI.

Appendix C - Valuation methodologies

Capitalisation of future maintainable earnings

The capitalisation of future maintainable earnings multiplied by appropriate earnings multiple is a suitable valuation method for businesses that are expected to trade profitably into the foreseeable future. Maintainable earnings are the assessed sustainable profits that can be derived by a company's business and excludes any abnormal or "one off" profits or losses.

This approach involves a review of the multiples at which shares in listed companies in the same industry sector trade on the share market. These multiples give an indication of the price payable by portfolio investors for the acquisition of a parcel shareholding in the company.

Discounted future cash flows

An analysis of the net present value of forecast cash flows or discounted cash flows (**DCF**) is a valuation technique based on the premise that the value of the business is the present value of its future cash flows. This technique is particularly suited to a business with a finite life. In applying this method, the expected level of future cash flows are discounted by an appropriate discount rate based on the weighted average cost of capital (**WACC**). The cost of equity capital, being a component of the WACC, is estimated using the Capital Asset Pricing Model.

Predicting future cash flows is a complex exercise requiring assumptions as to the future direction of the company, growth rates, operating and capital expenditure and numerous other factors. An application of this method generally requires cash flow forecasts for a minimum of five years.

Orderly realisation of assets

The amount that would be distributed to shareholders on an orderly realisation of assets is based on the assumption that a company is liquidated with the funds realised from the sale of its assets, after payment of all liabilities, including realisation costs and taxation charges that arise, being distributed to shareholders.

Comparable market transactions

The comparable transactions method is the value of similar assets established through comparative transactions to which is added the realisable value of surplus assets. The comparable transactions method uses similar or comparative transactions to establish a value for the current transaction.

Comparable transactions methodology involves applying multiples extracted from the market transaction price of similar assets to the equivalent assets and earnings of the company.

The risk attached to this valuation methodology is that in many cases, the relevant transactions contain features that are unique to that transaction and it is often difficult to establish sufficient detail of all the material factors that contributed to the transaction price.

Market value of quoted securities

Market value is the price per issued share as quoted on the ASX or other recognised securities exchange. The share market price would, prima facie, constitute the market value of the shares of a publicly traded company, although such market price usually reflects the price paid for a minority holding or small parcel of shares, and does not reflect the market value offering control to the acquirer.

Appendix D - Description of comparable companies

Company	Business description
MaxiTRANS Industries Limited	MaxiTRANS Industries Limited, together with its subsidiaries, designs, manufactures, sells, services, and repairs transport equipment and related components and spare parts in Australia and New Zealand. It manufactures trailer brands, and urethane foam and body panels; supplies and distributes parts; provides service and repair support; and sells and finances new and used trailing equipment.
Austin Engineering Limited	Austin Engineering Limited, together with its subsidiaries, manufactures, repairs, overhauls, and supplies mining attachment products, and other associated products and services for the industrial and resources-related business sectors. It offers off-highway dump truck bodies, buckets, water tanks, tyre handlers, and other ancillary equipment. The company also provides on and off-site repair and maintenance, condition monitoring, engineering, product improvements, heavy equipment lifting and transport, specialised fabrication, blasting and painting, line boring and machining, and CNC profile cutting and pressing services. It serves miners, mining contractors, and original equipment manufacturers in Asia-Pacific, North America, and South America. The company was founded in 1982 and is headquartered in Milton, Australia.
Eagers Automotive Limited	Eagers Automotive Limited engages in the ownership and operation of motor vehicle and truck dealerships in Australia and New Zealand. It operates through four segments: Car Retailing, Truck Retailing, Property, and Investments. The Car Retailing segment offers a range of automotive products and services, including new and used vehicles, vehicle maintenance and repair services, vehicle parts, service contracts, vehicle brokerage services, vehicle protection products, and other aftermarket products. It also facilitates financing for vehicle purchases through third-party sources; and engages in the motor auction business. The Truck Retailing segment offers various products and services comprising new and used trucks, truck maintenance and repair services, truck parts, service contracts, truck protection products, and other aftermarket products; and facilitates financing for truck purchases through third-party sources. The Property segment acquires and rents commercial properties. The Investment segment is involved in investment activities.
National Tyre & Wheel Limited	National Tyre & Wheel Limited distributes and markets tires, wheels, tubes, and related products in Australia, New Zealand, and South Africa. The company offers its products for cars, buses, trucks, commercial vans, agricultural vehicles, 4WD's, SUV's, turf and off the road equipment, industrial vehicles, and caravans and trailers.
Supply Network Limited	Supply Network Limited provides aftermarket parts to the commercial vehicle industry in Australia and New Zealand. The company sells truck and bus parts under the Multispares brand name, as well as offers a range of services comprising parts interpreting, procurement, and supply management.

Source: S&P Global

Appendix E - Glossary

$ or A$	Australian dollar
1HFYxx	6 months ended 31 December
ASA	Asset Sale Agreement in relation to the Proposed Transaction
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
ATSG	Australia Trailer Solutions Group Pty Ltd (previously known as Australian Infrastructure Services Group Pty Ltd)
Corporations Act or the Act	Corporations Act 2001
CBRE	CBRE Valuations Pty Limited
Continuing Business	MXI's business after the Proposed Transaction, primarily consisting of the sale of truck and trailer parts
DCF	Discounted cash flows
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest and tax, depreciation and amortisation
FME	Future maintainable earnings
FSG	Financial Services Guide
FYXX	Financial year ended 30 June
LTM	Last twelve months
MaxiPARTS Business	MXI's MaxiPARTS segment which is involved in the sale of truck and trailer parts
MXI or the Company	MaxiTRANS Industries Limited
NPAT	Net profit after tax
Property Valuation Report	The property valuation report commissioned by MXI from CBRE for the purpose of determining the fair value of the Ballarat property for financial reporting purposes as at 30 June 2020
Proposed Transaction	Proposed sale of the Trailer Assets to ATSG and its related companies for the Purchase Price in cash
Purchase Price	$28.125 million, subject to customary adjustments as set out in the ASA
Report	Independent expert's report
RG 111	ASIC Regulatory Guide 111 – Content of expert reports
ShineWing Australia Securities or SW Securities	ShineWing Australia Securities Pty Ltd

Trailer Assets	Collectively, the Trailer Business (including the manufacturing site in Ballarat), 100% of the equity interest in Trout River and 36.67% equity interest in TSQ
Trailer Business	The portion of MXI's Trailer Solutions segment which is involved in the manufacture and sale of trailers, and the provision of after sales service and repair of trailers (excluding MXI's investment in Trout River and TSQ)
Trout River	Australasian Machinery Sales Pty Ltd, in which MaxiTRANS Australia Pty Ltd owns a 100% equity interest
TSQ	Trailer Sales Pty Ltd, in which MaxiTRANS Australia Pty Ltd owns a 36.67% equity interest
VWAP	Volume weighted average price
YTD21	11 months ended 31 May 2021

MAXITRANS INDUSTRIES LIMITED
ACN 006 797 173

Need assistance?

Phone:
1300 850 505 (within Australia)
+61 3 9415 4000 (outside Australia)

Online:
www.investorcentre.com/contact

YOUR VOTE IS IMPORTANT

For your proxy appointment to be effective it must be received by **2.30 pm (Melbourne Time) on Wednesday, 25 August 2021.**

Proxy Form

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

APPOINTMENT OF PROXY

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

SIGNING INSTRUCTIONS FOR POSTAL FORMS

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

PARTICIPATING IN THE MEETING

Corporate Representative
If a representative of a corporate securityholder or proxy is to participate in the meeting you will need to provide the appropriate “Appointment of Corporate Representative”. A form may be obtained from Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".

Lodge your Proxy Form:

Online:

Lodge your vote online at www.investorvote.com.au using your secure access information or use your mobile device to scan the personalised QR code.

Your secure access information is

Control Number: 185399

SRN/HIN:

For Intermediary Online subscribers (custodians) go to www.intermediaryonline.com

By Mail:

Computershare Investor Services Pty Limited
GPO Box 242
Melbourne VIC 3001
Australia

By Fax:

1800 783 447 within Australia or
+61 3 9473 2555 outside Australia

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

☐ **Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with '**X**') should advise your broker of any changes.

Proxy Form

Please mark ☒ to indicate your directions

Step 1 Appoint a Proxy to Vote on Your Behalf

I/We being a member/s of MaxiTRANS Industries Limited hereby appoint

☐ **the Chairman of the Meeting** **OR** ________________

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Extraordinary General Meeting of MaxiTRANS Industries Limited to be held at the offices of Maddocks, Lawyers, Level 25, Tower 2, 727 Collins Street, Melbourne and online on Friday, 27 August 2021 at 2:30 pm (Melbourne Time) and at any adjournment or postponement of that meeting.

Step 2 Items of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

		For	Against	Abstain
Item 1	Disposal of main undertaking	☐	☐	☐
Item 2	Change of Company Name	☐	☐	☐
Item 3	Share consolidation	☐	☐	☐

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

Step 3 Signature of Securityholder(s)

This section must be completed.

Individual or Securityholder 1	Securityholder 2	Securityholder 3	
			/ /
Sole Director & Sole Company Secretary	Director	Director/Company Secretary	Date

Update your communication details *(Optional)*

By providing your email address, you consent to receive future Notice of Meeting & Proxy communications electronically

Mobile Number	Email Address

ONLINE
MEETING GUIDE

GETTING STARTED

If you choose to participate online you will be able to view a live webcast of the meeting, ask the Directors questions online and submit your votes in real time. To participate online visit **https://web.lumiagm.com** on your smartphone, tablet or computer. You will need the latest versions of Chrome, Safari, Edge or Firefox. Please ensure your browser is compatible.

TO LOG IN, YOU MUST HAVE THE FOLLOWING INFORMATION:

Meeting ID

Meeting ID as provided in the Notice of Meeting.

Australian Residents

- **Username** (SRN or HIN) and
- **Password** (postcode of your registered address).

Overseas Residents

- **Username** (SRN or HIN) and
- **Password** (three-character country code) e.g. New Zealand - **NZL**; United Kingdom - **GBR**; United States of America - **USA**; Canada - **CAN**.

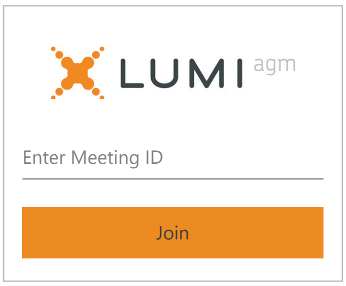
A full list of country codes is provided at the end of this guide.

Appointed Proxies

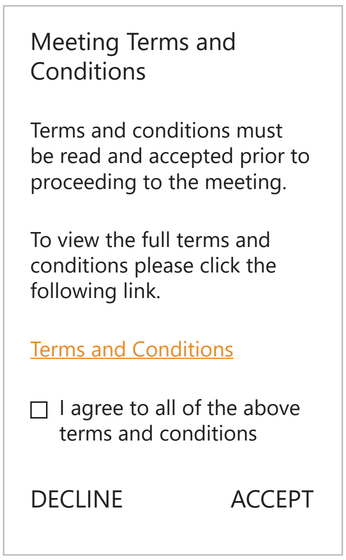
To receive your unique username and password, please contact Computershare Investor Services on +61 3 9415 4024 during the online registration period which will open 1 hour before the start of the meeting.

PARTICIPATING AT THE MEETING

1 To participate in the meeting, you will be required to enter the unique 9-digit Meeting ID as provided in the Notice of Meeting.

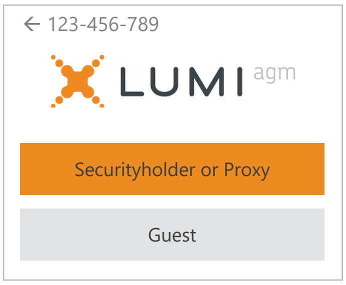


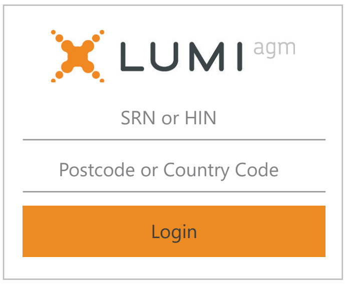
2 To proceed into the meeting, you will need to read and accept the Terms and Conditions.



3 Select the relevant log in option to represent yourself in the meeting.
Note that only Securityholders and Proxies can vote and ask questions in the meeting.

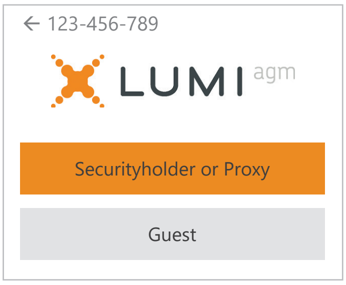
To register as a securityholder, select 'Securityholder or Proxy' and enter your SRN or HIN and Postcode or Country Code.

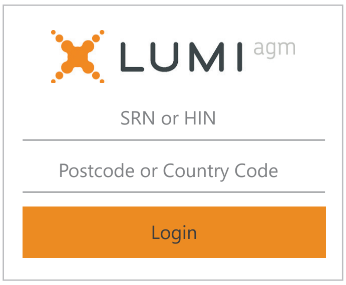




OR

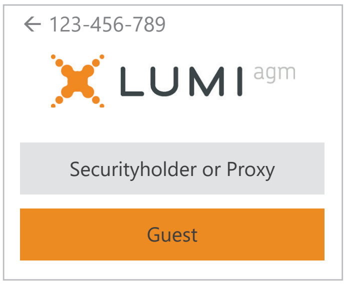
To register as a proxyholder, select 'Securityholder or Proxy' and you will need your username and password as provided by Computershare. In the 'SRN or HIN' field enter your username and in the 'Postcode or Country Code' field enter your password.

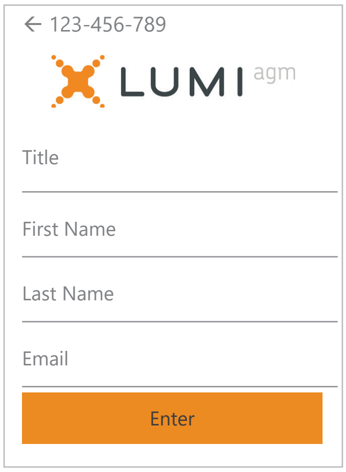




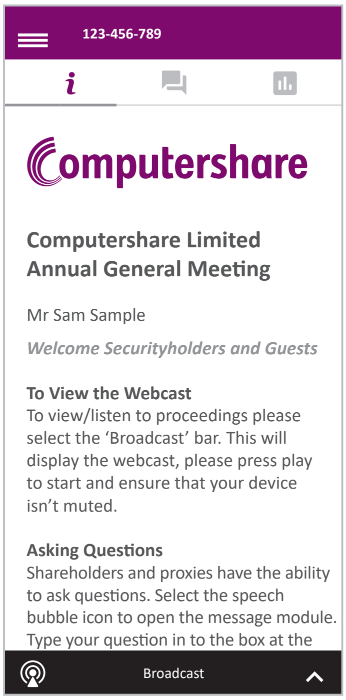
OR

To register as a guest, select 'Guest' and enter your name and email address.

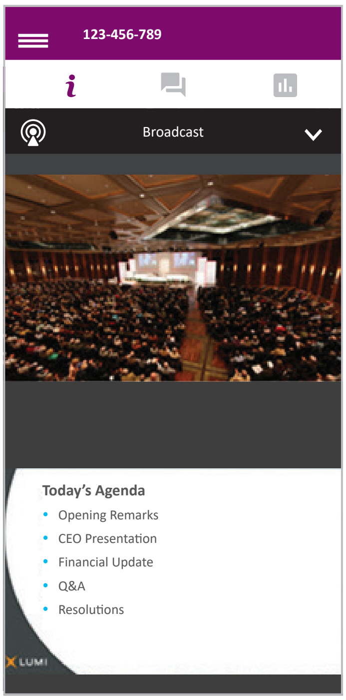




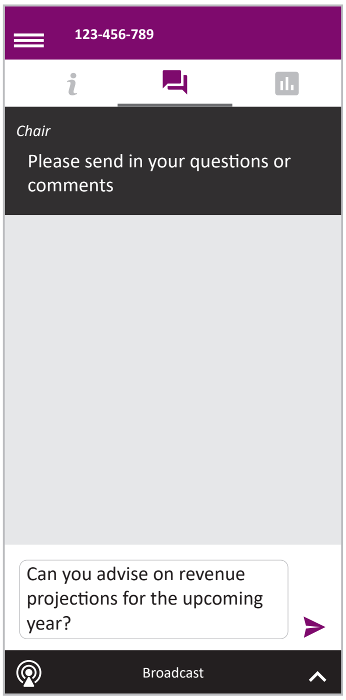
4 Once logged in, you will see the home page, which displays the meeting title and name of the registered securityholder or nominated proxy.



5 To view the webcast you must tap the broadcast arrow on your screen and press the play button. Click the arrow to switch between screens.



6 To ask a question tap on the question icon, type your question in the chat box at the bottom of the screen and select the send icon. Confirmation that your message has been received will appear.



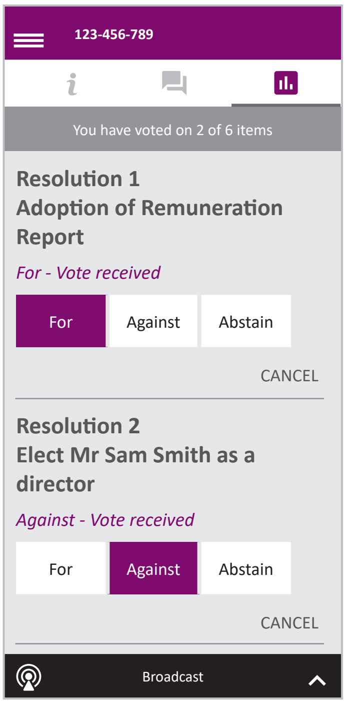
7 When the Chair declares the poll open:

> A voting icon will appear on screen and the meeting resolutions will be displayed

> To vote, select one of the voting options. Your response will be highlighted

> To change your vote, simply select a different option to override

The number of items you have voted on or are yet to vote on, is displayed at the top of the screen. Votes may be changed up to the time the Chair closes the poll.



Icon descriptions

i	Home page icon, displays meeting information.
	Questions icon, used to ask questions.
	Voting icon, used to vote. Only visible when the Chair opens the poll.
Broadcast	The broadcast bar allows you to view and listen to the proceedings.

FOR ASSISTANCE

If you require assistance before or during the meeting please call +61 3 9415 4024

COUNTRY CODES

Select your country code from the list below and enter it into the password field.

ABW	ARUBA
AFG	AFGHANISTAN
AGO	ANGOLA
AIA	ANGUILLA
ALA	ALAND ISLANDS
ALB	ALBANIA
AND	ANDORRA
ANT	NETHERLANDS ANTILLES
ARE	UNITED ARAB EMIRATES
ARG	ARGENTINA
ARM	ARMENIA
ASM	AMERICAN SAMOA
ATA	ANTARCTICA
ATF	FRENCH SOUTHERN TERRITORIES
ATG	ANTIGUA AND BARBUDA
AUS	AUSTRALIA
AUT	AUSTRIA
AZE	AZERBAIJAN
BDI	BURUNDI
BEL	BELGIUM
BEN	BENIN
BFA	BURKINA FASO
BGD	BANGLADESH
BGR	BULGARIA
BHR	BAHRAIN
BHS	BAHAMAS
BIH	BOSNIA & HERZEGOVINA
BLM	ST BARTHELEMY
BLR	BELARUS
BLZ	BELIZE
BMU	BERMUDA
BOL	BOLIVIA
BRA	BRAZIL
BRB	BARBADOS
BRN	BRUNEI DARUSSALAM
BTN	BHUTAN
BUR	BURMA
BVT	BOUVET ISLAND
BWA	BOTSWANA
CAF	CENTRAL AFRICAN REPUBLIC
CAN	CANADA
CCK	COCOS (KEELING) ISLANDS
CHE	SWITZERLAND
CHL	CHILE
CHN	CHINA
CIV	COTE D'IVOIRE
CMR	CAMEROON
COD	CONGO DEMOCRATIC REPUBLIC OF
COG	CONGO PEOPLES REPUBLIC OF
COK	COOK ISLANDS
COL	COLOMBIA
COM	COMOROS
CPV	CAPE VERDE
CRI	COSTA RICA
CUB	CUBA
CXR	CHRISTMAS ISLAND
CYM	CAYMAN ISLANDS
CYP	CYPRUS
CZE	CZECH REPUBLIC
DEU	GERMANY
DJI	DJIBOUTI
DMA	DOMINICA
DNK	DENMARK
DOM	DOMINICAN REPUBLIC
DZA	ALGERIA
ECU	ECUADOR
EGY	EGYPT
ERI	ERITREA
ESH	WESTERN SAHARA
ESP	SPAIN
EST	ESTONIA
ETH	ETHIOPIA
FIN	FINLAND
FJI	FIJI
FLK	FALKLAND ISLANDS (MALVINAS)
FRA	FRANCE
FRO	FAROE ISLANDS
FSM	MICRONESIA
GAB	GABON
GBR	UNITED KINGDOM
GEO	GEORGIA
GGY	GUERNSEY
GHA	GHANA
GIB	GIBRALTAR
GIN	GUINEA
GLP	GUADELOUPE
GMB	GAMBIA
GNB	GUINEA-BISSAU
GNQ	EQUATORIAL GUINEA
GRC	GREECE
GRD	GRENADA
GRL	GREENLAND
GTM	GUATEMALA
GUF	FRENCH GUIANA
GUM	GUAM
GUY	GUYANA
HKG	HONG KONG
HMD	HEARD AND MCDONALD ISLANDS
HND	HONDURAS
HRV	CROATIA
HTI	HAITI
HUN	HUNGARY
IDN	INDONESIA
IMN	ISLE OF MAN
IND	INDIA
IOT	BRITISH INDIAN OCEAN TERRITORY
IRL	IRELAND
IRN	IRAN ISLAMIC REPUBLIC OF
IRQ	IRAQ
ISL	ICELAND
ISM	BRITISH ISLES
ISR	ISRAEL
ITA	ITALY
JAM	JAMAICA
JEY	JERSEY
JOR	JORDAN
JPN	JAPAN
KAZ	KAZAKHSTAN
KEN	KENYA
KGZ	KYRGYZSTAN
KHM	CAMBODIA
KIR	KIRIBATI
KNA	ST KITTS AND NEVIS
KOR	KOREA REPUBLIC OF
KWT	KUWAIT
LAO	LAO PDR
LBN	LEBANON
LBR	LIBERIA
LBY	LIBYAN ARAB JAMAHIRIYA
LCA	ST LUCIA
LIE	LIECHTENSTEIN
LKA	SRI LANKA
LSO	LESOTHO
LTU	LITHUANIA
LUX	LUXEMBOURG
LVA	LATVIA
MAC	MACAO
MAF	ST MARTIN
MAR	MOROCCO
MCO	MONACO
MDA	MOLDOVA REPUBLIC OF
MDG	MADAGASCAR
MDV	MALDIVES
MEX	MEXICO
MHL	MARSHALL ISLANDS
MKD	MACEDONIA FORMER YUGOSLAV REP
MLI	MALI
MLT	MALTA
MMR	MYANMAR
MNE	MONTENEGRO
MNG	MONGOLIA
MNP	NORTHERN MARIANA ISLANDS
MOZ	MOZAMBIQUE
MRT	MAURITANIA
MSR	MONTSERRAT
MTQ	MARTINIQUE
MUS	MAURITIUS
MWI	MALAWI
MYS	MALAYSIA
MYT	MAYOTTE
NAM	NAMIBIA
NCL	NEW CALEDONIA
NER	NIGER
NFK	NORFOLK ISLAND
NGA	NIGERIA
NIC	NICARAGUA
NIU	NIUE
NLD	NETHERLANDS
NOR	NORWAY
NPL	NEPAL
NRU	NAURU
NZL	NEW ZEALAND
OMN	OMAN
PAK	PAKISTAN
PAN	PANAMA
PCN	PITCAIRN ISLANDS
PER	PERU
PHL	PHILIPPINES
PLW	PALAU
PNG	PAPUA NEW GUINEA
POL	POLAND
PRI	PUERTO RICO
PRK	KOREA DEM PEOPLES REPUBLIC OF
PRT	PORTUGAL
PRY	PARAGUAY
PSE	PALESTINIAN TERRITORY OCCUPIED
PYF	FRENCH POLYNESIA
QAT	QATAR
REU	REUNION
ROU	ROMANIA
RUS	RUSSIAN FEDERATION
RWA	RWANDA
SAU	SAUDI ARABIA KINGDOM OF
SCG	SERBIA AND MONTENEGRO
SDN	SUDAN
SEN	SENEGAL
SGP	SINGAPORE
SGS	STH GEORGIA & STH SANDWICH ISL
SHN	ST HELENA
SJM	SVALBARD & JAN MAYEN
SLB	SOLOMON ISLANDS
SLE	SIERRA LEONE
SLV	EL SALVADOR
SMR	SAN MARINO
SOM	SOMALIA
SPM	ST PIERRE AND MIQUELON
SRB	SERBIA
STP	SAO TOME AND PRINCIPE
SUR	SURINAME
SVK	SLOVAKIA
SVN	SLOVENIA
SWE	SWEDEN
SWZ	SWAZILAND
SYC	SEYCHELLES
SYR	SYRIAN ARAB REPUBLIC
TCA	TURKS AND CAICOS ISLANDS
TCD	CHAD
TGO	TOGO
THA	THAILAND
TJK	TAJIKISTAN
TKL	TOKELAU
TKM	TURKMENISTAN
TLS	EAST TIMOR DEMOCRATIC REP OF
TMP	EAST TIMOR
TON	TONGA
TTO	TRINIDAD & TOBAGO
TUN	TUNISIA
TUR	TURKEY
TUV	TUVALU
TWN	TAIWAN
TZA	TANZANIA UNITED REPUBLIC OF
UGA	UGANDA
UKR	UKRAINE
UMI	UNITED STATES MINOR OUTLYING
URY	URUGUAY
USA	UNITED STATES OF AMERICA
UZB	UZBEKISTAN
VAT	HOLY SEE (VATICAN CITY STATE)
VCT	ST VINCENT & THE GRENADINES
VEN	VENEZUELA
VGB	BRITISH VIRGIN ISLANDS
VIR	US VIRGIN ISLANDS
VNM	VIETNAM
VUT	VANUATU
WLF	WALLIS AND FUTUNA
WSM	SAMOA
YEM	YEMEN
YMD	YEMEN DEMOCRATIC
YUG	YUGOSLAVIA SOCIALIST FED REP
ZAF	SOUTH AFRICA
ZAR	ZAIRE
ZMB	ZAMBIA
ZWE	ZIMBABWE