



26 July 2021

**MaxiTRANS Industries Limited – Sale of Trailer Business
Investor Presentation**

An investor presentation in relation to the sale of the Trailer Business is attached.

Authorised for release by the Board of Directors of MaxiTRANS Industries Limited

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About MaxiTRANS Industries

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

MaxiSAFE
Send all our people home safely



Investor Presentation



The material contained in this document is a presentation of general information about MXI and its related bodies corporate (**MXI Group**) and the activities of the MXI Group as at the date of this presentation (26 July 2021). It is provided in summary form and does not purport to be complete. You should not rely upon it as advice for investment purposes, as it does not take into account your investment objectives, financial position or needs. These factors should be considered, with or without professional advice, when deciding if an investment is appropriate.

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Forward-looking statements may be identified by words such as "aim", "anticipate", "assume", "continue", "could", "estimate", "expect", "intend", "may", "plan", "predict", "should", "will" or "would" or the negative of such terms or other similar expressions that are predictions of or otherwise indicate future events or trends.

The forward looking statements included in this document speak only as of the date of this presentation. The MXI Group does not intend to update the forward-looking statements in this document in the future.

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Proposed transaction summary



MaxiTRANS (**MXI**) to divest Trailer Solutions business and properties for total sale price of \$48.3m (subject to customary adjustments), transforming MXI into a dedicated commercial parts distribution business.

Sale of Trailers assets and Ballarat property	Sale of Trailers assets and Ballarat property for an enterprise value of \$30.257m, subject to customary working capital and debt-like adjustments at closing and shareholder approval
Sale of Derrimut and Hallam properties	Sale price of \$18.05m
Vendor finance	\$4m vendor finance to be provided by MXI for sale of Trailers for maximum term of 2 years Interest at 3% pa for first 6 months; 5% pa for next 6 months; 8% pa thereafter
Share consolidation	1 share for every 5 held previously (37.0m shares post-consolidation before any shares issued under dividend reinvestment plan (DRP))
Special dividend	Board's intention to pay fully franked special dividend of 12.5c per share pre-share consolidation (62.5c per share post-share consolidation). Special dividend payment subject to completion of sale of Trailers and properties, and value to be confirmed following completion DRP will apply for shareholders who wish to participate. Books close date to be determined following completion of sale of Trailers and properties
Change of company name	Change of name to MaxiPARTS Limited (MaxiPARTS) reflects ongoing pure play commercial vehicle parts distribution business (MXI ASX code remains)

The Board considers the proposed transaction to be in the best interests of shareholders

Exit Trailers	<p>In recent years, the financial performance of Trailers has been volatile. MXI has undertaken a review of options and concluded exit was the best option for shareholders and Company.</p> <p>Independent Expert considers sale is “fair and reasonable to the MXI shareholders and is therefore, in the best interests of the MXI shareholders.”</p>
Pure play commercial parts business	<p>New MXI better able to create sustainable value for shareholders across economic cycle</p> <ul style="list-style-type: none">• More stable earnings, steady growth, lower capex and more predictable dividends• Less complex business enables \$9m reduction in centralised functional/support costs
Strengthened financial position	<p>Net cash (excluding lease liabilities) at completion; \$10m of debt facilities available (not intended to be drawn down at completion)</p>
Special dividend paid to shareholders*	<p>Board’s intention to pay fully franked special dividend of 12.5c per share pre-share consolidation (62.5c per share post-share consolidation), representing 28% of MXI’s closing share price on 21 July 2021 of \$0.45. Dividend reinvestment plan (DRP) will apply for shareholders who wish to participate.</p>
Tax benefit	<p>Sale of Trailers and properties results in around \$25m of revenue tax losses available for MXI to carry forward</p>

* Subject to completion of Trailers and properties sale. Special dividend value to be confirmed following completion.

Sale of Trailers and Ballarat property

- Buyer is Australian Trailer Solutions Group Pty Ltd (ATSG), an independent privately held company, and related companies
- Sale includes all Trailers tangible assets, Ballarat property and IP/brand names, agreed liabilities, and transfer of employees
- Sale conditional on shareholder approval (EGM scheduled for August 2021)
- Under separate agreement, MaxiPARTS will for a minimum of three years
 - supply parts to Trailers
 - continue as exclusive aftersales distributor of genuine MaxiTRANS Trailers parts



Sale of Derrimut and Hallam sites

- Buyer is an independent third party
- Sale conditional on completion of Trailers sale
- Properties recorded at fair value in group's accounts



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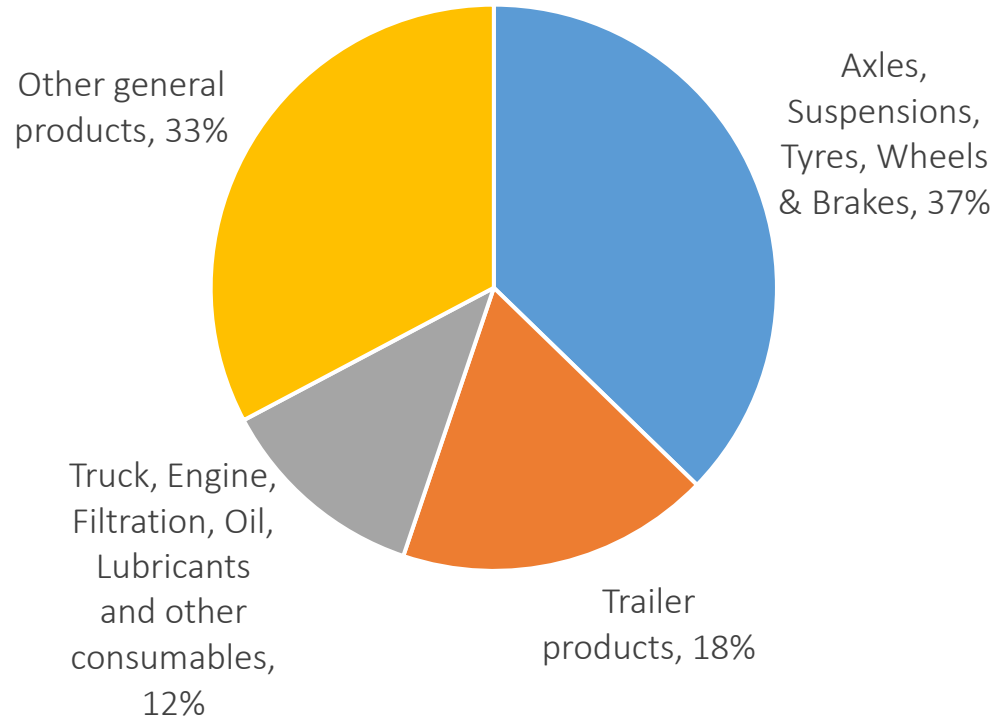
MaxiPARTS is one of Australia's leading independent commercial vehicle parts distribution companies

- Distributor of leading genuine brands as well as extensive range of aftermarket commercial vehicle parts
- One of Australia's largest importers of aftermarket commercial vehicle parts
- National footprint of 20 stores (including new Erskine Park store, opening Q1 FY22)
- 182 employees including corporate support roles
- Over 30,000 SKUs; over 145,000 parts in database
- Diverse parts supply and brands
- Over 10,000 individual account (excluding cash) customers
- Established own private label called Maxus

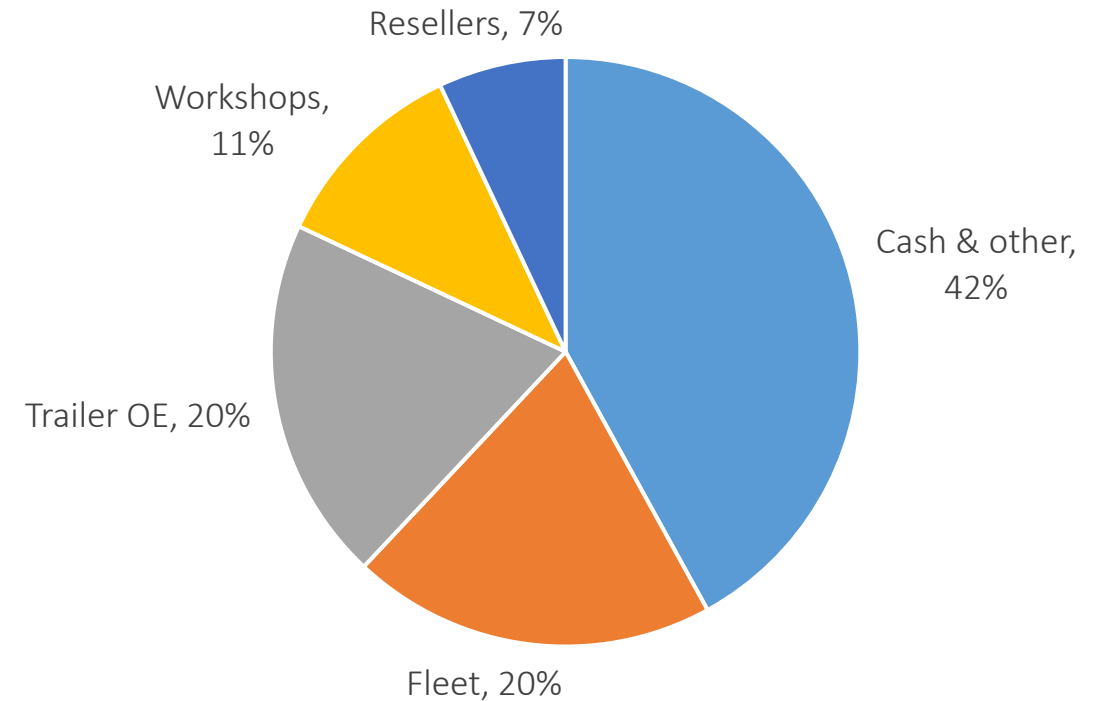
Selected Brands



Revenue by product classification



Revenue by customer type



National footprint



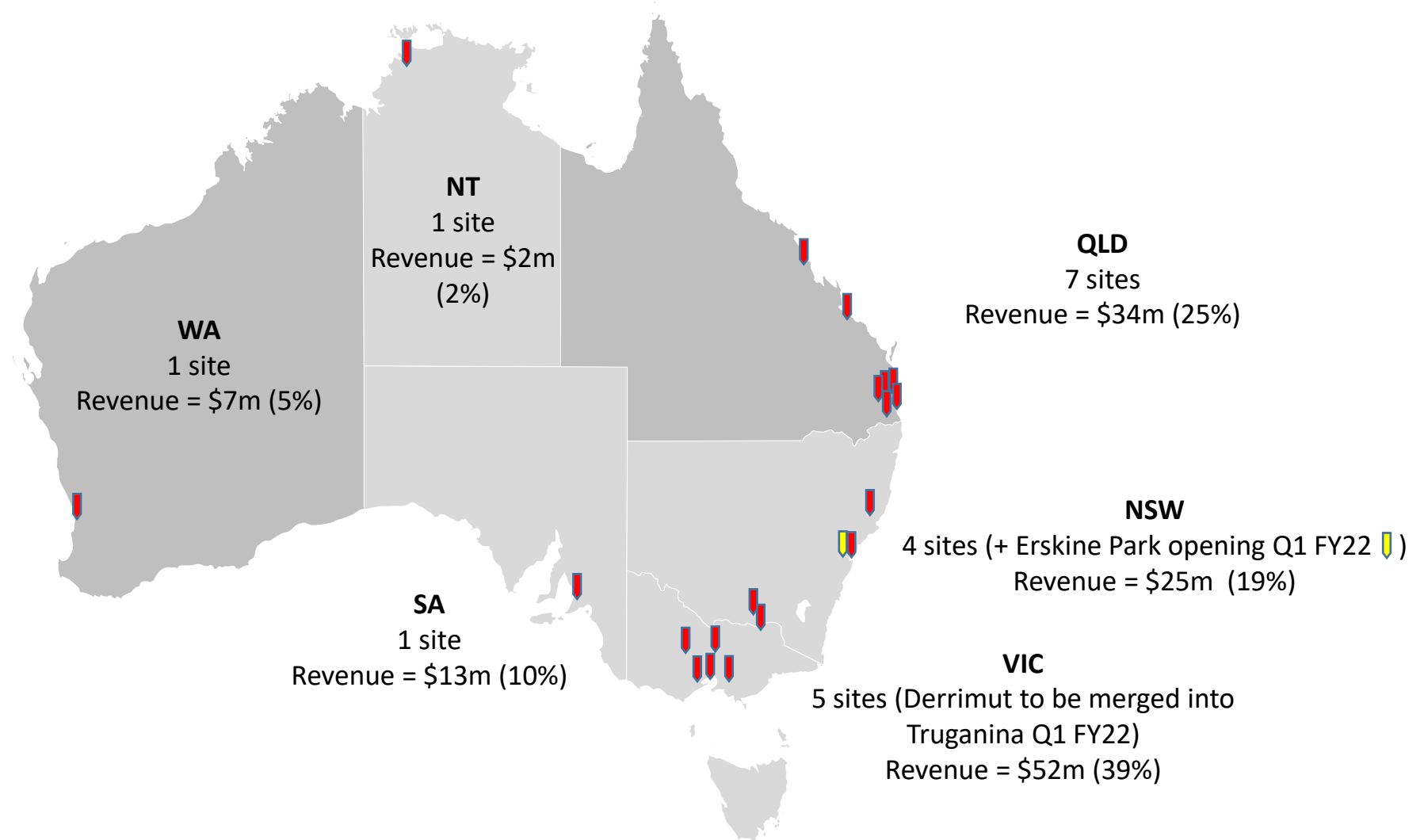
Employees, products and locations

182 employees

20 locations by end of Q1 FY22

30,000 SKUs

145,000 products in database



Note: FY21 revenue restated to reflect sales to Trailers as external in line with post-transaction treatment. Excludes Panel Masta and assumes 75% of current parts revenue sold through service business is retained post-transaction.

	Name	Title	Background
	Peter Loimaranta	Chief Executive Officer and Managing Director	<ul style="list-style-type: none"> • 15+ years at MXI, including 10 years running MaxiPARTS
	Liz Blockley	Chief Financial Officer	<ul style="list-style-type: none"> • 2.5 years at MXI as Group Financial Controller • Previously, 20 years of experience in variety of finance and commercial roles, including most recently CFO of Mastermyne (ASX:MYE)
	Amanda Jones	GM Corporate Services	<ul style="list-style-type: none"> • 3 years at MXI, including 2 years as General Counsel and Company Secretary • Previously, 16 years in national legal firms
	Graham Stewart	GM Wholesale Operations and Strategy	<ul style="list-style-type: none"> • Joined MXI in 2020 • Previously, 12 years in strategy, corporate development and product management roles (WEIR.LON)
	Heath Mooney	GM Sales and Distribution	<ul style="list-style-type: none"> • 5+ years at MXI, including 3 years as National Operations Manager • Previously, 20 years experience in various branch, regional management and commercial roles in parts businesses

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FY21 unaudited results

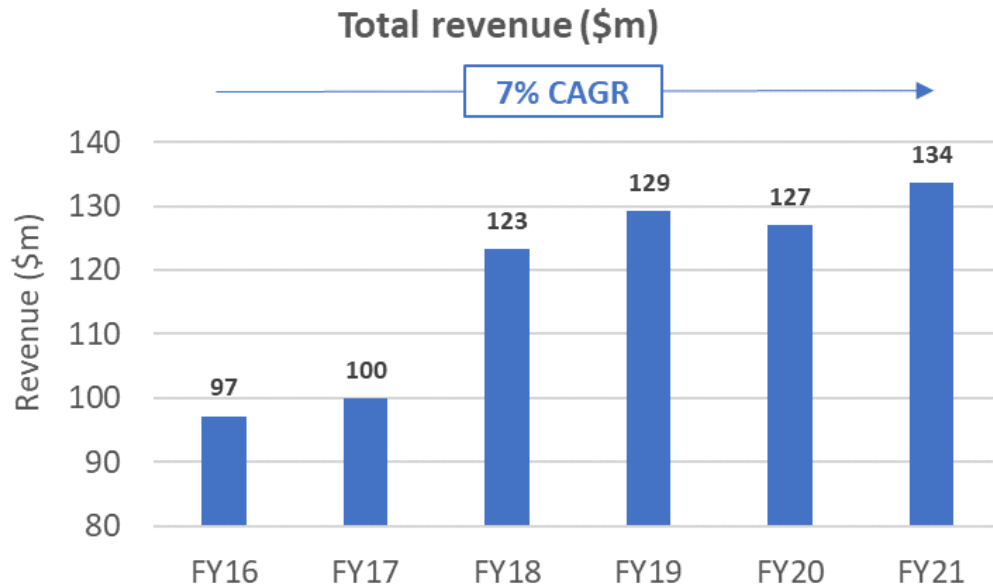


MaxiPARTS recorded FY21 revenue (unaudited) of \$134m and pro forma FY21 EBITDA before corporate costs (unaudited) of \$17.4m to \$17.6m.

Improved performance over prior period, with benefit of cost control initiatives implemented in late FY20 continuing into FY21.

FY21 unaudited profit figures on following pages represent mid-point of above range.





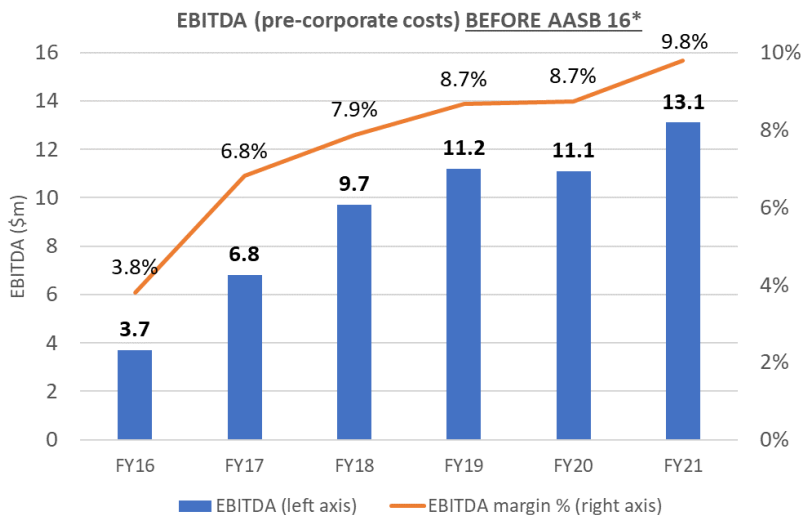
Total revenue includes sales to MaxiTRANS trailer business, in line with post-sale treatment. Average sales to Trailer manufacturing and service business over past 5 years: \$19m. FY18 to FY21 revenue excludes Panel Masta and reflects assumption that 75% of current parts revenue sold through the service business is retained post-transaction.

7% compound annual revenue growth FY16 – FY21

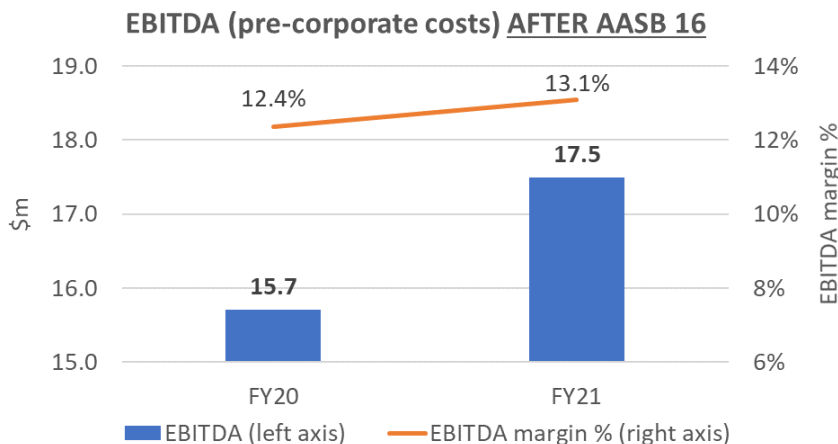
- Consistent track record of growth over extended period
- FY20 impacted by lower Trailers activity and COVID, before FY21 uplift in parts revenue associated with Trailers recovery

Key growth drivers:

- Product range extensions
- Strengthened relationships with fleet operators
- Full realisation of benefits from historical greenfield sites and acquisitions
- Consolidation of elements of MaxiTRANS group supply chain through MaxiPARTS from FY18 onwards (broadly in line with post-sale transitional arrangements)



* FY20 and FY21 EBITDA (pre-corporate costs and before AASB 16 impacts) of \$11.1m and \$13.1m, respectively, equate to FY20 and FY21 EBITDA (pre-corporate costs and after AASB 16 impacts) of \$15.7m and \$17.5m, respectively



Note - FY20 EBITDA of \$15.7m reflects Derrimut rent which will be classified as external post-transaction. FY20 EBITDA per previously announced segment disclosure was \$16.1m, with Derrimut rent classified as internal

29% compound annual EBITDA growth FY16 – FY21 (pre-corporate costs, before AASB 16 impacts)

Key drivers of FY21 EBITDA increase over FY20:

- 5% revenue increase, linked to Trailers recovery and higher external sales to other customers
- Consistent year on year gross margins, despite higher portion of lower margin sales to Trailers and increased product costs on many items
- Flat cost base year on year

Key drivers of FY16 to FY21 margin improvement:

- Operating leverage benefits from product and customer revenue growth initiatives
- Strong cost control focus
- Diversification into higher margin product groups (North American engine and European truck parts)

Pro forma income statements – key financials



\$mil	FY20	FY21
Revenue	127.0	133.5
EBITDA (pre-corporate costs)	15.7	17.5
Centralised functional/ support costs transitioned to standalone MaxiPARTS	(5.0)	(5.0)
Pro forma EBITDA	10.7	12.5
Pro forma EBITDA margin %	8.4%	9.3%
Depreciation & Amortisation	(0.5)	(0.4)
Depreciation - Right of Use Assets	(3.6)	(3.5)
Pro forma EBIT	6.6	8.7

Significant reduction in ongoing centralised functional/support costs

Tax losses available for carry forward

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)

Pro forma MXI balance sheet at 1 September 2021 shows strong opening financial position

- Pro forma net cash opening position of \$7.0m (excluding lease liabilities)
- Significant headroom in banking facilities

Pro forma balance sheet reflects:

- \$4m vendor financing
- Payment of illustrative special dividend

Excludes Trailer receivables and creditors which have remained with continuing business.
 Net debt/net cash shown above excludes lease liabilities under AASB 16.
 DTA / DTL – deferred tax assets and liabilities have not been updated for the group's FY21 accounts or for the impact of the proposed transactions described in this presentation.

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Existing initiatives will continue to drive revenue growth, profit improvement and working capital management.

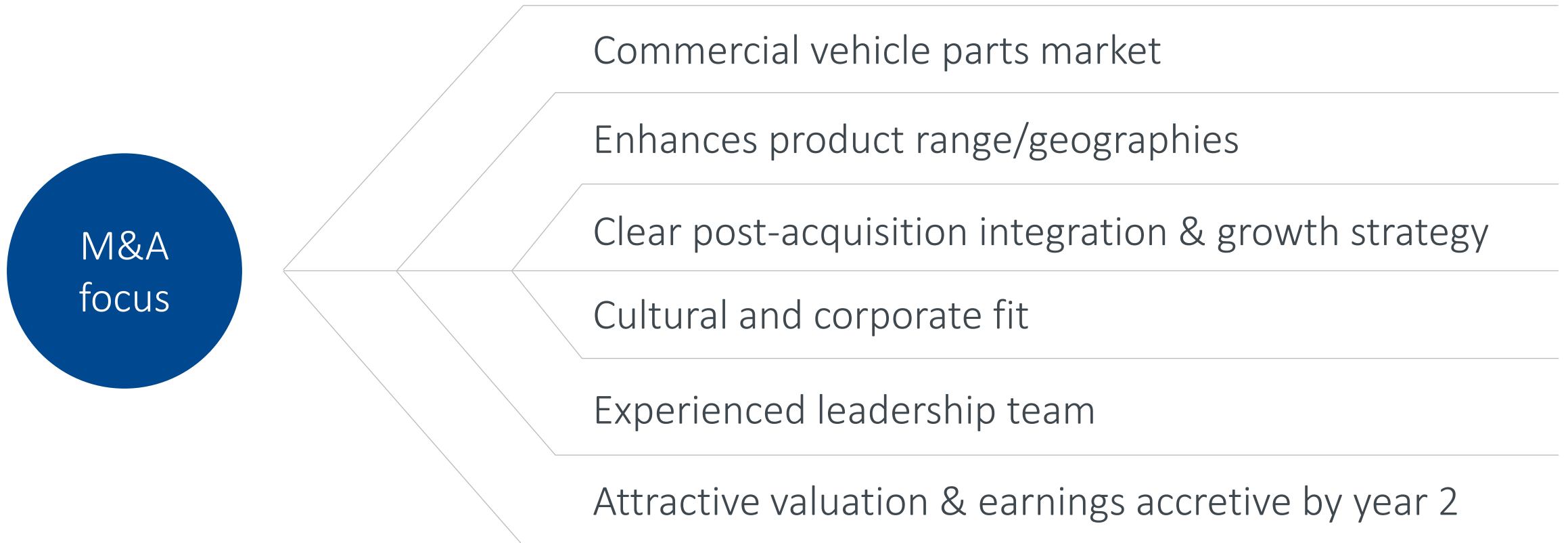
Over last 5 years MXI has successfully executed its strategic priorities:

- Increasing sales
 - Product range extensions
 - Strengthened relationships with fleet operators
- Improving profitability
- Optimising working capital

The business continues to focus on these priorities with new initiatives in:

- Operational excellence
 - Inventory management
 - Supply chain optimisation
- Organisational development
- Organic growth projects based around both product and fleet customers
- Ecommerce – new platform to drive online sales
- Distribution network expansion and development

MaxiPARTS is well positioned to play an active role in consolidation of commercial vehicle aftermarket parts industry; M&A a key component of our short-term growth strategy.



Short-term M&A focus expected to be limited to commercial parts for road transport within Australia. In medium term, expect to broaden focus to include other B2B parts sectors and markets outside Australia.

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✓	Attractive industry fundamentals	<ul style="list-style-type: none">• Aging commercial vehicle and trailer fleet supports demand for after markets parts
✓	Market leadership	<ul style="list-style-type: none">• One of the market leaders in Australia• National footprint• Ongoing arrangements with Trailers
✓	Excellent customer/supplier relationships	<ul style="list-style-type: none">• Over 10,000 active account customers• Over 30,000 SKUs and over 145,000 parts in database
✓	Strong financial profile	<ul style="list-style-type: none">• Track record of sales and earnings growth across economic cycles• High cash conversion, with low ongoing capex requirements• Proforma net cash opening position (excluding lease liabilities)• Expected ability to pay more stable dividends
✓	Experienced management	<ul style="list-style-type: none">• Decades of industry experience across senior team

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MaxiPARTS capital management strategy will allow funding for growth and payment of steady dividends to shareholders.

Dividend policy

- MaxiPARTS Board intends to follow a dividend policy which has regard to current earnings and cashflows, available franking credits, future cash flows, targeted credit metrics and acquisition opportunities
- MaxiPARTS Board initially expects to distribute 30% to 40% of post-tax profit to shareholders
 - Dividend policy will be determined by the Board at its discretion and may change over time
- Dividend reinvestment plan (DRP) to be reactivated

Gearing policy

- The business will target a long-term leverage ratio of 1.5 to 2 times EBITDA (depending on acquisition opportunities)
- Given the business intends to maintain the above debt ratio, funding for larger scale acquisitions will likely be generated from future capital raisings

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Contract	Length
<p>Vendor financing</p> <ul style="list-style-type: none">• \$4m funding to be provided by MXI to ATSG• Term – maximum 2 years• Interest – 3% pa for first 6 months; 5% pa for next 6 months; 8% pa thereafter• Security – corporate guarantee from ATSG	2 years max.
Exclusive distribution rights for proprietary parts for Freighter, Maxi-CUBE, Lusty EMS, Hamelex White and Azmeb trailers	3 years
Supply agreement for ongoing parts supply from MaxiPARTS to Trailers, including exclusive supply of all imported parts	3 years
Supply agreement for ongoing parts supply from MaxiPARTS into MaxiTRANS service centers	3 years

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Board structure



Given the transformational change of the business, a review has been completed of the board structure to ensure it is appropriate for the business going forward with a balance between stability and new director appointments.

	Name	Title	Background
	Robert Wylie	Chairman, Independent Non-Executive Director	Mr. Wylie has wide ranging experience in professional service in a variety of management roles with Deloitte and as a director in ASX-listed companies. Mr. Wylie is also a former National President of the Institute of Chartered Accountants in Australia. Mr Wylie will not seek re-election at the end of his current term in 2023.
	James Curtis	Deputy Chairman, Non-Executive Director	Mr. Curtis was one of the founders of MaxiTRANS in 1972. He has over 50 years of experience in the transport equipment industry and is a pioneer of fibreglass road transport equipment in Australia. Mr Curtis will not seek re-election at the end of his current term in 2021.
	Mary Verschuer	Independent Non-Executive Director	Ms Verschuer is an experienced non-executive director on listed and government boards with extensive global leadership roles in manufacturing and distribution businesses, including Schenck Process and Finnish listed Huhtamaki.
	Greg Sedgwick	Independent Non-Executive Director	Mr. Sedgwick is an experienced non-executive director and has extensive local and international experience in the industrial and manufacturing sectors, including with BOC Ltd and as CEO of listed building products company Crane Group Ltd.
	Peter Loimaranta	Chief Executive Officer and Managing Director	15+ years at MXI, including 10 years running MaxiPARTS

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Step	Date
Extraordinary General Meeting (EGM) to approve sale of Trailers and Ballarat property	27 August 2021
Anticipated settlement of agreements	Late August 2021
Anticipated timing of payment of special dividend	October 2021

Appendix: Funds flow illustration

Funds flow illustration



Sources	A\$M	Uses	A\$M
Sale of Trailers and Ballarat property (\$30.2m enterprise value less \$4.0m vendor financing less \$10.7m working capital*/debt-like items adjustments)	15.5	Repayment of bank debt**	6.7
Proceeds from sale of Derrimut and Hallam properties	18.1	Special dividend (at 12.5c per share pre-share consolidation/62.5c per share post-share consolidation)***	23.2
		Transaction and separation costs	3.7
Total sources of funds at settlement	33.6	Total uses of funds at settlement	33.6
Repayment of vendor financing	4.0	General business purposes and corporate development	4.0
Total sources of funds	37.6	Total uses of funds	37.6

* Working capital adjustment based on comparison of actual working capital to normalised historical working capital benchmark. Actual working capital currently abnormally low, reflected in significantly higher cash on hand balance.

** Part of total bank debt repayment of \$17.25m, with additional \$10.55m repayment made from cash on hand

*** Special dividend value to be confirmed following completion

