

20 August 2021

FY2021 Full Year Results

MaxiTRANS Industries Limited (ASX:MXI) today announced its financial results for the full-year ended 30 June 2021

Review of total operations

- Workplace safety performance was mixed in the year with a 17% reduction in more severe Lost Time Injuries but an increase in less severe Medical Treatment Injuries of 28%.
- Net Debt reduced from the prior corresponding period (PCP) by \$17.1m to end with **Net Cash** of \$5.2m, primarily due to good operating cash conversion and a one-off recovery of \$7.2m in settlement of the legal dispute relating to the ERP system.
- External sales of \$352.8m were up by 11% on PCP due to volume driven by changes to logistical transport needs combined with a quicker than expected return to normal trading as COVID-19 impacts became better understood by the Group's customer base across both MaxiPARTS and Trailer Solutions.
- Underlying net profit before tax of \$13.7m increased by \$14.4m from a loss of (\$0.7m) in PCP with the group realising the benefit of the additional top line volume through to the profit line.
- The MaxiPARTS segment achieved an increase in net profit before tax of 34% as a result of tight cost control, good margin retention despite cost pressures and a 4.8% growth in total revenue.

Group results summary

	FY21 \$'000	FY20 \$'000	Variance \$'000	Variance %
External Sales	352,768	317,599	35,169	11.1%
Reported Net Profit after Tax	4,584	(35,492)	40,076	(112.9%)
Reported Net Profit before Tax	5,221	(49,914)	55,135	(110.5%)
Significant Items				
Litigation settlement	7,200	-	7,200	
ERP system implementation expenses	-	(50)	50	
Transaction & Other costs	(2,044)	(4,647)	2,603	
Impairment Loss - Goodwill	-	(4,923)	4,923	
Impairment Loss - Other non-financial assets	(13,589)	(39,553)	25,964	
Underlying Net Profit before Tax	13,654	(741)	14,394	(1943.7%)
Underlying EBITDA [^]	27,111	14,681	12,431	84.7%
Underlying EBIT [^]	18,523	3,797	14,726	387.9%
Underlying Net Profit After Tax [^]	10,487	443	10,044	2266.8%
Reported EPS (basic) (cents per share)	2.48	-19.18	21.65	(112.9%)
Underlying EPS (basic) (cents per share)	5.67	0.24	5.43	2266.8%
Operating cashflow	31,826	31,387	439	1.4%

[^] Non-AASB, non-audited financial information

Notes:

- EBIT refers to earnings for the period before interest and tax.
- EBITDA refers to earnings for the period before interest, tax, depreciation and amortisation.
- EBITDA and EBIT are reported to provide improved clarity of the group's underlying business performance.
- Non-AASB financial information contained in this announcement has not been subject to audit or review by KPMG.

Significant Post Close Items

- On July 23rd 2021 MaxiTRANS announced a series of transactions which will – if approved by shareholders – transform the company into a pure play Commercial Truck/Trailer Parts Distribution business. The board of directors unanimously support this plan and shareholders will vote on the transactions on August 27th.
- The Group has prepared the FY21 Financial Statements on the basis that the Trailer Solutions

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business and properties are held for sale and the Trailer Solutions business is reported as a discontinued operation. Impairments associated with the disposal of the Trailer business were \$13.6m.

- The Group also acquired the remaining 20% shares and voting interests in the Trout River Australia entity, increasing the Group's interest held from 80% to 100%. The Trout River Australia assets are also held for sale.

Dividends:

In the announcement to the market on the 23rd July 2021, the Group proposed a fully franked special dividend of 12.5c / share to be paid as part of the funds distribution from the sale of the Trailer Solutions group. Following the completion of the transaction, the board intends to resume regular payment of dividends for the H1 FY22 period, provided performance allows for it.

Cash and Debt

The Group continued its focus on cash generation and debt reduction throughout FY21 finishing the year with a net cash position of \$5.2m, a reduction of \$17.3m from a net debt position of \$12.1m in FY20. The reduction in net debt included a reduction of \$20.25m in bank debt, enabled through strong operating cash inflows of \$31.8m, or \$21.7m after lease payments. The cash inflows for the year included a \$7.2m payment in settlement of the TRANSform ERP litigation. The Australian Trailer operations were assisted in the first quarter of the financial year with the continuation of the Government assistance JobKeeper program totalling \$4.6m. The JobKeeper assistance was materially the same as that received in FY20 and related solely to the Trailer Solutions business.

Parts Business - MaxiPARTS

The MaxiPARTS business experienced a 4.8% growth in total revenue. This translated to a 34% increase in underlying NPBT as a result of continued focus on cost control. This revenue growth reflected a stronger end market for the Trailer Solutions business and a quicker than expected return to normal trading as COVID-19 impacts became better understood by the customer base. MaxiPARTS has showed an ability to weather the cycles while continuing to grow profitability.

MaxiPARTS operates as a key supplier to the Trailer Solutions manufacturing and service facilities, thus ensuring parts and component procurement is leveraging the Group's full scale, procurement and logistics capability. This trading relationship is not intended to materially change after the sale of the Trailer Solutions business, as a Supply Agreement will be in place with the Trailer Solutions business for a minimum term of 3 years.

Despite increasing supply side costs, the MaxiPARTS business was able to maintain Gross Margin year on year as increases were passed rapidly to the customer base.

MaxiPARTS national footprint and significant breadth and depth of stock holdings continued to be a point of difference when compared to smaller competitors. As COVID-19 related global supply chain challenges escalated in the H2 of FY21 this benefit became more apparent.

Inventory management programs also continued to show success with inventory turns improving by 5% over the year despite taking some more conservative stocking decisions due to global supply disruption.

Following the announcement on July 23rd 2021, on the intention of the group to sell the Trailer Solutions business, the group presented a proforma income statement for the MaxiPARTS remaining business for FY20 and FY21 in an investor presentation released to the market on the July 26th 2021. The below tables compare the MaxiPARTS segment information (as presented in Note 14 for the Groups Financial Statements) to the MaxiPARTS proforma:

FY21	Segment	Proforma*	Variance	FY20	Segment	Proforma*	Variance
Revenue	137.1	133.5	(3.7)	Revenue	130.8	127.0	(3.8)
EBITDA including Corporate Cost	15.5	12.5	(3.1)	EBITDA including Corporate Cost	13.2	10.7	(2.5)
Less Corporate Cost Allocation*	2.4	5.0	2.6	Less Corporate Cost Allocation*	2.8	5.0	2.2
EBITDA Pre-Corporate Cost	17.9	17.5	(0.4)	EBITDA Pre-Corporate Cost	15.9	15.7	(0.2)
Depreciation & Amortisation	(3.9)	(3.9)	0.0	Depreciation & Amortisation	(4.0)	(4.1)	(0.1)
EBIT	14.0	13.5	(0.4)	EBIT	11.9	11.6	(0.3)
Interest	(1.0)	(1.0)	0.0	Interest	(1.2)	(1.2)	0.0
MaxiPARTS Proforma profit	13.0	12.6	(0.4)	MaxiPARTS Proforma profit	10.7	10.3	(0.3)
*Add Corporate Costs Allocation	(2.4)			*Add Corporate Costs Allocation	(2.8)		
MaxiPARTS Segment profit (Note 14)	10.6			MaxiPARTS Segment profit (Note 14)	7.9		

*Note Proforma financials are non-AASB financial measures, which have not been subject to review or audit by the Group's external auditors.

The differences between the Segment information and the proforma MaxiPARTS are:

- Revenue difference is due to an adjustment in the proforma revenue for the anticipated annualised change in revenue as a result of the supply agreement between the MaxiPARTS business and the Trailers Solutions business (under new ownership). The reduction in revenue is offset with cost reduction because of costs which transfer to the Trailer business and as a result there is no expected impact on the MaxiPARTS profit under the new arrangement
- Proforma profit – minor differences in Segment Financials versus proforma accounts preparation, such as elimination of internal rent for owned properties in segment report but included in proforma financials on an external basis
- Difference in Corporate Cost allocation. The segment report allocates corporate costs allocation by revenue or headcount allocation as a percentage of the total group, whereas the proforma financials provide a total group centralised functional / support costs transitioned for a standalone MaxiPARTS business

Trailer Solutions Business

While subject to variability of end markets, the Trailer Solutions business remains a leader in the segments in which it operates. The segment has a diverse portfolio of trailers with market leading brands and a reputation for high quality with customers. Sales of products through our dealer network, comprising both owned and licensed dealerships provides a full solution including after sales service and parts to customers.

Underlying Net Profit before tax for the segment increased by \$12.4m as a result of higher revenues and the operating leverage this generated.

Trailer Solutions revenue in the year increased by 16% predominantly due to changes to logistical transport needs as a result of COVID-19 and the return to positive agricultural market conditions.

The increased revenue and associated earnings were offset somewhat by increased leasehold and start-up costs associated with the new manufacturing plant in Brisbane.

Outlook

The Group is looking forward to the successful completion of the sale of the Trailer Solutions business and properties, with an Extraordinary General Meeting of shareholders scheduled to vote on the transaction on the 27 August 2021 and the anticipated settlement of agreements shortly thereafter. The group is currently undertaking significant transitional services efforts in preparation of separating the Trailers Solutions and MaxiPARTS business and it is expected that transitional services will continue for two to three months following completion.

A standalone MaxiPARTS will have a stronger financial platform from which to develop its market leading position and greater financial flexibility for network expansion as well as industry consolidation. It will also be a less complex and more focussed business with a simplified corporate structure.

Following the sale of Trailers and the properties and the payment of the special dividend to shareholders, MXI will be in a strong financial position, with forecast positive net cash (before AASB 16 lease liabilities). This will enable MXI to pursue organic and inorganic strategies to accelerate the growth of MaxiPARTS and create future shareholder value.

The Group is already planning the addition of a new retail site in Erskine Park, Sydney in the early part of FY22, with plans to add a further greenfield site in H2 FY22. The renewal of MaxiPARTS network development activity will support accelerated growth over the medium to long term.

While COVID-19 related lockdowns do impact the MaxiPARTS business for short periods, they have so far not been material to the overall business performance. Rather, ongoing increase in the freight task during COVID-19 will underpin the consistent growth performance of the MaxiPARTS business.

Rob Wylie
Chairman

Dean Jenkins
Managing Director & CEO

Authorised for release by the MaxiTRANS Industries Limited Board of Directors

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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.