

25 February 2022

## FY22 Half Year Results

MaxiPARTS Limited (ASX: MXI) today announced its financial results for the half-year ended 31 December 2021.

### Highlights

- 6% increase in underlying MaxiPARTS Sales versus pcp
- 11% growth in underlying MaxiPARTS segment profit versus pcp
- Completed sale of Trailer Business in September 2021
- Special Dividend of 62.5 cents per share paid in December 2021
- Launched new e-commerce platform with over 6,500 truck and trailer parts for sale online
- Locked in strategic acquisition of Truckzone Group, (completed 21 February 2022), expanding the groups national network from 19 to 27 stores and expanding the core product range

### Group results summary

	Dec	Dec	Variance	Variance
\$'000	2021	2020	\$	%
External sales *	68,002	57,889	10,113	17%
<b>Net Profit after Tax from Continuing Operations</b>	<b>2,772</b>	<b>927</b>	<b>1,845</b>	<b>199%</b>
Net Profit before Tax from Continuing Operations	4,445	1,327	3,118	235%
Net Profit/ (Loss) (incl discontinued operations)	(6,871)	5,700	(12,570)	-221%
<b>MaxiPARTS Sales (including inter-segment) *</b>	<b>72,586</b>	<b>68,619</b>	<b>3,967</b>	<b>6%</b>
<b>MaxiPARTS segment profit (with historical corporate cost allocation and before tax and excluding significant items)</b>	<b>5,879</b>	<b>5,293</b>	<b>586</b>	<b>11%</b>
<b>Net Debt/(Cash)</b>	<b>3,412</b>	<b>(2,750)</b>	<b>6,162</b>	<b>224%</b>

\* External Sales (continuing operations) eliminates sales from MaxiPARTS to the Trailer Solutions business for the period up to sale of the Trailer Solutions business (31 August 2021).

\*\* MaxiPARTS Sales (including inter-segment) include sales from MaxiPARTS to the Trailer Solutions business of \$4.3m for the period up to sale of the Trailer Solutions business (31 August 2021).

### Sale of the Trailer Solutions business

Effective 31 August 2021 the Group completed the transaction for the sale of the Trailer Solutions business and Ballarat property to Australian Trailer Solutions Group Pty Ltd (ATSG) for cash proceeds of \$14.7m and a deferred purchase price of \$4.0m (the deferred receivable has a maximum term of two years from the completion date of 31 August 2021, with interest chargeable at 3% pa for the first 6 months, 5% pa for the next 6 months and 8% pa thereafter). The Group subsequently completed the sale of both the Derrimut and Hallam properties, both utilised for the Trailer Solutions business, to a third party for cash consideration of \$18.05m.

The assets of the Trailer Solutions business were classified as held for sale at the last reporting date, at 30 June 2021. On 1 July 2021 the Group acquired 20% of the shares and voting interests in Trout River and as a result, the Group's equity interest in Trout River increased from 80% to 100%, granting it control of Trout River. Trout River was included in the sale of Trailer Solutions business to ATSG.

The Trailer Solutions business reported a loss from discontinued operations net of tax of (\$9.6m) for the half-year ended 31 December 2021. The loss for the period included (post-tax): (\$2.9m) loss on sale of discontinued operations; (\$3.2m) exit / separation costs and pre-sale trading for the period ended 31 December 2021; and (\$3.5m) write-off for the unrecoverable deferred tax asset in the foreign NZ entity. The condensed consolidated statement of financial position at 31 December 2021 includes a receivable of \$2.5m in relation to the completion accounts process between MaxiPARTS and ATSG. The receivable is in dispute with ATSG and it is intended to go through the dispute resolution process available under the Asset Sale Agreement. An independent expert is in the process of being appointed to determine the validity of the disputed amount, and the Group expects this process to be concluded during the second half of the financial year ending 30 June 2022.

The sale of the assets of the Trailer Solutions business has transformed the Group into a dedicated commercial parts distribution business, and as part of this transformation the Group has changed its name to MaxiPARTS Limited and, at this time, completed a share consolidation of MXI shares of 1 share for every 5 previously held.

### **MaxiPARTS review of operations**

MaxiPARTS sales of \$72.6m increased by 6% over the prior corresponding period (pcp). The sales growth was achieved despite the ongoing impact of COVID-19 and continued disruption to global supply chains and demonstrates the strength in the underlying market and MaxiPARTS strong value proposition and adaptability and knowledge of staff to manage short term supply disruption.

Sales to the ATSG owned Trailer Solutions manufacturing division were materially in line with prior period. Sales to the Trailer Solutions service division decreased compared to pcp, however this was expected due to the non-exclusive nature of the supply agreement and MaxiPARTS was able to offset the decrease in revenue with reduced cost base for servicing the supply resulting in minimal impact to the EBITDA result.

MaxiPARTS segment profit of \$5.9m increased by 11% from \$5.3m in the pcp, primarily delivered through the increased sales for the underlying business. Corporate cost allocations in the segment profit are presented in line with historical corporate cost allocation methods for the Group's segment reporting (with allocations to the Trailer solutions segment ceasing on the date of sale of the business).

The Group reported a closing net debt balance of \$3.4m an increase of \$6.2m from the pcp. The Group utilised the proceeds from the sale of the Trailer Solutions business to reduce debt facilities, a decrease in drawn funds of (\$7.5m) during the period, and to distribute a special dividend to shareholders resulting in a cash outflow of (\$22.0m). Operating cash outflow for the period of (\$13.4m) included (\$11.7m) outflow from the discontinued operations that included (\$3.9m) of exit, separation, cyber fraud and litigation costs, (\$2.5m) outstanding payment from ATSG in relation to the completion accounts process, and

(\$5.3m) due to the operating performance of the Trailer Solutions business that impacted both cash generation and working capital movements associated with the sale of the business. For the continuing operations, the Group has invested (\$3.6m) in higher inventory levels, to ensure service levels are maintained and to support continued growth of the MaxiPARTS operations during this time of global supply chain uncertainty. The supply to the Trailer Solutions business also transitioned to an external Trade Account for a one off lag impact to operating cash flow.

## Outlook

The Group remains cautious about the ongoing impact of the COVID-19 pandemic. In particular, staffing shortages linked to isolation increased in December 2021 and January 2022. To date the Group has been able to continue operating with no sites having closed and expects that staffing levels will improve as infection rates start to reduce in coming months.

The disruptions to global supply chain are expected to continue in the second half of the financial year. However, pleasingly the Group has seen stock availability of aftermarket ranges improve towards the end of the first half and was able to invest in additional inventory holdings which should place the Group in a good position to continue with strong sales in the second half.

Subject to no worsening of economic conditions, guidance for the full year remains in line with broker forecasts. The Group issued revenue and profit guidance for the full year in its announcements to the market on 1 February 2022 of Revenue \$141m - \$145m and adjusted EBIT including corporate costs (full year proforma) and inclusive of all lease depreciation and interest of \$8.1m - \$8.7m. The guidance refers to the underlying MaxiPARTS business and excludes discontinued operations and includes full year proforma corporate costs of \$5.7m, and not the historical corporate cost allocation method as reported in the H1 FY22 financial statements.

On 1 February 2022, the Group announced it had entered into an agreement to acquire the inventory and assets of Truckzone Group for an estimated \$18.0m in cash, subject to customary working capital adjustments. The Group also announced a \$25m equity raise through a combined placement and an accelerated non-renounceable entitlement offer. The proceeds of the equity raise will fully fund the acquisition of Truckzone Group and associated transaction and integration costs, while also providing the Group with working capital flexibility and funding for further organic growth initiatives.

The Truckzone acquisition settled on the 21 February 2022 with \$10.0m payable on completion and the balance payable after inventory valuation is finalised post stocktakes, expected to occur within 60 days post completion.

The Placement and Institutional Entitlement Offer component of the equity raise has completed with new shares issued on the 9 February 2022, raising \$20.4m in funds. The Retail offer is due to close on 3 March 2022 and is expected to raise a further \$4.6m. All shares under the Placement and Entitlement Offer will be issued at a fixed price of \$2.50 per new share, with 10.0m new shares on offer in total.

Post settlement of the acquisition, the Group expects that it will see only minor profit improvement in the second half of FY22 as the Group focuses on integration activities and the early stages of deployment of additional capital to drive both cost and revenue synergy benefits that will be realized in FY23 and beyond.

Authorised by the Board of MaxiPARTS Limited.

Contact:

**Peter Loimaranta**  
**Managing Director & CEO**  
**(03) 9368 7000**  
**ea@maxiparts.com.au**

### **About MaxiPARTS Limited**

MaxiPARTS Limited (ASX:MXI) is one of the largest suppliers of truck and trailer parts to the road transport industry in Australia.