

18 August 2022

FY22 Full Year Results

MaxiPARTS Limited (ASX: MXI) today announced its financial results for the full-year ended 30 June 2022.

Highlights

- Full year results at the upper end of the previously issued (25th Feb 22) guidance
- Total Revenue of \$157.4m up 14.7% versus pcp, with 8.3% same store growth
- 12.4% EBITDA growth in MaxiPARTS Segment Profit (excluding corporate overheads)
- Strategic acquisition of Truckzone Group completed 21 February 2022 expanding the groups national network from 19 to 27 (current includes one further site consolidation in July 22) stores and expanding the core product range
- Completed sale of Trailer Business in September 2021
- Special Dividend of 62.5 cents per share paid in December 2021
- 2.5 cent full franked final dividend declared (record date 31 August 2022)
- Net cash position of \$1.9m

Group results summary

	FY22 \$'000	FY21 \$'000	Variance \$'000	Variance %
External sales *	152,767	114,588	38,179	33.3%
Net Profit after Tax from Continuing Operations ***	4,908	5,689	(781)	-13.7%
Net Profit before Tax from Continuing Operations	7,337	8,325	(988)	-11.9%
Net Profit/ (Loss) (incl discontinued operations)	(4,932)	4,584	(9,516)	-208%
MaxiPARTS Sales (including inter-segment) **	157,350	137,138	20,212	14.7%
MaxiPARTS EBITDA pre-Corporate Cost	20,102	17,892	2,210	12.4%
MaxiPARTS segment profit (with historical corporate cost allocation and before tax and excluding significant items)	11,425	10,601	824	7.8%
Net Debt/(Cash)	(1,852)	(5,192)	3,340	-64%

* 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).

***FY22 continued operations includes \$1.4m of significant costs related to the Truckzone acquisition. FY21 contained a significant benefit of \$5.2m as a result of the \$7.2m legal settlement related to the Transform ERP project.

Dividends

The business is pleased to return to a dividend paying position after a number of years with a fully franked final dividend of 2.50 cents per share has been determined. The record date is 31 August 2022, with the payment date being 19 September 2022. The company's dividend re-investment plan with a 2.5% discount will apply.

MaxiPARTS review of operations

At the end of FY22, MaxiPARTS operated from 28 sites, an increase of 8 stores from the end of FY21, through the net addition of 10 sites added from the Truckzone acquisition and offset with two site consolidation in Melbourne locations.

On 21 February 2022, the Group acquired the inventory and assets of the Truckzone Group. The acquisition added 10 stores to the Groups network, of which 7 stores are planned to continue long-term. At the end of June, one store had been consolidated within the existing MaxiPARTS network, and a further two stores are planned for consolidation early in FY23. The Group has started the process of rebranding all acquired stores as MaxiPARTS.

Along with the expansion in the MaxiPARTS network, the acquisition will enable MaxiPARTS to accelerate growth over the coming years by leveraging the core product strengths of each business to drive through core product expansion. The group is also targeting additional EBITDA % improvement through the integration of the businesses, site consolidations and optimising the combined supply chain.

The MaxiPARTS business experienced a 14.7% growth in total revenue, including revenue from the Truckzone acquired sites. The group reported a 6% growth in revenue in H1 FY22, and a full year underlying sales growth of 8.3% for the year, when excluding the sales from the Truckzone acquisition and the net change to the revenue attributable to the previously owned Trailer business. This growth rate is consistent with what has been achieved in prior periods from the MaxiPARTS business and is a strong annual result for the Group, particularly given the third quarter which experienced higher than normal short-term periods of disruption for MaxiPARTS and our customer base in terms of staffing shortages due to COVID as well as a number of significant weather events driving localised flooding. Through strong COVID protocols and quickly moving staff around the network, the business has not lost a trading day due to the pandemic and although we had a small number of sites isolated and unable to operate through parts of the floods in QLD and NSW, we did not see any damage or long-term impacts with activity levels in Q4 being the highest of the financial year.

The global supply chain disruption continued through the period and is expected to continue for some time yet. Through a combination of strong internal processes and long and established supply relationships we managed to minimise these impacts and maintain service levels. Despite both the short and longer-term challenges described above, the transport industry and the market we operate in remained extremely resilient and demonstrates the essential role it plays in our communities.

MaxiPARTS national footprint and significant breadth and depth of stock holdings continued to be a point of difference when compared to smaller competitors

and this benefit became more apparent throughout the recent COVID-19 related global supply chain challenges.

Inventory levels in the traditional MaxiPARTS business increased in H1 as the business filled earlier supply gaps created by the global supply chain challenges and adjusted inventory management settings to help manage the ongoing disruption. Inventory levels in the traditional MaxiPARTS sites were maintained during H2 and the business has started to recover excess inventory identified through the Truckzone acquisition.

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 (\$9.8m) for the year ended 30 June 2022. The loss for the period included (post-tax): (\$2.5m) loss on sale of discontinued operations; (\$6.1m) exit / separation costs and pre-sale year to date trading; and (\$1.2m) write-off for the unrecoverable deferred tax asset in the foreign NZ entity. The consolidated statement of financial position at 30 June 2022 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 currently going through the dispute resolution process available under the Asset Sale Agreement. An independent accountant has been appointed to determine the validity of the disputed amount, and the Group expects this process to be concluded during the early stages of FY23.

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 changed its name to MaxiPARTS Limited and, and completed a share consolidation of MXI shares of 1 share for every 5 previously held.

Cash Generation & Capital Management

The Group entered into a new bank facility agreement on the 1 September 2021, upon sale of the Trailer Solutions business, establishing a \$10.0m loan facility. This facility is sufficient to support the business in its current form. The facility is currently fully drawn at \$10.0m and with a cash balance of \$11.9m, the Group ended the year with a positive net cash position of \$1.9m.

The Group utilised the proceeds from the sale of the Trailer Solutions business and buildings, in part, to reduce the

previous banking facility limits, a net reduction in loans of (\$7.25m) and paid a Special Dividend to the Groups shareholders of 62.5 cents per share resulting in a cash outflow of (\$22.0m) excluding take-up on the DRP.

During the period, the Group acquired the inventory and assets of Truckzone Group for a total cash consideration of \$18.3m, including \$15.8m of inventories (including prepaid inventory) and \$1.1m of other assets and liabilities. The transaction has resulted in the recognition of \$1.4m of Goodwill. The purchase price has been settled in full and was settled in two tranches, with \$10.0m payment on acquisition date (paid 21 February 2022) and the final payment payable following agreement of the Inventory amount (i.e. post stocktakes) and completion accounts (paid 3 May 2022). There is no deferred consideration associated with this transaction.

To fund the Truckzone acquisition of \$18.3m, MaxiPARTS undertook a \$25.0m equity raise through a combined placement and an accelerated non-renounceable entitlement offer. Cash proceeds net of capital raising fees was \$23.7m. The proceeds of the equity raise were used to 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.

Operating cash outflow for the period of (\$11.7m) included (\$11.6m) outflow from the discontinued operations that included (\$3.6m) of exit, separation, cyber fraud and litigation costs, (\$2.5m) outstanding payment from ATSG in relation to the completion accounts process (that is expected to be recovered in FY23 following review from the appointed independent accountant as part of the agreed dispute process), and (\$5.5m) 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.

Excluding the operating cashflow from the discontinued operations, the operating cashflow for the continued operations was (\$0.1m). Consistent with the growth in inventory seen at half-year, the operating cashflow includes a net increase in inventory for the period of \$2.2m to ensure service levels are maintained and to support continued growth of the MaxiPARTS operations during this time of global supply chain uncertainty, and offsetting this total increase was the partial realization of a targeted reduction in the stock acquired from the Truckzone acquisition. The supply to the Trailer Solutions business also transitioned to an external Trade Account for a one-off lag impact to operating cash flow.



MaxiPARTS Limited

ABN 58 006 797 173

PO Box 768, Sunshine VIC 3020

P 03 9368 7000 | F 03 8368 2164

Outlook

MaxiPARTS, along with the transport industry generally and the parts distribution businesses that operate within it, have proven to be very resilient over the various economic cycles.

In the upcoming year we are expecting to see ongoing inflationary challenges facing the economy (and our business) and expect many of our customers to continue to be impacted by higher fuel prices.

As seen within the industry and MaxiPARTS over recent years, we expect to be able to continue to pass on our product-based inflation through price increases across our product range maintaining a consistent gross margin percentage and while we are expecting inflationary increases in our selling and admin cost base, we remain focused on delivering ongoing revenue and profit improvements in the coming period.

The business will be focused on realising the cost and revenue synergies associated with the Truckzone acquisition. Many of the cost-based initiatives have been underway since late in H2 FY22, such as site consolidation and optimising purchasing across the combined business and will start contributing to the groups profit performance in FY23. The targeted revenue synergies are well planned and expected to start delivering top line growth in FY23, though many of the initiatives will take 2-3 years to reach maturity.

The Group intends to look at potential further network expansion over the course of the year and will continue to assess organic versus acquired options as part of this process.

The Group is expecting a higher than traditional capital expenditure year, due to multiple planned site relocations in Brisbane, Perth and Adelaide and some one-off Capital expenditure related to the final aspects of the Truckzone acquisition.

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.