

24 August 2023

FY23 Annual Year Results

MaxiPARTS Limited (ASX: MXI) today announced its financial results for the full-year ended 30 June 2023.

Highlights

- Profit before tax from Continued Operations growth of 43.8% YOY to \$10.5m
- EBTIDA % of 9.2% increased by 20 bps from pcp of 9.0%
- Total Revenue of \$201.7m up 28.1% versus pcp
- Return to consistent fully franked Dividend distribution. A final dividend declared of 3.22 cents per share for FY23.
- EPS growth from continued operations of 29.5% to 15.53 cents per share
- Strong operating cash flow performance of \$15.1m

Group results summary

A\$M	FY23	FY22	Change	Change %
External Revenue	201.7	152.8	48.9	32.0%
Total Revenue*	201.7	157.4	44.3	28.1%
EBITDA	18.5	14.1	4.4	31.0%
EBITDA %	9.2%	9.0%	0.2%	2.3%
Depreciation & Amortisation	1.0	0.6	0.4	
Lease Depreciation	4.6	4.0	0.6	
EBIT	12.9	9.6	3.3	34.8%
EBIT %	6.4%	6.1%	0.3%	5.3%
Interest - Lease	1.3	1.1	0.2	
Interest - Finance Costs	0.7	0.3	0.3	
Profit Before Tax before significant items	10.9	8.1	2.7	33.7%
Significant Items**	(0.4)	(0.8)	0.4	
Profit Before Tax from Continued Operations	10.5	7.3	3.2	43.5%
Income Tax Expense	(3.2)	(2.4)	(0.7)	
Profit After Tax from Continued Operations	7.4	4.9	2.5	50.2%
Discontinued Operations Net of Tax	(1.4)	(9.8)	8.4	85.8%
Reportable Profit / (Loss) for the period	6.0	(4.9)	10.9	221.3%

* Total revenue for FY22 of \$157.4m includes \$4.6m of inter-company sales to the divested Trailer Sales division, which had been eliminated in the reported Profit & Loss for the full-year ended 30 June 2023. It has been reinstated in the table to give an accurate comparison basis.

** (\$0.6m) of one-off gains related to a provision release of former Trailer Exec Bonus provisions is disclosed in the Significant items in HY22, reclassified from EBITDA (corporate costs) in the above table

Dividends

The directors are pleased to announce a fully franked final dividend of 3.22 cents per share. The record date is 31 August 2022, with the payment date being 15 September 2023. The company's dividend re-investment plan with a 2.5% discount will apply.

MaxiPARTS review of operations

MaxiPARTS currently operates from 27 sites and during the year completed a number of key projects related to improving our national site network including consolidation of our two Perth sites, opening of a new site in Bibra Lake (WA), consolidation of the existing Rocklea and Darra sites into a larger site in Richlands (QLD) and investment into a new mezzanine storage area within the Truganina (VIC) warehouse allowing national stocking of our Japanese Product range, to both improve warehouse efficiency and increase our Sydney distribution capacity for traditional stock as a direct result.

At the beginning of the financial year, MaxiPARTS was less than four months into the Truckzone acquisition and was executing several integration projects, including rebranding the acquired sites and unlocking the cost synergies for the amalgamation of the Truckzone sites into the MaxiPARTS network. The integration projects and rebranding, along with a refresh to the branding of MaxiPARTS sites, all successfully completed during the year.

Along with the expansion in the MaxiPARTS network, the Truckzone acquisition provides MaxiPARTS with the opportunity to accelerate growth over the coming years by leveraging the core product strengths of each business to drive through core product expansion. The foundational work to achieve this continued to gain traction and remains on target with expectations of seeing accelerated revenue growth in the coming periods, with management still expecting these initiatives to take 2 - 3 years to reach maturity. The Group is also targeting additional EBITDA margin improvement through the integration of the businesses, site consolidations and optimising the combined supply chain.

Like many businesses, in FY23 MaxiPARTS Operations saw higher than traditional cost inflation in key areas such as freight, salary & wages and leases.

Förch Australia

On the 31 May 2023, MaxiPARTS acquired 80% of Förch Australia Pty Ltd, a distributor of workshop consumables, predominately focused on automotive and commercial vehicle workshops. Förch Australia holds an exclusive Australian distribution agreement for all FÖRCH product, with Theo FÖRCH GmbH & Co KG of Germany, through to April 2030 ("Australian Distribution Agreement"). At the end of FY23, Förch Australia operated from two sites (Perth & Melbourne), and one independent distributor (Brisbane).

The purchase consideration was \$9.1m, with \$9.6m paid on the acquisition date, and (\$0.5m) in working capital adjustments (recorded as a receivable at reporting date). The purchase price included the net asset value of \$2.7m, and \$6.4m (\$4.5m net of tax) identifiable intangible asset in relationship to the exclusive distribution agreement between Theo Förch GmbH (Förch Germany) & Co. KG & Förch Australia. The transaction has resulted in the recognition of \$3.4m of Goodwill and recorded a non-controlling interest of (\$1.4m) equating to 20% of net assets.

Förch Australia is an adjacent product opportunity for MaxiPARTS providing immediate incremental improvements to both profit margins and earnings per share metrics with significant opportunity to add further scale in the coming years. Since acquisition date, Förch Australia, under MaxiPARTS Limited leadership, has already set a strong strategic agenda with several initiatives underway to grow the turnover of the business and leverage the MaxiPARTS business to accelerate growth.

Financial Review

Sales

Group revenue of \$201.7m represents a 28.1% increase over the pcp revenue of \$157.4m. The pcp Total sales includes \$4.6m of inter-company sales to the divested Trailer Sales division, when adjusting for these sales, MaxiPARTS reports an adjusted sales growth of \$48.9m or 32.0% over Reported Sales. The sales growth included the full-year impact of the expanded site network following the

acquisition of the Truckzone business in February 2022, which saw the addition of seven stores (post consolidation) to the network.

Growth in sales was also attributed to increases in selling prices across the Group's product range, through effective pass-through of supplier product increases to the end customer, growth in sales from organic programs and success in acquiring new customers. The newly acquired Förch Australia business contributed \$1.2m of sales to the Group in June 2023.

The result includes a decline in the revenue attributed to ATSG, the previously owned Trailer Solutions business, with sales to ATSG of \$25.0m, compared to pcp of \$27.9m. The decline in sales was more significant in the second half of the year.

Profit

MaxiPARTS net profit before tax from continuing operations of \$10.5m represents a 43.8% increase over the pcp (FY22: \$7.3m), or an increase of 33.9%, with a net profit before tax from continuing operations of \$10.9m, when excluding significant items. The newly acquired Förch Australia business contributed \$0.27m of net profit before tax, and before minority interests, to the Group for the period.

The Group made a reportable Net Profit after tax of \$6.0m. This result included (\$1.4m) loss from discontinued operations after tax for costs associated with closing out auditing, tax, other run-off and compliance costs, FY22 tax true-up and legal fees associated with the ATSG dispute.

Cash Generation & Capital Management

Operating cashflow of \$15.1m demonstrated strong cash flow generation from operating activities for the MaxiPARTS continued operations (FY22: operating cashflow of (\$11.7m), which included the MaxiTRANS Trailer Solutions business). Operating cashflow included a \$3.9m increase in inventory for MaxiPARTS Operations to support the underlying revenue growth and to support strategic initiatives for high growth revenue streams, like the Japanese Parts program.

The Group reported a closing net debt balance of (\$1.0m), a decrease of (\$2.9m) from the year-ended 30 June 2022. The net cashflow for the year included the following investing and financing activities for the year: acquisition of Förch Australia for (\$9.0m) (net of cash), capital expenditure of (\$1.6m), lease payments of (\$5.2m), dividends paid of (\$2.2m), and an increase in drawn debt of \$5.0m.

The Group increased its total loan facilities during the year from \$10.0m to \$20.0m, to facilitate the acquisition of Förch Australia. \$15.0m of the loan facility was drawn at the year ended 30 June 2023. The facility is sufficient to support the business in its current form.

Discontinued Operations / ATSG Dispute

The consolidated statement of financial position as at 30 June 2023 includes a receivable (recognised within trade and other receivables) of \$2.4m in relation to the final sale price completion accounts process between MaxiPARTS and ATSG, and also includes a deferred consideration receivable (recognised within financial assets) from ATSG for \$4.0m, the receivable has a maximum term of two years from the completion date of 31 August 2021, with the full amount falling due on the 31 August 2023. Interest has been charged, and paid, on a quarterly basis over the term of the loan.

The outstanding receivable amount of \$2.4m has been ruled upon by a jointly appointed independent accountant in accordance with the requirements under the Sale Agreement and is payable by ATSG and the Group has pursued the outstanding receivable from ATSG. ATSG have not paid the outstanding amount on the basis they believe they have offsetting Warranty claims related to the transaction that amount to approximately \$5.0m. MaxiPARTS has filed a claim with the Supreme Court for the \$2.4m owed. ATSG has filed a counter claim with the Supreme Court for a proposed breach of Sellers Warranty. MaxiPARTS denies the allegations in the counterclaim, and is of the view that many



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items are unfounded, have already been determined by another process or are grossly exaggerated in the value assigned to the item.

Outlook

With the prevailing economic uncertainty caused by the recent interest rate increases in FY22 and FY23, as well as ongoing inflationary pressure, like many other businesses, MaxiPARTS, finds itself navigating a period of heightened unpredictability. Despite these challenges, the parts industry has traditionally exhibited resilience throughout various economic cycles, and we are continuing to observe strong underlying activity levels.

We anticipate growth in our underlying MaxiPARTS Operations revenue as the Group continues to focus on the target revenue synergies associated with the Truckzone acquisition in February 2022, with many of the initiatives to take 2 - 3 years to reach maturity, as well as ongoing focus to recover cost increases and gain market share. Whilst the Group does expect this to translate into low double-digit growth for the underlying MaxiPARTS business, we do expect to see a much larger reduction in the lower margin sales to ATSG, the formerly owned Trailer Solutions business, the reduction which has been seen in FY23 H2, will continue to decline into FY24 as the parties move towards the end of the previously agreed supply agreement (August 2024). The above two items will somewhat offset, resulting in a much flatter revenue line for the business than has been seen recently before underlying growth rates show through as stronger total revenue growth in FY25 and beyond.

Key non-product cost areas such as freight, salary & wages and operating lease costs are expected to continue to increase generally in line with national inflationary levels.

We do expect revenue growth in the Förch Australia business to be greater than 20% as we invest in expanding the national sales team with the bulk of the benefit coming in the second half of FY24.

The Group expects the combined outcome of the above to result in strengthening key metrics such, as EBITDA / EBIT margins, as the combined growth in underlying MaxiPARTS operations and Förch Australia revenue more than offset the continued inflationary pressure on the Group's cost base and the reduction in the lower margin sales to the ATSG Trailer business.

Authorised by the Board of MaxiPARTS Limited.

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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.

About Förch Australia

Förch Australia is a distributor of workshop consumable parts, predominately in the automotive and commercial vehicle markets, and is the exclusive Australian Distributor of FÖRCH products.
