

24 February 2023

FY23 Half Year Results

MaxiPARTS Limited (ASX: MXI) today announced its financial results for the half-year ended 31 December 2022.

Highlights

- Revenue of \$99.1m up 36.5% versus an adjusted pcg
- EBITDA of \$8.8m up 39.5% and EBITDA % of 8.9% increase of 0.2% over pcg
- Dividend of 3.17 cps for FY23 H1, an increase of 26.8% increase on H2 FY22
- Net Cash of \$5.9m, and increase of \$4.0m from FY22 adding further balance sheet strength and flexibility to pursue additional growth initiatives
- Truckzone acquisition integration continues to perform in line with expectations
- Zero recordable injuries in FY23 H1

Group Results Summary

\$'000	Dec 2022	Dec 2021	Variance \$	Variance %
External sales	99,111	68,002	31,109	46%
Net Profit before Tax from Continuing Operations	5,034	4,445	589	13%
Net Profit after Tax from Continuing Operations	3,687	2,772	915	33%
Net Profit/ (Loss) (incl discontinued operations)	4,089	(6,871)	10,960	160%
Net Cash/(Debt)	5,885	(3,412)	9,297	272%

Dividends

A fully franked interim dividend of 3.17 cents per share has been proposed by the directors after reporting date with a record date of 2 March 2023 and a payment date of 20 March 2023 (compared to a nil interim dividend declared for the H1 FY22 dividend). The groups Dividend Reinvestment Plan ('DRP') will be in operation for the 2023 interim dividend with a 2.5% discount.

Review of operations

MaxiPARTS external sales of \$99.1m increased by \$31.1m over external sales from the prior corresponding period (pcp). The pcg external sales excludes \$4.6m of inter-company sales to the divested Trailer Sales division, when adjusting for these sales, MaxiPARTS reports an adjusted sales growth of \$26.5m or 36.5% over Total Sales. The sales growth included the half-year impact of the expanded site network following the acquisition of the Truckzone business back in February 2022, which saw the addition of 7 stores (post consolidation) to the network. The MaxiPARTS site network currently stands at 27 sites across Australia. The 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. Growth in Revenue to ATSG was 7% through a combination of supplier price increases pass-through and increased volume from the ATSG trailer manufacturing division.

MaxiPARTS net profit before tax from Continuing Operations of \$5.0m increased by 13% from \$4.4m in the pcp, or 36% when adjusted for significant items in the pcp (this includes a +\$0.6m adjustment in the pcp for a one-off decrease to EBITDA, within corporate costs). The growth in profit performance was primarily a result of the increase in top line revenue. The profit gain from the increase in sales delivered a gross margin percentage of greater than 1% higher than pcp, representing an improvement in product mix along with the sales to ATSG forming a lower percentage of overall Group sales (the supply contract into ATSG is supplied at a much lower GM% than typical group sales). The group improved its EBITDA percentage over the pcp (post +\$0.6m pcp adjustment), despite the anticipated negative impact from the combination of the expected inflation in wages and site cost base for the Group, as well as the half-year impact of the integration of the lower EBITDA percentage performance of the acquired Truckzone sites into the Groups results.

The integration of the Truckzone operations into the overall Group continued throughout the period with both the cost synergy benefits related to site consolidations and optimisation of the supply chain on track with target, and the rebranding of all acquired sites as MaxiPARTS being completed. The foundational work for the targeted revenue synergies to accelerate growth over the coming years by leveraging the core product strengths of both the MaxiPARTS and Truckzone businesses 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 reported a closing net cash balance of \$5.9m, an increase of \$4.0m from the year-ended 30 June 2022 and an increase of \$9.3m from 31 December 2021, demonstrating strong cash flow generation from operating activities for the MaxiPARTS continued operations. The Group maintains a \$10.0m loan facility, of which an amount of \$2.5m was repaid during the period, leaving \$7.5m drawn at the half-year ended 31 December 2022. The facility is sufficient to support the business in its current form.

Inventory levels increased during the half to \$47.8m, an increase of \$2.7m from inventory held at year-ended 30 June 2022. The increase in inventory is expected as part of the Group's annual cycle which typically sees an increase in H1 inventory holdings over the end of year position, and also reflects ongoing increase in the cost of product as well as investment in inventory related to the accelerated revenue growth initiatives previously mentioned. Further progress on reducing the inventory acquired through the Truckzone acquisition occurred during the half and the group is well positioned to target a further reduction in the second half with the completion of the mezzanine capex project at the Truganina distribution centre occurring late in the half.

Trade and Other receivables included an amount of \$2.4m in relation to the final sale price of the Trailer Solutions business to ATSG back in September 2021 and the amount is due and payable. 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 disputed these claims and are of the view this value is significantly over-estimated and represents matters that have either been already addressed by the independent accountant or are not valid warranty claims.

Outlook

MaxiPARTS outlook remains in line with the previously communicated Outlook reported at the full-year 30 June 2022. 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 the same factors. The Group continues to monitor and tightly manage its global supply chain to ensure any disruptions have minimal impact on the operations and our end customers.

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.

Activity has recovered well from the slower holiday trading periods to start the second half of FY23, and continuing on from the growth we experienced in the first half of the year, we expect to deliver low double digit revenue growth for the financial year on the combined MaxiPARTS / Truckzone business (with Truckzone normalised for the full year and excluding the sales to ATSG). As per previous guidance, we expect to see a decline in lower margin sales to the previously owned Trailer business (ATSG) in H2 FY23 as both parties look to reduce future reliance. The reduction in sales will be accompanied by cost and inventory reduction.

The business will be focused on realising the cost and revenue synergies associated with the Truckzone acquisition. The targeted revenue synergies are well planned and expected to continue delivering top line growth in the second half of FY23, though many of the initiatives will take 2-3 years to reach maturity.

With regards to network expansion the group has planned to complete the final of the three targeted site consolidations from the Truckzone acquisition with the integration of the Brisbane-based Darra and Rocklea existing sites into a new store located in Richlands. The group will also be opening a new site in WA, South Perth, during the second half.

Authorised by the Board of Directors of MaxiPARTS Limited

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About MaxiPARTS Limited

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