

14 November 2023

ASX ANNOUNCEMENT

ACQUISITION OF INDEPENDANT PARTS ("IP"), FORCH BRISBANE AND \$17.2M FULLY UNDERWRITTEN PLACEMENT

Highlights

- MaxiPARTS to make two acquisitions: IP, a leading Western Australian distributor of truck and trailer parts and Förch Brisbane. The minority shareholders of Förch Australia will participate in the latter acquisition
- The Acquisitions are strongly aligned with MaxiPARTS strategic M&A criteria, are highly complementary to existing operations, and are expected to be mid single digit EPS accretive in FY24¹ on an annualised basis excluding synergies. The IP Acquisition provides significant scale to existing Western Australian operations, with embedded operations in key mining regions, 30 years of history and strong revenue growth of ~16% CAGR from FY21 – FY23
- The Förch Acquisition consolidates the Australian distribution model and establishes a third warehouse facility (along with Perth and Melbourne) for the consolidated Australian operations
- Fully underwritten \$17.2m institutional placement to partially fund the Acquisitions, with the balance funded with \$10.0m extension of the current debt facility in place and existing cash

MaxiPARTS Limited (ASX: MXI) ("**MaxiPARTS**" or the "**Company**") today announced that it has entered into a binding agreement to acquire 100% of the issued capital of Nineteen Group Pty Ltd and its wholly owned subsidiary, Independant Parts Pty Ltd (together "**IP**") for \$27.0 million cash, subject to customary working capital adjustments ("**IP Acquisition**").

IP Acquisition is fully aligned with MaxiPARTS core M&A strategy and values IP at 7.94x FY23 EBITDA¹ (on a pre-AASB 16 basis).

The Company also announces that Förch Australia will also acquire Förch Brisbane for \$1.9 million, to be jointly funded by MaxiPARTS and minority shareholders of Förch Australia ("**Förch Acquisition**").

The Förch Acquisition is a 100% asset acquisition including inventory, fixed assets, IP and employees, and values Förch Brisbane at 3.0x FY23 EBITDA² (on a pre-AASB 16 basis).

IP Acquisition and Förch Acquisition (together the "**Acquisitions**") are expected to be mid single digit EPS accretive in FY24¹ on an annualised basis excluding synergies, with the Acquisitions expected to complete by the end of CY2023.

The Acquisitions are to be funded via a \$17.2m institutional placement, existing cash and current debt facility which has been extended.

Overview of IP

IP is one of the largest remaining privately owned commercial truck & trailer parts distribution companies in Western Australia, with over 450 customers and 4 strategic regional retail centres

¹ Normalised adjusted EBITDA

(Perth, Port Hedland, Geraldton & Bunbury). Its products include transmissions and differentials, drivelines, brake parts, trailer parts, general truck parts, and accessories. IP has developed a differentiated and highly scalable embedded operations business model with inventory and employees embedded on customer sites, driving reliable and recurring revenue. IP generated FY23 revenue of \$45.4m and FY23 EBITDA² (pre-AASB 16) of \$3.4m.

Strategic Rationale

The IP Acquisition is highly complementary and will add significant scale to existing Western Australian operations, with three additional stores (post-consolidation) and multiple embedded operations with leading national logistics and mining customers in key mining regions (Goldfields, Pilbara mid-west region) that represent 50% of IP Part's FY23 revenue of \$45.4m.

The differentiated embedded operations model drives reliable revenue, providing an opportunity for MaxiPARTS to roll out the embedded platform on a national scale.

The IP Acquisition is expected to be mid single digit EPS accretive in FY24 excluding synergies. There are identified cost and revenue synergies to be realised (~\$400k annualised cost synergies), through supply chain efficiencies, site rationalisation and customer base and product portfolio expansion.

"The acquisition of IP will be highly complementary to MaxiPARTS and is fully aligned with our stated acquisition criteria" said MaxiPARTS Managing Director and CEO, Peter Loimaranta.

The Förch Acquisition further consolidates the Förch Australian distribution model and establishes a third warehouse facility in Brisbane, providing a strong foundation for accelerated growth with minimal investment required from MaxiPARTS.

Timing and conditions

Completion of the IP Acquisition remains subject to certain conditions, namely:

- Completion of the Placement; and
- Typical change of control requirements for commercial site leases and ERP software.

Completion of the Förch Acquisition remains subject to usual conditions precedent for transactions of this nature.

No shareholder or regulatory approvals are required and there will be no changes to MaxiPARTS' board and senior management as a result of the transaction. Completion of the Acquisitions is expected to take place by the end of calendar year 2023.

A comprehensive investor presentation providing further information is available at www.maxiparts.com.au.

Equity Raising

MaxiPARTS also announces a fully underwritten \$17.2 million institutional placement launching today (“**Placement**”) utilising the Company’s Listing Rule 7.1 Placement Capacity.

Approximately 7.0m of new MaxiPARTS shares (“**New Shares**”) will be issued to new institutional and existing institutional shareholders under the Placement at the Offer Price. New Shares will rank equally with existing MaxiPARTS shares and MaxiPARTS will, upon issue of those shares, seek quotation on ASX.

All New Shares offered under the Placement will be issued at a price of \$2.46 (“**Offer Price**”), which represents a:

- 9.6% discount to the last traded price of \$2.72 on 13 November 2023;
- 10.2% discount to 5-day VWAP of \$2.74; and
- 9.2% discount to 10-day VWAP of \$2.71.

The proceeds of the Placement will partially fund the acquisition of IP and Förch Brisbane and pay the associated costs of the transaction.

Ord Minnett Limited and Canaccord Genuity (Australia) Limited are acting as Joint Lead Managers, Bookrunners and Underwriters to the Placement.

Timetable

Event	Expected Date
Trading Halt	Tuesday, 14 November 2023
Announcement of Placement	Tuesday, 14 November 2023
Bookbuild for Placement conducted	Tuesday, 14 November 2023
Announcement of Completion of Placement and return to trading on ASX	Wednesday, 15 November 2023
Settlement of the Placement	Thursday, 23 November 2023

Debt Facility Extension

MaxiPARTS’ existing borrowing facility has been extended from \$20.0m to \$30.0m and will be utilised to fund the balance of the funding required to complete the Acquisitions that is not funded by the Placement or existing cash.

Outlook

MaxiPARTS full year guidance for the existing business remains in line with previously communicated outlook (as per FY23 Results Presentation released on 24 August 2023).

Trading in the MaxiPARTS business in Q1 has continued the FY23 H2 trends with:

1. Growth in the underlying MaxiPARTS operations revenue base growing in the mid-teens year on year (Q1 FY24 vs Q1 FY23);
2. Decline (as anticipated) in low margin sales to the previously owned trailer business (ATSG) by greater than -40% from Q1 FY23 to Q1 FY24;
3. Förch Australia has contributed \$3.35m of revenue in Q1 FY24 with the accelerated investment in the sales force outlined as part of the FY23 full year results announcements progressing as planned; and
4. Strong growth in Q1 FY24 EBITDA (post-AASB 16) to \$5.7m vs \$4.3m in Q1 FY23 and YoY operating margin improvement.

As previously disclosed, the \$2.4m completion account funds and the \$4.0m deferred consideration have still not been paid by ATSG to MaxiPARTS for the sale of MaxiPARTS' trailer solutions business. MaxiPARTS has commenced action to recover the funds.

Authorised by the Board of MaxiPARTS Limited.

For further information:

Peter Loimaranta

Managing Director & CEO

(03) 9368 7000

ea@maxiparts.com.au

Liz Blockley

CFO and Company Secretary

(03) 9368 7000

cosec@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.

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.

About IP

IP is one of the largest remaining privately owned commercial truck & trailer parts distribution companies in Western Australia, with over 450 customers and 4 strategic regional retail centres (Perth, Port Hedland, Geraldton & Bunbury). IP's products include transmissions and differentials, drivelines, brake parts, trailer parts, general truck parts, and accessories.

Appendix 1: Summary of Share Sale Agreement

1.	Parties	<p>The parties to the Share Sale Agreement (SSA) are as follows:</p> <ul style="list-style-type: none"> ▪ Viburnum Equity 4, LP; ▪ various employees and management; (Sellers), and ▪ MaxiPARTS as Buyer
2.	Acquisition structure	<p>MaxiPARTS will acquire 100% of the issued shares of Nineteen Group Pty Ltd (Company) (Shares).</p>
3.	Funding structure	<p>MaxiPARTS will fund the acquisition through existing cash reserves, agreed borrowing facilities with CBA and an equity capital raise.</p>
4.	Conditions Precedent	<p>The Agreement is subject to a number of conditions precedent including:</p> <ul style="list-style-type: none"> ▪ the Buyer announcing to the ASX that it has raised or received firm commitments in debt and /or equity financing for a specified minimum amount; and ▪ obtaining change of control consents on terms acceptable to the Buyer and Sellers (acting reasonably).
5.	Purchase Price, Completion Amount and adjustments	<p>Purchase price</p> <p>The purchase price for the Shares will be \$27 million as adjusted in accordance with the SSA. The adjustments relate to net debt and working capital.</p> <p>Escrow</p> <p>A small proportion of the purchase price will be held in escrow for a maximum period of 18 months as security for the obligations of the Sellers under specific indemnities provided under the SSA.</p> <p>Payment of Final Adjustment Amount</p> <p>There is the usual post Completion adjustment to the purchase price to take into account the balance sheet, net debt statement and working capital of the Company and its wholly owned subsidiary at Completion.</p>
6.	Conduct of business	<p>The Sellers are required to carry on the Business in the usual course during the period between signing of the SSA and Completion and are restricted from carrying out certain actions which are customary for a transaction of this kind, unless otherwise agreed by the Buyer in writing or required by law.</p>
7.	Warranties, Indemnities	<p>The Sellers provide the usual customary warranties in relation to title, capacity and status of the Business. The warranties are qualified in the customary manner, including by reference to matters disclosed in due diligence.</p> <p>The Sellers provide an indemnity in relation to Tax payable by the Group in respect of periods prior to Completion.</p>
8.	Non-Compete	<p>The SSA contains a non-compete clause in the usual form preventing the Sellers from competing with the Business for an agreed period of time post Completion.</p>

Appendix 2: Summary of Förch Brisbane Asset Sale Agreement

1.	Buyer	Forch Australia Pty Ltd ACN 151 607 555
2.	Seller	Forch Brisbane Pty Ltd ACN 167 085 430
3.	Seller Guarantors	Directors of the Seller guarantee the obligations of the Seller under the ASA.
4.	Assets	The Assets to be sold to the Buyer are all Assets owned by the Seller forming part of the Business known as Forch Brisbane, including inventory
5.	Excluded Assets	<p>The assets to be excluded from the Transaction are:</p> <ul style="list-style-type: none"> (a) any cash on hand or cash at bank of the Seller; (b) the Accounts Receivables; (c) statutory records, ledgers, registers, books of account and any Tax related documents, returns and records; and (d) bank statements, cheque books, cheque pay in books and other banking records.
6.	Purchase Price	<p>The Purchase Price comprises:</p> <ul style="list-style-type: none"> ▪ the Completion Payment, being \$1,919,923 as increased for prepayments under equipment and motor vehicle leases and reduced by an amount equal to 70% of employee entitlements for Transferring Employees); plus ▪ if applicable, the Final Payment, being, if the Inventory Amount is greater than \$850,000, the amount by which the Inventory Amount exceeds \$850,000. <p>If on the Final Payment Date the Inventory Amount is less than \$850,000, the Seller must pay an amount equal to the amount by which the Inventory Amount is less than \$850,000 to the Buyer.</p>
7.	Completion	There is no set date for Completion in the ASA, however the parties are contemplating Completion will occur before 31 December 2023.
8.	Conditions Precedent	<p>Completion under the ASA is conditional on, and cannot occur until the following Conditions Precedent are either satisfied or waived in writing by the parties:</p> <ul style="list-style-type: none"> ▪ the Buyer has received an assignment of the Lease effective from Completion on terms reasonably acceptable to the Buyer, executed by all parties to that document, except for the Buyer; ▪ at least 80% of the Employees have accepted the Buyer's Offer of employment; ▪ the Buyer has received a Key Employee Agreement executed by each Key Employee; and ▪ the Buyer and Seller have agreed that the Business' information systems and Records are able to be integrated into the Buyer's information systems.
9.	Carrying on Business	The ASA imposes a number of obligations and restrictions on how the Seller carries on the Business during the period between signing of the ASA and Completion.
10.	Employees	Within 5 Business Days after the Singing Date, the Buyer must make an offer of employment to the employees on terms which are substantially similar to, and no less favourable than, the employee's current employment terms.
11.	Seller's Restraint	To protect the goodwill of the Business during the Restricted Period (2 years after the Completion Date), the Seller and the Key Employees have provided non-compete undertakings in standard form.
12.	Warranties	<p>Warranties</p> <p>Under the ASA, the Seller provides warranties in favour of the Buyer which are standard form for a commercial transaction of this nature, including, but not limited to:</p>

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		<ul style="list-style-type: none">▪ the Seller's capacity to transfer the Assets to the Buyer at Completion;▪ the condition of the Inventory, Plant and Equipment and Motor Vehicles; and▪ compliance with Laws.
13.	Other Terms	The ASA contains other terms standard for a transaction of this nature.