

14 May 2024

## Trading update

MaxiPARTS Limited (ASX:MXI) provides the following trading update. While recent acquisitions and new business initiatives continue to deliver expected growth, the underlying MaxiPARTS business has seen revenue flatten due to a slowdown in transport activity on the East Coast in March and April, combined with increased pricing pressure and ongoing cost inflation. Key points are:

- Activity slowdown on the East Coast resulting in H2 FY24 underlying MaxiPARTS sales now anticipated to be in line with H2 FY23
- Pricing behaviour of market competitors becoming more inconsistent
- Ongoing inflationary pressure combined with short term increased costs associated with integration activities impacting H2 FY24
- Independant Parts performing in line with revenue and profit expectations and integration activities are tracking to plan
- Forch activity levels growing in line with expectations as we grow market share
- No change in status of legal dispute with previously owned Trailer business.

Based on performance to date and current trading conditions MaxiPARTS anticipates reporting FY24 results within the below ranges.

Metric	AUD\$m
Sales	\$239m - \$244m
EBITDA	\$22.5m - \$23.1m
EBITDA %	9.4% - 9.6%
NPBT <sup>1</sup>	\$9.6m - \$10.1m
Adjusted NPBT <sup>2</sup>	\$11.8m - \$12.3m

### Notes

<sup>1</sup> Excludes profit / (loss) from discontinued operations and significant items.

<sup>2</sup> Adjusted for non-cash amortisation of identified intangible assets related to the Forch acquisition (\$0.46m) and IP acquisition (\$0.2m), as well as non-cash impact of AASB 16 Lease accounting standards (\$1.5m).

## General market conditions

Activity levels over March and April, particularly on the east coast of Australia were softer than anticipated. Feedback from customers and suppliers indicates an underlying reduction in transport market activity with revenue for the underlying MaxiPARTS business in H2 FY24, which we now estimate to be in line with H2 FY23.

We are seeing an increased level of inconsistency in market pricing which is putting pressure on both volume and margins. Cost inflation remains a challenge and the labour market for experienced staff remains very competitive, putting pressure on salary and wage rates in the short term.

The Group is still seeing positive outcomes being delivered from strategic product programs and the expansion in the national network. For example, our Japanese parts program has continued to grow throughout the financial year with sales for January to April 24 being more than 35% higher than the prior comparative period.

## **Acquisitions Update**

### Independant Parts (IP)

The Group is on track with integration activities for IP. During the period we have successfully completed the relocation of the Port Hedland branch, consolidated the Perth retail businesses, combined the traditional MaxiPARTS WA sites with the acquired Independant parts business onto a common ERP system, and are on track with the rebranding activity.

The trading results for IP are tracking in line with expectations, with the WA market still remaining buoyant. The key customer relationships that transitioned with the acquired IP business have all been maintained, though volume between customers and various sites has shifted based on customer driven activity for each specific location.

### Identifiable intangible asset amortisation

The Group is working through the acquisition accounting entries as part of the full year reporting and audit process; however, the business does anticipate allocating approximately \$3.5m of the intangible assets acquired in the IP acquisition to key customer relations which will see an annual non-cash amortisation charge of \$0.35m incurred moving forward, with a pro-rated impact in FY24 of approximately \$0.2m. This estimate is included in the NPBT and Adjusted NPBT details above.

### Forch

The Forch Brisbane operations have been integrated into Forch Australia. The Forch business is growing at a rate greater than 20%, in line with our previously communicated expectations. The profitability of the segment and accelerated growth rate is currently being impacted by the new employee establishment cycle and the revenue lag impact of new site setups, as customers generally draw down their existing stock levels in the first few months. The national / larger customer enquiry and roll out pipeline remains extremely positive with our expectations of current growth rates being maintained into future periods. As previously communicated, the accelerated investment in the business has been scaled back with the focus now on recovering the higher profit margins (on a business of increased scale) over the coming months and into FY25.

### Short term cost base impact

With various integration activities for Independant Parts and Forch Brisbane, as well as relocating the Port Hedland branch and consolidating warehouses / retail operations in Perth, the business has incurred higher than traditional cost levels during H2 FY24 in areas such as Travel, IT & system support costs, temporary labour as well as freight, to support the expanded Group while the longer-term direct ship programs are implemented. We anticipate these items returning to traditional levels as we enter FY25.

## Ongoing

The business will continue to review and implement initiatives focused on supplier cost synergies, cost base reduction opportunities and working capital improvement where possible as well as continue to focus on key customer acquisitions in both MaxiPARTS and Forch.

The short-term reduction in activity was unexpected given the commercial parts market has traditionally been very resilient through macro-economic cycles. Given the variability of trading over recent months, further time is required to appropriately assess the underlying market activity and the impact on our end customers.

The business remains confident of being able to continue driving improvements in key profitability metrics into FY25, and beyond, aided by the growth in strategically important and higher margin projects including Forch and the Japanese Parts program, along with the acquired IP business adding scale in WA, which is currently one of the stronger markets, together with short-term integration costs normalising as we complete this work.

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.