

30 January 2024

Update on ATSG dispute and H1 FY24 trading update

MaxiPARTS Limited (ASX:MXI) provides the following updates in relation to the dispute with ATSG and specific accounting provisions expected to be reported in the H1 FY24 accounts in relation to items associated with the sale of the Trailer Solutions business (Discontinued Operations). MaxiPARTS also provides an update on the expected H1 FY24 trading results for the continued operations.

<u>Update on the ATSG dispute and associated provisions linked to the current Receivables and Vendor Finance Loan and potential default of a performance obligation backed by MXI bank guarantees.</u>

As previously disclosed, MXI is in dispute with Australian Trailer Solutions Group Pty Ltd (ATSG), the acquirer of the Trailer Solutions business previously owned by MXI.

MXI has filed a claim in the Victorian Supreme Court to recover \$2.4m owed by ATSG following the sale completion account process. As disclosed in MXI's FY23 Annual Year Results, the \$2.4m outstanding receivable has been assessed as payable by ATSG by a jointly appointed independent accountant.

ATSG has filed a counter claim for approximately \$5m alleging beaches of warranties and misleading and deceptive conduct. MXI denies the allegations in the counter claim and is of the view that many items are unfounded, have already been determined by another process or are grossly exaggerated in the value assigned to them.

The terms of sale of the Trailer Solutions business also included a deferred payment (Vendor Finance Loan) of \$4.0m which was due for payment by ATSG in September 2023 and which, as previously disclosed, has not been paid. MXI has subsequently filed a claim in the Victorian Supreme Court to recover this amount, together with interest.

MXI continues to pursue the amounts owing by ATSG through the above legal processes and maintains its position in terms of the recoverability of the amounts owed and the merits of the counter claim by ATSG. However, in recognition of the extended time frames typically required to resolve these matters, and the normal uncertainty of any legal process, MXI expects to include a provision of \$3.2m in the H1 FY24 accounts, resulting in a non-operating expense being reported into the Discontinued Operations result in the period.

In addition to the above, at the time of the sale of the Trailer Solutions business to ATSG, MXI was a party to an agreement with the State of Queensland under which the State Government agreed to provide financial assistance for the establishment of the Carole Park trailer manufacturing facility. This agreement was assigned to ATSG as part of the sale of the Trailer Solutions business; however MXI continued to provide bank guarantees to the value of \$1.1m (being equal to the financial assistance provided by the State of Queensland) as security for ongoing performance obligations under the agreement.

In November 2023, ATSG announced its intention to close the Carole Park facility and cease operations by March 2024.



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MXI is still considering its position in relation to the closure of the Carole Park facility and is currently in communication with the State Government around any potential amounts owed under the original

arrangement which would permit the State to have recourse to the MXI bank guarantees. At this time, MXI anticipates reporting this item as a contingent liability in the 1H FY24 results.

H1 FY24 Trading update

Based on its unaudited management accounts, MXI expects to report revenue for the group for H1 FY24 of around \$112m, a 13% increase compared to the prior comparative period. The underlying MXI revenue (excluding acquisitions or sales to the previously owned Trailer business) is expected to grow by about 12.5% compared to the prior comparative period.

Operating Profit (before Discontinued Operations and Significant Items) is estimated to be around \$10.6m EBITDA and \$4.9m NPBT for the period, inclusive of one month trading from the recent acquisitions of Independent Parts and Forch Brisbane.

In addition to the provisions outlined above and excluded from the above operating results, the Group incurred around \$1.4m of costs that will be reported in the Discontinued Operations and Significant items areas related to legal fees associated with the ATSG dispute and transactional costs of recent acquisitions.

Further details around the operating results will be provided with the release of our H1 FY24 results in late February.

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.