

22 July 2021

ASX ANNOUNCEMENT

Sale of Trailer Solutions Business and Properties for \$48m

Highlights

- MXI to divest Trailer Solutions business and Ballarat, Derrimut and Hallam properties for total sale price of \$48.3m, subject to customary adjustments.
- MXI to focus on its commercial parts distribution business and change of name to MaxiPARTS Limited.
- Special dividend expected to be 12.5 cents per share to be paid from sale proceeds.
- Share consolidation of 1 share for every 5.
- Following sale and payment of expected special dividend, MXI will have positive net cash.
- Sale expected to close at the end of August 2021, following shareholder approval.
- The MXI Board unanimously recommends MXI shareholders vote in favour of the sale of Trailers and the Ballarat property in the absence of a superior proposal and subject to an Independent Expert concluding that the sale is in the best interests of MXI shareholders.

MaxiTRANS Industries Limited (**MXI**) has today entered into agreements to sell its Trailer Solutions Business (**Trailers**) and Ballarat property to Australian Trailer Solutions Group Pty Ltd (**ATSG**) for an enterprise value of \$30.257m, subject to shareholder approval.

In addition, MXI is in advanced discussions to sell its Derrimut and Hallam sites to a third party for a cash consideration of \$18.05m. The sale of these properties will be subject to completion of the sale of Trailers.

These transactions will transform MXI into a dedicated commercial parts distribution business and are consistent with MXI's strategy to optimise growth opportunities in MaxiPARTS. MaxiTRANS Industries Limited will change its name to **MaxiPARTS Limited (MaxiPARTS)**. Trailers will continue to operate under the MaxiTRANS name.

"What we are announcing today creates two simplified and more focused businesses," said MaxiTRANS Managing Director and CEO, Dean Jenkins.

"In recent years, the financial performance of Trailers has been volatile. Having explored a range of alternatives to address this issue, we have concluded that these steps provide the best outcome for our shareholders, customers and people, while also creating a brighter future for the Trailer business under ATSG's ownership.

"A standalone MaxiPARTS will have a stronger financial platform from which to develop its market leading position and greater financial flexibility to play a prominent role in industry consolidation. It will also be a less complex business, which will enable a significant reduction in corporate overhead costs," he added.

Summary of transactions

- Subject to the approval of MXI shareholders, **Trailers** assets including the **Ballarat property** to be sold for **\$30.257m**, subject to customary working capital and debt-like items adjustments at completion.
- The sale of Trailers comprises both Australian and New Zealand trailer operations and all employees and includes:
 - Tangible assets (including the Ballarat property), intellectual property and brand names.
 - Manufacturing operations in Ballarat, Hallam, Carole Park and Auckland and also the Trout River site.

- Trailer dealerships, service centres and rental operations in Craigieburn, Dandenong, Smeaton Grange, Derrimut, Adelaide, and Christchurch.
- MXI's share of the Trailer Sales Queensland business.
- **\$4m vendor finance** to be provided by MXI to ATSG for a maximum term of 2 years. Interest will be charged at 3% per annum for the first 6 months, 5% per annum for the next 6 months and 8% per annum thereafter.
- **Derrimut and Hallam sites** expected to be sold for \$18.05m to a third party, conditional on the completion of the Trailers sale.
- For a minimum of three years, MaxiPARTS will supply parts to Trailers and will continue as the exclusive aftersales distributor of genuine MaxiTRANS (and associated brands) parts.

Further details of the sale agreements are contained in Attachment 1.

Special dividend and share consolidation

The Board currently intends, subject to the final adjustments and review at the time of completion of the sale of Trailers, to pay a special dividend of approximately 12.5 cents per share (pre share consolidation) fully franked to be paid to shareholders from the sale proceeds. The Dividend Reinvestment Plan (**DRP**) will be reinstated and will apply for shareholders who wish to participate.

At the same time, the Board also intends to undertake a 1 for 5 share consolidation, subject to shareholder approval. This would reduce MXI's current issued capital from 185m shares to approximately 37m shares (excluding any shares issued under the **DRP**).

Financial Position

Following the sale of Trailers and the properties and the payment of the special dividend, MXI will be in a strong financial position, with forecast positive net cash (before AASB 16 lease liabilities). This will enable MXI to pursue organic and inorganic strategies to accelerate the growth of MaxiPARTS and create future shareholder value.

Management and Board

MXI Chairman, Rob Wylie, commented "This is an exciting opportunity for MaxiTRANS' current business segments to develop and grow into the future. The Board unanimously recommends this transaction to shareholders."

"The Board of directors is also very pleased to have secured Peter Loimaranta (presently General Manager of MaxiPARTS) to lead the next stage of MaxiPARTS' development as CEO. Over the last 15 years, Peter has been the driving force behind the development of the business we have today, and I look forward to working with him in this exciting stage of his career."

"Further information on the remainder of the MaxiPARTS management team and board structure will be provided in the near future", noted Mr. Wylie.

Recommendation

The Board of MXI unanimously recommends that shareholders vote in favour of the resolutions to approve the sale of Trailers and the Ballarat property, in the absence of a superior proposal and subject to an Independent Expert concluding that those transactions are in the best interests of MXI shareholders. Subject to these qualifications, each director has confirmed that they intend to vote any shares that they hold or control in favour of the resolutions to approve the sale of Trailers and the Ballarat property.

Timing and conditions

Completion of the agreements is subject to certain conditions, including shareholder approval. Subject to the timing of approvals, completion is expected to occur at the end of August 2021.

It is envisaged that documentation relating to the shareholder meeting (including an explanatory memorandum setting out the recommendations of the Board and an independent expert's report as to whether the sale of Trailers is in the best interests of Shareholders) and comprehensive investor packs will be available within the next week.

Timetable

An indicative timetable, which is subject to change, is set out below:

EVENT	EXPECTED DATE
Signing of binding Asset Sale Agreement (ASA) for Trailers and Ballarat property	22 July 2021
Notice of Meeting despatched to shareholders	26 July 2021
Extraordinary General Meeting (EGM) to approve sale of Trailers and Ballarat property	Late August 2021
Settlement of agreements	Late August 2021
Payment of special dividend	October 2021

For further information:

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The release of this announcement was authorised by the MaxiTRANS Industries Limited Board of Directors

About MaxiTRANS Industries

MaxiTRANS Industries Limited (ASX:MXI) is one of the largest suppliers of truck and trailer parts to the road transport industry in Australia. MaxiTRANS is also the largest supplier of locally manufactured, high quality heavy road transport trailer solutions, including trailer repairs and service, in Australia and New Zealand.

About MaxiPARTS

MaxiPARTS is one of Australia's leading independent commercial vehicle parts distribution companies. With a national footprint of 20 stores, it offers leading genuine brands as well as an extensive range of commercial vehicle parts.

About Australian Trailer Solutions Group Pty Ltd

Australian Trailer Solutions Group (ATSG) Pty Ltd is an Australian-based private company. ATSG is owned by a number of investors, the majority of whom are based in Ballarat and Melbourne. The investment group have previous experience in managing a broad range of businesses. ATSG are passionate about ensuring a cost effective Australian based manufacturing base is maintained, and as such can enrich each of the local communities in which it operates.

Attachment 1 Summary of Asset Sale Agreements and Ballarat Contract of Sale

A. Asset Sale Agreements

Under the Asset Sale Agreements the Sellers will sell and the Buyers will acquire the Trailer Business (other than the Ballarat Property). Although separate agreements have been entered into in relation to the Australian and New Zealand assets, the terms of the Australian Asset Sale Agreement and the NZ Sale Agreement are substantially the same.

1.	Buyers	- Australian Trailer Solutions Group Pty Ltd (ATSG); - Australian Trailer Solutions Group Services Pty Ltd; - Australian Trailer Solutions Group Operations Pty Ltd; - Australian Trailer Solutions Group Property Pty Ltd; and - Australian Trailer Solutions Group New Zealand Limited (ATSG NZ).
2.	Sellers	- Lusty EMS Pty Limited; - MaxiTRANS Australia Pty Limited; - MaxiTRANS Services Pty Limited; - Transport Connection Pty Limited; - Transtech Research Pty Ltd; and - MaxiTRANS Industries (N.Z.) Pty Ltd.
3.	Sellers' Guarantor	MaxiTRANS Industries Limited agrees to guarantee the obligations of the Sellers under the Asset Sale Agreements.
4.	Assets	The Assets to be sold to the Buyers under the Asset Sale Agreements are all of the goodwill and assets relating to the Trailer Business in Australia and New Zealand including: - Plant and Equipment, motor vehicles and IT facilities; - Leases and Leasehold Improvements; - inventory and work in progress; - all intellectual property rights of the Sellers used in the Trailer business; - the interest of the Sellers under customer orders and business contracts; and - the shares held by the Sellers in AMS and Trailer Shares. The transaction does not include: - the Derrimut or Hallam properties; - cash on hand or cash at bank; and - the receivables owing to the Sellers in relation to the Trailer Business at Completion (Receivables) which will continue to be collected by the Sellers.
5.	Employees	The Sellers are required to offer the existing employees of the Trailer Business employment on terms no less favourable than their existing terms of employment with the Sellers.
6.	Assumed Liabilities	The Buyers will assume liability for accrued leave and long service leave entitlements for transferring employees, obligations under leases (subject to an adjustment to the Purchase Price for known make good obligations), business contracts and Customer Warranties (up to a cap of \$2,350,000). The Buyers will not assume responsibility for Trade Creditors which will remain with the Sellers.
7.	Purchase Price	The Purchase Price under the Asset Sale Agreements is \$28,150,000 (including the Ballarat Property) subject to customary adjustments relating to movements in assets of the Trailer Business and liabilities to be assumed by the Buyers.

		The Purchase Price (plus or minus an estimate of the likely adjustments to the Purchase Price) is payable by the Buyers at Completion. Subject to a dispute resolution process, the final adjustments will be agreed within 2 months of Completion.
8.	Completion	Completion is scheduled to occur on 31 August 2021 (subject to satisfaction of the Conditions Precedent).
9.	Conditions Precedent	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: ▪ The Company's Shareholders have passed the Resolutions at the EGM. ▪ The Sellers obtain and deliver a consent to the transfer of the shares in Trailer Sales. ▪ The counterparty to each "Key Contract" has consented in writing to the assignment or novation of the Key Contract: ▪ At least 75% of Employees who receive an offer of employment from the Buyer accept that offer. ▪ The Buyers, acting reasonably, being satisfied that it holds, or at Completion will hold, all authorisations required to run the Trailer Business. ▪ The Buyers, acting reasonably, being satisfied that at Completion it will hold, all intellectual property rights relating to the Trailer Business. ▪ The Buyers obtain approval from the Overseas Investment Office in New Zealand (if required)
10.	Exclusivity and Break Fee	The Company and the Sellers have given standard "no shop, no talk" exclusivity undertakings to the Buyers, subject to a fiduciary carve-out if the Board receives a Superior Proposal. The Company must pay the Buyers a break fee equal to \$650,000, if Completion does not occur and: ▪ a Competing Proposal from a Third Party is publicly announced during the exclusivity period and is implemented or completed within 12 months; ▪ a Seller enters into an agreement with a Third Party in respect of a "Competing Proposal" under which they agree to give effect to a "Competing Proposal"; or ▪ a member of the MaxiTRANS Board changes their recommendation or recommends a Competing Proposal (other than as result of the Independent Expert forming the view that the Transaction is neither fair nor reasonable); or ▪ the Company does not convene the EGM by 30 September 2021.
11.	Sellers Restraint	To protect the goodwill of the Trailer Business and of the businesses of AMS and Trailer Sales, during the period of 36 months commencing on the Completion Date (Restricted Period), the Sellers and the Company undertake: ▪ Not to be involved in Australia and New Zealand in any business which competes with the Business, AMS Business or the Trailer Sales Business; or ▪ otherwise interfere with the relationship between the Business, AMS Business or the Trailer Sales Business and any of its customers, officers, employees or suppliers. The undertakings expressly do not apply to the Company carrying on the Continuing Business.
12.	Buyer Undertaking	Subject to the Supply Agreement remaining valid and binding on the parties, during the Restricted Period, the Buyers undertake not:

		- be involved in being Australia and New Zealand in any business which competes with the Continuing Business except to the extent related to the business of building and servicing trailers; or - otherwise interfere with the relationship between the Continuing Business and any of its customers, officers, employees or suppliers.
13.	Other Terms	The Asset Sale Agreements contain undertakings, representations and warranties and indemnities usual for sale agreements of this kind.

B. Ballarat Contract of Sale

1.	Parties	The parties to the Contract are Transtech Research Pty Ltd, as vendor, and Australian Trailer Solutions Group Property Pty Ltd, as purchaser
2.	Price	The price is \$7,350,000 payable on Completion under the Asset Sale Agreement.
3.	Settlement date	The settlement date is the date of Completion under the Asset Sale Agreement.
4.	Subject to lease	The Property is being sold subject to the Lease (see summary below). The Lease must be granted and executed at least one day prior to the Settlement Date.
5.	Interdependence	The Contract is interdependent with the Asset Sale Agreement.
6.	Environmental warranties	All environmental warranties, releases and indemnities are included in the Asset Sale Agreement.
7.	Warranties	The Contract contains a number of warranties by the Vendor in favour of the Buyer which are in standard form for a commercial transaction of this nature, including, but not limited to: - the Vendor's capacity to enter into the Contract and sell the Property to the Buyer; - general warranties regarding the condition of the Property and that the Vendor is not aware of any encumbrances or other issues relating to the Property other than those disclosed in the Contract, the Vendor's Statement or the Disclosure materials.
8.	Other terms	The Contract is otherwise on standard terms and conditions for a transaction of this nature.