

2 May 2023

MAXIPARTS ACQUIRES 80% OF WORKSHOP CONSUMABLES DISTRIBUTOR FÖRCH AUSTRALIA

MaxiPARTS Limited (ASX: MXI) ("MaxiPARTS", or the "Company") today announced that it has entered into a Share Purchase Agreement to acquire 80% of Förch Australia Pty Ltd¹ ("Förch Australia") for an estimated \$9.7m cash, subject to working capital adjustments.

The acquisition price of \$9.7m for an 80% ownership stake is based on a 7x multiple for an average annual EBITDA based on the last 3 years, plus 80% net asset value of the Förch Melbourne dealership. The acquisition price includes approximately \$2.8m of inventory.

The acquisition is on a debt free basis and is to be funded through existing cash and an increase to MaxiPARTS Group debt facilities. The transaction is expected to complete at the end of May 2023.

Highlights

- Förch Australia is a distributor of workshop consumables, predominately focused on automotive and commercial vehicle workshops.
- Förch Australia holds an exclusive Australian distribution agreement for all FÖRCH product with Theo FÖRCH GmbH & Co KG of Germany through to April 2030 ("Australian Distribution Agreement").
- The H1 FY23 results see Förch Australia annualised Revenue of \$11.7m and annualised normalised adjusted EBITDA of \$2.5m ².
- The acquisition price values Förch Australia business at 4.8x multiple when based on H1 FY23 annualised normalised adjusted EBITDA ².
- The acquisition is strongly aligned with MaxiPARTS M&A strategy criteria.

Strategic rationale and Future Operating Model

Förch Australia is an adjacent product opportunity for MaxiPARTS providing immediate incremental improvements to both profit margins and earnings per share metrics with significant opportunity to add further scale in the coming years.

Förch Australia is predominately a Western Australia based business with a smaller (newer) site in Victoria that, with MaxiPARTS support, can look to replicate the highly successful Western Australia model across the rest of Australia.

The businesses currently share a set of core business operating and success factors including:

- Management of a high-volume industrial product range
 - Managing a long lead time overseas supply chain
 - A predominately B2B customer base
-

All employees of Förch Australia will remain with the business post completion, including the two current executive Directors (Terry Childs and Peter Burgess) of Förch Australia who will be responsible for the day to day operating of the Förch Australia business, reporting to the MaxiPARTS Managing Director and CEO.

MaxiPARTS Managing Director, Peter Loimaranta, said “The business will enter this phase with a focus on growing Förch Australia into a truly national business. As the business expands nationally, we expect to further expand and develop a Förch sales team and gain scale benefits through leveraging the existing MaxiPARTS warehousing and support functions. At present there is only a small cross-over between MaxiPARTS and Förch customers and we expect that introducing the Förch business to existing MaxiPARTS customers will provide immediate growth opportunities for the business.”

Funding

The acquisition is being funded via cash and an amendment to the Groups’ debt facility with the Commonwealth Bank of Australia (CBA).

The revised facility, when executed, will provide MaxiPARTS with a \$20m loan facility with a maturity date of 31 May 2026. The loan is interest only for year 1, then amortising by \$0.5m per quarter thereafter (through paydown or reduction in limit if not fully drawn). The Groups’ working capital facilities remain unchanged from the existing agreement. The terms and conditions of the bank facilities contain covenants in relation to adjusted EBITDA³ and tangible asset ratio.

In addition to the increase in debt facilities, MaxiPARTS has also maintained sufficient excess cash within the business to support the MaxiPARTS and Förch Australia working capital requirements.

Final 20% ownership stake

The two major shareholders of Förch Australia (Terry Childs and Peter Burgess) will each retain 10% ownership of Förch Australia and have entered into a Shareholders agreement with MaxiPARTS for the earnout period.

The earnout period can be triggered by a put and call option that can be exercised by either party between 2 and 5 years post completion. The put and call option has an agreed valuation methodology of a maximum 7 times the average annual adjusted EBITDA³ (based on previous 3-year period at the time of being exercised). The 7x multiple is subject to further extensions on the Australian Distribution agreement with FÖRCH Germany.

Timing and conditions

Completion of the transaction is subject to certain conditions, namely:

- Completion of Förch Australia acquisition of the assets of Förch Melbourne
- All existing Debt of Förch Australia being settled
- MaxiPARTS executing its new debt facility agreement

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 acquisition is expected to take place at the end of May 2023.

A comprehensive investor presentation providing further information is available at <https://corporate.maxiparts.com.au/>

The release of this announcement was authorised by the MaxiPARTS Limited Board of Directors.

For further information:

Peter Loimaranta
Managing Director & CEO
(03) 9368 7000

Notes

¹ ACN – 20 151 607 555

² Based on normalised adjusted EBITDA for the July 2022 through to Dec 2022 period. Adjusted EBITDA is before AASB16 Leases accounting standard.

³ Operating EBITDA is before AASB16 Leases accounting standard.

About MaxiPARTS

MaxiPARTS is one of Australia's leading independent commercial vehicle parts distribution companies. With a national footprint of 27 stores @ 260 employees it offers leading genuine brands as well as an extensive range of aftermarket parts for commercial vehicles.

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. Förch Australia has 2 sites (Perth and Victoria) and @ 37 employees. It also distributes product to South Queensland and Northern NSW through a 3rd party distributor based in Brisbane. The assets of the Förch Melbourne dealership are being acquired by Förch Australia as part of this transaction.
