# Xpediator plc

## Positive AGM update

28 May 2020

**The pre-AGM trading update from Xpediator was positive. While there has been a degree of disruption due to COVID-19, this has been less than management expected and mostly offset at the margin level by the action taken on costs during Q1. One should bear in mind the asset light nature to trading, good progress experienced outside of the UK, plus strong temperature-controlled and e-commerce related activity. The M&A pipeline is healthy and likely to grow further in the current climate.**

**We are encouraged by the H2 bias to trading, the action taken on costs and only a modest reduction in margins. A high level of net cash and the NAV further support the shares currently.**

Xpediator has issued a resilient trading update ahead of its AGM. Whilst trading YTD is weaker than in 2019, it is better than management expected, and the business has held up well in all its key markets. We think that in the context of the disruption caused by COVID-19, the outcome to date represents a good achievement.

In summary, the UK (2019: 42.1% of revenues), Italy and Spain were the worst affected regions in the period. However, this was not universal with e-commerce, temperature-controlled shipping (food and hygiene product distribution) and stationery (home office/schooling) all performing well.

The Group's operations in the Baltic states and Central & Eastern Europe ("Baltics" and "CEE", 57.9% of revenues) performed well, reflecting lower impact there of COVID-19. Freight Forwarding and Pall-Ex Romania fared particularly well, exceeding initial expectations. However, Affinity, which provides services to hauliers in CEE was the exception in the region, as the demand for toll/tunnel/ferry passes declined.

At the end of March, management outlined their strategy to remove cost from the business. This appears to have worked, as the AGM update suggested that the impact on margins was less affected than revenues. Actions taken include staff placed on furlough, voluntary pay cuts for higher earners, cuts to all discretionary spend, lower utility charges and where negotiated temporary rent reductions. One should note that the Freight Forwarding division is asset light, acting as a broker, and therefore does not have vehicles or drivers standing idle. Where shortages have occurred and prices risen, the Group has been able to pass those cost increases on to customers.

There is also a H2 bias to trading, historically accounting for approximately 55% of annual revenues. We think that, owing to the disruption to trade seen since early March, the H2 bias is in fact likely to be greater during FY20. The reduction in the cost base should result in the more pronounced effects of operational gearing during H2 2020.

The M&A pipeline continues to be strong, with a focus on widening the Group's geographical reach, particularly targeting air and sea transportation. We anticipate that the current situation is likely to result in further, distress-related M&A opportunities.

**Notwithstanding the continued suspension of estimates, the net cash, NAV of 21p/share and the resilient trading to date offer a high degree of comfort, underpinning the stock in the current environment.**

### Company Data

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|---|---|
| EPIC | XPD |
| Price | 26p |
| 52 week Hi/Lo | 57p/13p |
| Market cap | £35.4m |
| Reported NAV/share (Dec '19) | 21p |
| Net cash (Dec '19) | £7.0m |

### Share Price, p


*Source: ADVFN*

### Description

Xpediator (XPD) is an integrated freight management business. The Group has three main business areas: freight forwarding services, logistics and warehousing, plus transport services. The Group derives its revenues from the UK (42.1%), CEE and Baltic states (57.9%) as at December 2019.

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