

Cash rich, asset light

31 March 2020

Xpediator has issued a COVID-19 related trading update. The key messages are reassuring: the business has a strong balance sheet and is asset light, trading is in line with internal budgets and the group has begun to see activity returning from its Chinese customers following an understandably difficult January and February. Some businesses are performing ahead of expectations, but where the reverse is true, early action is being taken on costs.

We are encouraged by the comprehensive review of costs, the resilient trading to date, a healthy cash buffer, and the underlying confidence shown in still proposing a final dividend for 2019.

Xpediator has provided some clarity on its current position amidst the uncertainty created by the COVID-19 pandemic. Overall, the statement issued is very encouraging. Trading YTD is broadly in-line with internal expectations, albeit with some areas performing better than others. Freight Forwarding across Europe and Pall-Ex Romania look to have exceeded expectations. Other units such as EMT, which specialises in textiles and fashion, are struggling and revenues from Chinese customers fell sharply in the first ten weeks of the year. One should also bear in mind the bias towards H2 trading, with H1 typically accounting for just 44.5% of revenues (four-year average), emphasising the importance of Christmas trading to the Group.

Management has been swift to act to preserve cash and to keep costs in check considering the current and anticipated volatility in its markets. Staff are being placed on furlough, others have taken a temporary pay-cut, and fruitful discussions with landlords have taken place. The Group benefits from being **asset light**, in effect acting as a broker with limited overheads and few vehicles owned. Increased demand has meant difficulties in securing trucks and drivers, resulting in prices doubling in some cases. Also, the more complex border checks recently introduced are slowing the movement of freight across the Continent. However, the Affinity services division is providing solutions for several issues facing the business, such as submitting information to the Freight Forwarding business on the availability of vehicles and drivers.

The update states that *"given the current material uncertainties, it is not practical to give longer-term guidance at this time until there is greater clarity around the duration and full-effects of COVID-19 on our customers, suppliers and our markets"*. As such, we have withdrawn our financial estimates for 2020 and beyond until greater clarity is forthcoming. Management has suggested that it will keep investors informed as and when appropriate.

The level of net cash outstanding at the 2019-year end has been reconfirmed at a healthy **£6.9m**. Not only does the cash provide a degree of comfort, but management has confirmed its intention to pay a final dividend for 2019, highlighting confidence and suggests sufficient headroom to manage the group's working capital requirements.

Notwithstanding the temporary suspension of estimates, we see the net cash level (worth 23% of the market capitalisation) and the historic NAV of 22p per share both underpinning the stock in the current challenging climate.

Company Data

EPIC	XPDI
Price	22p
52 week Hi/Lo	57p/13p
Market cap	£29m
Reported NAV / share (June '18)	22p
Net cash (Dec '19)	£6.9m

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 and transport services. The Group derives its revenues from the UK (41.8%), CEE and Baltic states (58.2%), as at June 2019.

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