

Changes to the Board, but not in strategy

5 June 2020

Xpediator has announced several management changes. The current CEO is to become Non-Executive Deputy Chairman, replaced in the interim period by Joint-CEOs, who have been effectively running the operations for some time. As a result, we see little change in strategy, with the ongoing cost reduction, integration of acquisitions and brands set to continue. We still anticipate an acceleration in the M&A strategy, subject to strict criteria being met, with the five-year £1bn revenue goal intact.

Xpediator has announced that Stephen Blyth, the Group's founder, has decided to step down from his role as Group CEO and day-to-day responsibilities with immediate effect, owing to underlying health issues. Stephen originally announced his intentions more than a year ago. Encouragingly, XPD has managed to retain his expertise, energy and perhaps most significantly, his vision, with Stephen moving to the position of Non-Executive Deputy Chairman, the Chair of the new M&A committee and as a member of the audit committee. We think it is worth noting that as a significant shareholder, Stephen's interests firmly tally with that of other investors.

While a formal process is underway to identify the new CEO, the Board has appointed two Interim Joint-CEOs in Robert Ross, currently the Group's CFO, and Danor Ionescu, the current Group COO of Logistics in Romania. The CEO role is to be split geographically, with Robert responsible for the UK operations, the finance function on a global basis and Affinity, the Group's transport services business. Affinity is effectively a finance operation and hence why this is to be placed under Robert's control, despite trading outside of the UK. Meanwhile, Danor is to be responsible for the freight forwarding and logistics and warehousing operations within the CEE region and Baltic states.

The recent trading update (26 May 2020) was encouraging, highlighting a relatively limited top-line impact from the COVID-19 disruption. Margins have remained broadly unchanged, reflecting the action on costs taken during Q1. The strong performance relative to many of its peers reflects a combination of a bias towards the following: faster-growing geographical regions (CEE and the Baltic states), e-commerce and the Pall-Ex franchises in the CEE region. We expect the Management team to continue to focus on cost reduction (reversing much of last year's rise in expenditure), plus integration of acquisitions and brands / improving underperforming businesses.

Management also stated recently that the M&A pipeline remains strong, focused on both a widening of the Group's geographical reach and air and sea transportation. The current crisis is likely to result in the list of M&A targets being expanded. We expect that Stephen's focus on M&A is likely to result in an acceleration of purchases, should the Group's strict criteria be met. The achievement of the Group's ambitious five-year goal of £1bn of revenues is in part dependent upon a successful M&A programme.

With the Joint CEOs previously performing their new roles and Stephen's expertise being retained, we do not expect the changes to result in any disruption.

We believe the shares to be strongly supported by the encouraging trading, the net cash (c.20% of the market capitalisation) and the NAV of 21p/share.

Company Data

EPIC	XPD
Price (last close)	26p
52 weeks Hi/Lo	57p/13p
Market cap	£35.3m
Net cash (Dec '19)	£7.0m
Reported NAV/share (Dec '19)	21p

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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