Xpediator plc

Back on track

17 July 2020

The latest update from XPD reads well. Trading volumes have almost returned to pre-COVID-19 levels, aided by the breadth of coverage across Europe. Meanwhile, the cost base is permanently lower, following swift action at the start of the crisis. Cash levels are higher than at the same stage a year ago and only behind year-end levels owing to the payment of deferred consideration. Such is the confidence within the business that management ended the voluntary pay reduction scheme a month earlier than initially anticipated.

We are encouraged by this morning's update in addition the traditional H2 bias to trading, recovering volumes and action on costs all augur well for the remainder of the year. The net cash, combined with a NAV of 21p, offers strong support for the shares currently.

H1 Trading

The update highlights the diverse nature of the business. Activity in the UK was harder hit because of the COVID-19 pandemic, yet parts of Central and Eastern Europe only saw modest disruption. Ahead of lockdown there were issues across several UK businesses which management were already dealing with. The pandemic caused further pressure in the Group's UK businesses and within the Logistics & Warehousing business, owing to reduced volumes in fashion and lower activity in Italy, and China. By contrast, e-commerce, temperature-controlled shipping (food and hygiene product distribution) and stationery (home office/schooling) performed ahead of expectations.

The swift action that was required in terms of the cost base, both temporary and more permanent in nature, has resulted in an improving performance across the UK business in late Q2. No fires have been left burning.

Strong performances, relative to the remainder of the Group, were evidenced in Lithuania, Bulgaria and to a lesser extent, Romania. Freight Forwarding and Pall-Ex Romania have fared particularly well. Affinity, by contrast, saw a reduction in the demand for toll/tunnel/ferry passes and therefore, saw greater volume reductions.

Cash levels remain strong and ahead y-o-y, standing at £4.2m as of 30 June 2020 (versus £3.8m). While levels are down from the year-end (£7.0m), this reflects the payment of £3.6m of deferred consideration; an improved focus on cash collection and subsequent reduction in days sales outstanding and, net of a benefit of the deferral of payments to HMRC.

Confidence has returned to the Group, as is clearly evidenced by the statement that the temporary and voluntary pay reduction scheme introduced during the pandemic ended after two months, rather than the expected three. We expect this to have a positive impact on morale across the business.

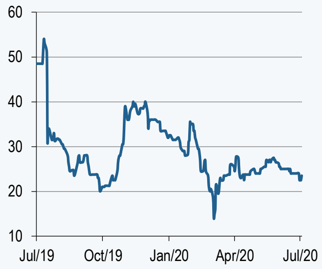
Conclusion

While it remains too early to re-instate estimates, we remain encouraged by the improving trading levels, the permanent lowering of the cost base and action to put out fires. The shares are strongly supported by cash and the NAV.

Company Data

EPIC	XPD
Price	23.5p
52 week Hi/Lo	55p/13p
Market cap	£33m
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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