



Wiseway Group Limited

1H FY2019 Results Presentation

March 2019

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Key Highlights for 1H FY2019



Key Highlights for 1H FY2019

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Group results 1H FY2019

Revenue	1H FY 2019 \$47.3 vs 1H FY 2018 \$40.5m, 17% growth
Gross Margin	1H FY 2019 21.4% vs 1H 2018 18.1%, 330bps improvement
EBITDA	1H FY 2019 (Pro forma) \$2m vs 1H FY 2018 \$2.1m
EBITDA Margin	1H FY 2019 4.2% vs 1H FY 2018 5.2%

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Strong revenue across all divisions

Dry Cargo	Up 16% vs pcg
Transports	Up 29% vs pcg
Perishables	Up 500% vs pcg (off a low base)
Imports	Up 200% vs pcg (off a low base)

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Key milestones 1H FY2019

Strong growth across all business segments including strong performance from the company's emerging perishables division.

Approved for Regulated Air Cargo Agent (RACA) designation undertaking processing since March 1st (Sydney, Melbourne, Brisbane, Perth)

China business development office opened in Shanghai

Purchased 8,900m² property adjacent to existing Chipping Norton operation to cater for future growth

Melbourne operations expanded with additional 2,400m² facility at Tullamarine

Committed to expand operation to Auckland, New Zealand

Invested in people across the business with **key hires in the perishables and import businesses** as well as support staff in our finance and admin functions

Appointed operational managers for each division and put in place clearly defined divisional reporting

Business Overview

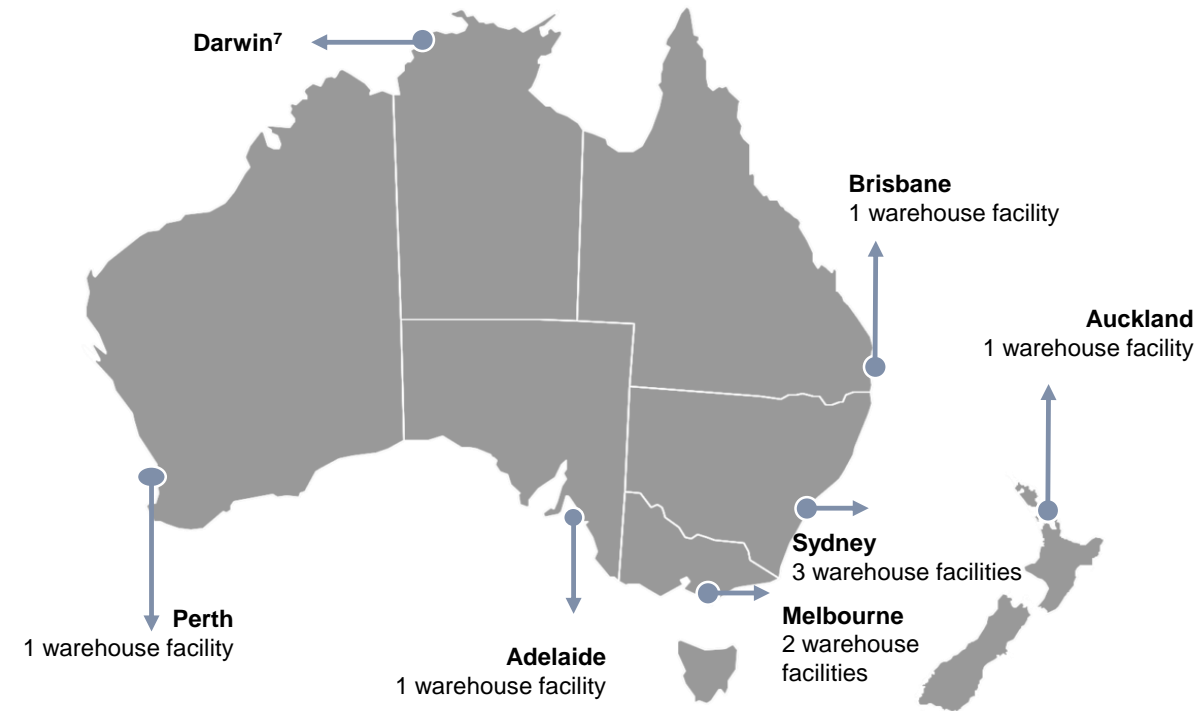


Company snapshot

Introduction

Services	<ul style="list-style-type: none"> • Air freight • Sea freight • Import services • Scanning services • Domestic transportation • Warehousing • Customs clearance and quarantine 				
Customers	<p>Wiseway services over 700 customers with the top 10 representing ~45% of FY2018 revenue⁶</p> <table> <tr> <th>General cargo</th><th>Perishable cargo</th></tr> <tr> <td> <ul style="list-style-type: none"> • parcel express companies • suppliers and distributors • eCommerce platforms </td><td> <ul style="list-style-type: none"> • manufacturers and suppliers • wholesalers </td></tr> </table>	General cargo	Perishable cargo	<ul style="list-style-type: none"> • parcel express companies • suppliers and distributors • eCommerce platforms 	<ul style="list-style-type: none"> • manufacturers and suppliers • wholesalers
General cargo	Perishable cargo				
<ul style="list-style-type: none"> • parcel express companies • suppliers and distributors • eCommerce platforms 	<ul style="list-style-type: none"> • manufacturers and suppliers • wholesalers 				
Warehouses and facilities	<ul style="list-style-type: none"> • 9 warehouses and facilities in Sydney, Melbourne, Brisbane, Adelaide and Perth, plus Darwin⁷ (> 30,000 sqm) • Includes cold storage facilities (Sydney and Melbourne) and 1 customs bonded warehouse in Sydney • Lease agreement for a 2,500 sqm facility in New Zealand (March 2019) including 1,700 sqm of warehouse and 400 sqm of cold storage 				
Fleet	<ul style="list-style-type: none"> • More than 83 fleet including roller trucks, B-Double, semi-trailer, container and rigid trucks 				
Headcount	<ul style="list-style-type: none"> • ~120 				

National presence of Wiseway's warehouses and facilities



2005	2011 - 2014	2015	2016	2017 - 2018	2018 - 2019
<ul style="list-style-type: none"> - Wiseway founded - Sydney warehouse 	<ul style="list-style-type: none"> - Customs and quarantine depot - Melbourne warehouse 	<ul style="list-style-type: none"> - Dairy export approved - Brisbane warehouse 	<ul style="list-style-type: none"> - GSA agreements - Adelaide and Perth warehouses 	<ul style="list-style-type: none"> - Darwin warehouse 	<ul style="list-style-type: none"> - Established platform for future growth

Provides an unparalleled integrated logistics service

Division	Outbound			Inbound	Domestic Transport
	Air freight (general cargo)	Air freight (perishables)	Sea freight	General cargo and ecommerce imports	Road freight
Description	<ul style="list-style-type: none"> Leading export air freight logistics provider of general cargo, particularly between Australia and China Provides warehouse facilities for general cargo Book air freight space for suppliers, distributors, eCommerce platforms and parcel express companies Door to door pick-up service 	<ul style="list-style-type: none"> Export air freight logistics provider of fresh dairy products, live seafood, chilled meat and other fresh Australian produce Provider of cold storage facilities in Sydney and Melbourne 	<ul style="list-style-type: none"> Export sea freight services of general cargo to all major destinations Provide door to door pick-up service Provides container pick-up and drop-off services at wharf 	<ul style="list-style-type: none"> Provider of a bonded warehouse facility in Sydney, another pending approval in Melbourne Inbound air container break bulk services Clearance, deconsolidation and dispatch of eCommerce parcels Customs clearance and delivery of air freight and sea freight 	<ul style="list-style-type: none"> Interstate and local transport services More than 83 fleet which includes: roller trucks, B-Double trucks, semi-trailers, container trucks and rigid trucks
Competitive advantage	<ul style="list-style-type: none"> 70% market share from Australia to mainland China Multiple exclusive agreements with major Chinese airlines (GSA) Extensive space allocations with major international airlines RACA accredited with full EACE Notice. Scanning and examination capability of all Wiseway outbound air cargo in existing facilities (Syd, Mel, Bris, Per) 	<ul style="list-style-type: none"> Ability to deliver perishable products to Asia-Pacific customers within 24 hours Unique relationships with key perishables buyers in China 2,000 sqm of cold storage facilities with experienced perishable operators GSA agreements with major Chinese airlines RACA accredited with EACE Notice. Scanning and examination capability of all Wiseway outbound air cargo in existing facilities 	<ul style="list-style-type: none"> Integrated logistics solution enabling at door pick-up, warehouse storage, and arrangement, packing and transportation of containers 20,000+ sqm of storage and container yard facilities 	<ul style="list-style-type: none"> In-house licensed Customs brokers to enable efficient customs clearance Internally operated Customs depot and Quarantine Approved facilities in Sydney Advanced Electronic Data Interchange (EDI) System On the ground presence in Shanghai with the approval and registration of Wiseway Shanghai International logistics Company. 	<ul style="list-style-type: none"> Extensive on-selling opportunities with existing customer base to distribute products domestically Low interstate transport cost supported by required interstate air freight transfers
	Established working relationships with local Chinese clearance agents across multiple destinations due to Wiseway's unique cultural background				
FY2019 Revenue	95%			1%	4%

Competitive positioning

Wiseway is strategically positioned as an Asia-focused logistics specialist, creating defensible market with a high barrier to entry



Defensible and growing market position with high barriers to entry

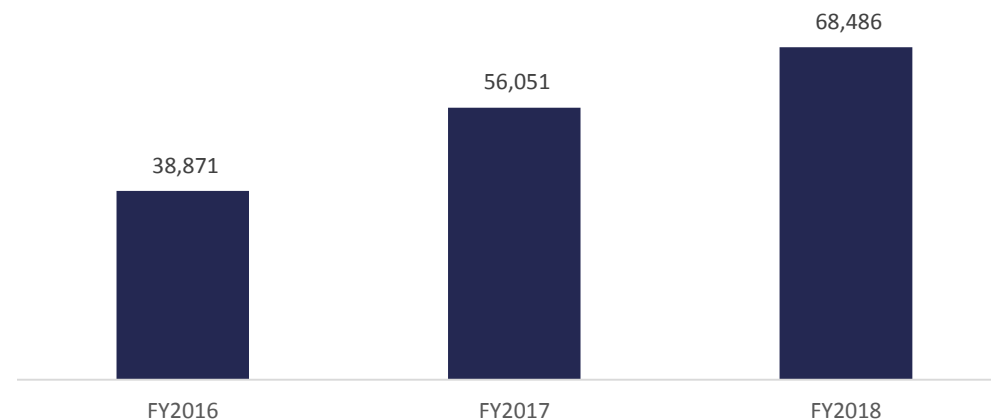
Outbound air freight

Significant growth in outbound air freight to China with ~32% CAGR growth from FY2016 – FY2018

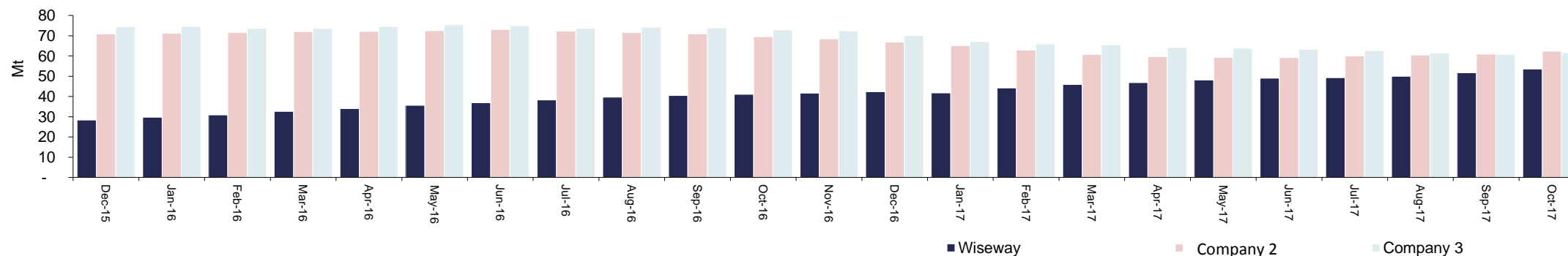
Overview

- Wiseway provides air freight services for general and perishable cargo in the Asia Pacific region, predominantly between Australia and China
 - general cargo includes infant milk formula, vitamins, health products and honey
 - perishable cargo are time sensitive products and include dairy, meat, seafood and fresh produce
- Wiseway engages with both the airline carrier and the customer looking to distribute products to an arranged buyer
- Air freight services include: door-to-airport, airport-to-airport, import and bulk shipments

Wiseway total air freight shipped to China (tonnes)



Tonnage of top 3 air freight export companies – rolling LTM (excluding non-IATA volume)⁹



Note:

9. Calculated based on Wiseway data and BITRE, International Airline Activity, accessed June 2018

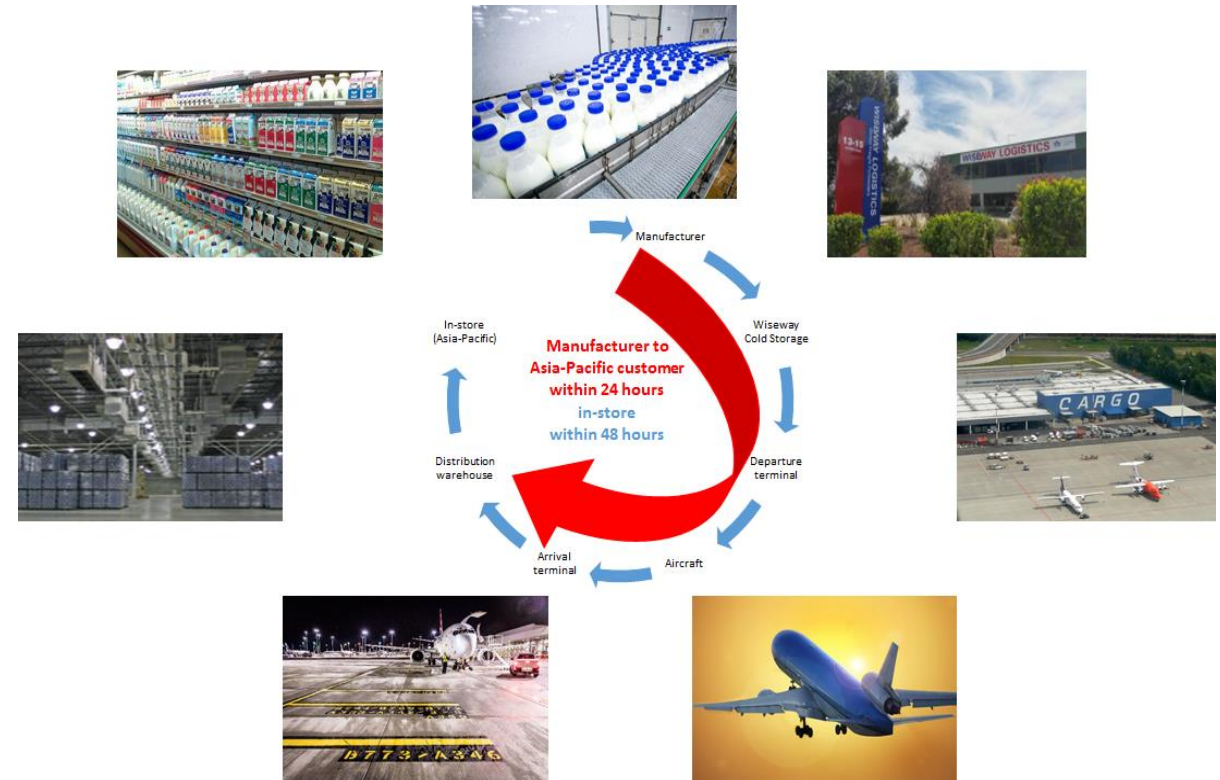
Perishables

Attractive perishables market provides next wave of growth for Wiseway

Overview

- In July 2017, Wiseway invested in cold storage facilities in NSW and Victoria to commence perishable operations
- Perishables expansion in response to China-Australia Free Trade Agreement (ChAFTA), permitting Australian exports entering China to be duty-free of at preferential tariff rates
- Expansion aimed to capture the growing demand in China for Australian perishables including fresh produce, meat, seafood, and fresh dairy products
- Perishable products are delivered to Wiseway's cold storage facilities, packaged into Wiseway's airline approved storage units, transported to an airport using Wiseway's roller trucks and lifted directly into the plane and air freighted to China
- Enables delivery of time sensitive Australian based perishable products to be delivered to Asia-Pacific customers within 24 hours, which is likely to then attract a premium price from the consumer

Wiseway's process for perishable products



Other business divisions

General cargo and eCommerce imports

- Wiseway manages inbound air freight to Australia originating in China
- Particular focus working with large distribution companies in China to manage the import of items ordered by Australian consumers from ecommerce platforms including:
 - electronics
 - clothing
 - fashion items
- All parcels are delivered to Wiseway's approved bonded warehouse in Bankstown (NSW)
- Wiseway organises customs clearance, transportation and distribution services on behalf of the customer
 - engages third party last mile delivery companies to deliver products to the end-customer
- Bonded warehouse facility in Victoria is pending approval
- Customers typically pay on a per parcel or per kilo basis, documentation and terminal fees

Sea freight exports

- Commenced sea freight division in FY2016
- Wiseway acts as an agent on a non-exclusive basis to major sea freight providers
- Provides export services of general cargo to all major ports in the Asia-Pacific region
 - infant milk formula
 - vitamins
 - honey skin-care products
 - wine
- Wiseway's warehouse facilities act as a platform for suppliers and customers
 - at door pick-up, warehouse storage, packing containers, sea freight arrangement and container transportation
- Customer is priced depending on the size of the container, either 20 foot or 40 foot

Other business divisions

Domestic road freight

- Value-add service to air freight clients, manufacturers and distributors
- Primary purpose is to provide air freight clients a door-to-port service and to utilise air space capacity of different origin airports
- Fleet of over 83 trucks includes:
 - roller trucks
 - B-Double trucks
 - semi-trailers
 - container trucks
 - rigid trucks
- Wiseway's trucks run daily between:
 - Melbourne – Sydney
 - Brisbane – Sydney
 - Melbourne - Adelaide



Wiseway is strategically positioned for long term growth

Wiseway's growth strategy is focused on three key components

- 1 Maintain core growth**
 - ❑ increasing the efficiency of logistics network and improving service offering
 - ❑ investment in digital processes and automation to continuously improve client service
 - ❑ continue to leverage its nation-wide presence to deepen its relationship with key Asian ecommerce platforms and suppliers
 - ❑ continue strong organic growth in Sydney and Melbourne and continue to expand in other Australian capital cities
- 2 Continue to invest in new growth**
 - ❑ invest in opportunities that result from increasing demand in the Asia-Pacific region
 - ❑ Investment in outbound perishables and bounded warehouses (potential to open cold storage locations in QLD, SA and WA)
 - ❑ inbound eCommerce parcels from the Greater China Region (Intention to have customs depots and bonded warehouse facilities in all major Australian capital cities).
 - ❑ RACA designated and fully accredited
- 3 International expansion**
 - ❑ International expansion in the Asia-Pacific region by leveraging Wiseway's extensive expertise in outbound and inbound air freight, sea freight and existing partnerships with airlines
 - ❑ Committed to expand operations in Auckland, New Zealand.
 - ❑ Opened an office in Shanghai and registered a fully owned subsidiary Wiseway Shanghai.

Potential for targeted strategic acquisitions

Highly fragmented industry with acquisition opportunities across a range of sectors and regions



1H 2019 Financial results

Financial summary

Growth across all revenue segments....

(\$m)	1H FY2019	1H FY2018
Revenue	47.3	40.5
Cost of goods sold	(37.1)	(33.1)
Gross profit	(10.1)	(7.3)
<i>Gross profit margin</i>	21.4%	18.1%
Operating expenses		
Employment costs	(5.6)	(4.0)
Occupancy costs	(1.1)	(0.7)
Share based payments	(0.1)	-
Admin and other expenses	(1.4)	(0.5)
Total Operating expenses	(8.1)	(5.2)
Underlying EBITDA	2.0	2.1
EBITDA margin	4.2%	5.2%
Depreciation	(0.7)	(0.8)
EBIT	1.3	1.3
Net financing income (loss)	(0.2)	(0.2)
Net Profit before tax	1.1	1.1
Tax expense	(0.3)	(0.3)
Pro Forma NPAT	0.8	0.8

Commentary

Revenue

- During the 6 month period to 31 December 2018, the Company experienced strong revenue growth of \$47.3m, up \$6.8m or 17% on the prior comparable period. This was primarily driven by dry cargo up 16%, transport up 29%, with perishables up +500% and imports up +200% both off a low base

Gross profit

- Gross profit of \$10.1m, up \$2.8m or 38% driven by volume improvements and efficiency gains from ULD packaging and higher airline incentives. As a result, the gross margin improved consistent with Company expectations, improving 330bps to 21.4% over the prior comparable period, for the reasons noted above

Operating expenses

- Operating costs up \$2.9m or 55%. Employment costs up consistent with Company expectations driven by key hires in perishables and inbound, increased utilisation of casual drivers and other staff as well as higher costs associated with being a listed company. Occupancy costs have increased over the prior comparable period reflecting the full half-year impact of rental expense on the Company's Brisbane premise and expansion in Melbourne. Administration and other operating costs are up \$0.8m driven by higher investment in the half in costs related to expansion activities. This includes new sites in China and New Zealand (that are expected to reduce in the second half), as well as increased IT related costs and costs associate with being a listed entity. Overall, operating costs reflect continued investment in business expansion that is ahead of expectations.

Underlying EBITDA

- Wiseway has continued to make important investments into both people and operations to facilitate the current and expected growth in outbound and inbound cargo and domestic transportation. As a result of this investment, 1HFY2019 underlying EBITDA is \$2.0m.

Cash Flow

Re-investment to facilitate expected future growth

(\$m)	1H FY2019	1H FY2018
Operating activities	1.2	2.1
Investing activities	(3.0)	(0.0)
Financing activities	(1.6)	0.2
Net decrease in cash	(3.4)	

Commentary

Operating cash flow

- Relatively lower trade receipts due to higher DSO's (approx. 20 vs 30 days) due to more corporate and larger credit accounts
- Higher proportional levels of payments to customers and employees

Investing cash flow

- Capex \$2.1m – trucks, scanning equipment and other PPE
- Deposit on property \$0.5m
- Term deposits \$0.4m

Financing cash flow

- Loan repayments up \$0.6m
- Related party loans \$1.2m variance – reflecting net \$0.1m outflow in current period vs inflow of \$1.1m pcg

Strong Financial Position

Strong cash position and minimal debt

(\$m)	1H 2019	1H 2018
Current assets		
Cash and cash equivalents	18.2	1.3
Trade & other receivables	10.7	7.2
Inventories	0.1	0
Total current assets	29.0	8.5
Non-current assets		
Financial assets	0.8	0.7
Property, plant and equipment	10.4	8.4
Deferred tax assets	1.1	0.2
Total non-current assets	12.3	9.4
Total assets	41.4	17.9
Liabilities		
Trade and other payables	10.1	7.3
Borrowings	2.2	3.8
Employee benefits	0.7	0.2
Provisions	0.0	0.0
Current tax liabilities	0.3	0.3
Total Current Liabilities	13.4	11.7
Non Current Liabilities		
Borrowings	4.4	4.4
Total non-current liabilities	4.4	4.4
Total Liabilities	17.9	16.1
Total equity	23.5	1.8

Commentary

Strong cash position

- The company is well positioned to fund growth and expansion activities with \$18.2 million cash
- Post-balance date commitment to Chipping Norton property purchase approx. \$6m after finance

Liabilities

- Trade payables broadly consistent with prior period with DPO of approx 35 days
- Other payables up – made up of indirect and employee taxes
- Current borrowings reduced by approx. \$1.5m in repayments



Q&A

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Appendix



Reconciliation to 1H FY 2019 Underlying EBITDA and NPAT

(\$m)	9 months 31 Dec 2018	3 months Apr-Jun 2018	6 months Jul-Dec 208	IPO related adjustments	Pro-forma Jul-Dec 2018
Total Revenue	69.8	22.5	47.3	-	47.3
Cost of Sales	(55.0)	(17.9)	(37.1)	-	(37.1)
Gross profit	14.7	4.6	10.1	-	10.1
<i>Gross profit margin</i>	<i>21.1%</i>	<i>20.5%</i>	<i>21.4%</i>	-	<i>21.4%</i>
Operating expenses					
Employment costs	(8.4)	(2.8)	(5.6)	-	(5.6)
Occupancy costs	(1.5)	(0.4)	(1.1)	-	(1.1)
Share based payments	(1.1)	-	(1.1)	(1.1)	(0.1)
Admin and other expenses	(2.7)	(0.4)	(2.3)	(0.9)	(1.4)
Total Operating expenses	(13.8)	(3.7)	(10.1)	(2.0)	(8.1)
EBITDA	1.0	0.9	0.0	(2.0)	2.0
<i>EBITDA margin</i>	<i>1.4%</i>	<i>4.2%</i>	<i>0.0%</i>	-	<i>4.2%</i>
Depreciation	(1.0)	(0.3)	(0.7)	-	(0.7)
EBIT	(0.0)	0.6	(0.7)	(2.0)	1.3
Net financing income (loss)	(0.3)	(0.1)	(0.2)	-	(0.2)
Net Profit before tax	(0.3)	0.6	(0.9)	(2.0)	1.1
Income tax expense	(0.4)	(0.3)	(0.0)	0.3	(0.3)
Net profit after tax	(0.7)	0.2	(0.9)	(1.7)	0.8