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ASX Announcement

Wiseway Group Limited (ASX: WWG)

1H20 result announcement for six months ended 31 December 2019

Highlights:

- **Revenue of $45.1 million, with a more diversified income stream**
- **Revenue growth across all new businesses**
- **Sea freight up 289% from previous corresponding period (pcp)**
- **Imports up 170% from pcp**
- **Perishables up 97% from pcp**

1H20 result

Key metrics	1H20	1H19	Change %
Revenue ($m)	45.1	47.3	(5%)
Gross profit ($m)	11.3	10.1	12%
Gross margin	25%	21%	19%
EBITDA ($m)	0.1	0.0	N.m.[1]
EBITDA margin	0.23%	0.02%	N.m.

Wiseway Group Limited (**Wiseway** or **Company**) today announced its half year results (**1H20**).

Chief Executive Officer, Roger Tong, commented: "During the half we have been transforming the business to be fit for purpose in the evolving freight market between China and Australia.

"We have expanded our business platform in order to truly diversify our income, expanding our capability to take advantage of emerging trends and growing demand. Export of perishables is of particular focus following Wiseway's Australia-wide accreditation to export fruit to China. As well, our sea freight business gives optionality to our clients and supports our core air freight services. We have also expanded our services in imports; road transport services; and selling cargo space on behalf of airlines.

"We now have a national presence with bonded warehouse capability across the Australian mainland and in Auckland, New Zealand.

"Earnings for the half year were impacted by reduced air freight volumes due to the volatile macroeconomic environment and slowing economic growth. As a result, air freight dry cargo, was down 17 per cent, to $36.6 million for the half. However, pleasingly we have seen growth from the new business divisions more than double.

"Due to the business expansion investment in premises and people, operating costs increased. As stated in January, we have now completed all expansion projects envisioned pre-IPO."

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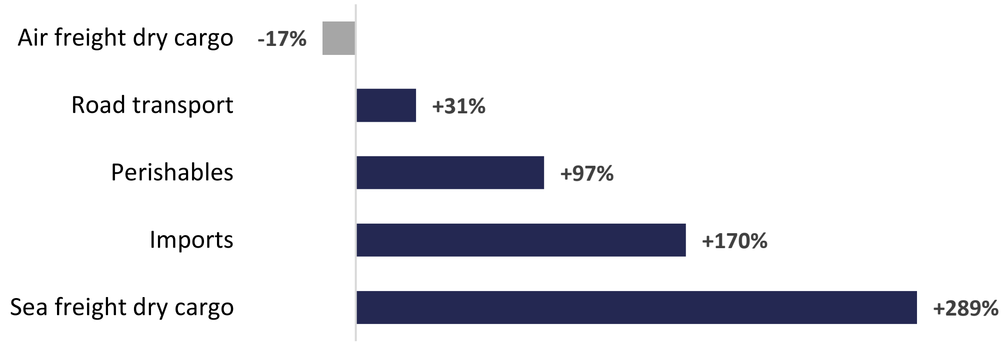
[1] N.m. = not meaningful

Business snapshot

The 1H20 saw strong growth performance across all new divisions of the business:



- **Air freight dry cargo revenue down 17 per cent to $36.6 million**
  There were reduced air freight volumes due to the volatile macroeconomic environment and slowing economic growth, as well as some exporters' preferences for sea freight due to softer demand of air freight.

- **Perishables exports up 97 per cent to $2.4 million**
  Wiseway's new purpose-built fumigation and cold treatment facilities in Melbourne and Sydney enabled compliance with China's new protocols. Prior to the accreditation, fruit exports from Australia to China were allowed exclusively out of Tasmania. Wiseway's new accreditation has resulted in growing volumes of perishable products being exported to China from all over Australia.

- **Imports (general cargo and e-commerce), up 170 per cent to $1.8 million**
  The business was strengthened through obtaining a licence for bonded warehouse capability for Adelaide and Brisbane in 1H20, in addition to Melbourne and Sydney. This licence and Wiseway's dedicated imports team enable clients to streamline their import processes and support growth in volumes.

- **Sea freight exports, up 289 per cent to $1.4 million**
  A more constrained and competitive environment has seen customers switch from premium air freight services to lower cost sea services. Wiseway has the scale and flexibility of its global logistics platform to meet the growing demand for sea freight exports.

- **Airtruck domestic transport services (road transport), up 31 per cent to $1.1 million**
  During 1H20 Wiseway increased its operational footprint through leveraging its national road transportation network that operates between all major Australian cities, and a strategic partnership with Xiamen Airlines, which connects Fuzhou, Hangzhou and Xiamen to Sydney and Melbourne.

- **Regional (China and New Zealand) added additional revenue of $1.5 million**
  In October 2019 Wiseway obtained accreditation by the International Air Transport Association (IATA) as an IATA Cargo Agent in New Zealand to offer integrated logistics services in New Zealand.

- **GSA/CSA added additional revenue of $0.3 million**
  This is a new business division of Wiseway that manages over 70 flights per week, representing airlines and selling their cargo space.

Financial overview

Revenue for the half was $45.1 million, down 5 per cent or $2.2 million due to a slowing pace of growth in the Chinese economy, and some exporters' preferences for sea freight for non-perishables to reduce costs.

Direct expenses reduced by $3.4 million to $33.8 million, in response to bringing in-house the capability of security-handling shipments for outbound cargo.

Gross profit was $11.3 million, up $1.2 million (12 per cent). This resulted in a gross margin of 25 per cent for the half, an improvement of 40 basis points.

Operating expenses for the half were $11.2 million, up 11 per cent or $1.1 million, as the business invested in infrastructure to expand its platform and increased staffing levels to support the new service offerings.

Uplift in earnings before interest, taxes, depreciation and amortisation (**EBITDA**) to $0.1 million saw the EBITDA margin improve to 0.23 per cent in 1H20.

The statutory net loss after tax of $4.9 million was primarily attributable to depreciation expense of $2.5 million and income tax expense of $1.6 million. The depreciation expense was up from $0.7 million in the pcp, due to reclassification of operating leases under the new accounting standard on leases AASB 16, whereby operating leases such as warehouse leases are now recognised as right-of-use assets on the balance sheet. Income tax expense was due to the removal of the previously recognised deferred tax asset on the balance sheet, as taxable profits (against which the deferred tax asset could be utilised in accordance with the accounting standard on income taxes AASB 112) were no longer available.

FY20 outlook

Following the declaration of the Coronavirus Disease 2019 (**Covid-19**) as a public health emergency of international concern by the World Health Organisation, flight restrictions were effected on all major passenger flights to and from China and are currently in force.

Whilst this has seen interruptions to import and transport services mainly in China, as one of the major freight companies operating between Australia and China, Wiseway has leveraged its relationships with airlines, shipping lines and local trucking companies, to ensure customers' cargo can still get into China through a combination of alternative routes.

"Our long-term cooperation with airlines, shipping lines and local trucking companies in China have enabled Wiseway to adapt quickly and utilise alternative routes and multi-transport options to meet customer demand," said Mr Roger Tong.

Accordingly, since the beginning of the new calendar year, revenue has increased more than 10 per cent from the same period last year.

Mr Roger Tong commented: "During 1H20 we have achieved a number of significant milestones: a truly national bonded warehouse footprint; accreditation as an IATA Cargo Agent in New Zealand; and Australia-wide accreditation to export fruit to China (previously from only being able to export fruit from Tasmania).

"In the time since our IPO, we have continued to build, transform and strengthen the business via the introduction of a far more diversified income stream as well as establishing distinctive freight logistics facilities with comprehensive industry accreditation in the Southern Hemisphere, laying out a foundation for future growth. This work is being led and supported by our strengthened management team of industry experts, who are shaping the business to be fit for purpose well into the future. I am confident in the future of the business more than ever before.

"In the second half of FY20, our focus will be on growing revenue from our expanded customer base and through leveraging our multi-faceted logistics offering, and further controlling operating expenses."

ENDS

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About Wiseway Group Limited

Wiseway (ASX: WWG) is a leading provider of integrated logistics in Australia and New Zealand with a nation-wide network of strategically located warehouses and facilities and with a large modern fleet of trucks and delivery vehicles. The Company was established in 2005 and listed on ASX in October 2018. Wiseway has grown to become one of the top three outbound air freight logistics providers in Australia with a specialist focus on Australia and China trade. Wiseway's focus is on cross-border logistics including air freight, sea freight, import services, domestic transportation, warehousing and customs clearance services, to a large customer base of domestic and international customers across its two main segments, general cargo and perishable cargo.

Website: www.wiseway.com.au

Appendix

Profit & loss

$ million	1H20	1H19	Change	Change %
Revenue	45.1	47.3	(2.2)	(5%)
Direct expenses	(33.8)	(37.2)	3.4	(9%)
Gross profit	**11.3**	**10.1**	**1.2**	**12%**
Operating expenses	(11.2)	(10.1)	(1.1)	11%
EBITDA	**0.1**	**0.0**	**0.1**	**N.m.**
Depreciation	(2.5)	(0.7)	(1.8)	257%
Finance costs	(0.9)	(0.2)	(0.7)	350%
Income tax expense	(1.6)	-	(1.6)	N.m.
Net loss after tax	**(4.9)**	**(0.9)**	**(4.0)**	**444%**

Revenue by business division

$ million	1H20	1H19	Change	Change %
Dry cargo (air freight)	36.6	44.2	(7.6)	(17%)
Perishables (air freight)	2.4	1.2	1.2	97%
Sea freight	1.4	0.3	1.1	289%
Imports (general cargo & e-commerce)	1.8	0.7	1.1	170%
Road transport	1.1	0.9	0.2	31%
GSA/CSA	0.3	-	0.3	N.m.
China	1.3	-	1.3	N.m.
New Zealand	0.2	-	0.2	N.m.
Total revenue	**45.1**	**47.3**	**(2.2)**	**(5%)**