Wiseway Group Limited

ASX: WWG

FY20 Result Investor Presentation

8 September 2020

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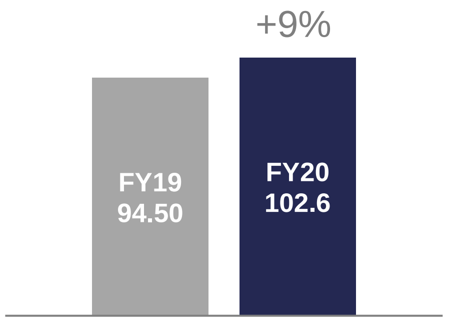
FY20 results overview

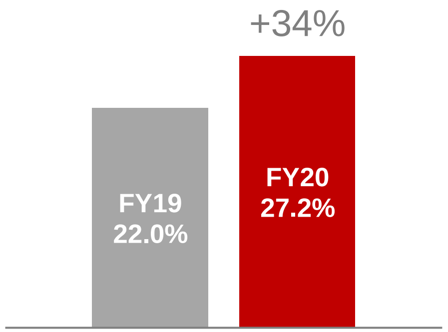
Benefits of revenue diversification strategy flow through

- **Revenue** of $102.6 million, up 9% from $94.5 million, driven by Wiseway’s new service offerings
- **Gross profit** of $27.9 million, up 34% from $20.8 million, reflecting an increase in gross margin
- **EBITDA** of $5.0 million increased from $0.1 million in FY19
- **Net operating cash flow** of $3.8 million, step-change from -$3.1 million in FY19
- **Free cash flow** of $4.6 million in 2H FY20 represents a FCF per share of 3.3 cents up from -2.8 cents in 1H FY20

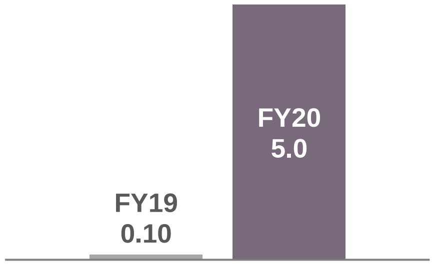
Revenue ($ million)



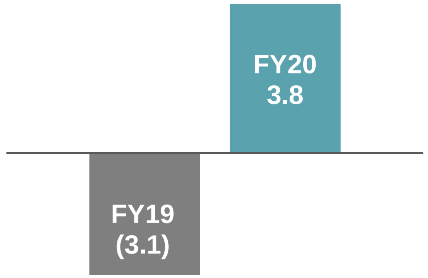
Gross margin (%)



EBITDA ($ million)



Net operating cash flow ($ million)



Overview of FY20 result

1 Group results FY20

Revenue	FY19 $94.5m vs **FY20 $102.6m**, up 9%
Gross profit	FY19 $20.8m vs **FY20 $27.9m**, up 34%
Gross margin	FY19 22.0% vs **FY20 27.2%,** up 520 bps
EBITDA	FY19 $0.1m vs **FY20 $5.0m**
EBITDA margin	FY19 0.1% vs **FY20 4.9%**

Trading environment:

- Opportunities from disruption to supply chains from air freight restrictions.
- Trade activity and transaction volumes surged in China when factories reopened at the end of February 2020.
- Wiseway is an essential service provider.

2 Momentum of growth in sales across all new, non-core divisions

Sea freight dry cargo	**Up 280%** vs pcp
Perishables	**Up 232%** vs pcp
Imports and distributions	**Up 147%** vs pcp
Air Truck road transport	**Up 32%** vs pcp
Airnex (GSA/CSA)	**Up 564%** (off a low base)
Regional (NZ & China)	**Up 778%** (off a low base)

Strong growth across all new business divisions:

- Revenue growth across all new businesses – sales revenue from new business divisions increased by 208 per cent, from $7.4 million to $22.8 million.
- The revenue portion of the new businesses as a percentage of the total revenue, has increased from 5 per cent to 22 per cent since the IPO in October 2018.
- 72,000 tonnes of cargo shipped to 100 destinations in FY20.
- Flexible and integrated service package.
- Increased demand in e-commerce, strong growth in imports and distribution.

3 FY20 operational milestones

- ✓ Wiseway accredited for fruit exports to China.
- ✓ Achieved national bonded warehouse footprint.
- ✓ Expanded operations to Auckland, New Zealand: achieved accreditation as an IATA Cargo Agent.

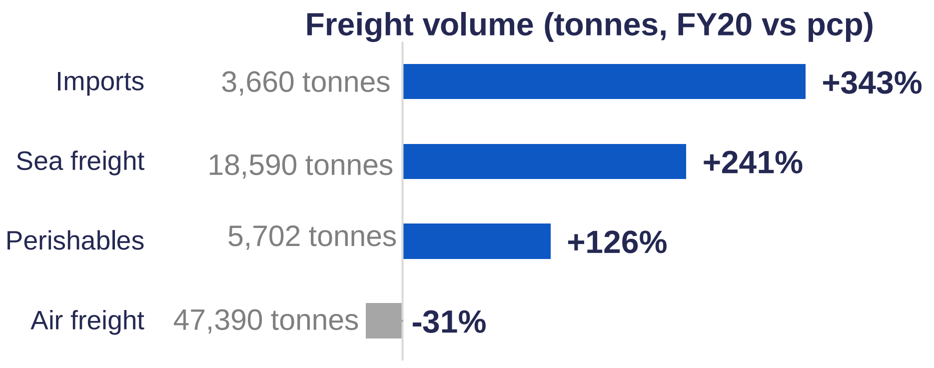
Sales growth driven by diversification and new services

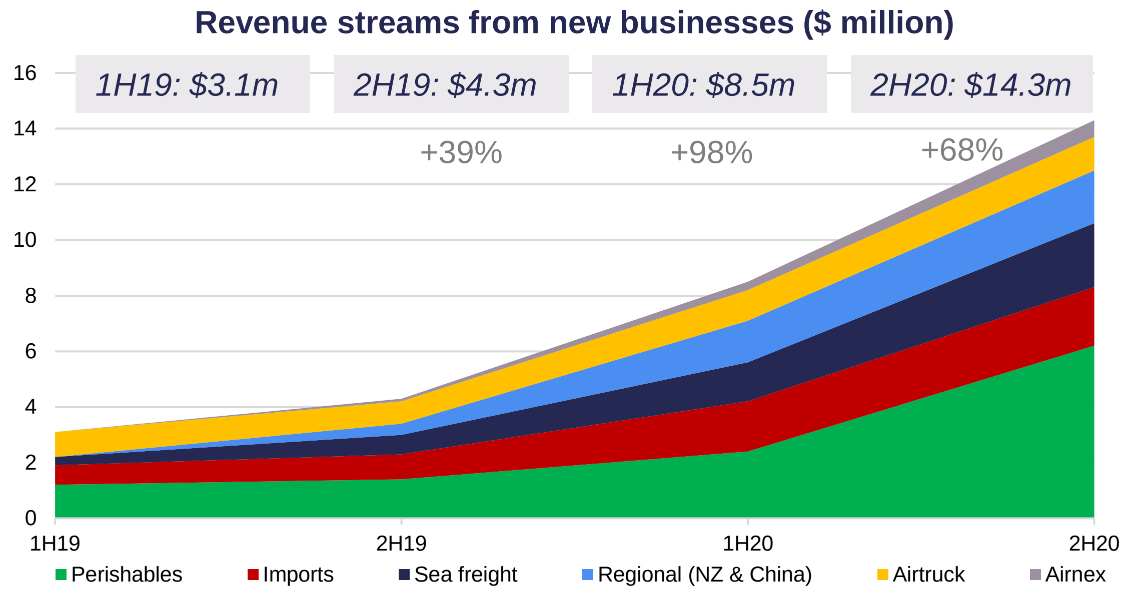
Growth in revenue from diversification and new services:

- 75,342 tonnes of export-import cargo shipped in FY20.
- Income diversification and growth: new division sales more than doubled to $22.8 million in FY20.
- Growth in new business divisions, particularly in the perishables division driven by an increasing customer base.
- Higher freight volumes of 28,000 tonnes, up by 218% or 19,000 tonnes, largely from stronger sea freight.

New customers:

- Major new customer wins, including large Australian exporters, due to the business maintaining its freight capacity in a tightening market.





WISEWAY

Step-change in net operating cash flow

H1 vs H2 performance ($m unless stated otherwise)	1H20	2H20	FY20
Cash flow:			
Net operating cash flows	(3.1)	6.9	3.8
Cash used in investing activities	(0.7)	(2.3)	(3.0)
Free cash flow	**(3.8)**	**4.6**	**0.8**
Profit & loss:			
Revenue	45.1	57.5	102.6
Gross profit	11.2	16.7	27.9
Gross profit margin %	*24.8%*	*29.0%*	*27.2%*
Operating expenses	(11.1)	(11.8)	(22.9)
EBITDA	0.1	4.9	5.0
Net profit before tax	**(3.3)**	**1.7**	**(1.6)**
As at 30 June 2020:			
Weighted average shares (#'000)			137,455
Free cash flow per share (cents)			**0.6**

Cash flow:

- Strong improvement in free cash flow primarily attributable to improvement in operating performance in the second half and a strong focus on working capital management.

Capital expenses

- FY20 included $3.0 million investment to renovate the Chipping Norton facility; as well as installation of fumigation, x-ray, and cool room equipment.
- Future requirements not substantial as all expansion projects envisioned pre-IPO have now been completed.

Revenue and profit growth:

- Revenue drivers in 2H were:
  - *Higher volumes in sea freight, perishables and imports, partially offset by lower volumes via air freight.*
- Operating expenses steady.

Capital management

Balance sheet ($m unless stated otherwise)	30 Jun 2020	30 Jun 2019	Change %
Net tangible assets	23.7	22.5	5%
Cash	8.6	4.6	86%
Total assets	63.2	46.7	35%
Secured bank loan	5.0	4.5	11%
Finance leases	7.6	8.5	-11%
Total liabilities	39.4	24.2	63%
Net debt	4.0	8.4	-52%
Financial position:			
Shares on issue (#)	140,318,769	121,074,003	16%
Gearing ratio (%)	53%	58%	-9%
Net tangible assets per share (cents)	**16.9**	**18.6**	**-9%**

Financial position

- 30 June 2020 cash balance of $8.6 million.
- NTA per share of 16.9 cents.

Capital management

- Prudent financial debt levels at 53%.
- Undrawn secured bank loan of $5 million (8 Sep 2020):
  - *Due to strong cash flow, Wiseway repaid $5 million secured bank loan on 2 July 2020.*
- Positive working relationships with lenders, supporting ongoing development.
- Strong financial position going into FY21, with an existing bank loan available for redraw.

Trading

Macro-environment

- Falling cargo volumes due to airline closure and flight restrictions – the market has seen a decline in freight capacity.
- Restrictions on international and interstate travelling have supported demand for freight services.
- Strong demand in e-commerce.
- Growth spurt in innovation as businesses fast-track delivery and digital buy-now-pay later capabilities.

Operational

- As an essential service provider during extended lockdowns (stage 3 and stage 4), Wiseway has continued to operate its import and export services between Australia and Asia.
- Wiseway has been able to forge new relationships and demonstrate their primacy in Australia-Asia trade logistics to a new audience.
- Wiseway recognised the opportunity in this disruption to demonstrate its leadership in Australian-Chinese trade relations. This has strengthened the business as it has developed an integrated logistics offering to the customer.
- It has leveraged its relationships with airlines, shipping lines and local trucking companies, to ensure customers' cargo can still get in and out of Asia through a combination of alternative routes.

Wiseway is at the forefront of changing freight dynamics of import-export demand

Outlook

Business:

- Wiseway has been an essential service provider during the COVID-19 pandemic, and will continue to be one during recovery.
- Demand for logistics services remains high – and first month of FY21 has seen trends from 2H FY20 continuing.
- Post 30 June 2020, Wiseway has maintained a strong financial position, with sufficient cash facilities to support the business. The Company's future capital requirements are not substantial as all expansion projects envisioned pre-IPO have now been completed.
- Supporting our employees, customers, the broader community and international trade during these anxious and difficult times.

Macro-economic:

- Disruption to global supply chain management and logistics presents opportunities to operators with an integrated service offering.
- Macro-economic outlook remains volatile, however, Wiseway is positioned to actively manage its operations and maximise its outcomes through:
  - its transformation,
  - strong financial position, and
  - our highly experienced management team.

Company overview

Business milestones represent a step-change in scale and reach

2005 - 2017 → FY19 → FY20

Founded the business

- ✓ Wiseway founded
- ✓ Sydney warehouse
- ✓ Customs and quarantine depot
- ✓ Melbourne warehouse
- ✓ Dairy export approved
- ✓ Brisbane warehouse
- ✓ GSA agreements
- ✓ Adelaide and Perth warehouses
- ✓ Darwin warehouse[1]
- ✓ **Number 1 air freight forwarder in Australia-the Asia-Pacific region**

IPO & expansion of capabilities

- ✓ IPO on 31 October 2018 raised $20 million
- ✓ 100+ fleet including roller trucks, B-Double, semi-trailer, container and rigid trucks
- ✓ Accredited Regulated Air Cargo Agent
- ✓ Accredited for fruit exports from Australia to Asia
- ✓ Customs clearance warehouses/facilities Australia-wide
- ✓ Strategic partnership with airlines to provide interstate trucking services
- ✓ Expansion to New Zealand
- ✓ Shanghai office established
- ✓ **Top 3 outbound air freight logistics provider in Australia**

Established platform for growth

- ✓ Achieved national bonded warehouse footprint with fumigation and cold-treatment facilities to support Wiseway's perishables business division
- ✓ Australia-Asia perishables export
- ✓ Strategic partnerships with several airlines to provide interstate trucking services
- ✓ Expanded to New Zealand with Auckland warehouse facility
- ✓ Leveraging of relationships with airlines, shipping lines and local trucking companies, to offer an integrated service package
- ✓ **First half-year profit before tax of $1.7 million in 2H FY20**

Note:
1. Darwin branch is managed by an exclusive local agent

Wiseway: Number 1 Australia-Asia air freight forwarder and provider of integrated logistics

ANZ footprint:

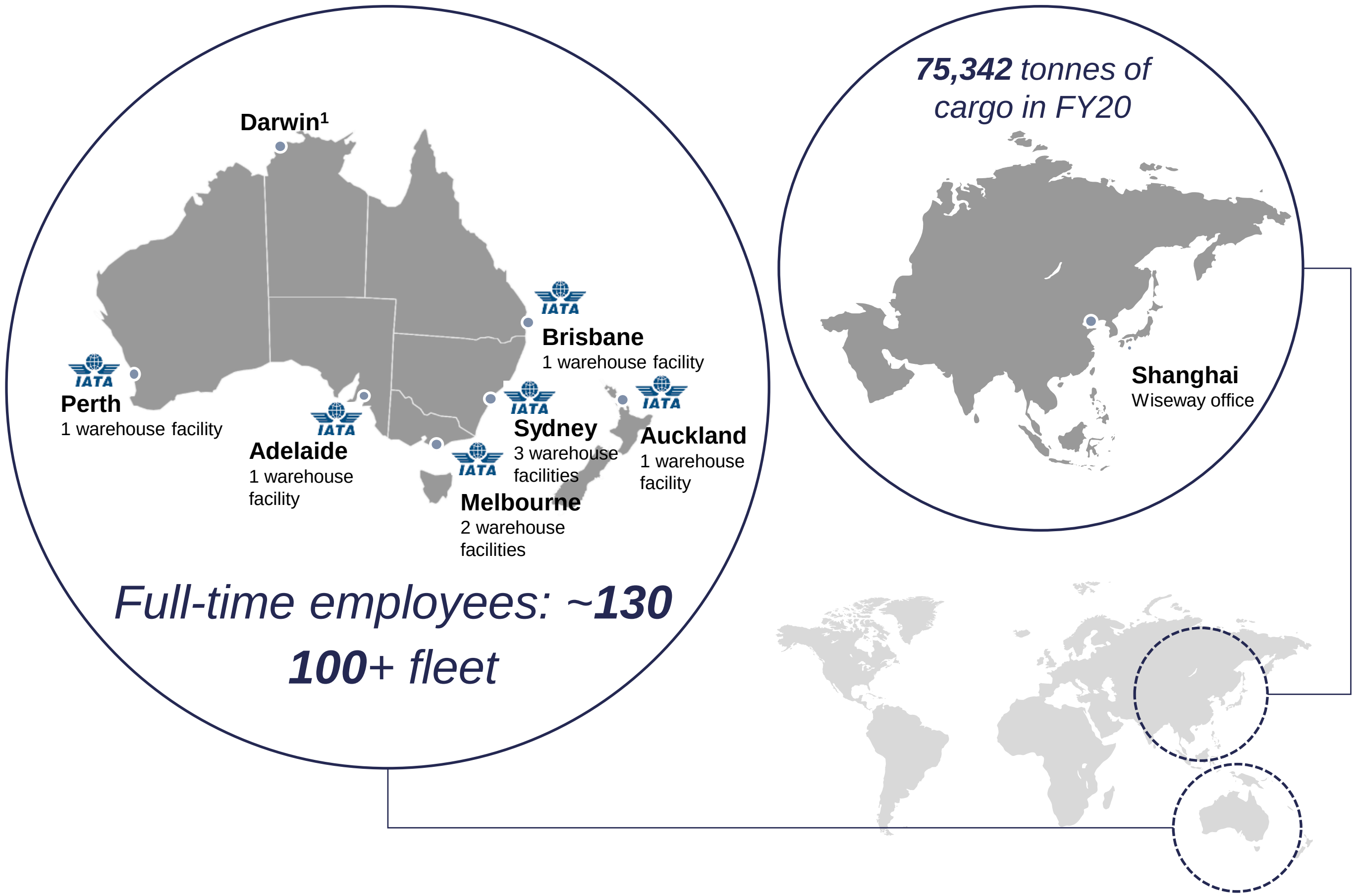
- 9 accredited Regulated Air Cargo Agent locations in Australia and New Zealand
- Customs-bonded warehouse capability
- Accreditation to export perishables to China

Growth areas:

- Perishables (fresh produce, food, wine)
- Airtruck – interstate road transportations ‘food movers’
- Imports
- Seafreight export
- Airnex – cargo sales agent

Customers:

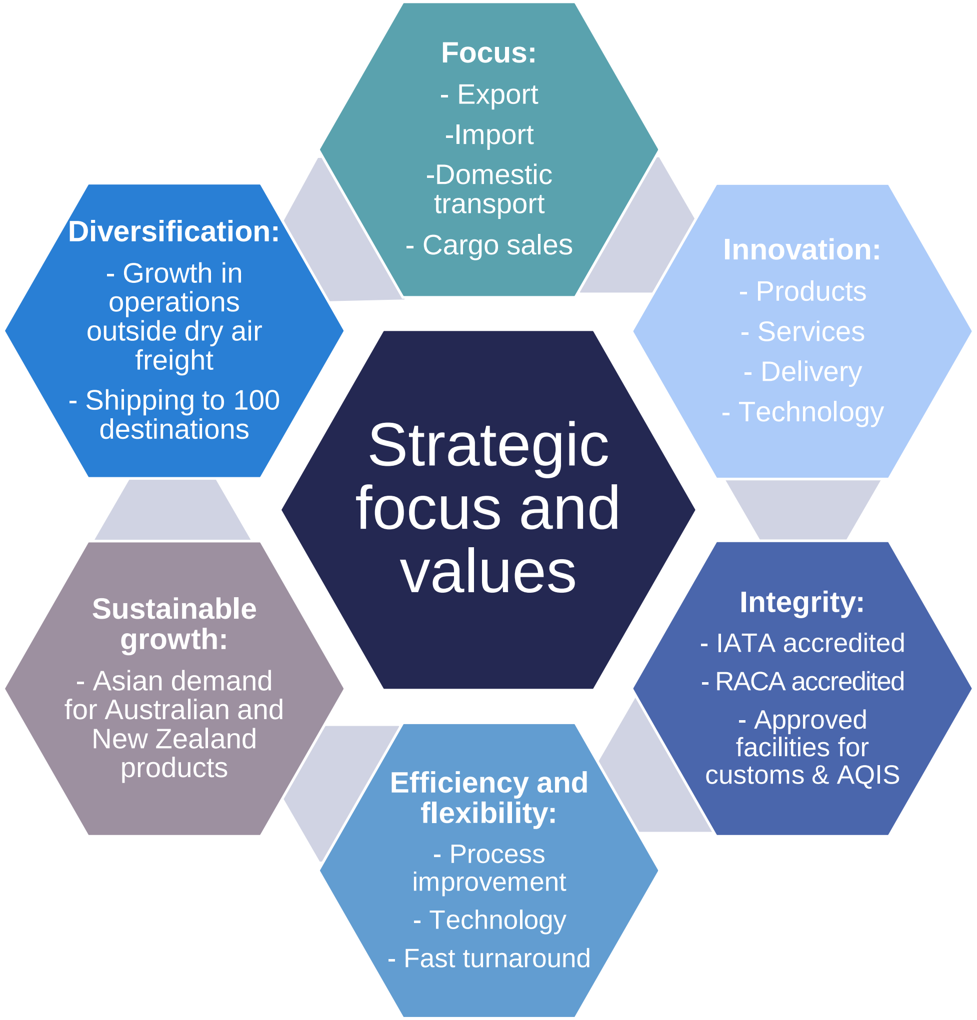
- Diversified business shipping to 100 destinations



Growing presence in Asia: Wiseway’s Australia-New Zealand footprint of warehousing facilities connect with Asia-bound destinations via 100 routes

Note:
1. Darwin branch is managed by an exclusive local agent

Wiseway’s strategic focus and values



Income diversification through eight business divisions: added New Zealand operations

Wiseway Group Limited

Export			Import	Domestic transport	GSA/CSA	Regional	
Dry cargo (air freight)	**Perishables (air freight)**	**Sea freight**	**General cargo & e-commerce**	**Airtruck**	**Airnex**	**Auckland, New Zealand**	**Shanghai, China**
• Platforms • Suppliers • Parcel consolidators • Infant milk formula, vitamins, health and skin-care products, honey, wine	• Fresh produce • Seasonal fruit • Seafood • Meat • Fresh milk and dairy	• General food commodities • Australian produce • Wine	• General cargo imports clearance and delivery • E-commerce parcel imports and distribution	• Interstate and road transport business – 'food movers' • Servicing wholesalers, manufacturers and airlines	• Cargo sales for airlines • Managing more than 70 flights per week from Sydney, Melbourne, Brisbane, Perth, Darwin, Cairns and Auckland • Servicing third-party freight forwarders	• IATA accredited • Operations and Business team built up • Designated Customs Controlled Area (CCA)	• Assisting businesses from China to Australia • Shanghai office established

Diversified business shipping to 100 destinations

Established platform for growth

Asia-focused specialist provider

Strategic relationships with airlines

- ✓ Long-standing relationships with major international airlines, particularly on Australia to Asia routes
- ✓ Wiseway has been appointed GSA (exclusive) and CSA (non-exclusive) for major Asian airlines

Long-standing customer relationships

- ✓ Wiseway has supported the growth of many suppliers, distributors and parcel express companies from infancy to established market players
- ✓ New customers, particularly the larger Australian importers and exporters

Unique service provider

- ✓ Wiseway has a unique understanding of cross-border e-commerce market and perishables regulation

Scale advantage

Trans-Tasman footprint

- ✓ Presence in six Australian capital cities and Auckland
- ✓ Can attract large suppliers, distributors and parcel express companies who require multi-city services

Competitive freight rates

- ✓ Top one Australia-Asia air freight forwarder
- ✓ Top three Australia-worldwide air freight forwarder

One-stop shop logistics provider

- ✓ Services in export air freight, sea freight, perishables, customs clearance, warehousing, import e-commerce and domestic transportation
- ✓ RACA designated and permitted
- ✓ Customs bonded warehouse Australia-wide and in New Zealand

Defensible and growing market position with high barriers to entry

Wiseway is strategically positioned for long-term growth

Wiseway's growth strategy is focused on three key components

1 Maintain core growth

- Continue to offer customer-first integrated service offering
- Investment in digital processes and automation
- Leverage its Trans-Tasman presence to deepen its relationships with Asian e-commerce platforms and suppliers
- Continue strong organic growth from expanded warehouses and facilities

2 Accelerate new growth

- Leveraging partnerships in the Asia-Pacific region
- Established outbound perishables and bounded warehouses
- Operating platform for e-commerce parcels from the greater Asian region via bonded warehouse facilities across Australia
- RACA designated and fully accredited

3 Regional business development

- International expansion in the Asia-Pacific region by leveraging extensive expertise in air freight and sea freight
- Opened an office in Shanghai and registered a fully owned subsidiary Wiseway Shanghai
- Expanded operations in Auckland, New Zealand

Successful strategy of growth

The scale and breadth of Wiseway's business will enable it to take advantage of emerging trends and growing demand for logistics services

Investing in Wiseway: revenue diversification delivers outperformance

Business strength:

- Strategically positioned for long-term growth in the new market conditions
- Truly diversified income through eight business divisions
- Flexibility of service
- National presence with bonded warehouse capability across the Australian mainland and in Auckland, New Zealand
- Invested in IT infrastructure to create better capacity management

Positioned for growth:

- At the forefront of changing dynamics of import-export demand
- Unique diversification of business will enable Wiseway to take advantage of emerging trends and growing demand
- Expanded capability to export fruit to Asia
- One-stop-shop logistics service provider

ASX: WWG (listed 31 October 2018)	
Global Industry Classification Standard	• Transportation
Shares issued	• 140,318,769
Market cap	• $21.05 million (as at 31 August 2020)
Financial year-end	• 30 June
Board	• **Michael Hughes**, Non-Executive Chairman • **Roger Tong**, Co-founder, CEO & Director • **Florence Tong**, Co-founder & Managing Director • **Stephen Chan**, Non-Executive Director • **Lin Xu**, Non-Executive Director (AZ Global)
Shareholders	• **Directors** 43.7% • **AZ Global** 19.75% • **SG Hiscock** 5.0% • **Free float** 32.55%

Questions

Appendix

Financial performance

($m)	FY20	FY19	Change %
Revenue	102.6	94.5	9%
Direct expenses	(74.7)	(73.7)	1%
Gross profit	**27.9**	**20.8**	**34%**
Gross profit margin	*27.2%*	*22.0%*	520 bps
Operating expenses:			
Employment costs	(17.4)	(13.2)	32%
Occupancy costs	(1.1)	(2.7)	(59%)
Share-based payments	(0.1)	(1.4)	(93%)
Administration and other expenses	(4.3)	(3.4)	26%
Total operating expenses	**(22.9)**	**(20.7)**	**11%**
EBITDA	**5.0**	**0.1**	**N.m.**
EBITDA margin	*4.9%*	*0.1%*	480 bps
Depreciation	(5.0)	(1.7)	194%
EBIT	**(0.04)**	**(1.6)**	**(98%)**
Finance costs	(1.6)	(0.5)	220%
Net profit/(loss) before tax	**(1.6)**	**(2.1)**	**24%**
Income tax expense	(1.8)	0.1	N.m.
NPAT	**(3.4)**	**(2.0)**	**(70%)**

bps = basis points
N.m. = Not meaningful

Commentary

Revenue

- Revenue for the year was $102.6 million, up $8.1 million (+9%), driven by growth of new business division sales.

Gross profit

- Direct expenses (COGS) were $74.7 million, up $1.0 million (+1%), due to higher sales and improved operational efficiency measures.
- As a result, gross profit was $27.9 million, an increase of $7.1 million (+34%). This resulted in a gross margin of 27.2% for the year, an improvement of 520 basis points.

Operating expenses

- Operating expenses for the year were $22.9 million, up $2.2 million (+11%), due to the annualisation of investment in infrastructure to expand the business platform and increased staffing levels to support the new service offerings during the prior year.

EBITDA

- Uplift in EBITDA from $0.1 million in FY19 to $5.0 million in FY20 saw the EBITDA margin improve to 4.9%.

Statutory NPAT

- The statutory net loss after tax of $3.4 million was primarily attributable to depreciation expense of $5.0 million, finance costs of $1.6 million and income tax expense of $1.8 million.
- The depreciation expense and finance costs were up from $1.7 million and $0.5 million respectively 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.

Balance sheet

($m)	30 Jun 2020	30 Jun 2019	Change %
Current assets:			
Cash and cash equivalents	8.6	4.6	87%
Trade, other receivables, other assets	8.3	11.4	(27%)
Inventories	0.1	0.1	-
Current tax assets	0.9	0.03	2900%
Other assets	1.7	3.2	(47%)
Total current assets	**19.6**	**19.3**	**2%**
Non-current assets:			
Financial assets	0.4	0.8	(50%)
Property, plant and equipment	43.2	25.0	73%
Deferred tax assets	-	1.6	N.m.
Total non-current assets	**43.6**	**27.4**	**59%**
Total assets	**63.2**	**46.7**	**35%**
Liabilities:			
Trade and other payables	6.6	9.9	(33%)
Loans and borrowings	10.2	2.9	252%
Employee benefits	1.0	0.9	11%
Provisions	0.02	0.02	-
Total current liabilities	**17.8**	**13.7**	**30%**
Non-current liabilities:			
Loans and borrowings	21.5	10.4	107%
Employee benefits	0.2	0.1	100%
Total non-current liabilities	**21.7**	**10.5**	**107%**
Total liabilities	**39.5**	**24.2**	**63%**
Total equity	**23.7**	**22.5**	**5%**

N.m. = Not meaningful

Commentary

Assets

- Trade receivables down driven by increased collections from corporate and larger credit account customers.
- Property, plant and equipment up 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.

Liabilities

- Trade payables down from prior period with DPO of approximately 30 days.
- Loans and borrowings up 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.

Cash flow

Re-investment to facilitate expected future growth

($m)	FY20	FY19	Change %
Operating activities	3.8	(3.1)	223%
Investing activities	(3.0)	(18.7)	(84%)
Financing activities	3.1	25.1	(88%)
Net increase in cash	**3.9**	**3.3**	**18%**

Commentary

Operating cash flow

- Higher proportional levels of cash received from customers driven by growth of new business division sales and increased collections from corporate and larger credit account customers.

Investing cash flow

- Final payments for property improvements, x-ray scanning machines, and increasing the fleet of trucks committed during FY19.

Financing cash flow

- $4.5 million capital injection from AZ Global.
- $2.6 million in finance lease payments during FY20.

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