24 February 2021

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ASX Announcement:

1H21 result: a turning point for Wiseway as its diversification strategy delivers

Wiseway Group Limited (Wiseway), one of the top integrated logistics providers in the Asia-Pacific region, today announced its financial results for the six months to 31 December 2020 (1H21).

Wiseway reported a 1H21 Net Profit After Tax (NPAT) of $3.4 million compared with a loss of $4.9 million in the previous corresponding period (pcp).

Highlights

- **A pivot in NPAT to $3.4 million, up 54% (pcp: loss of $4.9 million)**
- **Gross profit of $18.1 million, up 60%, and an uplift in gross margin by 100 basis points to 26%**
- **A significant increase in Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA) to $6.5 million (pcp: $0.1 million)**
- **Inbound and outbound air freight increased trading revenue by 25% to $45.4 million (pcp: $36.2 million)**
- **New business divisions more than doubled revenue to $24.0 million (pcp: $8.5 million**)

Key metrics	1H21	1H20	Change	Change %
Revenue ($m)	69.7	45.1	24.6	54
Gross profit ($m)	18.1	11.3	6.8	60
Gross margin	26%	25%	100 bps	4
EBITDA ($m)	6.5	0.1	6.4	Very large
EBITDA margin	9.3%	0.22%	914 bps	Very large
Net profit/(loss) after tax ($m)	3.4	(4.9)	8.2	Very large

CEO comments

Chief Executive Officer, Mr Roger Tong, said: “The significant growth in revenue reflects our investment in our team members, in our infrastructure and in expanding our operating platform to deliver multiple and integrated logistics services to our customers.

“The results are a turning point for Wiseway which, since the IPO, has successfully implemented its strategy of diversifying our business and our income streams.

“At IPO, only 5% of our trading revenue was from new business divisions. These divisions are now responsible for 34% of our trading revenue.”

Mr Tong said the first half of FY21 has been a period of growth in both volume weight and revenue compared to the prior half.

"This is a direct result of our FY20 investment in infrastructure and in our operating platform including bonded warehouses, accreditation for perishable operations and obtaining operational licences across Australia and New Zealand.

"Wiseway has also been improving operations through enhanced standard operating procedures and increasing investment in our staff across our new divisions – imports, China and New Zealand – to meet demand for logistics services.

Commenting on the impact of COVID, Mr Tong said that its Australian and Asian customers had turned to Wiseway for help in finding solutions to the challenges of importing and exporting between Australia and Asia.

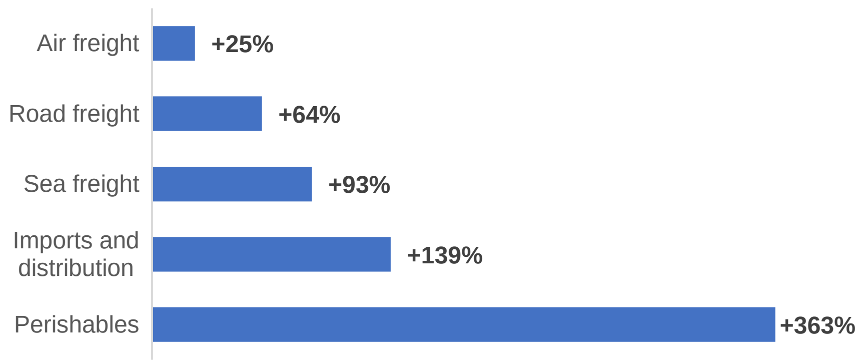
"We did this by leveraging our relationships with airlines, with shipping lines and our local trucking fleet and partners to ensure customers' cargo got in and out of Australian markets through alternative routes. We also secured cargo space by chartering flights. This has significantly increased Wiseway's capability to continue servicing demand for air freight."

1H21 financial result

Revenue increased by $24.5 million or 54% to $69.7 million. This increase was attributable to the higher revenue of $45.4 million, up 25% on pcp, from Wiseway's core business (air freight) division and revenue from new business divisions more than doubling to $24.0 million.

In the new business divisions, there was strong growth from:

- **perishables up by 363% to $11.1 million**
- **imports and distribution up by 139% to $4.3 million**
- **sea freight up by 107% to $2.7 million**
- **road freight up by 64% to $1.8 million**



Direct expenses increased by $17.7 million or 52% to $51.6 million in line with higher revenue.

Gross profit was $18.1 million up by $6.8 million (60% pcp). This resulted in a 100 basis point (bps) improvement in gross margin to 26% for the half.

Operating expenses were $11.6 million, up 4% pcp; as the business invested in its people, its infrastructure and its operations to implement its strategy of diversifying both the business and its income streams while keeping tight controls on staffing levels, overtime and outsourced functions.

There was a significant increase in **EBITDA** from $0.1 million in the pcp to $6.5 million in 1H21, reflecting the growth in revenue and disciplined cost management. This saw the EBITDA margin improve by 914 bps in 1H21.

Wiseway reported **tax income** of $1.9 million, reflecting a reversal of deferred tax assets in the period compared to 1H20.

Depreciation and amortisation for 1H21 was $2.6 million slightly higher than $2.5 million in the pcp.

Wiseway delivered an **NPAT** of $3.4 million, compared to a loss of $4.9 million in the pcp.

Strategic update

Mr Tong said the strength of the Wiseway business comes from having a platform, which supports multiple services resulting in a truly diverse income stream.

“Our integrated platform enables us to offer a range of logistics services that our customers can combine using one service provider in Wiseway rather than having to use several different service providers. This is helping Wiseway to grow revenue in both our core business and in our new business divisions.

“Our customs-bonded warehouses in all major cities in Australia and New Zealand have provided us with an advantage over other freight forwarders who do not have this capability.”

Mr Tong said Wiseway’s investments over FY20 in its people, its infrastructure and its operations had resulted in increased market share in the export of perishables such as seafood, fresh milk, chilled meat and fresh produce.

“The standout performer in our new business divisions was perishables, which increased revenue by 363%.

“To accommodate future growth, we have opened a Business Support Office in Guangzhou, China. This new office is in addition to our Shanghai office.

“After the end of the reporting period, we identified Los Angeles in the United States as a suitable location for the Wiseway’s next phase of expansion and establishing a presence in the United States, we will adopt a similar strategy to the one undertaken to expand into the New Zealand market in FY19.”

FY21 outlook

Mr Tong said that while demand for logistics services remains high, this may vary as the COVID-19 pandemic situation develops and changes.

“The Board and Management of Wiseway are focused on supporting our employees and our customers during any anxious or difficult times.

“We are well placed to face the challenges ahead for two reasons.

“First, Wiseway is in a solid financial position – we had an $8.7 million uplift in cash flow as a direct result of our operating activities and our net debt (loans and finance leases less cash on hand) has fallen from $4.9 million as at 30 June 2020 to $0.4 million as at 31 December 2020.

“Second, the breadth and depth of our diversified logistics services, our highly experienced management team and the risk management plans we have put in place, all position Wiseway to actively manage its operations and maximise its outcomes in the prevailing operating environment.”

ENDS

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 Asia-Pacific 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.

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APPENDIX

$ million	1H21	1H20	Change	Change %
Revenue	69.7	45.1	24.5	54
Direct expenses	(51.6)	(33.8)	17.7	52
Gross profit	**18.1**	**11.3**	**6.8**	**60**
Operating expenses	(11.6)	(11.2)	(0.4)	4
EBITDA	**6.5**	**0.1**	**6.4**	**N.m.**
Depreciation	(2.6)	(2.5)	(0.1)	4
Finance costs	(0.7)	(0.9)	(0.2)	(13)
Income tax income/(expense)	0.3	(1.6)	1.9	(120)
Net profit/(loss) after tax	**3.4**	**(4.9)**	**8.2**	**170**

N.m = not meaningful

Trading income by business division

$ million	1H21	1H20	Change	Change %
Air freight	45.4	36.2	9.2	25
Imports and distribution	4.3	1.8	2.5	139
New Zealand	0.9	0.2	0.7	350
China	0.2	1.3	(1.1)	(85)
Sea freight	2.7	1.4	1.3	93
Road freight	1.8	1.1	0.7	64
Perishables	11.1	2.4	8.7	363
Cargo sales agent	3.0	0.3	2.7	900
Trading income[1]	**69.4**	**45.1**	**24.7**	**55**

Note: Rounding up of numbers may affect period-on-period change percentages

[1] There is a difference between revenue of $69.7 million and trading income of $69.4 million due to revenue from other income and interest income.