

ASX: CLX



Full year June 2020 Financial Results

September 2020



*This announcement has been authorised for release to
the ASX by the CTI Logistics Limited Board of Directors*

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1 June 2020 Headlines

Challenging year, reduced costs, strong cash flow, quality people

- The results for the year continue to be impacted by the state of the economy, including as a result of COVID 19 for the second half of the year, natural disasters on the East coast and site relocations
- Our national expansion, to expand our reach and the range of services, along with our quality people, has mitigated some of the challenges we faced during the period
- Despite the challenges we remained committed to delivering on a number of key projects to support operational efficiencies, equipment utilisation, cyber security and safety
- We have built up significant operating leverage as a result of our lower cost base to generate greater upside when the market recovers
- The Company continues to generate strong cash flow and remains focused on targeted reinvestment, cost reduction and productivity initiatives to improve margins

1 June 2020 Headlines

Investing in quality infrastructure and industry leading systems

Transport

WA Regional Freight: Continued to enhance systems and processes, consolidated the network, strengthened the Northwest service by opening a depot in Port Hedland, relocating to larger depots in Bunbury, Geraldton and Kalgoorlie and continuing to invest in new transport equipment to improve utilisation and running costs

Interstate Freight: During the year the Company has invested in growing our national freight operations in Melbourne, Sydney and Brisbane, including relocating the Perth depot as well as relocating to a larger facility in Melbourne

Logistics

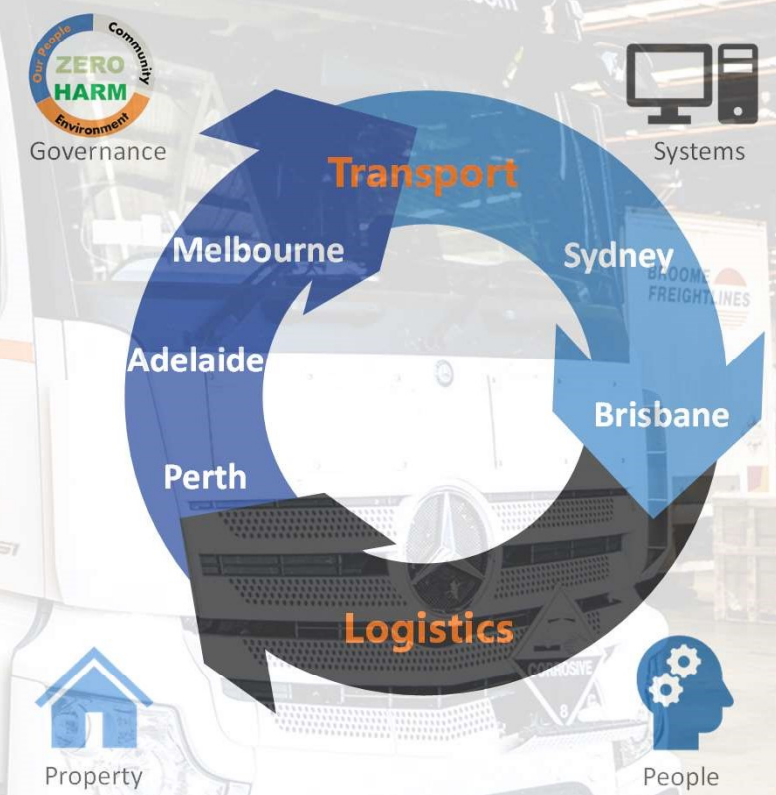
Warehousing: The implementation of the warehouse management system continued across multiple sites and customers with promising early signs of productivity improvements and increased warehousing activity in WA minerals and energy as well as QLD operations

GMK: After a successful implementation, we continue to optimise the new transport and warehouse management system, with future years expected to see the benefit of improved systems and performance

2 Targeted Investment

Supporting profitable growth

- Focused on growth in targeted areas to protect and grow margins
- Leverage the GMK and Interstate Freight footprint to lay the foundation for an integrated national transport and warehousing operation
- Implement industry leading integrated warehouse and transport management systems, supported by skilled personnel, to drive operational efficiencies and superior customer service
- Maximise utilisation of owned property, supplemented by quality leased facilities in strategic locations
- Develop strategic landholding of 95,000sqm adjoining owned facility in Hazelmere WA, consolidating complementary operations to drive productivity¹



Note 1: Company-owned facility in Hazelmere WA presently covers 54,000sqm (total site is 149,000sqm)

3 June 2020 Financial Performance

Headline Results for the year to 30 June 2020

Leasing standard AASB 16 adopted

Revenue	NPBT	EPS
\$215.2m	\$3.9m loss	5.79 cps loss
FY19: \$212.0m Up 2%	FY20: \$2.5m profit ⁽¹⁾ FY19: \$4.1m profit ⁽²⁾ Down 40%	FY20: 2.44 cps profit ⁽¹⁾ FY19: 4.18 cps profit ⁽²⁾ Down 42%
EBITDA	NPAT	DPS
\$23.0m	\$4.3m loss	0 cps
FY20: \$14.0m ⁽¹⁾ FY19: \$15.2m ⁽²⁾ Down 8%	FY20: \$1.8m profit ⁽¹⁾ FY19: \$3.1m profit ⁽²⁾ Down 42%	FY19: 0 cps

Reconciliation of NPBT (\$M)	Jun-20	Jun-19
Reported net profit / (loss) before tax	(3.9)	1.8
Exclude: Adoption of AASB 16	0.6	-
Exclude: Impairment on properties	5.8	-
Add: Contingent consideration on acquisition	-	2.3
Adjusted NPBT	2.5	4.1

Note 1: Excluding the impact of the leasing standard AASB 16, noting the comparative period has not been restated for AASB 16 and excluding the impairment of properties (non tax deductible)

Note 2: After adding back contingent consideration of \$2.34m relating to the purchase of Jayde Transport (not tax deductible)

4 June 2020 Financial Review

Transport Segment

Revenue
\$126.8m Up 5%



NPBT⁽¹⁾
\$3.9m Down 9%



- Revenue up 5% on last year
- Interstate freight revenue has continued to grow from the new lanes, partially offset by lower volume in the key lane from Melbourne to Perth
- WA regional freight volume has continued to improve
- Parcel revenue has grown in part due to COVID 19 activity
- WA taxi trucks and courier volumes have fallen by 10%

- Difficult market conditions have continued in certain sectors of the WA market and the interstate freight business, further impacted by natural disasters, the relocation of operations in two states and the impact of COVID 19 on customers across the client base
- WA regional freight margins continue to improve following the consolidation of the network and improvement in the quality of revenue
- Parcel margins are up with courier and taxi truck margins slightly up despite continued margin pressure in WA

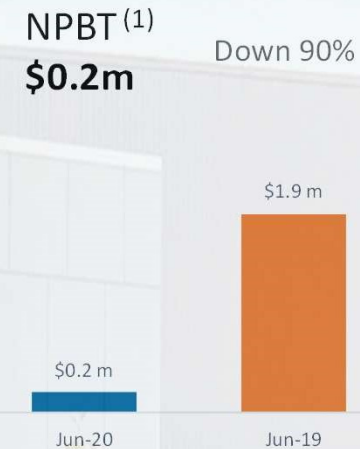
Note 1: June 2019 is after adding back \$2.34m contingent consideration related to Jayde Transport acquisition.
June 2020 reported profit is after the impact of AASB 16 which if added back would increase profit before tax by \$0.1m

4 June 2020 Financial Review

Logistics Segment



- Revenue for the segment is down \$2.3m on last year all of which occurred in the first half including:
 - \$1.2m decline in transport revenues in the flooring industry
 - \$1.0m decline in warehouse revenues across a wide range of clients in WA
 - Minerals and Energy activity increased marginally in line with expectations

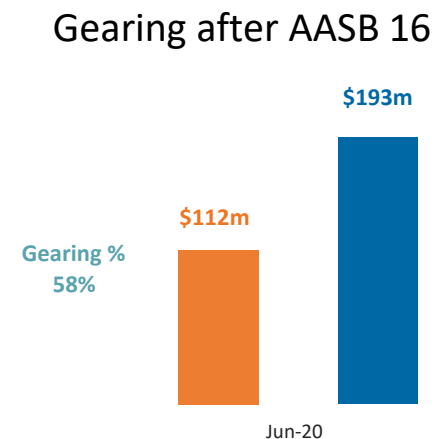
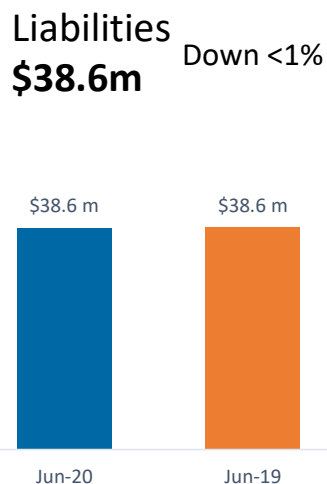
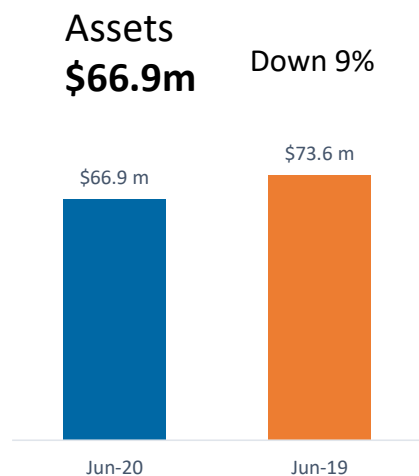


- Significant decline in the flooring industry margin due to lower transport revenues and the implementation cost of a new IT system
- Property lease cost reduction for Minerals and Energy division taking effect from the start of the period and throughout the period
- \$0.4m of investment in east coast warehousing operations
- Reduction in volumes and margin pressure across a wide range of clients across the country along with the impact of COVID 19 on customer supply chains

Note 1: June 2020 reported profit is after the impact of AASB 16 which if added back would increase profit before tax by \$0.5m

4 June 2020 Financial Review

Property Segment



- Only material movement in assets is a \$5.8m impairment at 30 June 2020 on the vacant land at Hazelmere due to current market conditions
- CTI accounts for property at cost; at 30 June 2020 property was valued at \$78.6m, amounting to \$11.7m of value not recognised on the Balance Sheet

- No material movement in liabilities
- Backed by \$23.3m of land at Hazelmere WA site for future development
- Total bank borrowings excluding guarantees and lease liabilities is \$42.8m

- The gearing ratio after including AASB 16 lease liability has increased the gearing ratio to 58%
- The prior period gearing ratio on the same basis was 60%

■ Net debt - Total borrowings (including AASB 16 lease liabilities) less cash and cash equivalents
■ Total capital - Total equity plus net debt

4 June 2020 Financial Review

Consolidated Balance Sheet

	Post AASB16 June 2020 (\$M)	Pre AASB16 June 2020 (\$M)	June 2019 (\$M)	Commentary
Assets				
Cash and cash equivalents	7.6	7.6	2.2	➤ Strong cash generation during the period with focus on available cash to increase liquidity
Receivables and prepayments	29.9	29.9	31.3	➤ Debtors include trade and other receivables, prepayments and expected tax refunds
Inventories	0.2	0.2	0.1	
Current Assets	37.7	37.7	33.6	
Other	0.1	0.1	0.1	
Property, plant and equipment	90.0	90.0	98.0	➤ Decrease after asset additions net of depreciation and a \$5.8m impairment on the vacant land at Hazelmere with existing assets maintaining existing classification under AASB 16
Investment properties	2.2	2.2	2.2	➤ One remaining non-core investment property
Deferred tax assets	4.0	0.9	0.6	➤ Increase due to deferred tax asset recognised on the adoption of AASB 16
Right-of-use assets	43.2	-	-	➤ Recognition of right-of-use asset per AASB 16 (the comparative period has not been restated)
Intangibles	32.8	32.8	34.0	➤ Goodwill, customer relationships, brand and trade names net of amortisation of intangible assets
Non-current assets	172.3	126.0	134.9	
Total assets	210.0	163.7	168.5	
Liabilities				
Trade and other payables	17.7	20.0	21.7	➤ Decrease due to reclassification of lease incentives per AASB 16 and after movements in accruals, payroll tax, GST and current tax
Lease liabilities	14.9	2.8	2.2	➤ Short term portion of lease liabilities per AASB 16 including hire purchase liabilities
Provisions	6.7	6.7	6.0	➤ Short term portion of leave provisions
Current liabilities	39.3	29.5	29.9	
Lease liabilities	44.1	2.8	2.0	➤ Long term portion of lease liabilities per AASB 16 including hire purchase liabilities
Loans and borrowings	42.8	42.8	44.3	➤ Bank borrowings
Provisions and other liabilities	2.2	2.2	2.0	➤ Long term portion of leave provisions
Non-current liabilities	89.1	47.8	48.3	
Total liabilities	128.4	77.3	78.2	
Total net assets	81.6	86.4	90.3	➤ Reduction in net assets at the start of the period on the adoption of AASB 16
Number of shares on issue	77.7	77.7	77.7	➤ No issue of shares during the year to 30 June 2020
NTA per share at valuation (cps)	0.78	0.84	0.89	➤ Including property value not recognised on the Balance Sheet

4 June 2020 Financial Review



Corporate Dashboard

Shareholders at 31 July 2020	Number of FPO	Percentage of Issued Capital (%)
1 David R Watson	25,347,469	32.62%
2 JP Morgan Nominees Australia Ltd	9,931,723	12.78%
3 Simon Dirk Kenworthy-Groen	3,906,399	5.03%
4 David A Mellor	3,712,564	4.78%
5 Parmelia Pty Ltd	3,488,551	4.49%
6 Bruce E Saxild	3,336,364	4.29%
7 CITI Corp Nominees Pty Ltd	2,056,259	2.65%
8 HSBC Custody Nominees Ltd	2,037,276	2.62%
9 Dixson Trust Pty Ltd	1,686,633	2.17%
10 NCH Pty Ltd	941,084	1.21%
Other	20,607,874	27.37%
Total	77,712,420	100.00%

Corporate Information

ASX Code	CLX
Shares on Issue	77.7M
Options on Issue	Nil
Share Price at 1 September 2020	\$0.54
Market Capitalisation	\$42.0M

CTI Logistics Limited – share price trading volume



5 FY21 Focus

Customer focus and operational efficiencies

WA Regional Freight: Well-positioned to capitalise on improved volumes following a period of strengthening systems and processes, equipment renewal and network optimisation

Interstate Freight: Targeted growth in the road and rail network between mainland capitals, focussing on growing new lanes, customer service, freight profiles and ongoing investment in local pick-up/delivery equipment to maximise returns

Cash Flow: Maintaining the revenue base, targeted cost saving initiatives and sustainable productivity measures to improve margins and support ongoing debt reduction

Warehousing: Take advantage of an enhanced system capability and national footprint to capitalise on a growing pipeline of opportunities expected to generate increased utilisation and improved margins, while continuing to optimise the leasing footprint

GMK: Realise cost reductions and streamline customer service from the recently installed industry leading warehouse and transport management systems across the national operation, along with targeted investment in transport equipment to enhance utilisation

6 What we do

Transport

Couriers

- On demand express services
- Technical services (eftpos and computer swap outs)
- Vehicles range from pushbikes in CBD to two tonne capacity

Taxi Trucks

- On demand express services
- Exclusive hourly hire services
- Vehicles range from two tonne capacity through to semi-trailers

Regional Freight

- Scheduled road services to South West and North West of WA
- Vehicles range from rigid to triple road trains

Fleet Management

- Provision of dedicated trucks and trailers on permanent hire

Parcels

- Same day and overnight distribution
- E-commerce “last mile” B2B and B2C
- Two and four runs a day services

Interstate Freight

- Scheduled road and rail services to and from Perth, Adelaide, Melbourne, Sydney and Brisbane

Specialised Services

- Rail and wharf container handling
- Truck mounted cranes
- Tail lift vehicles
- Hot shot services

6 What we do

Logistics

Warehousing

- 3PL, 4PL, supply chain and overflow warehousing
- Contracted distribution centre services
- Bulk product storage
- Consolidation services
- Cross Docking
- Temperature controlled and food grade (HACCAP)
- Specialised warehousing

CTI Projects

- Supply base warehousing and asset management
- Project labour services
- Plant and equipment hire
- Quarantine cleaning and fumigation
- Asset preservation shrink wrapping
- Minerals and energy

E-commerce Fulfilment

- Inventory storage and management
- Pick and pack
- Labelling, reworking and kitting
- Order shipments
- Returns management

Flooring Products (GMK)

- Specialised warehousing
- Carpet and vinyl cutting services
- Specialised Australia-wide distribution network

6 What we do

Other

Document Management

- Document and Sample Storage:
Secure storage, cataloguing and retrieval of documents, computer media and mineral samples
- Document Destruction:
Supervised destruction of documents/media and recycling within a closed loop service utilising CTI transport and warehousing facilities

Security

- Monitoring:
ASIAL graded A1 24/7 control room monitoring of alarms, lone worker protection, medical alerts and CCTV video verification for CTI Security clients and third party security businesses
- Installation:
Installation and servicing of monitored alarms, CCTV and access control products for residential and commercial markets

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