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ASX Announcement

Wiseway Group Limited (ASX: WWG)

FY20 Result for Twelve Months Ended 30 June 2020: Benefits of Revenue Diversification Strategy Flow Through in 2020

Wiseway Group Limited (Wiseway or the Company) today announced its financial results for the twelve months ended 30 June 2020 (FY20).

Highlights

- **Sea Freight** revenue growth of 270 per cent
- **Perishables** revenue growth of 231 per cent
- **Imports and Distribution** revenue growth of 144 per cent
- **Road Transportation** revenue growth of 35 per cent
- **Total Revenue** of \$102.6 million, up 9 per cent
- **EBITDA** of \$5.0 million
- **Strong Net Operating Cash Flow in 2H FY20** of \$6.9 million

Wiseway Chief Executive Officer, Roger Tong, commented: “Wiseway’s strategy of diversifying its business and income, has delivered a step-change in net operating cash flow. This was particularly evident in the second half of the year, which was driven by strong demand for new service offerings on our expanded platform – sea freight, perishables, imports and distribution, and road transportation.

“Our transformation into a truly integrated logistics service provider has contributed to substantial growth in revenue, up 9 per cent to \$102.6 million.

“Notably, 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.

“Our ability to now deliver integrated logistics services and maintain freight capacity in a tightening market, has enabled us to win new customers, particularly the larger Australian importers and exporters.

“Wiseway is one of the top Australian air freight forwarders servicing over 100 destinations in the Asia-Pacific region. Our strong market position in export air freight has been complemented by organic growth in perishables, sea freight, imports and distribution, and the road transportation business in Australia and New Zealand.”

Outperformance in new market conditions generates step-change in cash flow

H1 vs H2 outperformance (\$million)	1H20	2H20	FY20
Cash flow:			
Net operating cash flow	(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 and loss:			
Revenue	45.1	57.5	102.6
Gross profit	11.2	16.7	27.9
<i>Gross profit margin %</i>	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)

Mr Tong commented: “Notably, in the second half of FY20, the business generated a turnaround \$4.6 million free cash flow, which represents free cash flow per share of 3.3 cents, up from -2.8 cents in the first half of FY20.

“This strong cash flow generation enabled Wiseway to deliver a profit before tax of \$1.7 million for the second half of FY20. This places us in a strong position to continue the positive growth momentum into FY21.”

FY20 financial result overview

Revenue for FY20 was \$102.6 million, up \$8.1 million or 9 per cent, primarily driven by Wiseway’s new service offerings. Revenue from the core business of dry air freight was down 8 per cent, however, revenue attributable to new business divisions increased by 208 per cent, from \$7.4 million to \$22.8 million during the year. The growth in revenue was primarily attributable to:

- Particularly strong growth in perishables, including fresh produce, seafood and dairy products (+\$6.0 million or +231 per cent).
- Investment in Wiseway’s logistics network and facilities contributing to growth in sea freight (+\$2.7 million or +270 per cent).
- Increased demand in e-commerce, strong growth in imports and distribution (+\$2.3 million or +144 per cent).
- Supporting services, including Road Transportation, Airnex, and the Shanghai office increasing from \$2.2 million in the prior year to \$4.6 million.
- Contribution from the newly launched New Zealand business of \$2.0 million.

Gross profit for FY20 was \$27.9 million, up \$7.1 million or 34 per cent. This was driven by an increase in gross margin of 520 basis points to 27.2 per cent, up from 22.0 per cent on the prior year.

Operating expenses for the full year were \$22.9 million, up \$2.2 million or 11 per cent, due to investment in infrastructure and increased staffing levels to create better capacity management.

Earnings before interest, tax, depreciation and amortisation (EBITDA) was \$5 million.

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, due to reclassification of operating leases under the new accounting standard on leases AASB 16; and income tax expense of \$1.8 million due to the removal of the previously recognised deferred tax asset on the balance sheet in accordance with the accounting standard on income taxes AASB 112.

FY21 outlook

Wiseway has been an essential service provider during the COVID-19 pandemic and will continue to be one during recovery.

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

Post 30 June 2020, Wiseway has maintained a strong financial position, with sufficient cash facilities to support the business. The first month of FY21 has seen trends from 2H FY20 continuing.

The Company's future capital requirements are not substantial as all expansion projects envisioned pre-IPO have now been completed.

The macro-economic outlook remains volatile. However, Wiseway's transformation, strong financial position, and experienced management team should enable Wiseway to continue its positive momentum and be at the forefront of the changing dynamics of the transportation and logistics sector.

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 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.

Website: www.wiseway.com.au

Appendix

Profit and Loss

\$ million	FY20	FY19	Change	Change %
Revenue	102.6	94.5	8.1	+9%
Direct expenses	(74.7)	(73.7)	(1.0)	+1%
Gross profit	27.9	20.8	7.1	+34%
Gross margin %	27.2%	22%	+520 bps	24%
Operating expenses	(22.9)	(20.7)	(2.2)	+11%
EBITDA	5.0	0.1	4.9	N.m.
EBITDA margin %	4.9%	0.1%	+480 bps	N.m.
Depreciation	(5.0)	(1.7)	(3.3)	+194%
Finance costs	(1.6)	(0.5)	(1.1)	+220%
Net profit/(loss) before tax	(1.6)	(2.1)	0.5	+24%
Income tax expense	(1.8)	0.1	(1.9)	N.m.
NPAT	(3.4)	(2.0)	(1.4)	-70%

Bps = basis points

N.m. = Not meaningful

Revenue by Business Division

\$ million	FY20	FY19	Change	Change %
Air freight	79.8	87.2	(7.4)	-8%
Sea freight	3.7	1.0	2.7	+270%
Perishables	8.6	2.6	6.0	+231%
Road transportation	2.3	1.7	0.6	+35%
Airnex	0.9	0.1	0.8	+800%
Imports and distribution	3.9	1.6	2.3	+144%
New Zealand	2.0	-	2.0	-
China	1.4	0.4	1.0	+250%
Total	102.6	94.5	8.1	+9%