

27 February, 2019

ASX Announcement

Wiseway Group Limited (ASX:WWG)

Half year results announcement to 31 December, 2018

HIGHLIGHTS OF 1H FY2018 (JUL TO DEC 2018):

- **Strong revenue of \$47.3m up 17% on PCP**
- **Growth across all business segments, including strong performance from the Company's emerging perishables division**
- **Melbourne operations expanded with additional 2,400m² facility at Tullamarine**
- **Contracted to purchase 8,900m² property adjacent to existing Chipping Norton operation to cater for future growth**
- **China business development office opened in Shanghai**
- **Commits to expand operation to Auckland, New Zealand**
- **Receives Regulated Air Cargo Agent (RACA) Designation**
- **Strong balance sheet with \$18.2m cash to facilitate expected growth**

Wiseway Group Limited (**Wiseway** or the **Company**) is pleased to report its first half year financial results since its admission to the official list of ASX on 31 October 2018. As announced to ASX on 29 November 2018 Wiseway, has relied on ASIC Corporations (Disclosing Entities) Instrument 2016/190 (**ASIC Instrument**) to the effect that the consolidated Group Interim Financial Report and accompanying Appendix 4 (lodged separately on ASX today) is for the period 16 March 2018 (date of incorporation) to 31 December 2018.

The discussion and analysis contained in this half year results announcement references the Company's financial results for the six month period between 1 July to 31 December 2018. This is to align with the financial disclosures in the Company prospectus as presented in the table below. Statutory Historical and Historical Pro-forma financial statements for the six month period, from 1 July 2018 to 31 December 2018, are contained in Appendix 1.

FINANCIAL PERFORMANCE

The table below provides a “bridge” of the Company’s performance from the 9 months Statutory Historical Results to the 6 months Statutory Historical and Pro-Forma Historical results.

During the 6 month period to 31 December 2018, the Company experienced strong revenue growth of \$47.3m, up \$6.8m or 17% on the prior comparable period. This was primarily driven by dry cargo up 16%, transport up 29%, with perishables up +500% and imports up +200% both off a low base.

Income statement \$ million	9 months 31 Dec 2018 ¹	3 months Apr–Jun 2018 ¹	6 months Jul-Dec 2018 ¹	IPO related adjustments	Pro-forma Jul-Dec 2018
Total revenue	69.8	22.5	47.3	-	47.3
Cost of sales	(55.0)	(17.9)	(37.1)	-	(37.1)
Gross profit	14.7	4.6	10.1	-	10.1
<i>...margin</i>	<i>21.1%</i>	<i>20.5%</i>	<i>21.4%</i>	-	<i>21.4%</i>
Operating expenses					
Employment costs	(8.4)	(2.8)	(5.6)	-	(5.6)
Occupancy costs	(1.5)	(0.4)	(1.1)	-	(1.1)
Share based payments	(1.1)	-	(1.1)	(1.1)	(0.1)
Admin and other expenses	(2.7)	(0.4)	(2.3)	(0.9)	(1.4)
Total operating expenses	(13.8)	(3.7)	(10.1)	(2.0)	(8.1)
EBITDA	1.0	0.9	0.0	(2.0)	2.0
<i>...margin</i>	<i>1.4%</i>	<i>4.2%</i>	<i>0.0%</i>	-	<i>4.2%</i>
Depreciation	(1.0)	(0.3)	(0.7)	-	(0.7)
EBIT	(0.0)	0.6	(0.7)	(2.0)	1.3
Net financing income (loss)	(0.3)	(0.1)	(0.2)	-	(0.2)
Net profit before tax	(0.3)	0.6	(0.9)	(2.0)	1.1
Income tax expense	(0.4)	(0.3)	(0.0)	0.3	(0.3)
Net profit after tax	(0.7)	0.2	(0.9)	(1.7)	0.8

Notes

¹ Based on the audit reviewed consolidated financial statements for the period 16 March 2018 to 31 December 2018 for Wiseway Group Limited and its subsidiaries

Financial Review – 6 Month Pro-Forma Historical Results

Income statement \$ million	Pro forma Jul-Dec 2018 ¹	PCP Jul-Dec 2017 ²	Movement	
			\$	%
Total revenue	47.3	40.5	6.8	17%
Cost of sales	(37.1)	(33.1)	(4.0)	12%
Gross profit	10.1	7.3	2.8	38%
<i>...margin</i>	<i>21.4%</i>	<i>18.1%</i>		<i>330bps</i>
Operating expenses				
Employment costs	(5.6)	(4.0)	(1.7)	42%
Occupancy costs	(1.1)	(0.7)	(0.3)	45%
Share based payments	(0.1)	-	(0.1)	-
Admin and other expenses	(1.4)	(0.5)	(0.8)	153%
Total operating expenses	(8.1)	(5.2)	(2.9)	55%
EBITDA	2.0	2.1	(0.1)	(4%)
<i>...margin</i>	<i>4.2%</i>	<i>5.2%</i>		<i>(90bps)</i>
Depreciation	(0.7)	(0.8)	0.1	(12%)
EBIT	1.3	1.3	0.0	1%
Net financing income (loss)	(0.2)	(0.2)	0.0	13%
Net profit before tax	1.1	1.1	0.0	(1%)
Income tax expense	(0.3)	(0.3)	-	-
Net profit after tax	0.8	0.8	0.0	(1%)

Notes

¹ Based on audit reviewed consolidated financial statements for the period 1 July 2018 to 31 December 2018 for Wiseway Group Limited and its subsidiaries

² Based on audit reviewed financial statements for the period ended 31 December 2017 for Wiseway Logistics Pty Ltd and its subsidiaries

Co-founder and CEO, Roger Tong said “I am very pleased with the first half yearly result as an ASX listed company. We have delivered strong revenue growth during a period when the Company was undertaking an IPO process which took some of our focus momentarily, but I am very satisfied with the momentum I see building across the business and with our results at this time”.

Gross profit of \$10.1m, up \$2.8m or 38% driven by volume improvements and efficiency gains from ULD packaging and higher airline incentives. As a result, the gross margin improved consistent with Company expectations, improving 330bps to 21.4% over the prior comparable period, for the reasons noted above.

Operating costs up \$2.9m or 55%. Employment costs up consistent with Company expectations driven by key hires in perishables and inbound, increased utilisation of casual drivers and other staff as well as higher costs associated with being a listed company. Occupancy costs have increased over the prior comparable period reflecting the full half-year impact of rental expense on the Company's Brisbane premise and expansion in Melbourne. Administration and other operating costs are up \$0.8m driven by higher investment in the half in costs related to expansion activities. This includes new sites in China and New Zealand (that are expected to reduce in the second half), as well as increased IT related costs and costs associate with being a listed entity. Overall, operating costs reflect continued investment in business expansion that is ahead of expectations.

WiseWay has continued to make important investments into both people and operations to facilitate the current and expected growth in outbound and inbound cargo and domestic transportation. As a result of this investment, 1HFY2019 underlying EBITDA is \$2.0m.

OPERATIONS REVIEW

Domestic

WiseWay has seen strong growth across each of its business segments, particularly perishables and imports, leading to continued investment in operations both in terms of people and facilities. This investment includes the significant expansion of the Company's Sydney and Melbourne operations (discussed further below) that are directed to position the Company for growth in inbound, ecommerce and domestic transport as well as providing the capacity for new outbound business segments.

The Company has expanded its Melbourne operations with the addition of a new 2,400 m² warehouse located at Tullamarine within Melbourne's airport precinct. The warehouse has immediate access to Melbourne's international airport and is the base for WiseWay's express transport team that support our consolidator and other high frequency customers.

On 22 December 2018, the Company contracted to purchase a 8,900m² property including 5,000m² of warehouse, in Chipping Norton (Sydney) immediately adjacent to Wiseway's existing 8,900m² facility. This strategic addition will significantly increase Wiseway's outbound dry goods warehouse capacity in Sydney to facilitate future growth opportunities. The facilities are well located for access to both Sydney's existing airport as well as the Western Sydney Airport (currently under construction). Settlement on the new property is still expected to occur during the March quarter 2019 and will be funded from existing cash and a new debt facility. The Company has had access to approximately 2,300m² of warehouse capacity at this facility from early January 2019, the remaining 2,700m² of warehouse capacity will be available from June 2019.

International

Post the 1HFY2019 reporting period, the Company announced on 8 February, 2019 that it has established and opened an office in Shanghai within Changyang Campus, an innovation hub. Wiseway Shanghai International Logistics Company Limited's (Wiseway China) focus will be on developing China based, outbound business customers who will utilise Wiseway's integrated logistics services in Australia and New Zealand. Wiseway China will be led by CEO, Mr Jonathan Qiao, a veteran in international logistics and supply chain management who joins Wiseway China from Sai Cheng Logistics International Co. Ltd, where he managed the China Post and Australia Post joint venture.

Wiseway has committed to expand its operations to Auckland having agreed to lease an approximately 2,500 m² facility comprising approximately 1,700m² of warehouse and 400m² of cold storage. Wiseway's New Zealand facility is located in the highly desirable Airport Oaks precinct, a short distance from Auckland International airport. Wiseway expects to commence operations in the facility in March 2019.

Co-founder and Managing Director, Florence Tong said "We see great potential for Wiseway in New Zealand and this facility provides an ideal base from which Wiseway can quickly build its operations in Auckland. The facility is located in the sought after Airport Oaks precinct and with excellent warehouse and cold store facilities ready for operations to commence immediately"

Regulated Air Cargo Agent (RACA)

Wiseway has invested in the latest scanning technology and associated security infrastructure and has been designated as Regulated Air Cargo Agent (RACA) by the Department of Home Affairs (DHA). This technology and associated infrastructure will enable the Company to scan and clear its own outbound international air cargo.

From 1 March 2019, all outbound international air cargo will be required to be screened. Subject to authorisation by the DHA, that Wiseway expects is close to finalisation, the Company will be able to conduct x-rays of all its outbound international air cargo it transports at our own premises. In addition, Wiseway will be able to provide the scanning service to other non-accredited businesses. Wiseway's facilities will be set up to undertake this scanning service in all of the Company's warehouses Australia wide. By providing this service, the Company believes there is operating leverage to Wiseway as well as the ability to attract new customers from logistics providers who aren't accredited. Due to the very high security standards and reconfiguring required for our RACA registration, we have had to defer our customs bonded warehouse application in Melbourne. We anticipate the customs warehouse to be approved following an inspection by Australian Border Force over the next few months.

OUTLOOK

It is expected that for the second half Wiseway will start to see benefits coming through from a number of favourable macro settings including:

- **Increase in the number of Free Trade Zones in China** - from 1 January, 2019 the number of Free Trade Zones in China increased to 22 cities from 15 cities in 2018. We believe this will provide Wiseway with further growth opportunities in these new Free Trade Zones.
- **The China-Australia Free Trade Agreement (ChAFTA)** – ChAFTA has facilitated Australian perishable exports entering China either duty-free or at preferential rates and is a major growth opportunity. A number of tariffs were eliminated on 1 January 2019, including elimination of the 15% tariff on infant formula, and as such the Company did not yet benefit from the reduction in tariffs in the 1H FY2019 financial period. Encouragingly, since 1 January, 2019, we have witnessed a strong increase in perishable freight volumes.

In addition, we continue to gain new customers in our growing perishables business across dairy, fresh meat, seafood and fruit and will continue to build on this momentum by expanding our national footprint to provide Chinese customers efficient access to fresh Australian perishable produce. Wiseway's New Zealand facility provides the Company with further cold store capacity to build perishables exports in this region. In line with Wiseway's strategy, the Company will expand its perishables division from its Sydney and Melbourne facilities to open additional cold storage facilities in Brisbane, Perth and Adelaide before the end of FY2019.

RACA, or more precisely scanning services, will provide incremental revenues from all of Wiseway's existing customer base for outbound international air cargo. Additionally, Wiseway expects to gain new customers for its screening services. As such, Wiseway expects screening services, once fully implemented, to contribute strong top line growth and improved margins.

Further, traditionally the second half has been the mildly strong half. The Company expects the underlying operations (ex RACA) to benefit from ongoing operational improvements, such as ULD packaging, and contribute further margin improvement.

For further information, investors please contact:

Roger Tong
Executive Director and CEO
E: roger@wiseway.com.au

Mark Ziirsén
Group CFO and Company Secretary
T: +612 9790 7888

About Wiseway Group Limited

WiseWay Group Limited (ASX:WWG) is a leading provider of integrated logistics in Australia 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 1 – 6 MONTHS HISTORICAL STATUTORY AND PRO-FORMA FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the period ended 31 December 2018

	Wiseway Group ¹ Statutory Half year ended 31 December 2018 \$m	Wiseway Group ¹ Proforma ³ Half year ended 31 December 2018 \$m	Wiseway Logistics ² Statutory Half year ended 31 December 2017 \$m
Revenue	47.3	47.3	40.5
Direct expenses	(37.1)	(37.1)	(33.1)
Gross profit	10.1	10.1	7.3
Gross margin	21.4%	21.4%	18.1%
Expenses			
Employee benefits expenses	(5.6)	(5.6)	(4.0)
Occupancy expenses	(1.1)	(1.1)	(0.7)
Depreciation expense	(0.7)	(0.7)	(0.8)
Share based payments	(1.1)	(0.1)	-
Administration and other expenses	(2.3)	(1.4)	(0.5)
Results from operating activities	(0.7)	1.3	1.3
Net finance costs	(0.2)	(0.2)	(0.2)
Loss before income tax	(0.9)	1.1	1.1
Income tax expense	(0.0)	(0.3)	(0.3)
Loss for the period	(0.9)	0.8	0.8

Notes

¹ Calculated based on audit reviewed consolidated financial statements for period ended 31 December 2018 for Wiseway Group Limited and its subsidiaries

² Based on audit reviewed consolidated financial statements for the half year ended 31 December 2017 for Wiseway Logistics Pty Ltd and its subsidiaries

³ Calculated based on audit reviewed consolidated financial statements for period ended 31 December 2018 for Wiseway Group Limited and its subsidiaries, excluding IPO related costs.

The Consolidated Statement of Profit or Loss above should be read in conjunction with the Wiseway Group Limited 31 December 2018 Interim Financial Report, available at www.wiseway.com.au.

APPENDIX 1 – CONT

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Wiseway Group ¹ Statutory As at 31 December 2018 \$m	Wiseway Logistics ² Statutory As at 31 December 2017 \$m
Assets		
Current assets		
Cash and cash equivalents	18.2	1.3
Trade and other receivables	10.7	7.2
Inventory	0.1	-
Total current assets	29.0	8.5
Non-current assets		
Financial assets	0.8	0.7
Property, plant and equipment	10.4	8.4
Deferred tax assets	1.1	0.2
Total non-current assets	12.3	9.4
Total assets	41.4	17.9
Liabilities		
Current liabilities		
Trade and other payables	10.1	7.3
Borrowings	2.2	3.8
Employee benefits	0.7	0.2
Provisions	0.0	0.0
Current tax liabilities	0.3	0.3
Total current liabilities	13.4	11.7
Non-current liabilities		
Borrowings	4.4	4.4
Total non-current liabilities	4.4	4.4
Total liabilities	17.9	16.1
Net assets	23.5	1.8
Equity		
Share capital	22.6	0.0
Share based payment reserve	0.1	-
Retained earnings	0.9	1.7
Equity attributable to owners of the Company	23.5	1.7
Non-controlling interests	0.0	0.0
Total equity	23.5	1.8

Notes

¹ Based on audit reviewed consolidated financial statements for period ended 31 December 2018 for Wiseway Group Limited and its subsidiaries

² Based on audit reviewed consolidated financial statements for the half year ended 31 December 2017 for Wiseway Logistics Pty Ltd and its subsidiaries

The Consolidated Statement of Financial Position above should be read in conjunction with the Wiseway Group Limited 31 December 2018 Interim Financial Report, available at www.wiseway.com.au.

APPENDIX 1 – CONT

CONSOLIDATED STATEMENT OF CASH FLOWS For the period ended 31 December 2018

	Wiseway Group ¹ Statutory Half year ended 31 December 2018 \$m	Wiseway Group ¹ Proforma ³ Half year ended 31 December 2018 \$m	Wiseway Logistics ² Statutory Half year ended 31 December 2017 \$m
Cash flows from operating activities			
Cash receipts from customers	48.6	48.6	41.9
Cash paid to suppliers and employees	(46.9)	(46.9)	(39.2)
Cash generated from operations	1.7	1.7	2.7
Interest received	0.1	0.1	0.0
Interest paid	(0.2)	(0.2)	(0.2)
Income tax paid	(0.4)	(0.4)	(0.4)
Net cash flows from operating activities	1.2	1.2	2.1
Cash flows from investing activities			
Payments for property, plant and equipment	(2.1)	(2.1)	(0.0)
Proceeds from sale of property, plant and equipment	0.0	0.0	-
Payments for investments	(0.5)	(0.5)	-
Payments for investments in term deposits	(0.4)	(0.4)	-
Payments for acquisition of subsidiaries, net of cash acquired	-	-	-
Net cash flows used in investing activities	(3.0)	(3.0)	(0.0)
Cash flows from financing activities			
Repayment of finance lease liabilities	(1.5)	(1.5)	(0.9)
Proceeds from related party loans	0.2	0.2	1.1
Repayments of related party loans	(0.3)	(0.3)	-
Proceeds from share issuance	23.0	-	-
Payment for share issue costs	(2.7)	-	-
Net cash flow from financing activities	18.8	(1.6)	0.2
Net increase in cash and cash equivalents	16.9	(3.5)	2.3
Cash and cash equivalents at beginning of the period	1.3	1.3	0.4
Cash and cash equivalents at end of the period	18.2	(2.2)	2.7

Notes

¹ Calculated based on audit reviewed consolidated financial statements for period ended 31 December 2018 for Wiseway Group Limited and its subsidiaries

² Based on audit reviewed consolidated financial statements for the half year ended 31 December 2017 for Wiseway Logistics Pty Ltd and its subsidiaries

³ Calculated based on audit reviewed consolidated financial statements for period ended 31 December 2018 for Wiseway Group Limited and its subsidiaries, excluding IPO related costs.

The Consolidated Statement of Cash Flows above should be read in conjunction with the Wiseway Group Limited 31 December 2018 Interim Financial Report, available at www.wiseway.com.au.