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ASX Announcement

Wiseway Group Limited (ASX: WWG)

Full year results announcement to 30 June 2019

Wiseway Group Limited (**Wiseway** or the **Company**) today announced its inaugural full year result since its listing on the Australian Securities Exchange (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 Preliminary Final Report and accompanying Appendix 4E (lodged separately on ASX today) is for the period 16 March 2018 (date of incorporation) to 30 June 2019.

Highlights:

- **Revenue of \$94.5m up 15% from the prior year, in line with our revised guidance on 14 May 2019.**
- **Revenue growth across all segments with imports up 317%, perishables up 217%, transport up 27% and dry cargo up 11% from the prior year.**
- **FY19 EBITDA of \$2.8m (including \$150,000 start-up costs for China and New Zealand operations).**

Chief Executive Officer, Mr Roger Tong said “Our first year as a listed company has been a challenging one, contending with a volatile macroeconomic environment and slowing economic growth. Going forward, we will continue to concentrate on our core operations and growing our client base to increase freight volumes.”

“We have invested in new growth opportunities including China and New Zealand and added to our existing operations in Australia. Our increasing focus on the perishables market is bearing fruit, where we anticipate increasing Chinese demand for quality Australian and New Zealand produce. We have also experienced a solid increase in inbound volumes, successfully capturing the growing trend of e-commerce-based volumes from China.”

“Going from a private to a public company is challenging for most companies, but I am confident that we have the commitment and agility to take advantage of the dynamic market environment. I would like to extend my sincere thanks to our staff for their hard work and dedication to the company.”

The discussion and analysis contained in this full year results announcement references the Company’s financial results for the 12-month period between 1 July 2018 and 30 June 2019. This is to align with the financial disclosures in the Company prospectus as presented in the table below. Statutory and pro-forma historical financial statements for the 12-month period from 1 July 2018 to 30 June 2019 are contained in Appendix 1.

Financial Performance

The following table provides a “bridge” of the Company’s performance from the 15 months statutory historical results to the 12 months statutory and pro-forma historical results.

Statement of profit or loss	15 months	3 months	12 months	IPO related	Pro-forma
\$ million	30 June 2019 ¹	Apr-Jun 2018 ¹	Jul 18 - Jun 19 ¹	adjustments	Jul 18 - Jun 19
Revenue	116.9	22.4	94.5	-	94.5
Direct expenses	(91.6)	(17.8)	(73.8)	-	(73.8)
Gross profit	25.4	4.6	20.8	-	20.8
<i>Gross margin</i>	<i>21.7%</i>	<i>20.6%</i>	<i>22.0%</i>		<i>22.0%</i>
Operating expenses					
Employment benefit expenses	(16.0)	(2.8)	(13.2)	-	(13.2)
Occupancy expenses	(3.1)	(0.4)	(2.6)	-	(2.6)
Share-based payment expense	(1.3)	-	(1.3)	(1.3)	-
Initial public offering costs	(1.3)	-	(1.3)	(1.3)	-
Administration and other expenses	(2.8)	(0.6)	(2.1)	-	(2.1)
Total operating expenses	(24.4)	(3.8)	(20.6)	(2.6)	(18.0)
EBITDA	1.0	0.8	0.2	(2.6)	2.8
<i>EBITDA margin</i>	<i>0.8%</i>	<i>3.5%</i>	<i>0.2%</i>		<i>3.0%</i>
Depreciation expense	(1.8)	(0.3)	(1.5)	-	(1.5)
EBIT	(0.9)	0.5	(1.4)	(2.6)	1.2
Finance costs	(0.6)	(0.1)	(0.5)	-	(0.5)
Net profit (loss) before tax	(1.4)	0.4	(1.8)	(2.6)	0.8
Income tax expense	(0.2)	(0.3)	0.1	0.9	(0.8)
Net profit (loss) after tax	(1.7)	0.1	(1.7)	(1.7)	(0.0)

Notes

1 Based on the consolidated financial statements for the period 16 March 2018 to 30 June 2019 for Wiseway Group Limited and its subsidiaries

Financial review - 12 month pro-forma historical results

Statement of profit or loss	Pro-forma	Prior year	Movement	
\$ million	Jul 18 - Jun 19 ¹	Jul 17 - Jun 18 ²	\$	%
Revenue	94.5	82.2	12.3	15%
Direct expenses	(73.8)	(66.5)	(7.3)	11%
Gross profit	20.8	15.8	5.0	32%
<i>Gross margin</i>	<i>22.0%</i>	<i>19.2%</i>		<i>280bps</i>
Operating expenses				
Employment benefit expenses	(13.2)	(8.6)	(4.5)	53%
Occupancy expenses	(2.6)	(1.6)	(1.1)	70%
Share-based payment expense	-	-	-	
Initial public offering costs	-	-	-	
Administration and other expenses	(2.1)	(1.5)	(0.7)	45%
Total operating expenses	(18.0)	(11.7)	(6.3)	54%
EBITDA	2.8	4.1	(1.3)	(32%)
<i>EBITDA margin</i>	<i>3.0%</i>	<i>5.0%</i>		<i>(200bps)</i>
Depreciation expense	(1.5)	(1.5)	(0.0)	1%
EBIT	1.2	2.5	(1.3)	(51%)
Finance costs	(0.5)	(0.6)	0.1	(18%)
Net profit (loss) before tax	0.8	2.0	(1.2)	(61%)
Income tax expense	(0.8)	(0.8)	0.0	(3%)
Net profit (loss) after tax	(0.0)	1.2	(1.2)	(101%)

Notes

1 Based on the consolidated financial statements for the period 1 July 2018 to 30 June 2019 for Wiseway Group Limited and its subsidiaries

2 Based on audit reviewed consolidated financial statements for the period ended 30 June 2018 for Wiseway Logistics Pty Ltd and its subsidiaries

During the financial year ending 30 June 2019, the Company achieved a revenue increase of \$12.3m to \$94.5m, up 15% from the prior year and in line with the Company's revised guidance announced 14 May 2019. The increase in revenue was driven by dry cargo up 11%, transport up 27%, perishables up 217% and imports up 317% from the prior year.

The Company achieved EBITDA of \$2.8 million which was slightly below Wiseway's revised EBITDA guidance of approximately \$3.0 million, as provided in our trading update on 14 May 2019. The difference of \$0.2 million was due to compliance with a change in AASB 9 to the provision for bad and doubtful debts.

Going forward, Wiseway will:

- nurture and develop its ongoing relationships with key dry cargo customers;
- focus on the expansion of its perishables business, where we anticipate volumes to increase as China's demand for quality Australian and New Zealand produce (especially Australian fruit exports) continues to grow steadily;
- grow our inbound volumes from China to capture the growing trend of Australian online shopping via international e-commerce platforms;
- increase our share of the outbound sea freight market; and
- improve operational efficiency as demonstrated by our improved gross margins in 2HFY19 (21.4% in 1HFY19 to 22.2% in 2HFY19)

During FY19, Wiseway made a number of key investments to expand its warehousing and operational capability in Australia, New Zealand and China. These investments are consistent with the Company's stated growth strategy and have already contributed to Wiseway's revenue growth profile.

RACA accreditation

From 1 March 2019, Wiseway became fully accredited and designated as a Regulated Air Cargo Agent ('RACA') allowing the Company to scan and examine outbound air cargo, which was mandatory for all outbound air cargo from that date. Wiseway's ability to scan and examine its own outbound air cargo, as well as offering the service to third parties, has generated incremental revenue and improved margins in the second half of FY19.

These investments in security and x-ray machines across Wiseway's national footprint of seven warehouses have established the foundations for future growth in capacity and capability.

Bonded warehouse capabilities

In April 2019, the Company's Thomastown (Melbourne) facility was granted a Depot Licence by the Department of Home Affairs, enabling Wiseway to have bonded warehouse capability in Melbourne, in addition to the existing bonded warehouse in Bankstown (Sydney). The application for bonded warehouse capability in the Company's Beverley (Adelaide) facility was recently approved. Applications for bonded warehouse capability in Brisbane and Perth are currently in progress.

The bonded warehouse capability has boosted the Company's import business, including import customs clearance of both e-commerce and general imports, deconsolidation of air and sea freight and distribution of that freight within Australia.

New Zealand

In April 2019, the Company expanded its operations into Auckland, New Zealand as part of its growth strategy. During its first quarter of operations, the Company's capital investment achieved RACA and MPI accreditation, and became a designated Customs Controlled Area (CCA) to commence operations with initial revenue contributed in FY19.

The Company anticipates that the granting of these accreditations will enable Wiseway's New Zealand operations to grow strongly in FY20 and beyond.

China

The Company's Shanghai office has assisted the Company's revenue growth in the second half and has established a foothold as an agile new entrant in the cross-border e-commerce market. The growth expected from Wiseway's China operations underpins the Company's expansion in both Australia and China, as a trusted logistics partner.

Outlook

In FY20, the Company will continue to focus on growing its customer base to increase freight volume. The Company has no further expansionary plans that require significant capital outlay, other than the remaining capital commitments of approximately \$2.1 million to renovate the Chipping Norton warehouse, install fumigation facilities and extra x-ray machines in Sydney and Melbourne and cool rooms in Perth.

Over the next 12 months, Wiseway anticipates that outbound dry cargo air-freight volumes from Australia will be stable in an environment of subdued economic growth. The sea freight, perishables and imports businesses are anticipated to be stronger, consistent with the Company's growth strategy. The New Zealand and China businesses are also anticipated to contribute to the Company's growth in FY20.

The Company anticipates that overall revenues in FY20 will be higher than those reported in the 12 months to 30 June 2019.

The Company is pleased with the improvement in gross margins that were achieved in the second half of FY19 as a result of its investment in ULD (aircraft unit loading devices) packaging facilities, as well as the positive impact of the introduction of RACA across the business. The Company anticipates that the gross margins achieved in FY19 will remain stable in FY20, assuming current business and trading conditions.

Mr Roger Tong stated, "We are excited by the platform we have built to profitably take advantage of the significant growth opportunities that lie ahead for the business."

For further information, investors please contact:

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About Wiseway Group Limited

WiseWay (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 – 12 months historical statutory and pro-forma financial statements

Consolidated statement of profit or loss For the period ended 30 June 2019	Wiseway Group ¹ Statutory Full year ended 30 June 2019 \$ million	Wiseway Group ¹ Pro-forma ³ Full year ended 30 June 2019 \$ million	Wiseway Logistics ² Statutory Full year ended 30 June 2018 \$ million
Revenue	94.5	94.5	82.2
Direct expenses	(73.8)	(73.8)	(66.5)
Gross profit	20.8	20.8	15.8
<i>Gross margin</i>	22.0%	22.0%	19.2%
Employment benefit expenses	(13.2)	(13.2)	(8.6)
Occupancy expenses	(2.6)	(2.6)	(1.6)
Depreciation expense	(1.5)	(1.5)	(1.5)
Share-based payment expense	(1.3)	-	-
Initial public offering costs	(1.3)	-	-
Administration and other expenses	(2.1)	(2.1)	(1.5)
Operating profit (loss)	(1.4)	1.2	2.5
Finance costs	(0.5)	(0.5)	(0.6)
Profit (loss) before tax	(1.8)	0.8	2.0
Income tax expense	0.1	(0.8)	(0.8)
Profit (loss) after tax	(1.7)	(0.0)	1.2

Notes

1 Calculated based on the consolidated financial statements for the period ended 30 June 2019 for Wiseway Group Limited and its subsidiaries

2 Based on audit reviewed consolidated financial statements for the full year ended 30 June 2018 for Wiseway Logistics Pty Ltd and its subsidiaries

3 Calculated based on the consolidated financial statements for the period ended 30 June 2019 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 30 June 2019 preliminary final report.

Appendix 1 (continued)

Consolidated statement of financial position As at 30 June 2019	Wiseway Group ¹ Statutory As at 30 June 2019 \$ million	Wiseway Logistics ² Statutory As at 30 June 2018 \$ million
Assets		
Cash and cash equivalents	4.6	1.3
Trade and other receivables	11.4	7.2
Inventories	0.1	-
Current tax assets	0.5	-
Other assets	3.2	-
Current assets	19.8	8.5
Financial assets	0.8	0.7
Property, plant and equipment	25.1	8.4
Deferred tax assets	1.0	0.2
Non-current assets	27.0	9.4
Total assets	46.8	17.9
Liabilities		
Trade and other payables	10.0	7.3
Loans and borrowings	2.9	3.8
Employee benefits	1.0	0.2
Provisions	0.0	0.0
Current liabilities	13.9	11.7
Loans and borrowings	10.4	4.4
Non-current liabilities	10.4	4.4
Total liabilities	24.3	16.1
Net assets	22.6	1.8
Equity		
Share capital	22.6	0.0
Reserves	0.1	-
Retained earnings	(0.1)	1.7
Equity attributable to owners of the Company	22.5	1.7
Non-controlling interests	0.0	0.0
Total equity	22.6	1.8

Notes

1 Calculated based on the consolidated financial statements for the period ended 30 June 2019 for Wiseway Group Limited and its subsidiaries

2 Based on audit reviewed consolidated financial statements for the full year ended 30 June 2018 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 30 June 2019 preliminary final report.

Appendix 1 (continued)

Consolidated statement of cash flows For the period ended 30 June 2019	Wiseway Group ¹ Statutory Full year ended 30 June 2019 \$ million	Wiseway Group ¹ Pro-forma ³ Full year ended 30 June 2019 \$ million	Wiseway Logistics ² Statutory Full year ended 30 June 2018 \$ million
Cash flows from operating activities			
Cash receipts from customers	96.0	96.0	88.5
Cash paid to suppliers and employees	(97.2)	(97.2)	(87.3)
Cash generated from operating activities	(1.2)	(1.2)	1.2
Interest received	0.2	0.2	0.0
Interest paid	(0.5)	(0.5)	(0.3)
Income taxes paid	(1.5)	(1.5)	(0.8)
Net cash used in operating activities	(3.1)	(3.1)	0.1
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	0.2	0.2	-
Acquisition of subsidiaries, net of cash acquired	-	-	0.0
Acquisition of land and buildings	(11.3)	(11.3)	-
Acquisition of property, plant and equipment	(7.0)	(7.0)	(0.2)
Acquisition of other investments	(0.5)	(0.5)	-
Net cash used in investing activities	(18.7)	(18.7)	(0.2)
Cash flows from financing activities			
Proceeds from issue of share capital	24.2	-	-
Proceeds from loans and borrowings	7.0	7.0	2.7
Transaction costs related to issue of share capital - expensed	(1.6)	-	-
Transaction costs related to issue of share capital - equity	(2.5)	-	-
Repayment of loans and borrowings	(1.5)	(1.5)	-
Payment of finance lease liabilities	(0.4)	(0.4)	(1.7)
Net cash from financing activities	25.1	5.0	1.0
Net increase in cash and cash equivalents	3.3	(16.7)	0.9
Cash and cash equivalents at beginning of the period	1.3	1.3	0.4
Cash and cash equivalents at end of the period	4.6	(15.4)	1.3

Notes

1 Calculated based on the consolidated financial statements for the period ended 30 June 2019 for Wiseway Group Limited and its subsidiaries

2 Based on audit reviewed consolidated financial statements for the full year ended 30 June 2018 for Wiseway Logistics Pty Ltd and its subsidiaries

3 Calculated based on the consolidated financial statements for the period ended 30 June 2019 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 30 June 2019 preliminary final report.