



Wiseway Group Limited
ABN 26 624 909 682

Registered office:
39-43 Warren Avenue
BANKSTOWN NSW 2200
T: +612 9790 7888

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ASX Announcement:

1H22 Result: investment in global expansion strategy delivers organic growth

Wiseway Group Limited (ASX: WWG, '**Wiseway**' or '**the Company**'), one of Australia's leading integrated freight and logistics operators, today announced its financial results for the six months ended 31 December 2021 ('**1H22**').

Wiseway reported a 11.8% growth in revenue compared to the previous corresponding period (pcp), due to an expansion in operations across both the perishables division and an increase in imports driven by e-commerce.

Highlights

- **Revenue up 11.8%, from pcp, at \$77.9 million, driven mainly by non-traditional segments**
- **55.8% growth in revenue from non-traditional business divisions**
- **Strong growth in revenue from new regions in Wiseway's network (US and Singapore)**
- **Sustained profitability amid investment in growth with \$5.8 million in Earnings Before Interest, Taxes, Depreciation, and Amortisation (EBITDA) and \$1.8 million in Net Profit After Tax (NPAT)**

Ms Florence Tong, Wiseway Managing Director, commented: "This strong revenue growth reflects the ongoing success in building a high-growth integrated logistics business which has remained profitable amid a challenging market environment.

"Our expanded operations in Singapore and the United States are beginning to generate solid revenues, with organic growth driving a \$2.5 million contribution across these channels, while Wiseway's international footprint presents new growth opportunities, increased supply chain efficiencies and revenue synergies.

"The foundations are in place to capitalise on emerging opportunities within APAC's fastest growing economies – while the expansion within the US addressable market is creating the potential for strong and consistent higher-margin revenue openings.

"Our focus on business divisions outside traditional dry outbound air freight services has seen a 55% growth within the perishables segment, driven primarily by seafood, fruits and vegetables, meat and dairy product exports."

Commenting on the continuing impact of COVID-19, Ms Tong said that established strategic partnerships and a track record of innovation had allowed the Company to navigate the emerging vulnerabilities across the sector created by the pandemic.

"Wiseway is proud of its reputation across the industry as a resilient, collaborative and networked operator, with customers and partners turning to us to keep essential supply chains open through the provision of safe, reliable, and high-quality integrated logistics solutions."

1H22 Financial Results Overview

Wiseway's NPAT was \$1.8 million compared to \$3.4 million pcp, while its gross profit grew by 2.8% to \$18.6 million compared to pcp. The Company's lower profitability after tax in 1H22 was primarily driven by a greater tax liability provision, compared to a tax benefit pcp. This was coupled with tightened gross margins, reflecting the securing of additional business within new markets, and investments to grow the Company's headcount across North America and in the Australian based Imports Division.

Revenue for 1H22 was up 11.8% to \$77.9 million, driven by significant revenue uplifts in growth segments:

- 55% revenue uplift in the perishables division, including fresh produce, seafood, and dairy products.
- 11.1% revenue uplift in sea freight, driven by a shift in client preferences prompted by COVID-19 disruption across the air freight sector and investment in specialist container transportation vehicles.
- 76.7% revenue uplift in imports and distribution, supported by the growing demand for e-commerce transactions and customs bonded warehouse facility capacity-building activities.
- 77.8% growth in interstate road transportation, which has contributed \$3.2 million to the Company's total revenue.
- Debut revenue of \$2.5 million from the Group's newly launched global operations including its recently established hubs in Singapore and the US.
- Solid revenue from the core business of dry air freight which contributed \$42.9 million to total revenue.

Operating expenses for the full year were \$12.8 million, up 9.7% compared to pcp, as the Group invested in increasing headcount across key divisions to serve the anticipated growth in these areas.

During the period, there was a substantial investment in working capital. The business secured new clients and enhanced strategic partnerships with airlines – opening additional cargo and shipping capacity around existing routes. This includes the investment of an additional \$2.0 million in security deposit payments in December, which secured preferential positioning with a leading APAC airline. Combined with higher receivables balances at the end of the year, driven by a spike in December sales activity, this contributed to temporary negative cash flow from operating activities for the period.

Financial debt levels were significantly reduced during the period as the Group used its strong cash position to achieve a healthy financial leverage and maintain a strong balance sheet.

Business and Strategic Update

As Wiseway's expansion efforts continue to build momentum, the Company is focused on taking advantage of emerging opportunities and delivering immediate value to its customers and long-term value to shareholders.

The completion of Wiseway's first cross-border acquisition in 1Q22 – that of Singapore-based air freight company TAF E-Logistics (Asia) Pte Ltd (TAF) – paves the way for increasing engagement within fast-growing markets including Malaysia, Indonesia, Philippines, Thailand and Vietnam, from its newly established hub within Singapore Changi Airport's Airfreight Centre.

A program of recruitment and upskilling in North America is underway, following the opening of Wiseway's first branch in the region at the end of 2H21. New hires have been added to an already high-calibre team of local expertise in Los Angeles and China to drive new organic business growth and extend our network across a market eager for solutions to the supply chain crisis which dominated so much of the 1H21 period.

Ms Tong added: "We are proud of our measured approach to these expansion efforts, creating on-the-ground teams – perfectly aligned with Wiseway's culture and values – which are already delivering impressive revenues.

“These efforts are boosting the benefits of choice and value offered to our existing customers, while also engaging new markets to offer the holistic logistics solutions for which Wiseway is so associated.”

A mark of this industry recognition comes from the awarding of Wiseway Group's 10th International Air Transport Association (IATA) licence across the Asia Pacific region – with Wiseway Shanghai International Logistics Company Limited's new certification strengthening the Company's network of strategic industry relationships and empowering it to deal directly with leading global airlines.

To support the Company's growth ambitions, two new non-executive directors have been elected to the Board over the period. Mr Brandon Teo, former CEO of TAF, will focus on supporting the Company's global expansion strategy, while Mr Robert McNutt has been elected as Chair of the Audit and Risk Committee and will provide guidance on the development of a scalable internal finance infrastructure.

Outlook

Ms Tong continued: “Our global growth strategy continues under the key pillars of diversification, integration, and expansion.

“We have been well-placed to weather the uncertainty driven by the global supply chain disruption and are confident that our lean business model and integrated operations will secure further competitive advantage.

“Over the next three to five years, we believe Wiseway's business model will provide the perfect platform from which to expand across the US and the Asia Pacific, from where we expect the majority of growth in the global freight industry will come.

“It is through the development of a network of interconnected business divisions, all united under Wiseway's values and strategic vision, that we believe we will be best able to maximise the potential of these opportunities.

“Wiseway remains fully focused on continuing to provide services that are agile, dynamic and dependable to our customers, as their trusted partner within the supply chain of the future.”

Authorised for release by the Board of Directors of Wiseway Group Limited.

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For further information, please contact:

Investor enquiries

Florence Tong

Managing Director

E: admin@wiseway.com.au

Media enquiries

Richard Martin

Symbol Strategic Communications

E: Wiseway@symbolstrategic.com.au

About Wiseway Group Limited (the Company)

Wiseway (ASX: WWG) is a leading provider of integrated logistics solutions, with a global network of strategically located warehouses and facilities and a large modern fleet of trucks and delivery vehicles.

Established in 2005 to serve the growing Australia-Asia Pacific trade industry, Wiseway has grown to become one of the top three outbound air freight logistics providers in Australia. With multiple strategically located operation hubs in Australia, the US, and the Asia Pacific, the Company provides its large base of domestic and international customers with specialist cross-border logistics services including air freight, sea freight, import, domestic transportation, warehousing, and customs clearance.

For more information, please visit www.wiseway.com.au

Appendix

Profit and Loss

\$ million	1H22	1H21	Change %
Revenue	77.9	69.7	11.8%
Direct expenses	(59.2)	(51.5)	15.0%
Gross profit	18.6	18.1	2.8%
<i>Gross margin %</i>	<i>23.9%</i>	<i>26%</i>	<i>-2.1 ppts</i>
Other Income	0.0	0.1	-95.0%
Operating expenses	(12.8)	(11.7)	+9.7%
EBITDA	5.8	6.5	-9.8%
<i>EBITDA margin %</i>	<i>7.5%</i>	<i>9.3%</i>	<i>-1.8 ppts</i>
Depreciation	(2.7)	(2.6)	3.6%
Finance costs	(0.6)	(0.7)	-14.7%
Net profit/(loss) before tax	2.5	3.1	-19.4%
Income tax expense	(0.7)	0.3	-224.7%
NPAT	1.8	3.4	-49.1%

Bps = basis points

N.m. = Not meaningful

Revenue by Business Division

\$ million	1H22	1H21	Change %
Air freight	42.9	45.7	-6.1%
Sea freight	3.0	2.7	11.1%
Perishables	17.2	11.1	55.0%
Road Transportation	3.2	1.8	77.8%
Imports and distribution	7.6	4.3	76.7%
USA	1.0	0.0	100%
Singapore	1.5	0.0	100%
Others	1.5	4.1	-63.4%
Total Revenue	77.9	69.7	11.8%

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