

TIL Logistics Group FY20 Results

For the 12 months ended 30 June 2020

- EBITDA (pre-NZ IFRS16) of \$26.5m, in line with guidance of \$25m to \$27m.
- Net Profit After Tax (NPAT) of \$2.0m. Pre-NZ IFRS16 adjustments, NPAT was \$6.0m, up 50% on pcp.
- Margins in line with or above prior year for all divisions, excluding Freight which underwent review and reset in FY20.
- Adverse market conditions in 1H20 and COVID-19 in 2H20 had a material impact on all TIL's businesses.
- Year on year earnings growth for three divisions - Warehousing & Logistics, International and Specialist. Improving performance from Freight in 2H, after a disappointing 1H. Bulk Liquids materially impacted by reduced fuel demand during lockdown (pcp included a number of one-off revenue benefits).
- No final dividend has been declared.
- Focus on cost reductions and right sizing the business for economic slowdown.
- Expecting recessionary downturn in FY21, with flow on effects for TIL's businesses. The company confirms its view that EBITDA for FY21 is expected to be at least that of the FY20 result of \$57.4m post NZ IFRS16 adjustments.

\$Millions	FY19 Actual	FY20		FY20 Actual
		Pre-NZ IFRS 16	NZ IFRS 16 adjustments	NZ IFRS 16
Sales Revenue	354.6	333.8	-	333.8
Total Income	360.1	348.0	-	348.0
Operating Expenses	334.7	321.5	(30.9)	290.6
EBITDA	25.4 ¹	26.5	30.9	57.4
NPAT	4.0	6.0	(4.0)	2.0
Net Operating Cashflow	19.4	17.9	23.0	40.9
Total Assets	176.4	174.7	170.0	344.7
Bank Debt	(84.3)	(86.3)	-	(86.3)

New Zealand freight and logistics company, TIL Logistics Group Limited (NZX: TLL, "TIL"), has reported a profit increase of 50% on a pre-NZ IFRS 16 basis, as it contended with adverse market conditions in the first half of year and the significant impact of COVID-19 in the second half.

Key events in the year included a detailed review and reset of the Freight division, continued growth through the acquisition of the remaining 50% of the ATL joint venture and expansion of the warehousing footprint, and the securing of a major windfarm project. The Bulk Liquids division also resolved commercial matters with a key customer and is in the process of negotiating an extension to the contract from 2021.

¹ FY19 EBITDA includes a one-off \$2.6m in one-off and unusual non-cash transactions being \$2.6m in additional contingent consideration provisioning

Despite the essential service status of some of TIL's businesses, COVID-related restrictions had a material impact on many of the Group's customers, with flow on effects for TIL's operations and earnings. The health, safety and wellbeing of staff and customers was the priority during this period, and actions were quickly taken to respond to the pandemic environment. The company received Government wage subsidies of \$10.7m, partially offsetting the approx. \$17m revenue drop due to COVID-19 and allowing TIL to retain and pay over 1,500 employees at least 80% of their wages, or 100% if working. Since the lifting of Alert Level 4 in May 2020, TIL's businesses have begun to recover, however, recent further restrictions in Auckland are testament to the continuing volatility of this COVID environment.

Sales for the 12-month period were \$333.8m, with Q4 FY20 sales down approximately \$17m compared to pcp, due to COVID-related restrictions. Despite this, the International and Specialist divisions continued their trends of half yearly sales growth, with Specialist (acquired in the 2018 calendar year) benefitting from the commencement of a major windfarm project in 2H20. Warehousing & Logistics was in line with the prior year, with growing utilisation of the new warehouse capacity which has come online in the last 12 months partially offsetting the additional costs associated with this growth.

All TIL's divisions delivered improvements in EBITDA in the second half (particularly in Freight and Bulk Liquids), after a disappointing first half performance, with results for all divisions also well ahead of the second half in the prior year. This lift in performance, in part, reflects the efforts of management to drive improvements in the business.

Three of the company's five divisions delivered earnings growth in the year, with its largest division, Freight, undergoing a significant reset after a disappointing first half performance. Likewise, margins for all divisions, except Freight, were in line with or ahead of the prior year.

Actions have been taken to lift the performance of the Freight division including a stronger management and operational structure, an increased focus on sales and marketing functions and identifying opportunities to better utilise the Group's scale and competitive advantage. These actions are part of a continuing programme which is designed to drive improving revenue and margins for the Freight division in FY21.

The focus on sustainability continues with the use of more electric forklifts, green building standards for new warehouses and an ongoing partnership with Hiringa Energy around hydrogen fuel solutions.

Net profit after tax was up 50% on a like for like basis (pre-NZ IFRS16) to \$6.0m, with a reported net profit after tax of \$2.0m.

TIL has sound working capital disciplines resulting in a solid cash position at year-end of \$11.9m. Borrowings increased to \$86.3m, reflecting the acquisition of the remaining 50% shareholding in ATL, a Cromwell-based freight business.

Given the recessionary outlook and the sense that the full impact of COVID-19 has still to be felt, the Board feels it is prudent to not declare a final dividend for FY20. Resumption of dividends in FY21 will be considered subject to trading conditions and financial performance continuing to improve.

Outlook and Strategic Priorities

TIL expects challenges from COVID-19 to continue in FY21 with the flow on effects to be felt for some time. Given the expected economic downturn, TIL retains a cautious outlook.

However, TIL does see windows of opportunity, with COVID-19-related Government fiscal stimulus likely to support increasing freight volumes; a global trend of businesses using 3rd party warehousing & logistics providers (3PL) such as TIL ; and continuing high demand in some sectors such as food & beverage, aquaculture, viticulture and other primary industries. TIL already has a footprint in these sectors and will look to build on its reputation and expertise to grow its market share.

The current environment has demonstrated the benefits of being a group of scale, with the ability to invest into health & safety, training, systems and infrastructure, and TIL is well positioned to take advantage of opportunities within the industry.

The company has identified four areas of focus for FY21 being the continuing turnaround of the Freight division, carefully targeted organic and acquisition growth, and building stronger connections and synergies across the Group. Cash and cashflow management remains a priority. Technology is a key enabler for the Group's strategy, with new systems currently being refined to further enhance efficiencies and performance.

TIL confirms its view that EBITDA for FY21 is expected to be at least that of the FY20 post NZ-IFRS16 result of \$57.4m.

CEO of TIL, Alan Pearson, commented: "FY20 was a tough year for our business and many others. We believe the work we are doing to ensure our business is suitably positioned for the softer economic conditions ahead will not just allow our company to survive but to take advantage of opportunities in the sector and grow.

"Our Directors, managers and people have extensive industry knowledge and expertise, some of which has been built up over decades of working in the sector and through economic cycles. We believe this experience will be of benefit as we face the challenges of the coming year and make the most of opportunities which will come our way."

Further information on TIL Logistics Group's FY20 results has been provided in the Investor Presentation released to the NZX on 27 August 2020.

ENDS

For further information and media assistance, please contact:

Alan Pearson
Chief Executive Officer
Phone: +64 6 7559457
Email: alan.pearson@til.kiwi

Lee Banks
Chief Financial Officer
Phone: +64 27 525 2876
Email: lee.banks@til.kiwi

Jackie Ellis
Media Liaison
Phone: + 64 27 246 2505
Email: jackie@ellisandco.co.nz

About TIL Logistics Group Limited (TLL)

TLL is one of the largest domestic freight and logistics businesses in New Zealand, with a nationwide network of branches, depots and warehouses. TLL operates through five divisions – Freight, Warehousing & Logistics, Bulk Liquid transport, Specialised Lifting and Transport and International logistics.