ASX: CLX

CTI Logistics Limited

Half-year December 2019 Financial Results

March 2020

CTI Logistics Limited

This announcement has been authorised for release to the ASX by the CTI Logistics Limited Board of Directors


Logistics
Logistics


CTI Logistics Limited
Logistics - Warehousing
Distribution Centre - Hazelmere WA
Multi-purpose facility with expansion options
CTI Logistics

Content

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Transport - Regional Freight
Investment in transport equipment
(Prime movers and trailers)

1 December 2019 Headlines

CTI Logistics Limited

Investing in quality sites and industry leading systems

CTI Logistics: Operations have been impacted by the state of the economy, particularly in Western Australia, natural disasters on the East coast and site relocations. The Company continues to generate strong cash flow, remains focussed on targeted reinvestment and debt reduction following acquisitions and is well-positioned for an uplift in the economy.

Transport

WA Regional Freight: Continued to enhance systems and processes, consolidated the network, strengthened the Northwest service with a Port Hedland depot, relocated the Bunbury depot in the Southwest and continued to invest in new transport equipment

Interstate Freight[1]: While overall volumes were down, in part due to natural disasters on the East coast, volumes have increased in new lanes and operations have relocated in Melbourne and Perth, supporting future growth in ex-Melbourne freight

Logistics

Warehousing: Warehouse management system planning completed, implementation began across multiple sites and customers with promising early signs of productivity improvements across administrative and operational activities

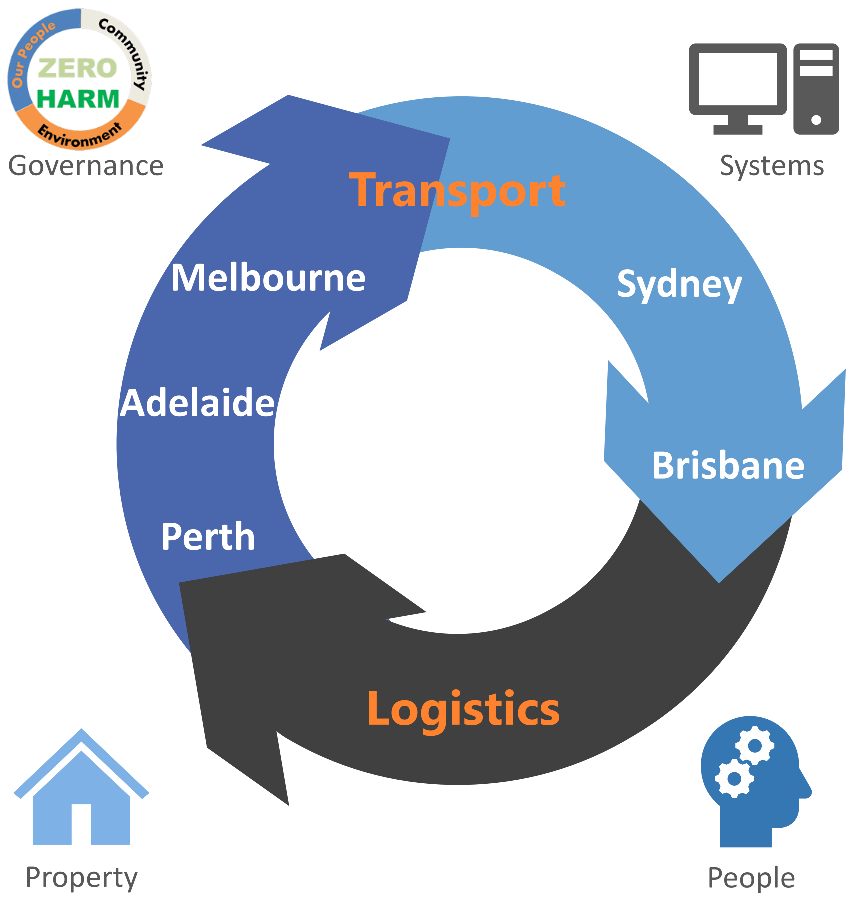
GMK: Transport management system installation completed across all GMK sites and fully integrated with the recently installed warehouse management system, which is expected to realise productivity and service benefits in the following periods

Note 1: Formerly Jayde Transport

2 Targeted Investment

Measured and Profitable Growth

- Focused on growth in targeted areas to protect and grow margins
- Leverage the GMK and Interstate Freight[1] footprint to lay the foundation for an integrated national transport and warehousing operation
- Implement industry leading integrated warehouse and transport management systems, supported by skilled personnel, to drive operational efficiencies and superior customer service
- Maximise utilisation of owned property, supplemented by quality leased facilities in strategic locations
- Develop strategic landholding of 95,000sqm adjoining owned facility in Hazelmere WA, consolidating complementary operations to drive productivity[2]



Note 1: Formerly Jayde Transport
Note 2: Company-owned facility in Hazelmere WA presently covers 54,000sqm (total site is 149,000sqm)

3 December 2019 Financial Performance

CTI Logistics Limited

Headline Results for the half year to 31 December 2019

Leasing standard AASB 16 adopted

Revenue	NPBT	EPS
$109.8m	$1.2m	1.50cps
FY18: $111.8m Down 2%	FY19: $1.5m (1) FY18: $4.1m (2) Down 63%	FY19: 1.77cps (1) FY18: 4.36cps (2) Down 59%
EBITDA	**NPAT**	**DPS**
$14.2m	$1.1m	0cps
FY19: $6.9m (1) FY18: $9.8m (2) Down 29%	FY19: $1.3m (1) FY18: $3.3m (2) Down 59%	FY18: 2cps

Reconciliation of NPBT ($M)	Dec-19	Dec-18
Reported NPBT	**1.2**	**1.8**
Exclude: Adoption of AASB 16	0.3	-
Add: Contingent consideration on acquisition	-	2.3
Adjusted NPBT	**1.5**	**4.1**

Note 1: Excluding the impact of the leasing standard AASB 16, noting the comparative period has not been restated for AASB 16
Note 2: Normalised after adding back contingent consideration of $2.34m relating to the purchase of Jayde Transport (not tax deductible)

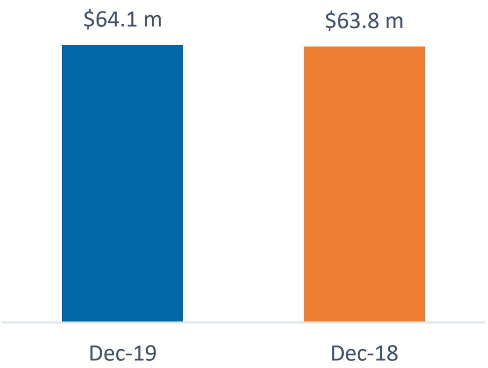
CTI Logistics Limited

Transport - Regional Freight
New Freight Depot - Bunbury WA
Consolidation of two sites (access, undercover area, efficiencies)

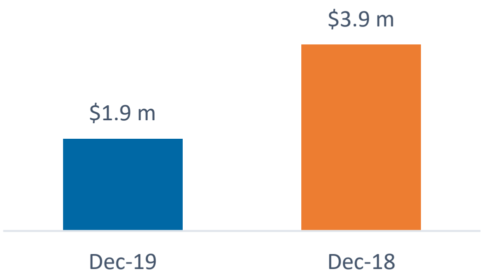
4 December 2019 Financial Review

Transport Segment

Revenue
$64.1m
Up 1%



NPBT(1)
$1.9m
Down 51%



- Revenue marginally up on last year
- Interstate freight revenue has continued to grow from the new lanes, offset by lower volume in the key lane from Melbourne to Perth
- WA regional freight volume has continued to improve
- Parcel revenue has grown marginally
- WA taxi trucks and courier volumes have fallen by 10%

- Difficult market conditions have continued in certain sectors of the WA market and the interstate freight business, further impacted by natural disasters and the relocation of operations in two states
- WA regional freight margins have improved following consolidation of the network and improvement in the quality of revenue
- Parcel margins are marginally up with courier and taxi truck margins remaining under pressure in WA

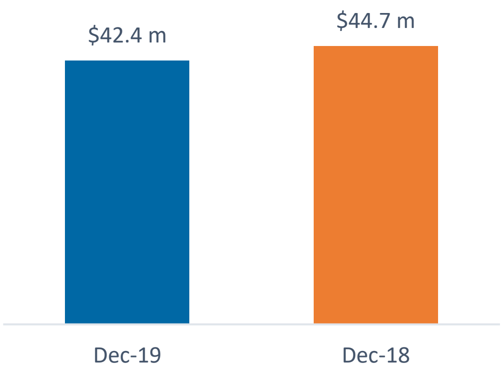
Note 1: December 2018 is after adding back $2.34m contingent consideration related to Jayde Transport acquisition

4 December 2019 Financial Review

Logistics Segment

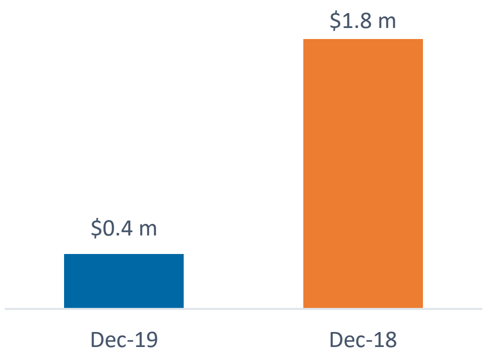
Revenue
$42.4m

Down 5%



NPBT
$0.4m

Down 80%



- Revenue for the segment is down $2.3m on last year
- $1.2m decline in transport revenues in the flooring industry
- $1.0m decline in warehouse revenues across a wide range of clients in WA
- Minerals and Energy activity increased marginally in line with expectations

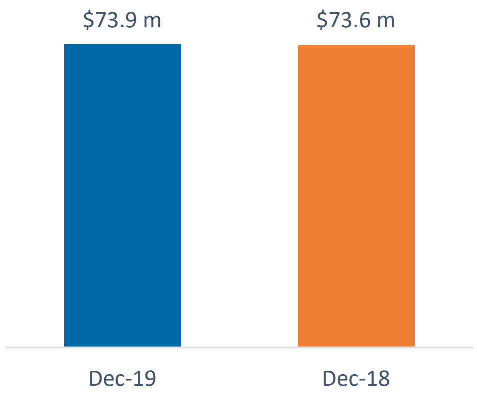
- Significant decline in the flooring industry margin due to lower transport revenues and the implementation of a transport system
- Property lease cost reduction for Minerals and Energy division taking effect from the start of the period
- $0.2m cost of expanding east coast warehousing operations
- $0.2m decrease due to adoption of AASB 16 leasing standard
- Reduction in volumes and margin pressure across a wide range of clients in WA

4 December 2019 Financial Review

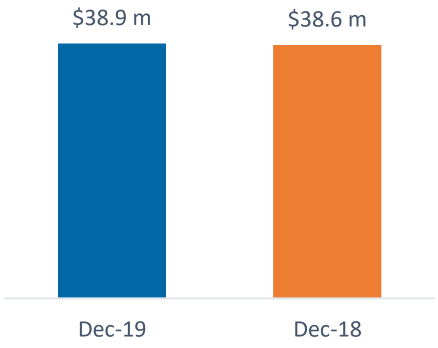
CTI Logistics Limited

Property Segment

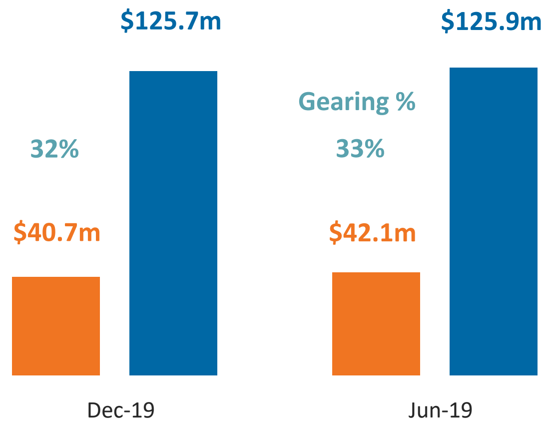
Assets
$73.9m Up 1%



Liabilities
$38.9m Up 1%



Gearing



- No material movement in assets
- Property valuations based on market conditions with no impairments at 31 December 2019
- CTI accounts for property at cost; at 31 December 2019 property was valued at $86.8m, amounting to $13.3m of value not recognized on the Balance Sheet

- $0.3m increase in liabilities
- Backed by $29.1m of land at Hazelmere WA site for future development
- Total borrowings excluding lease liabilities is $42.3m

- Debt levels, excluding lease liabilities, at June and December have remained unchanged
- Gearing calculation excludes finance lease liabilities

Net debt - total borrowings (excluding lease liabilities) less cash and cash equivalents
Total capital - equity plus net debt

4 December 2019 Financial Review

CTI Logistics Limited

Consolidated Balance Sheet

		Post AASB16 Dec 2019 ($M)	Pre AASB16 Dec 2019 ($M)	Jun 2019 ($M)	Dec 2018 ($M)	Commentary
Assets	Cash and cash equivalents	1.6	1.6	2.2	3.5	➢ Period end cash balance
	Receivables and prepayments	31.8	31.8	31.3	30.2	➢ Debtors include trade and other receivables, prepayments and expected tax refunds
	Inventories	0.2	0.2	0.1	0.2	
	Current Assets	33.6	33.6	33.6	33.9	
	Other	0.1	0.1	0.1	0.1	
	Property, plant and equipment	90.1	97.5	98.0	99.0	➢ Decrease due to reclassification of finance leases per AASB 16 after asset additions net of depreciation
	Investment properties	2.2	2.2	2.2	2.2	➢ One remaining non-core investment property
	Deferred tax assets	3.4	0.6	0.6	0.5	➢ Increase due to deferred tax asset recognised on the adoption of AASB 16
	Right-of-use assets	58.2	-	-	-	➢ Recognition of right-of-use asset per AASB 16 (the comparative period has not been restated)
	Intangibles	33.7	33.7	34.0	34.7	➢ Goodwill, customer relationships, brand and trade names net of amortisation of intangible assets
	Non-current assets	187.7	134.1	134.9	136.5	
	Total assets	221.3	167.7	168.5	170.4	
Liabilities	Trade and other payables	17.5	19.9	21.7	23.6	➢ Decrease due to reclassification of lease incentives per AASB 16 and after movements in accruals, payroll tax, GST and current tax
	Borrowings	-	2.7	2.2	2.0	➢ Decrease due to reclassification of finance leases under AASB 16 from borrowings to lease liabilities
	Lease liabilities	15.3	-	-	-	➢ Short term portion of lease liabilities including finance leases per AASB 16
	Provisions	5.8	5.8	6.0	5.4	➢ Short term portion of leave provisions
	Current liabilities	38.6	28.4	29.9	31.0	
	Borrowings	42.3	45.0	46.3	45.2	➢ Decrease due to reclassification of finance leases under AASB 16 from borrowings to lease liabilities
	Lease liabilities	52.8	-	-	-	➢ Long term portion of lease liabilities including finance leases per AASB 16
	Provisions and other liabilities	2.7	2.7	2.0	2.5	➢ Long term portion of leave provisions
	Non-current liabilities	97.8	47.7	48.3	47.7	
	Total liabilities	136.4	76.1	78.2	78.7	
Total net assets		84.9	91.6	90.3	91.7	
	Number of shares on issue	77.7	77.7	77.7	77.2	➢ DRP and BSP during April 2019
	NTA per share at valuation (cps)	0.83	0.92	0.89	0.90	➢ Including property value not recognised on the Balance Sheet

4 December 2019 Financial Review

Corporate Dashboard

	Shareholders at 28 February 2020	Number of FPO	Percentage of Issued Capital (%)
1	David R Watson	25,347,469	32.62%
2	JP Morgan Nominees Australia Ltd	9,931,723	12.78%
3	Simon Dirk Kenworthy-Groen	3,906,399	5.03%
4	David A Mellor	3,712,564	4.78%
5	Parmelia Pty Ltd	3,488,551	4.49%
6	Bruce E Saxild	3,336,364	4.29%
7	HSBC Custody Nominees Ltd	2,984,164	3.84%
8	CITI Corp Nominees Pty Ltd	2,054,729	2.64%
9	Dixson Trust Pty Ltd	1,686,633	2.17%
10	Coram Pty Ltd	655,950	0.84%
	Other	20,607,874	26.52%
	Total	77,712,420	100.00%

CTI Logistics Limited – share price trading volume

Source: asx.com.au

Movement in Share Capital	Movement	Total
At 30 June 2018		77.1M
November 2018 – BSB and DRP	0.4M	77.5M
At 31 December 2018		77.5M
April 2019 – BSB and DRP	0.2M	77.7M
At 30 June and 31 December 2019		77.7M

Corporate Information	
ASX Code	CLX
Shares on Issue	77.7M
Options on Issue	Nil
Share Price at 4 March 2020	$0.76
Market Capitalisation	$59.1M




CTI Logistics Limited

Transport – Interstate Freight

New Freight Depot – Altona VIC

Enabling future growth in interstate freight volumes

5 FY20 Focus

CTI Logistics Limited

CLX is well-positioned for an upturn in the WA economy

- **WA Regional Freight:** Well-positioned to capitalise on improved volumes following a period of strengthening systems and processes and network optimisation
- **Warehousing:** Further optimise warehouse utilisation and labour productivity from the progressive rollout of an industry leading warehouse management system
- **Interstate Freight[1]:** Targeted growth in the road and rail network between mainland capitals, focussing on customer service, freight profiles and ongoing investment in local pick-up/delivery equipment to maximise returns
- **GMK:** Implement productivity initiatives and streamline customer service from recently installed industry leading warehouse and transport management systems across the national operation
- **Cash Flow:** Targeted cost saving initiatives and sustainable productivity measures to improve margins and support ongoing debt reduction following recent acquisitions

Note 1: Formerly Jayde Transport

What we do

CTI Logistics Limited

Transport Segment

Couriers

- On demand express services
- Technical services (eftpos and computer swap outs)
- Vehicles range from pushbikes in CBD to two tonne capacity

Taxi Trucks

- On demand express services
- Exclusive hourly hire services
- Vehicles range from two tonne capacity through to semi-trailers

Regional Freight

- Scheduled road services to South West and North West of WA
- Vehicles range from rigid to triple road trains

Fleet Management

- Provision of dedicated trucks and trailers on permanent hire

Parcels

- Same day and overnight distribution
- E-commerce “last mile” B2B and B2C
- Two and four runs a day services

Interstate Freight

- Scheduled road and rail services to and from Perth, Adelaide, Melbourne, Sydney and Brisbane

Specialised Services

- Rail and wharf container handling
- Truck mounted cranes
- Tail lift vehicles
- Hot shot services

6 # What we do

Logistics Segment

Warehousing

- 3PL, 4PL, supply chain and overflow warehousing
- Contracted distribution centre services
- Bulk product storage
- Consolidation services
- Cross Docking
- Temperature controlled and food grade (HACCAP)
- Specialised warehousing

E-commerce Fulfilment

- Inventory storage and management
- Pick and pack
- Labelling, reworking and kitting
- Order shipments
- Returns management

CTI Projects

- Supply base warehousing and asset management
- Project labour services
- Plant and equipment hire
- Quarantine cleaning and fumigation
- Asset preservation shrink wrapping
- Minerals and energy

Flooring Products (GMK)

- Specialised warehousing
- Carpet and vinyl cutting services
- Specialised Australia-wide distribution network

6 What we do

Other Segment

Document Management

- Document and Sample Storage: Secure storage, cataloguing and retrieval of documents, computer media and mineral samples
- Document Destruction: Supervised destruction of documents/media and recycling within a closed loop service utilising CTI transport and warehousing facilities

Security

- Monitoring: ASIAL graded A1 24/7 control room monitoring of alarms, lone worker protection, medical alerts and CCTV video verification for CTI Security clients and third party security businesses
- Installation: Installation and servicing of monitored alarms, CCTV and access control products for residential and commercial markets

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