

MOVE LOGISTICS FY22 INTERIM RESULTS

Transport and logistics group, MOVE Logistics Group Limited (NZX: MOV), has reported its unaudited results for the six months to 31 December 2021 (1H22), as it completes the first three months of a two-year plan to stabilise and grow the business.

The financial results reflect the impact of the COVID lockdown and regional restrictions in New Zealand from August to December 2021. In particular, fuel deliveries decreased significantly during the first quarter impacting on MOVE's Fuel business, and several large infrastructure projects were deferred or put on hold which affected MOVE's Specialist division. A positive recovery has been seen in Quarter 2 and is expected to continue into the second half of the financial year.

The company is focused on margin improvement and is targeting sectors which meet margin and value criteria. Customer retention has been strong with a company-wide rate review now well underway. Excluding clients on fixed contracts, MOVE is seeking to improve its operating margins and shed underperforming business.

The results also include costs involved in restructuring and resetting the business as part of the strategic plan, as well as inflationary pressure. As signalled at the November 2021 ASM, MOVE has sought to restructure the business along functional lines. This restructure has resulted in a number of one-off costs being incurred, relating to employee and fixed asset costs. A number of legacy activities in the company are being addressed in relation to their fit with the new business model.

MOVE operates through four divisions, with the Freight and Contract Logistics divisions together providing 94% of revenue and 93% of EBITDA. Specialist and International make up the remainder of revenue and earnings.

Revenue for the six months was \$183.3m, up slightly on the prior comparative period (pcp), with a strong recovery being seen from the second quarter following the August/September lockdown.

EBITDA before non trading costs¹ was down 12.8% to \$28.7m with positive gains in Freight and International offset by the impact of COVID on the Fuel (Contract Logistics) and Specialist businesses as detailed above. The comparative prior first half year also benefited from a large windfarm project and a positive contract resolution. The company reported a net loss after tax (NLAT) of \$(1.4)m for the six months. Excluding non-trading costs, the NLAT was \$(0.8)m.

A \$40m capital raise was successfully completed during the period, introducing new shareholders to the register, including a number of Australian investors, and enabling a reduction in net debt to \$14.5m.

Strategic Progress

The Board and leadership of MOVE were refreshed in mid-2021 and experienced transport and logistics sector executive, Chris Dunphy, took up the role of Executive Director. A comprehensive

¹ Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) and before non-trading costs of \$0.8m.

business review has been completed with key priorities identified to drive improvement and growth of the business, particularly in Freight and Contract Logistics.

In particular, the focus is on margin improvement, asset utilisation and profitability, with a range of initiatives in place to increase total earnings and lift margins. These include:

- Technology driven operating efficiencies, including the planned implementation of a new Transport Management System.
- Customer acquisition and identification of desirable customer and sector opportunities.
- Further cross-selling MOVE's range of services.
- Improved utilisation of assets, including network optimisation and ongoing conversion to a low asset model.
- Commenced strategy to convert more of MOVE's fleet to leased trucks and grow the percentage of owner-drivers contracted to the company.
- Continue to adopt multi-modal approach as part of customer solutions. MOVE Oceans' first chartered coastal vessel, is expected to be delivered to New Zealand in 4Q22. MOVE's strong Freight branch network, coupled with supply issues in obtaining rail space, make coastal shipping a key part of the 'MOVE-forward' strategy.

The leadership team has been strengthened with new COOs for the Freight and Contract Logistics businesses appointed in the later part of 2021, the recruitment of a new CIO in early 2022 and a number of other experienced and talented people recruited into the business.

Health and safety remains a priority across the Group with a continued improvement in safety metrics.

Capital expenditure is expected to increase as the company invests into technology, particularly the new Transport Management System and a primarily leased fleet replacement programme over the next two years. In line with this and its Environmental aspirations, MOVE has placed an order for two hydrogen fuelled trucks for delivery mid-2022 and will be one of the first transport businesses in New Zealand to have these hydrogen trucks in its fleet.

Outlook

Sector and economic headwinds are expected to continue into the second half of the financial year. COVID pressures remain, with disruptions expected as Omicron spreads, including on the supply chain in New Zealand and the labour force. Significant planning has been undertaken to mitigate disruptions to MOVE and the critical services it provides, with access to Rapid Antigen Tests and a testing programme in place for essential workers.

High inflationary pressure and rising interest rates are also expected. MOVE will raise freight rates to offset increasing costs wherever possible. Driver shortages are becoming more acute and it is hoped that the loosening of border restrictions will enable more skilled drivers to enter the country.

With a comprehensive business review now complete, the company is moving ahead with a clear two-year strategic plan to improve margins and grow the business.

The positive recovery seen in Quarter 2 is expected to continue into the second half of the financial year, with initiatives positioning the company to take advantage of market opportunities.

Although there continues to be uncertainties as noted above the company confirms that it expects FY22 performance to be broadly in line with FY21.

ENDS

For further information, please contact:

Chris Dunphy
Executive Director
Phone: +61 417 888 930
Email: Chris@move logistics.com

Lee Banksh
Chief Financial Officer
Phone: +64 27 525 2876
Email: Lee.Banks@move logistics.com

For media assistance, please contact: Jackie Ellis t: + 64 27 246 2505 e: jackie@ellisandco.co.nz

About MOVE Logistics Group Limited (MOV)

MOVE is one of the largest domestic freight and logistics businesses in New Zealand, with a nationwide network of branches, depots and warehouses.