


# TIL LOGISTICS GROUP LIMITED

2020 Annual Meeting Presentation

# BOARD AND MANAGEMENT

## BOARD

- Trevor Janes, Chair
- Lorraine Witten
- Danny Chan
- Peter Dryden
- Jim Ramsay

TIL Logistics' Board comprises experienced Directors with particular strength in corporate governance and oversight of growing companies.

## GROUP EXECUTIVE TEAM

- Alan Pearson, CEO
- Lee Banks, CFO
- Charles Bolt, General Counsel & Company Secretary
- Peter Simone, Acting Group HR, H&S Manager

**Divisional CEOs**

- Dallas Vince, DCEO Freight
- Stephen Owles, DCEO Bulk Liquids
- Richard Mather, DCEO Warehousing & Logistics
- Clayton Imbs, DCEO International
- Warwick Bell, DCEO Specialist Lifting

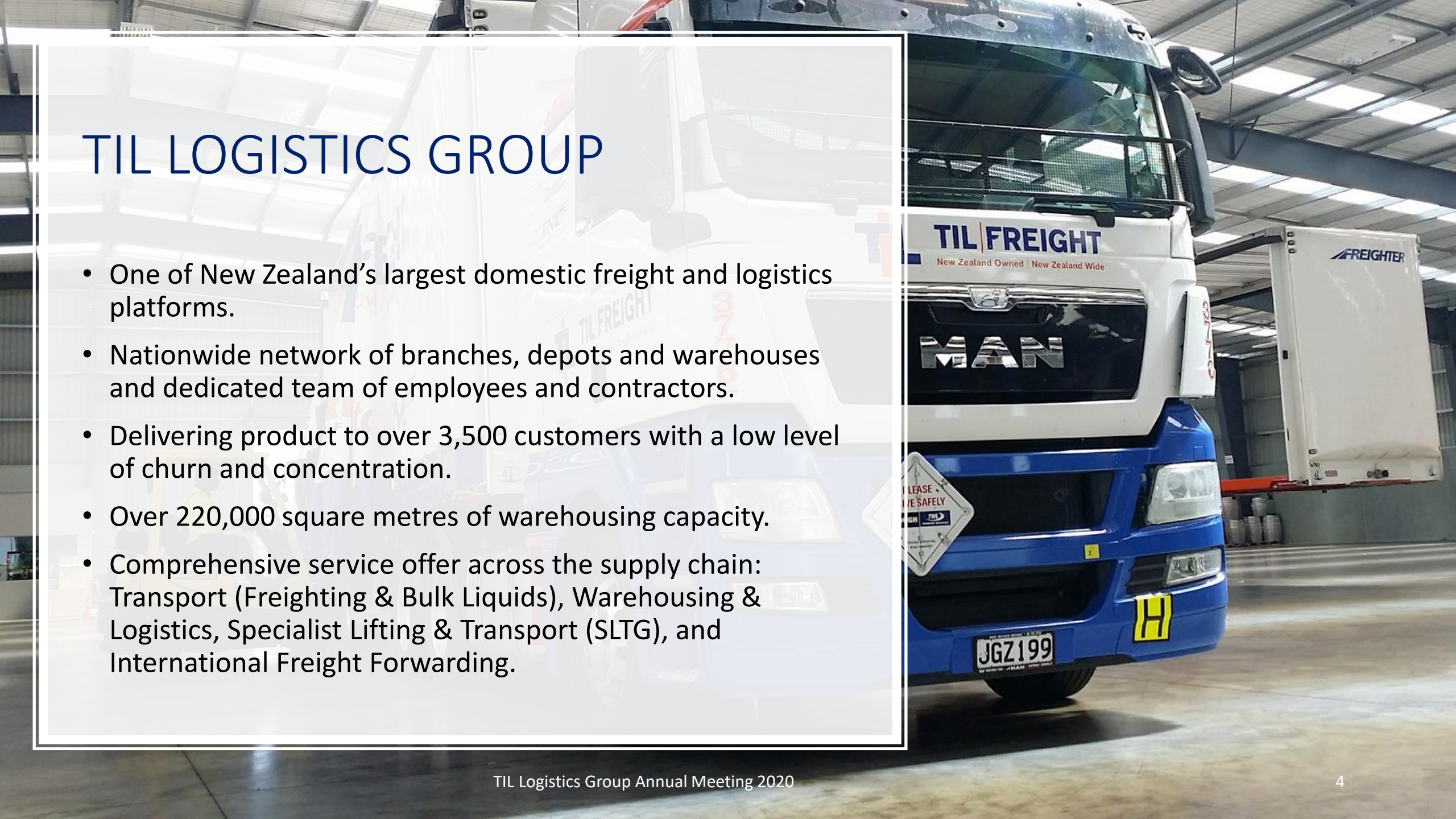
# CHAIR'S PRESENTATION

Trevor Janes



# TIL LOGISTICS GROUP

- One of New Zealand's largest domestic freight and logistics platforms.
- Nationwide network of branches, depots and warehouses and dedicated team of employees and contractors.
- Delivering product to over 3,500 customers with a low level of churn and concentration.
- Over 220,000 square metres of warehousing capacity.
- Comprehensive service offer across the supply chain: Transport (Freighting & Bulk Liquids), Warehousing & Logistics, Specialist Lifting & Transport (SLTG), and International Freight Forwarding.



# OUR VISION AND VALUES

## Our vision is to be a premier transport and logistics company




### CUSTOMER.

We are focused on the needs ofour customers We recognise without customers we have no business and do what it takes to be our customers' logistics partner of choice. We are easy to do business with, collaborate and learn from outcomes with our customers.




### SAFETY.

We focus on team safety ensuring every employee arrives home safe and sound whatever their role. This includes training our staff in the latest safety procedures and using quality equipment as part of our processes.




### RESULTS DRIVEN.

We are committed to providing the best services, exceeding expectations of our customers and creating sustainable value for our shareholders and stakeholders.




### INNOVATION.

We strive to be leaders in logistics innovation and welcome new technology with enthusiasm and interest. We always look for ways to improve our effectiveness and efficiency.




### TEAM.

We work together as a cohesive group, to empower our individual strengths. All employees are given the opportunity for growth and development. We show pride in the appearance of ourselves and our equipment. We all share a "can do" attitude.




### PROFESSIONALISM.

We do what we say we will do. We act openly and honestly both within the organisation and with our customers. We value ethics, integrity and we do what is right.




### SUSTAINABILITY.

We want to be a leader in sustainable logistics services. Creation of a sustainable strategy that focuses on our people, customers, investors and communities, is important. Our strategy extends to emission reduction targets and transparent reporting, with the aim being a better environment for us all.

# BOARD REPORT FOR FY20

- Our thanks to the TIL team and acknowledgement of the efforts of the TIL team as the company has responded to the challenges of COVID-19.
- Financial result impacted by COVID-19, as well as a disappointing performance in 1H20 with challenging headwinds.
- No final dividend has been declared.  Resumption of dividends in FY21 will be considered subject to trading conditions and financial performance continuing to improve.
- Approval from Board on strategic plan for the company, including detailed improvement plan for Freight division.
- Approval of Long Term Incentive Scheme for senior executives.
- Health & Safety remains a priority for the Board and all TIL people are empowered to identify opportunities for improvement across the company.
- Board's priority is to deliver value growth for shareholders in FY21.

# OUTLOOK AND STRATEGIC PRIORITIES

- COVID-19 has demonstrated value of being a group of scale, with the ability to invest into health and safety, training, systems and infrastructure.
- Conservative approach to capital expenditure, however, will continue to explore opportunities to grow market share.
- Confidence in the strengthened management team and plan in place, particularly for Freight.
- First quarter results ahead of the same period in the prior year due, in part, to pent up demand and seasonality as well as a positive recovery since lockdown.
- Remain cautious on the trading environment and the possible effects of continuing COVID-19 outbreaks on the economy and TIL's customers in FY21.
- Based on current trading and dependent on the timing of a large windfarm project which is currently expected to be undertaken in the current financial year, the Board has confirmed its earlier guidance that EBITDA for FY21 is expected to be at least that of the FY20 post IFRS-16 result of $57.4m.

# CEO’S PRESENTATION

## Alan Pearson



# FY20 OPERATING ENVIRONMENT

**First half:**

- Adverse market conditions including softening business confidence as well as slower than expected pre-Christmas period.
- Particularly wet winter impacting construction & building activity; forestry products hit hard by China/USA trade war; Taranaki Oil & Fuel industry impacted by Government Policy. Building Products reflected negative sentiment after a decade of growth.

**Second half:**

- Impact of COVID-19 in Q4 FY20 with a significant decrease in economic activity.
- Material impact on many of TIL's customers.

**Impact on TIL:**

- Adverse market conditions contributed to significant underperformance of Freight division in 1H20.
- Despite essential service status, COVID-related restrictions had a material impact on many of the Group's customers, with flow on effects for TIL's operations and earnings.
- Since the lifting of the COVID-19 restrictions, the businesses have begun to recover.

# FY20 KEY EVENTS

- Detailed review and reset of underperforming Freight division; early progress now being seen.
- Continuing refresh of the Senior Leadership Team; new Divisional CEO appointed to lead the Freight division.
- Acquisition of remaining 50% in ATL joint venture in February 2020, Cromwell-based freight business.
- Opening of new warehouses in Christchurch and Auckland (x2).
- Secured significant windfarm turbine transport contract.
- Positive resolution of commercial matters with key customer, with negotiations underway to extend the contract beyond 2021.
- Ongoing investment into technology which is expected to deliver financial and operational benefits.
- Contingency planning and actions undertaken in response to COVID-19.

# FY20 RESULTS SNAPSHOT

| $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* | 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) |

EBITDA (pre-NZ IFRS 16) of $26.5m

Net Profit After Tax (NPAT) of $6.0m (pre-NZ IFRS 16), up 50% on pcp.

Margins in line with or above prior year for all divisions, excluding Freight which underwent review and reset in FY20

Material impact from COVID-19 on sales and volumes in 2H20.

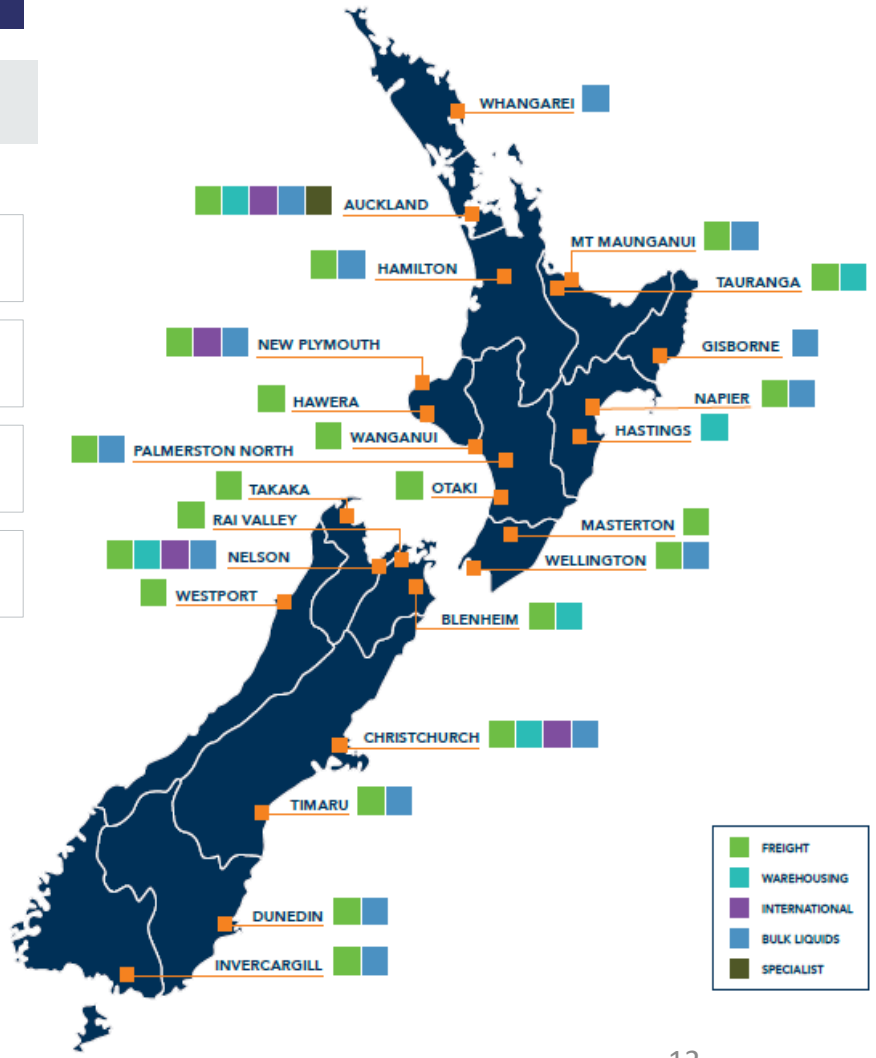
NZ-IFRS 16 Leases adopted from 1 July 2019.

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

# OUR BUSINESS

## TIL LOGISTICS GROUP

| FREIGHT | BULK LIQUIDS | WAREHOUSING & LOGISTICS | INTERNATIONAL | SPECIALIST |
|---|---|---|---|---|
| TIL FREIGHT | PACIFIC FUELMAIL Ltd | MOVE LOGISTICS | HOOKER SHIPPING | TRANZCARR HEAVY HAULAGE |
| Roadstar | PACIFIC LIQUID LOGISTICS LTD | | ALPHA CUSTOMS SERVICES LTD | Multi-Trans |
| ATL HAULAGE | | | TNL INTERNATIONAL | Machinery Movers |
| HOOKER PACIFIC | | | LIQUID LOGISTICS | |
| McAuley's Transport Ltd | | | | |
| NZL GROUP | | | | |
| TNL | | | | |



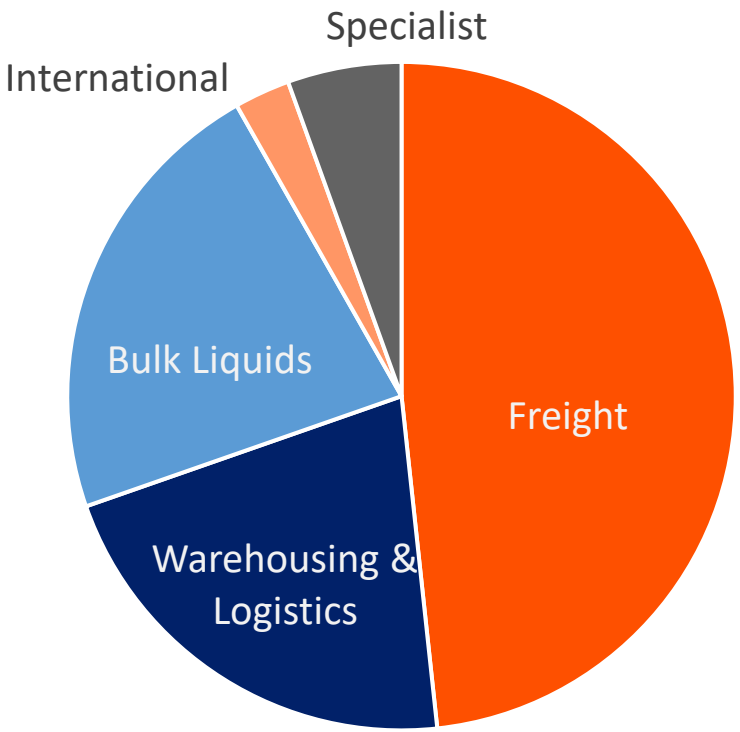
# TIL OPERATES ACROSS FIVE DIVISIONS

| FREIGHT | BULK LIQUIDS | WAREHOUSING & LOGISTICS | INTERNATIONAL | SPECIALIST |
|---|---|---|---|---|
| One of NZ's largest general freight and line haul transport service providers with a nationwide network and regional breadth. | Specialists in transporting fuel, LPG and industrial chemicals, transporting c. 40% of New Zealand's petroleum. | New Zealand's largest 3PL operation, providing a national warehousing solution, including warehousing, info management, cross docking, container cartage and loading and metropolitan delivery. | International freight forwarding and logistics services. TIL's offering also includes custom clearance support and port services. | A group of businesses specialising in heavy and large haulage and machinery lifting as well as advisory services. |

# DIVISION REVENUE AND EBITDA

## Excluding NZ IFRS 16

FY20 REVENUE




FY20 EBITDA




**Prior period revenue and EBITDA for Freight and Warehousing & Logistics have been restated to a pro forma basis as if the restructure of NZL had occurred.*

*** Division EBITDA excludes corporate costs*

# FREIGHT

- Expected uplift in demand as country restocks post-COVID, Government stimulus initiatives and increased focus on sales activity.
- Key export industries forecasting robust volume growth, with demand for NZ goods and historically low NZD.
- Longer term, technology initiatives expected to deliver cost and margin benefits.
- Continue to adopt other transport modes such as rail and coastal as part of customer solutions.
- Competitive advantages to be driven by improving operational efficiency, customer service and value add, and points of difference eg regional offer.



# FREIGHT IMPROVEMENT PLAN

**100 day review revealed:**

- Strong regional businesses and employee and customer loyalty. However, lack of cohesiveness and synergy.
- Assets, footprint, national coverage, brands and customer base offer significant competitive advantage.
- Highlighted sales management improvements.
- Opportunities to eliminate waste and improve productivity, including route/load planning.

**Actions being taken:**

- New management team – Division CEO, GM Sales, Quality Manager, Owner Driver Manager.
- Stronger connections between regional businesses.
- Better utilise the Group's scale and competitive advantage to deliver bundled transport and warehouse solutions across the country, and for our International customers.
- Introduction of detailed sales planning practices.
- Empowering local/branch management, upgrading leadership practices.
- Increase fleet and capacity utilisation; improve the Owner Driver service function.
- Implement and leverage technology to deliver operational and customer service excellence.

# WAREHOUSING & LOGISTICS

- Three-year investment into new warehouses, resulting in additional capacity which is expected to cater for future sales in coming years.
- New warehouse in East Tamaki now at capacity and fully occupied by major beverage business.
- Flow on effects of impact of COVID-19 on customer volumes expected to continue.
- Increasingly competitive environment.
- Identified opportunities in the regions for growth in the near term.
- Continue the closer working collaboration with International and Freight divisions to offer a one-stop logistics solution.



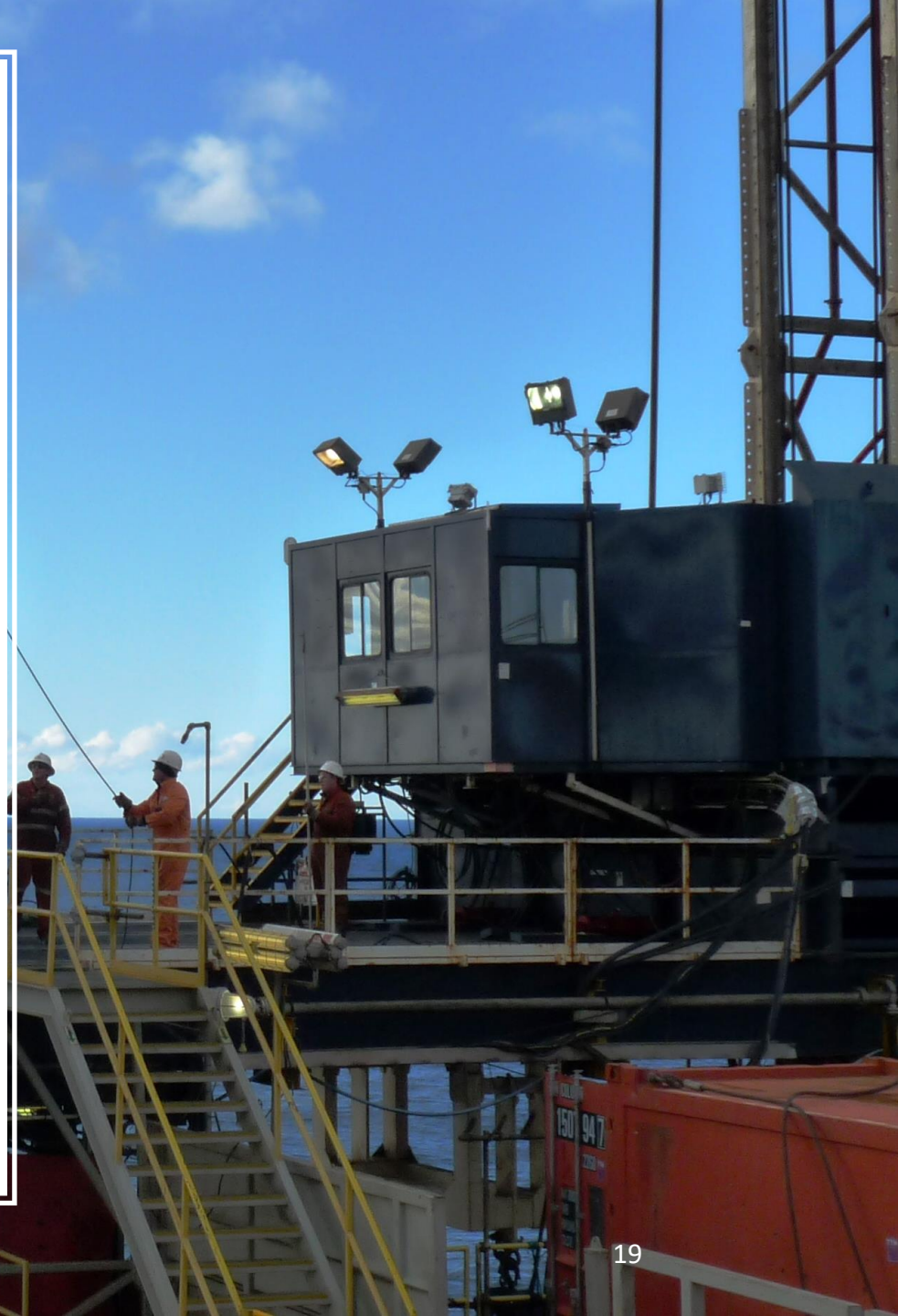
# BULK LIQUIDS

- Bulk Liquids primarily services large fuel and gas customers.
- Material impact on fuel volumes in FY20 due to COVID-19, with flow on effect on Pacific Fuel Haul.
- Expecting a decline in fuel volumes in FY21, due to reduced vehicle movements in a tougher economic environment.
- 1Q21 revenue slightly below prior year, due to the reduction in fuel transportation. Pleasingly, 1Q21 EBITDA and margins ahead of prior year due to focus on cost control, reduced overheads and fuel savings.
- Key focus in FY21 on cost control and increased flexibility.
- Continue to build on long term strategic partnerships with key customers and also grow non-fuel related Bulk Liquid transport.
- Well advanced in negotiations for new contract with a key customer.
- Working closely with partner to develop opportunities with hydrogen fuel use.



# INTERNATIONAL

- FY20 was a positive year with increased activity in the sector.
- ISO Tank & Shipping services increased revenue with greater domestic demand for ISO equipment & services.
- Improved presence and performance in Australia.
- Exploring acquisitions opportunities, with further specialist logistics services being investigated to increase footprint.
- Continuing improvement to Group bundled service offer.
- 1Q21 trading below prior year, due to COVID-19 and slow recovery of oil & gas sector.
- Continuing impact expected as a result of economic conditions, limitations to cross-border trade and reduced NZ oil & gas exploration activity.



# SPECIALIST

- Specialised Lifting and Transport continues to be a solid acquisition.
- Major windfarm transport contract secured in February, with some work undertaken in 2H20 but majority deferred to latter part of FY21 and potentially beyond.
- Projects delayed by COVID expected to come on stream in 1H21.
- 1Q21 trading ahead of prior year due to the windfarm project, with deferred activity recommenced in the first quarter.
- Acquired assets and entered long term contract to supply heavy transport and logistics services to Fletcher Construction's Asset Hub.
- Strong pipeline of activity through increased infrastructure spending and Government stimulus. Continued construction opportunities in Auckland, slowdown in the construction market outside of Auckland; timing of future windfarm developments pending decision on Tiwai Point Smelter closure



Winner of the Chartered Institute of Logistics & Transport Award for Implementation and Practice.




# HEALTH & SAFETY

- We take the safety and wellbeing of our employees, contractors, owner drivers and communities very seriously.  It is an essential component to everything we do.
- Unfortunately a serious incident occurred in May, with the serious injury of one of TIL's drivers. TIL is supporting the driver and family and investigations are underway.
- Independent external review undertaken of Company's safety management plan.
- Established a centralised safety team.
- Technology continues to form a key part of our critical risk controls, including in cab solutions to monitor driver fatigue and provide alerts.
- Priority focus in Q4 FY20 on COVID-19 response and protecting the health & safety of staff, contractors and customers.

# ENVIRONMENT

- TIL is committed to the reduction of carbon emissions through our membership of the Climate Leaders Coalition.
- CEMARS review completed in July 2019 (recertified in August 2020). Developed Emissions Management and Reduction Plan with annual targets for consumption.
- Carbon footprint is dominated by diesel fuel.
- Have established an improvement programme with hard targets to reduce carbon emissions.
- Forklift partnership with two major suppliers will see the gradual upgrade of our 500+ fleet over time to safer, more efficient and lower carbon emission equipment.
- Shift from fossil to alternative fuels is still evolving and is in the early stages.
- Partnership with Hiringa to investigate development of hydrogen cell fuel technology.

FY20 Greenhouse gas emissions

63,405

tCO2e

Down 7% on FY19

# HYDROGEN FUEL INITIATIVE




Partnership with Hiringa to investigate development of hydrogen cell fuel technology.

Hydrogen refuelling stations being rolled out in 2021 and New Zealand's largest truck leasing business providing funding to allow large corporates to move to hydrogen fuel.

Working in partnership with a major supermarket chain on the potential to transport goods between Auckland and New Plymouth using a hydrogen fuelled truck.

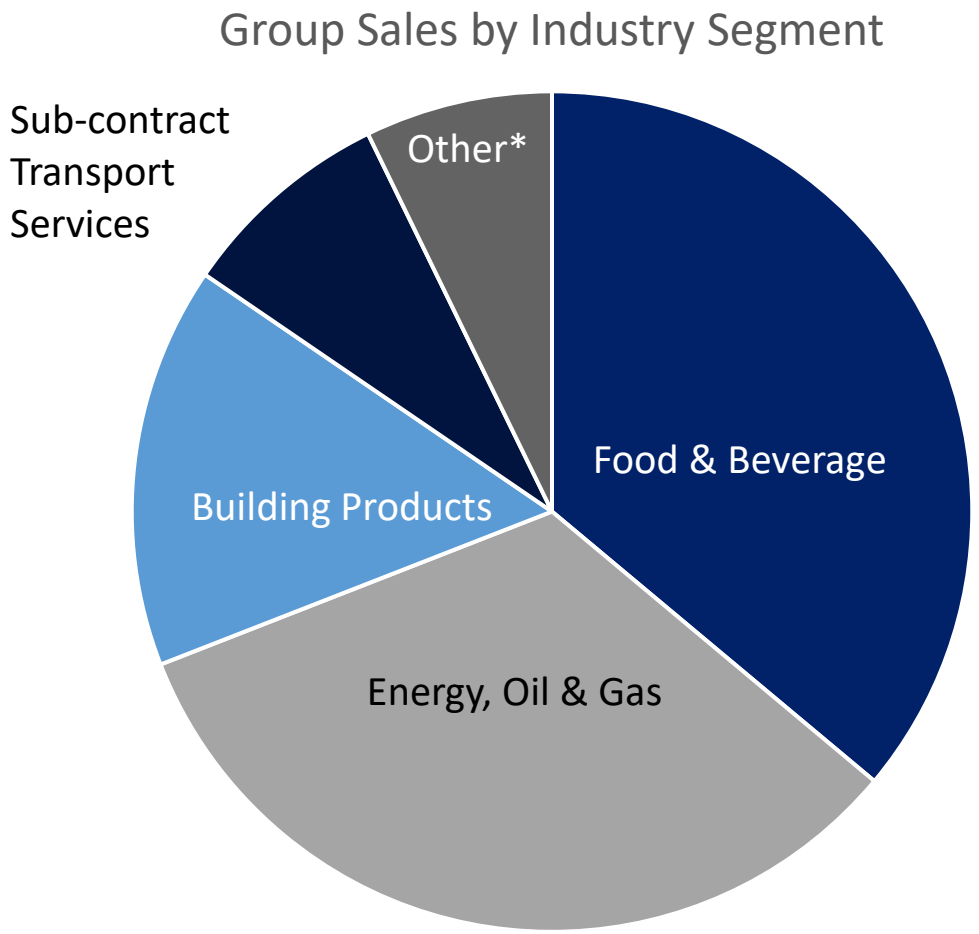



# PEOPLE

- Further changes to strengthen the Executive team. Establishment of a centralised HR team.
- Demanding year dealing with the impact of COVID-19, and the various impacts from Government policy, managing entitlements and leave issues.
- Industrial relations continue to be characterised by robust negotiations and interactions
- Number of recruitment programmes in place including being an accredited employer able to offer a pathway to NZ residency in order to address skill shortages such as drivers (two divisions currently accredited).
- Employee Engagement surveys planned to support diversity, culture and HR initiatives
- Free confidential counselling available to all employees for work and non-work concerns.
- Regular group-wide staff communications.
- Future planning for additional training to build skills and support internal promotion.

# INDUSTRY SEGMENTS

**TIL has a diverse customer base and industry exposure, with low churn.**




**Other comprises:** Household & Personal Products, Forestry, Commercial & Professional Services, Container Transport, Automobiles & Components, Consumer Durables & Apparel, Construction, Storage, Agriculture, Retail

## INDUSTRY OUTLOOK

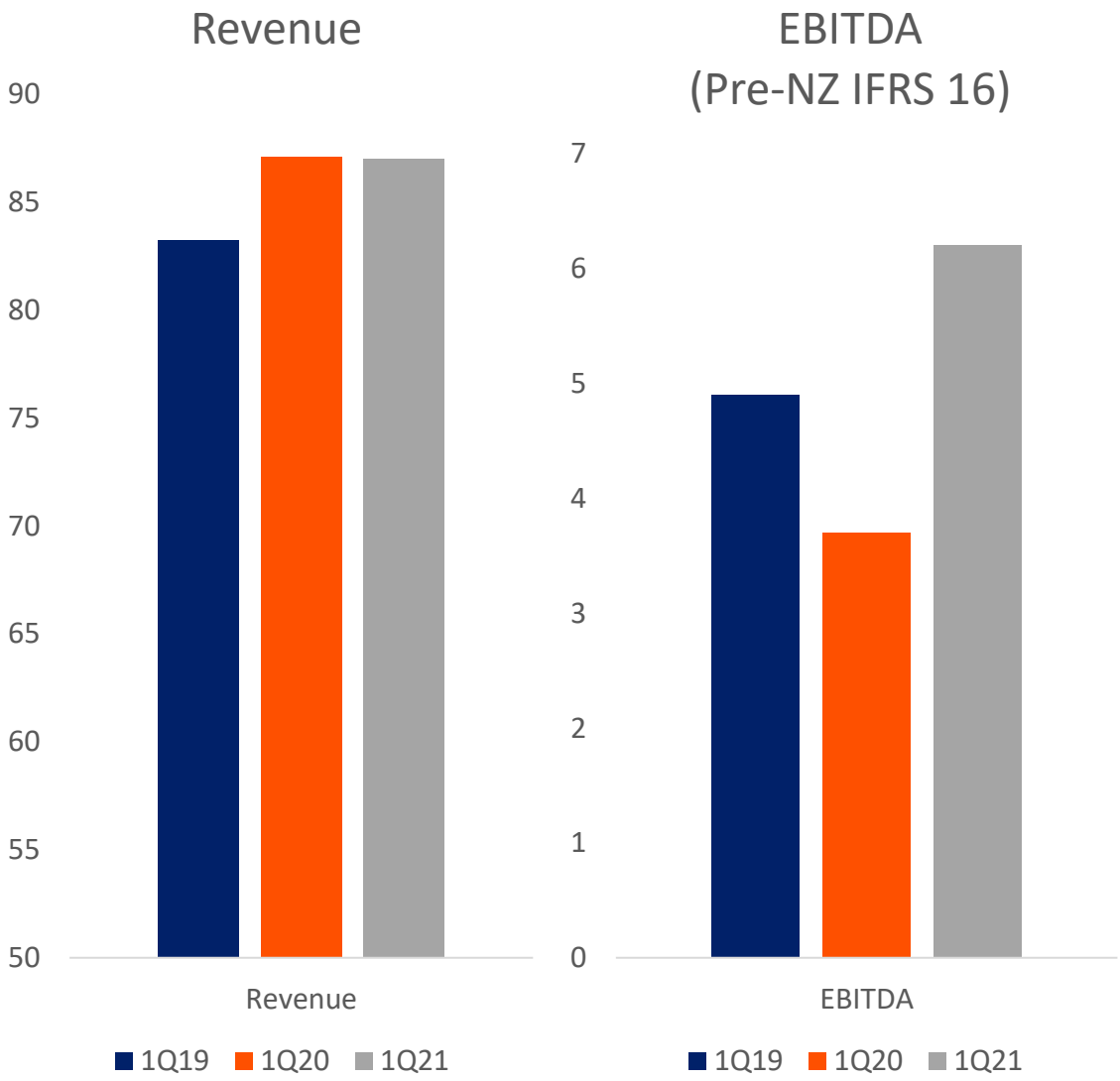
- Primary sector, particularly agriculture, remains relatively untouched, including downstream supply chain
- Impact on hospitality sector, affecting some food and beverage businesses
- Slowing construction across the country, although Auckland remains strong. Expect recovery over time, particularly as Government invests in infrastructure
- Demand for oil & gas is recovering after lockdown, however, lower aviation fuel demand and warm winter effect on gas consumption
- Increase in demand for sub-contract services

# STRATEGIC PRIORITIES

| | |
|---|---|
| **FREIGHT TURNAROUND** | • Continue turnaround programme<br>• Priority focus on lifting margins |
| **ORGANIC GROWTH** | • Expansion of Bulk Liquids into non-fuel sectors<br>• Expansion Specialist services into a broader weight range<br>• Optimise utilisation of MOVE's new warehousing capacity |
| **ACQUISITION OPPORTUNITIES** | • Expand International offer and services |
| **GROUP INITIATIVES** | • Bundled customer solution<br>• Build stronger connections between brands and businesses<br>• Continued focus on ESG initiatives |

# 1Q21 TRADING UPDATE

- Positive Quarter 1 result due, in part, to pent up demand and seasonality as well as a positive recovery since lockdown. Seasonally the quietest time of the year.
- Group revenue for 1Q FY21 in line with the same quarter in the prior year, despite the impact of COVID restrictions in Auckland in August.
- Group EBITDA increased ahead of the same time last year, with all divisions, apart from the small International division, delivering results ahead of the prior comparative period.
- Based on current performance, we remain on track to achieve FY21 forecast EBITDA of at least that of the FY20 post IFRS-16 result of $57.4m.




SLTG acquired in FY19; new warehouses opened end-FY19 through to FY20

# OUTLOOK

- Expect continuing challenges from COVID-19 with recessionary economic conditions expected in FY21.
- Flow on effects will be felt for some time, and TIL retains a cautious outlook.
- COVID-19-related Government fiscal stimulus and investment in infrastructure likely to support increasing freight volumes
- Global trend of businesses using 3rd party warehousing & logistics providers (3PL) such as TIL  Logistics Group.
- 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.
- Well positioned to take advantage of opportunities within the sector.



# SHAREHOLDER DISCUSSION

# RESOLUTIONS

# RESOLUTIONS

**ORDINARY RESOLUTIONS:**

- RESOLUTION 1:  That the Directors be authorised to fix the fees and expenses of PricewaterhouseCoopers as the Company's auditor.
- RESOLUTION 2: That Danny Chan, who retires as a Director and, being eligible, offers himself for re-election by shareholders, be elected as a Director of the Company.

# OTHER BUSINESS
# CLOSE OF THE MEETING

Results of the voting will be released to the NZX

Presentations available online at www.til.kiwi



# IFRS 16: ADOPTION IMPACT IN FY20

- TIL has a large number of vehicle leases, as well as long term property leases.
- Upon adoption from 1 July 2019, NZ IFRS 16 had a material impact on a number of elements of the Group's balance sheet and income statement, but no material impact on the Group's cash flows.

**FY20 impact:**

- Balance sheet as at 30 June 2020: Increase in assets of $170.0m and increase in liabilities of $173.5m
- EBITDA: Increase of $30.9m
- Net Profit Before Tax: Reduction in NPBT of $5.5m
- Cash flows: No change

# GLOSSARY

- **Non-GAAP financial information:** TIL Logistics Group uses several non-GAAP measures when discussing financial performance. These include Earnings Before Interest, Tax, Depreciation and Amortisation, Share of (Loss)/Profit of Associates and Impairment of Goodwill (EBITDA), adjusted EBITDA excluding non-trading costs and adjusted Net Profit/Loss After Tax (NPAT/NLAT) excluding non-trading costs. Management believes that these measures provide useful information on the underlying performance of TIL Logistics' business. Reconciliations of the non-GAAP measures to GAAP measures, can be found in TIL Logistics Group's Financial Statements that are available on the company's website.
- **EBITDA** refers to Earnings Before Interest, Tax, Depreciation and Amortisation excluding income from associates. EBITDA is a non-GAAP profit measure.
- **NPAT/NLAT** refers to net profit/loss after tax.
- **Adjusted EBITDA/Adjusted NPAT**: Excludes non-trading costs associated with the reverse listing process which occurred in FY18, share based payments and the revaluation of deferred consideration for acquisitions. The Board believes this provides a better reflection of the company's underlying performance.

# NON-GAAP RECONCILIATION

| $Millions | FY20 | FY19 |
|---|---|---|
| **Net profit before income tax (GAAP measure)** | **3.5** | **7.4** |
| Add back: | | |
| Share of loss of associates | - | 0.4 |
| Finance costs/(interest income) | 11.8 | 4.1 |
| Impairment of investment in associates | 0.4 | - |
| Bargain on acquisition | (1.1) | - |
| Depreciation & Amortisation | 42.9 | 13.6 |
| Deferred consideration and advisory costs expensed | (0.2) | 2.6 |
| **EBITDA (non-GAAP measure)** | **57.4** | **28.0** |
| NZ IFRS 16 adjustments | (30.9) | - |
| **Pre-NZ IFRS 16 adjusted EBITDA (non-GAAP measure)** | **26.5** | **28.0** |

# DISCLAIMER

This presentation has been prepared by TIL Logistics Group Limited ("TLL"). The information in this presentation is of a general nature only. It is not a complete description of TLL.

This presentation is not a recommendation or offer of financial products for subscription, purchase or sale, or an invitation or solicitation for such offers.

This presentation is not intended as investment, financial or other advice and must not be relied on by any prospective investor. It does not take into account any particular prospective investor's objectives, financial situation, circumstances or needs, and does not purport to contain all the information that a prospective investor may require. Any person who is considering an investment in TLL securities should obtain independent professional advice prior to making an investment decision, and should make any investment decision having regard to that person's own objectives, financial situation, circumstances and needs.

Past performance information contained in this presentation should not be relied upon as (and is not) an indication of future performance. This presentation may also contain forward looking statements with respect to the financial condition, results of operations and business, and business strategy of TLL. Information about the future, by its nature, involves inherent risks and uncertainties. Accordingly, nothing in this presentation is a promise or representation as to the future or a promise or representation that an transaction or outcome referred to in this presentation will proceed or occur on the basis described in this presentation. Statements or assumptions in this presentation as to future matters may prove to be incorrect.

A number of financial measures are used in this presentation and should not be considered in isolation from, or as a substitute for, the information provided in the TLL Listing Profile.

TLL and its related companies and their respective directors, employees and representatives make no representation or warranty of any nature (including as to accuracy or completeness) in respect of this presentation and will have no liability (including for negligence) for any errors in or omissions from, or for any loss (whether foreseeable or not) arising in connection with the use of or reliance on, information in this presentation.