



# TIL LOGISTICS GROUP LIMITED

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## 2019 Annual Meeting of Shareholders

# CHAIR'S PRESENTATION

Trevor Janes



# BOARD AND MANAGEMENT

## BOARD

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- Trevor Janes, Independent Chair
- Lorraine Witten, Independent Director
- Danny Chan, Independent Director
- Jim Ramsay, Executive Director

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

## GROUP EXECUTIVE TEAM

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- Alan Pearson, CEO
- Lee Banks, CFO
- Maurice Corkery, CIO
- Dwane Feehely, Group Safety and Environment
- Dallas Guilford, Acting Group HR Manager
- Dean Crackett, Acting GM Group Marketing

### **Divisional Leaders**

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



# 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
- Travel over 80 million kms each year, delivering product to over 30,000 sites
- Comprehensive service offer across the supply chain: Freight, Bulk Liquids, Warehousing & Logistics, Specialist Lifting and Transport, and International Freight Forwarding



# OUR PROGRESS

Solid foundation laid in FY19 with expansion of warehousing capacity, acquisition of Specialist business, organic growth across all businesses, and strengthened leadership team.

## STRONG FOUNDATION FOR GROWTH

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- Warehousing to expand by 25% - largest provider (by capacity) in New Zealand
- Acquisition of Specialist transport business, providing scale in this sector
- Settlement of MOVE purchase
- Share register changes – sell down of 5% shareholding by Greg Kern

## OPERATING ENVIRONMENT

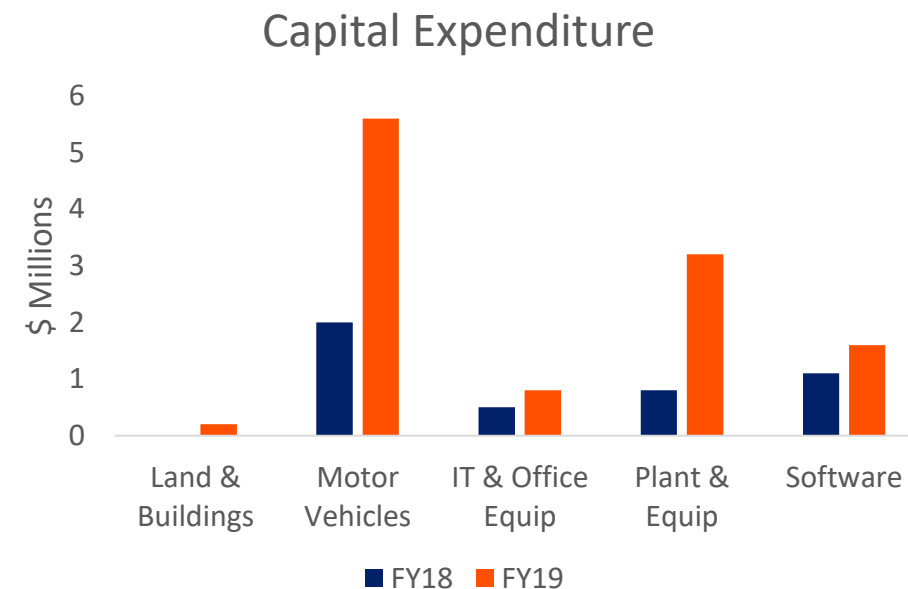
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- Softening business confidence and higher cost environment
- Remain focused on organic growth with restricted capital spend and tight cost control

# CAPITAL MANAGEMENT

Increased investment into the business in FY19; retained solid financial position.

\$Millions	FY19	FY18
Cash and cash equivalents	6.4	2.9
Trade and other receivables	51.0	46.6
Property, plant and equipment	92.3	74.6
Other	26.7	27.6
<b>TOTAL ASSETS</b>	<b>176.4</b>	<b>151.7</b>
<b>TOTAL EQUITY</b>	<b>34.3</b>	<b>28.0</b>
Trade and other payables	39.4	31.7
Long term borrowings	79.1	70.5
Other	23.6	21.5
<b>TOTAL LIABILITIES</b>	<b>142.1</b>	<b>123.7</b>



*Capital expenditure excludes assets acquired via business acquisitions*



# GROWTH DRIVERS AND OPPORTUNITIES

## **INCREASE SALES AND CUSTOMER DEMAND:**

- Promote TIL's bundled freight and logistics offer to new and existing customers
- Capture a greater proportion of existing customers' supply chains
- Offer specialised services to targeted customers

## **IMPROVE UTILISATION LEVELS OF EXISTING AND NEW NETWORKS:**

- Increase volumes on existing platform with minimal investment
- Strategic investment into expansion to capture current and future demand
- Intermodal expansion – utilisation of rail and coastal shipping

## **MINIMISE COSTS OF SERVICES PROVIDED:**

- Make the most of TIL Logistics' inherent operating leverage
- Leverage technology, exploit available cost efficiencies and scale

## **GROWTH THROUGH ACQUISITION**

# CEO'S PRESENTATION

Alan Pearson





# FY19 KEY EVENTS

**Period of business growth and increasing sales across all divisions, with results reflecting investment into growth initiatives and a higher cost base.**

- Acquisition of Specialised Lifting and Transport Group, strengthening existing offer and providing entry into a new sector. Delivered a performance ahead of expectations in FY19.
- Significant investment in expansion and development of new warehousing facilities to meet future demand. Completion and relocations of 3 facilities with additional 2 facilities due to open in FY20.
- Organisational restructure into five operating divisions, including separation of NZL into freighting and logistics services.
- Bundled transport and logistics offer is now starting to show dividends and market share is growing, with new customers and increasing demand from existing customers.
- Number of major customer wins, with results reflecting initial start up expenses for major PFH contracts.
- Establishment of Senior Leadership Team with Divisional Leaders, creation of new CIO, Group HR and Group Safety roles and appointment of Lee Banks as Chief Financial Officer.
- Signatory to Climate Leaders Coalition and signing of Memorandum of Understanding with Hiringa Energy to investigate hydrogen fuel cell technology transport solutions.

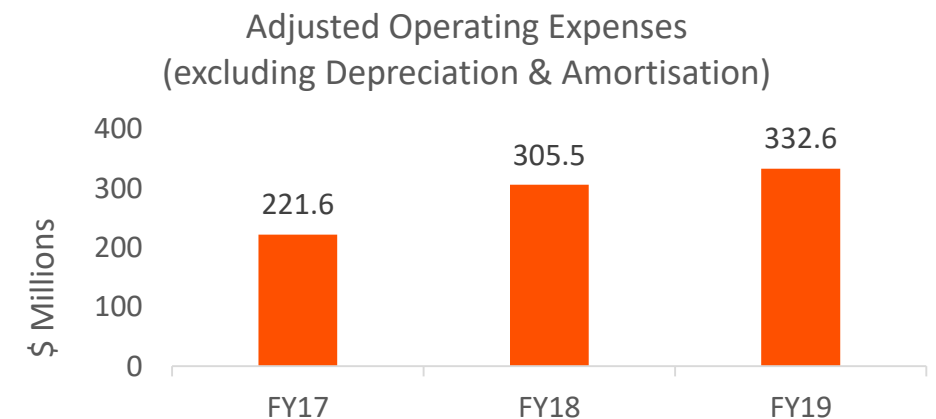
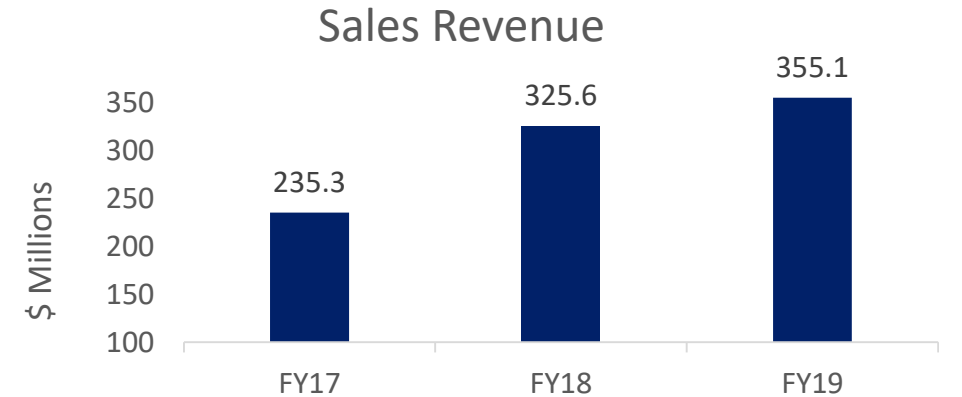
# FY19 RESULTS SNAPSHOT

Increased sales driven by acquisition and organic growth; Good first half with revenue gains partially offset by unplanned cost impacts in second half of the year and a slowdown in 4Q19.

\$Millions	FY19	FY18
Sales Revenue	355.1	325.6
EBITDA	25.4	6.9
Adjusted EBITDA	28.0	26.2
NPAT/NLAT	4.0	(12.2)
Adjusted NPAT	6.6	7.1
Net Operating Cashflow	19.4	10.4
Total Assets	176.4	151.7
Bank Debt	(84.3)	(73.9)
Dividend (cents per share)	5.0	2.3

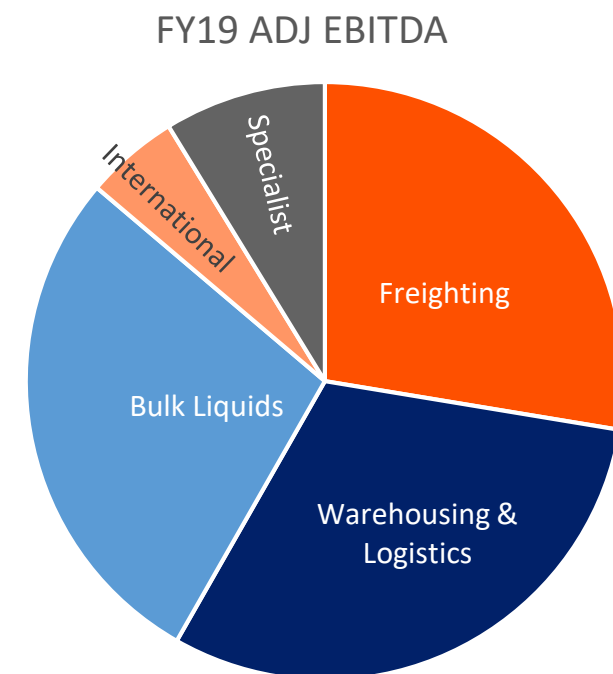
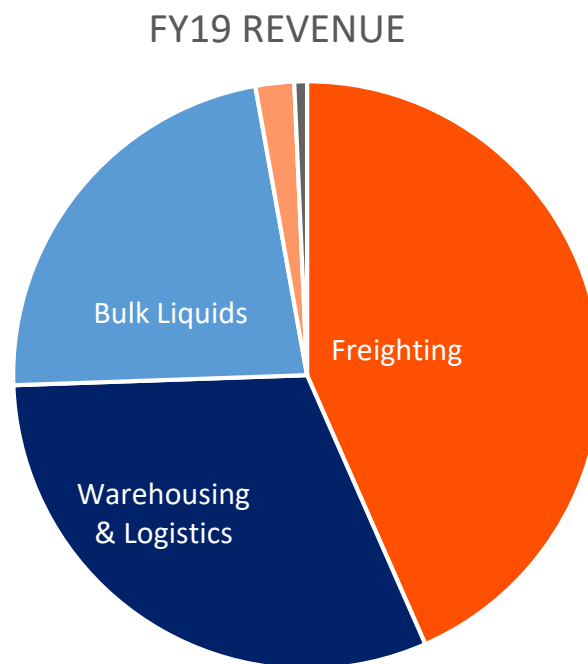
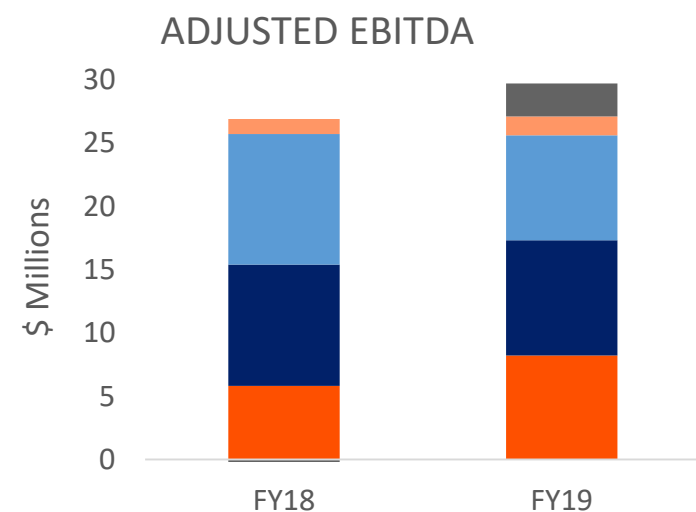
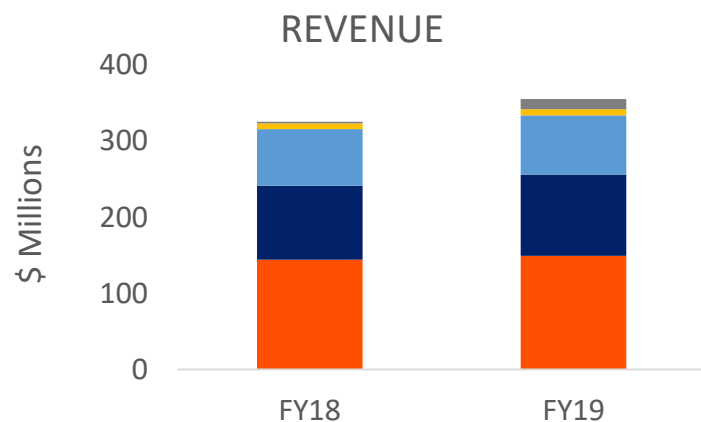
*Adjusted EBITDA and Adjusted NPAT exclude non-trading costs associated with the reverse listing process which occurred in FY18, share based payments and the revaluation of deferred consideration for acquisitions.*

See the appendices slides for glossary and reconciliation of non-GAAP to GAAP measures.



# BUSINESS DIVISION REVENUE AND EBITDA

Opportunity to grow market share and earnings across all sectors.





# DIVISION REVIEW

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Freighting

Warehousing & Logistics

Bulk Liquids

International

Specialist

# OUR BUSINESSES

## TIL LOGISTICS GROUP





TIL Logistics is one of the largest freight transport companies in New Zealand and has a nationwide network with regional strength

# FREIGHTING

## Opportunities:

- Grow the client base
- Acquisition opportunities due to market consolidation
- Expansion of existing services
- Leverage scale and technology to drive productivity and margin improvements
- Focus on cost reduction, efficiency and waste minimisation projects



# FREIGHTING

- Focused effort on margin has commenced.
- Continual investment in fleet upgrades to ensure best in class safety, reduced emissions and increased fleet availability.
- Increased lease costs with more trucks now being leased rather than purchased outright.
- Technology is a big focus, including in cab digitised services, electronic logbooks and safety systems for driver fatigue.
- Implementation of new Transport Management System will support track and trace visibility, improving customer experience.
- Opportunity for growth due to market consolidation and through expansion of existing services.





TIL Logistics offers a national warehousing solution, including warehousing, information management, cross docking, container cartage and loading, and metropolitan delivery

# WAREHOUSING & LOGISTICS

## Opportunities:

- Bundled freight and logistics offer meeting customer needs across the supply chain
- Promote and cross-sell bundled offer to existing and new clients
- Strategic acquisition of complementary bolt-on businesses specialising in warehousing and metro deliveries
- Expansion of facilities to meet current and future demand



# WAREHOUSING & LOGISTICS

- Completion/relocation of three warehouses in FY19 – Highbrook Drive, Auckland; Tauriko, Tauranga; Stage 1 Rolleston, Christchurch.
- Investment into three additional/expanded warehouses planned for FY20 – Stage 2 Rolleston, Christchurch; Wiri, Auckland; East Tamaki, Auckland.
- Combined, new warehouses will deliver 25% additional capacity for future growth. Will position MOVE to be one of the largest warehouse service providers (by capacity) in the country.
- Capital and set up expense of new warehouses will be seen in FY20, along with increased property costs; revenue upside in subsequent years.
- NZL separated into warehousing and freighting services; cost impact in 2H19 with benefits from FY20.
- Winter months generally a quieter time of year, now ramping up for the peak period starting from September to the New Year.







# New Rolleston Warehouse

Stage one opened in April 2019, with a footprint of 10,000 sqm and is fully racked with 17,000 pallet positions. Stage 2 will add a further 10,000sqm and is due for completion in March 2020.

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Specialist transporter of Bulk Liquids; one of the largest operators in the New Zealand fuel delivery market; includes Liquid Logistics freight forwarding business

# BULK LIQUIDS

## Opportunities:

- Specialists in fuel transport: high barriers to entry – specialised fuel distribution equipment, highly trained and Dangerous Goods certified staff
- Build on long term strategic partnerships with key customers
- Grow service delivery associated with non-fuel Bulk Liquid transport

# BULK LIQUIDS

- Renewal of two key customer contracts – with Z Energy and Farmlands.
- Identified significant opportunity to diversify into new sector opportunities including Industrial, Edible, Chemical and Fuel.
- Group synergies – Tauranga depot now sharing facilities with NZL in Mount Maunganui.
- Continue to build on long term strategic partnerships with key customers and grow service delivery associated with non-fuel Bulk Liquid transport.







Group of businesses specialising in heavy haulage and machinery lifting and transport

## SPECIALIST

- Acquisition of Specialised Lifting and Transport Group in November 2018 makes TIL the leading heavy haul provider in NZ
- Expanded offer provides significant opportunity for TIL to grow market share
- Emerging opportunity associated with transport for windfarms



International division providing worldwide Logistics, Customs Brokerage, ISO Tank & Shipping Agency services, with offices in Auckland, New Plymouth, Nelson, Christchurch and Melbourne.

# INTERNATIONAL

## Opportunities:

- Significant market potential
- Growth organically or by acquisition
- Further specialist logistics services being investigated to increase footprint.
- Cross Group benefits with increased volumes driving warehousing and transport demand.



# 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.**

- Continue to make significant strides in improving safety culture and performance
- Significant investment in past 12 months to improve the safety of staff and the wider community
  - Training
  - Technology
  - Staff engagement
- New Group Safety & Environmental Manager, reporting to the CEO
- Lost Time Injury Frequency Rate: 24
- Medical Treatment Frequency Rate: 22

Agreement signed with driver safety solutions provider, Autosense, which will provide induction, ongoing training and in-cab simulator training as well as in-cab driver fatigue technology.



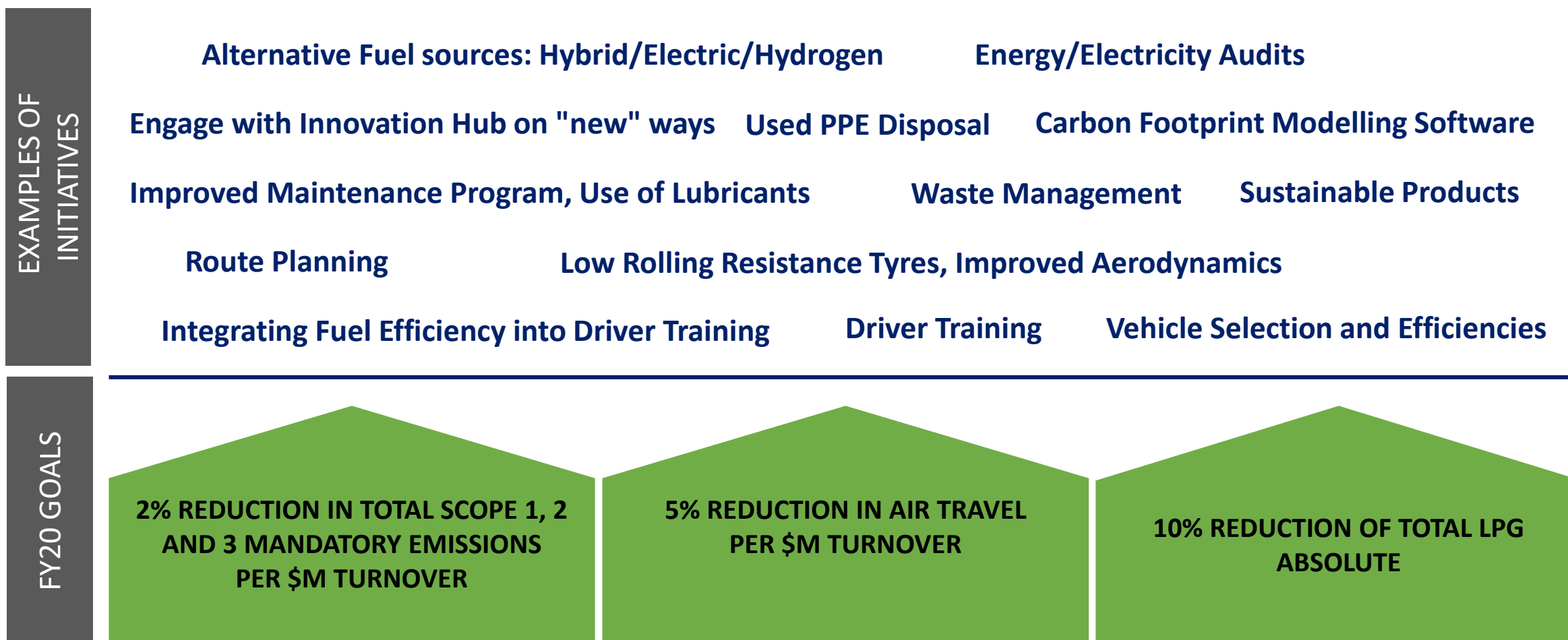
# ENVIRONMENT

- TIL is committed to the reduction of carbon emissions through our membership of the Climate Leaders Coalition.
- CEMARS review completed in July 2019. 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.
- Investigating alternative fuel options, including partnership with Hiringa to investigate development of hydrogen cell fuel technology.



# GROUP SUSTAINABILITY GOALS FOR FY20

We recognise our operations have a significant carbon footprint and are taking action to reduce our impact.



Nelson's Operational Projects Manager, Grant Thorn, has worked for TIL since 1978, more than 40 years.

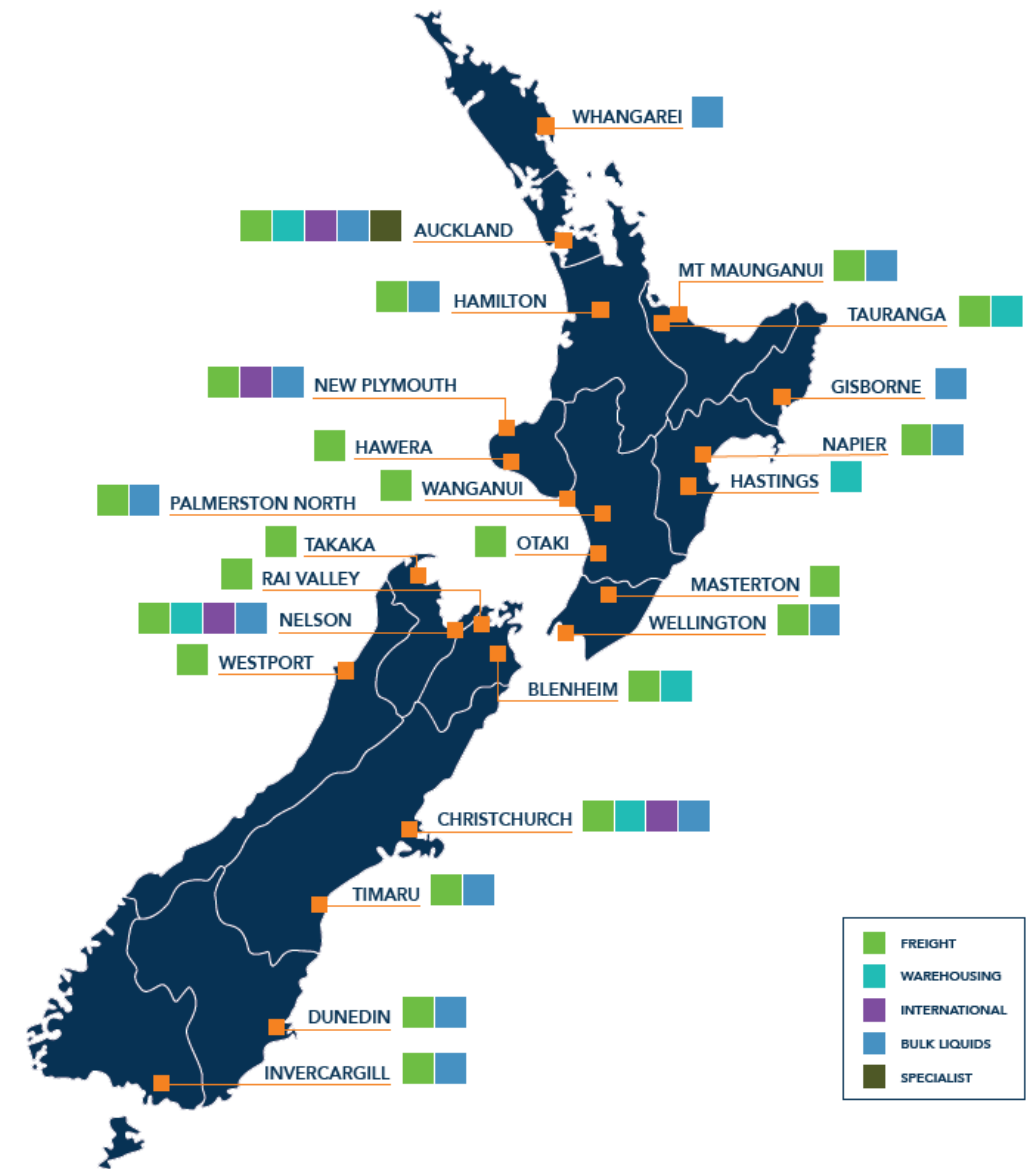


## PEOPLE

- Experienced Board and strengthened Leadership team. High levels of long service employees. Industrial relationships are solid.
- Challenges with driver shortages. Looking to offer cadetships for younger people into the industry.
- Number of recruitment programmes underway including becoming 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.
- Improving communications across the Group.
- Future planning for additional training to build skills and support internal promotion.

# TIL'S STRENGTHS

- Diverse customer base and sector activities create broad-based exposure to economic growth
- Nationwide network built on foundations of regional strength
- One of only a few operators providing a comprehensive nationwide service offering
- End to end transport and logistics supply chain solutions
- Leading market positions in niche sectors such as dangerous goods and specialised transport
- The heritage of TIL's brands contributes to high levels of customer loyalty across multiple regions
- Committed to investing in technology and training to support health and safety culture





# OUTLOOK

- Expect NZ economic growth to continue in line with current rates of 2%
- Watching business confidence and economy closely
- Expect continuing high demand from food, rural, building & construction sectors
- Investing into new warehousing with two more warehouses expected to open in FY20 plus additional lease on a facility in Auckland.
- Identified growth opportunities in International freight forwarding, and non-fuel Bulk Liquid haulage
- Focus on organic growth - increasing freight volumes, improving utilisation, expanding the offer and driving efficiencies

Expecting an improved performance in FY20, driven by organic growth, new customer contracts, additional warehousing capacity, and benefits of FY19 investments including full year benefit of SLTG.



# SHAREHOLDER DISCUSSION

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# RESOLUTIONS

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# 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 Peter Dryden be appointed as a Director.
- RESOLUTION 3: That Lorraine Witten, who retires as a Director and, being eligible, offers herself for re-election by shareholders, be elected as a Director of the Company.

## **SPECIAL RESOLUTION:**

- RESOLUTION 4: That the existing constitution of the Company is revoked, and the constitution tabled at the meeting, and referred to in the explanatory notes, is adopted as the constitution of the Company, with effect from the close of the Annual Meeting.

# PROXIES

RESOLUTION	FOR	AGAINST	PROXY DISCRETION
Auditors' fees and expenses	4,100,234	0	1,060,537
Election of Peter Dryden as a Director	4,018,879	208	1,141,684
Re-election of Lorraine Witten as a Director	4,083,590	0	1,077,171
Amendment of the Company's Constitution	4,083,392	0	1,077,379

Total proxies received in respect of 5,160,771 shares representing 5.89% of total shares on issue.

# OTHER BUSINESS

## CLOSE OF THE MEETING

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Results of the voting will be released to the NZX

Presentations available online at [www.til.kiwi](http://www.til.kiwi)



# CONTACT

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# 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 will have 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 estimated impact:**

- Balance sheet: Increase in assets and liabilities equally by between \$232m to \$252m
- EBITDA: Increase of between \$29.2m to \$29.7m
- Net Profit Before Tax: Reduction in NPBT of between \$5.3m and \$5.8m
- 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	FY19	FY18
Net profit / (loss) before income tax (GAAP measure)	7.4	(9.2)
Add back:		
Share of loss of associates	0.4	0.1
Impairment of goodwill	-	0.2
Finance costs/(interest income)	4.0	3.3
Depreciation & Amortisation	13.6	12.4
EBITDA (non-GAAP measure)	25.4	6.9
Non-trading costs:		
Share based payments	-	11.6
Listing costs	-	6.5
Deferred consideration and advisory costs expensed	2.6	1.2
Adjusted EBITDA (non-GAAP measure)	28.0	26.2

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