QEX Logistics Limited (NZX: QEX)

13 February 2020

NZX Limited
Wellington

Trading update

The Board of QEX Logistics Limited (QEX) wishes to update shareholders on trading results for the nine months to 31 December 2019, as well as provide an update on Q4 trading and an early assessment of the potential impact of containment measures in China in response to COVID-19 (Coronavirus).

Q3 trading update as at 31 December 2019

In the half year announcement and Annual General Meeting, the board noted an expectation of improved trading performance in the third quarter (Q3) following the challenging first six months of the financial year. The unaudited Q3 results show a strong improvement in financial performance.

Revenue for Q3 was $19.8 million taking the nine-month year to date (YTD) revenue to $47.7 million. An improved gross margin % of 13.2% in Q3 raises the YTD gross margin to 11.8%. Q3 NPBT was $1.1 million taking YTD NPBT to $1.5 million.

Q4 update

January was, as expected, a quieter month due to Chinese New Year. In February, sales have lifted, with the forecast for the month being achieved in the first ten days. Market demand for milk powder is currently high and this has driven up retail prices.

We have significant levels of milk powder in our Shanghai warehouse to service this increased demand and more on sea freight to Shanghai. Our Shanghai warehouse has only just reopened following the Chinese Government's extension to Chinese New Year and will now start processing orders.

We have been informed by our China based courier service that we have the ability to deliver via courier throughout China, with the exception of the Hubei province. Pending any unforeseen issues, this will allow us to service most of the orders being received.

COVID-19 – early stage assessment

At this stage, it remains too early to determine any financial impact of COVID-19 (Coronavirus) on QEX's results. However, we are monitoring the situation closely and the Board anticipates being in a position to provide a more informed update at the time of the Company's full year results in May.

What we can report at this stage is that due to ongoing containment measures, our processing agent has only been able to provide 50% of our usual warehouse staffing, and a level of uncertainly remains as to when we will be back at full capacity. This may slow delivery times due to packaging delays. The Group fully recognises revenue once the goods are delivered, so a backlog in deliveries will defer the recognition of the current high level of sales orders.

Demand for parcel logistics has also increased, as has market pricing. However, there is a significant reduction in air freight capacity due to the reduction in the number of flights into China. We are working closely with airlines to secure all available cargo space.

ENDS

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