

CTI Logistics Ltd

(CLX \$0.90) Hold, Downgrade from Speculative Buy

EUROZ HARTLEYS

Analyst	Date	Price Target
Seth Lizee	31 st August 2021	\$0.94/sh

Full Year Results

Event

CLX has released its full year results.

Impact

- Financial Highlights:
 - \$239.0m revenue (+11%, vs EHL \$229.7m)
 - \$37.8m Reported EBITDA (+64%)
 - \$35.4m Norm. EBITDA (+30%, vs EHL \$32.6)
 - \$8.2m Reported NPAT (vs EHL \$6.5m)
 - \$6.8m Adj. NPAT (vs EHL 4.7m)
- CLX received circa \$1.3m in JobKeeper during the financial period;
- NTA increased by 17.1% to 76.22cps over the year
- The company declared a final 2.0cps dividend, bringing the total dividend for the year to 4.0cps (vs EHL 2.5cps);
- CLX reduced its net debt (ex. Leases) by \$9.7m to \$25.4m, the company finished the year with:
 - \$6.5m in cash (vs. EHL 6.6m);
 - \$31.9m in borrowings; and
 - \$59.9m in lease liabilities

Action

We have updated our forecasts post these results;

We maintain our \$0.94/sh Price Target, however, in light of negative earnings momentum in the short term we have downgrade our recommendation to a Hold.

We view the key risk to our recommendation being continued abnormal operating conditions, which could generate positive earnings momentum in the short term.

Key Catalysts

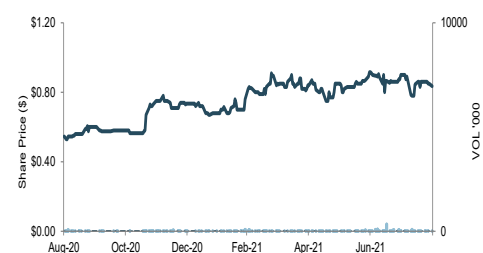
- Intermediary company updates;
- Half year results.

CTI Logistics Ltd	Year End 30 June	
Share Price	0.90	A\$/sh
Price Target	0.94	A\$/sh
Valuation (DCF)	1.14	A\$/sh
WACC	9.0%	
Terminal Growth	3.0%	
Shares on issue	77.9 m,	diluted
Market Capitalisation	70.1	A\$m
Enterprise Value	155.4	A\$m
Cash	6.5	A\$m
Debt (inc. Lease liab.)	91.8	A\$m

Key Financials	2021A	2022F	2023F
Revenue (A\$m)	239.0	245.9	253.1
EBITDA (A\$m)	35.4	32.3	31.4
EBIT (A\$m)	12.9	10.6	10.0
Reported NPAT (A\$m)	8.2	4.6	4.2
Normalised NPAT (A\$m)	6.8	4.6	4.2
Gross Cashflow (A\$m)	17.3	13.2	12.5
Capex (A\$m)*	-6.4	-6.5	-6.5
Op. Free Cashflow (A\$m)	11.6	6.9	6.0
Revenue Growth (%)	11%	3%	3%
EBITDA Growth (%)	30%	-9%	-3%
Norm. NPAT Growth (%)	756%	-32%	-8%
Normalised EPS (Ac)	8.73	5.90	5.41
Norm. EPS growth (%)	7.54	-0.32	-0.08
PER (x)	10.3	15.2	16.6
EV:EBITDA (x)	4.4	4.8	5.0
EV:EBIT (x)	15.7	20.6	22.2
DPS (Ac)	4.0	3.5	3.5
Dividend Yield (%)	4.4%	3.9%	3.9%
Net Debt (A\$m)*	85.3	81.2	78.0
Net Debt:Equity (%)	96%	90%	85%
Interest Cover (x)	3.2	2.6	2.5

* includes AASB 16 leases

Share Price Chart



Disclaimer

ASX Limited ABN 98 009 642 691 and its related bodies corporate ("ASX") did not prepare any part of the report and has not contributed in any way to its content. The role of ASX in relation to the preparation of this research report is limited to funding its preparation, by Euroz Hartleys Limited in accordance with the ASX Equity Research Scheme.

ASX does not provide financial product advice. The views expressed in this research report may not necessarily reflect the views of ASX. To the maximum extent permitted by law, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by ASX as to the adequacy, accuracy, completeness or reasonableness of the research report.

Euroz Hartleys Limited

All information and advice is confidential and for the private information of the person to whom it is provided and is provided without any responsibility or liability on any account whatsoever on the part of Euroz Hartleys Limited or any member or employee thereof. Refer to full disclaimer at the end of this document.

CTI Logistics Ltd

(CLX \$0.90) Hold, Downgrade from Speculative Buy

EUROZ HARTLEYS

Analysis

- CTI's commentary on operating performance:
 - The company saw strong revenue growth in transport volumes, including interstate (from Sydney), WA regional freight, and WA metro freight activity;
 - This growth was similarly seen in both flooring logistics and warehousing volumes across all sites;
 - On the flip side, CLX's couriers and security businesses have seen reductions in revenues as a result of the pandemic;
 - The company saw the margins improve as a result of a number of factors including:
 - Increased volumes;
 - Focus on quality revenue;
 - Cost savings (cost control measures);
 - These positive improvements were partially offset by wage inflation (lack of available staff), site relocations, as well as ongoing issues with interstate linehaul services;
 - The business additionally benefited during the FY as a result of productivity gains realised from successful system implementations;
- The significant operating leverage in the business resulted in most of the incremental EBITDA over our forecasts falling mostly towards the bottom line, driving a significant uplift in NPAT;
- Going forward CLX notes the overall market conditions remain challenging, however stating the company is poised to take advantage and benefit from any upturn in the economy;
- The company also noted it will commence the development of a transport hub later this year on its undeveloped land at the Hazelmere site;

Forecasts

We build our earnings forecasts as follows:

FY	Units	2021	1H'22	2H'22	2022	2023	2024	2025
Actuals/Forecasts		A	F	F	F	F	F	F
Transport	A\$m	162.7	92.2	75.4	167.6	172.7	177.8	182.3
Logistics	A\$m	93.2	52.8	43.2	95.9	98.8	101.8	104.3
Property	A\$m	3.9	2.2	1.8	4.0	4.1	4.2	4.3
Other	A\$m	6.7	3.7	3.0	6.7	6.7	6.7	6.7
Eliminations	A\$m	-27.6	-15.6	-12.8	-28.4	-29.2	-30.1	-30.8
Total Revenue	A\$m	239.0	135.3	110.7	245.9	253.1	260.5	266.8
Ad. EBITDA	A\$m	35.4	17.8	14.5	32.3	31.4	32.6	33.7
			55%	45%	Split			
Adj. EBITDA Margins								
Margin	%	14.8%	13.1%	13.1%	13.1%	12.4%	12.5%	12.6%
Margin (Pre-AASB16)	%	7.5%	6.5%	6.5%	6.5%	6.0%	6.3%	6.5%
Reported NPAT	A\$m	8.2	3.4	1.2	4.6	4.2	5.3	6.3
Norm NPAT	A\$m	6.8	3.4	1.2	4.6	4.2	5.3	6.3

Source: EHL Estimates

Euroz Hartleys Limited

All information and advice is confidential and for the private information of the person to whom it is provided and is provided without any responsibility or liability on any account whatsoever on the part of Euroz Hartleys Limited or any member or employee thereof. Refer to full disclaimer at the end of this document.

CTI Logistics Ltd

(CLX \$0.90) Hold, Downgrade from Speculative Buy

EUROZ HARTLEYS

Commentary:

- Although we note there still remains considerable uncertainty around the pandemic, we have upgraded our forecasts post these better than anticipated results;
- We have modestly increased our forecasted EBITDA margin for FY'22, we note this still incorporates the view of margins normalising ;
- We anticipate abnormal operating conditions will extend into FY22, having a net benefit, which we forecast will begin ease in the 2H'FY22;
- Beyond this, we have broadly maintained our forecasted margins for FY23 onwards;
- We anticipate margins will bottom out in FY22/23 post normalisation of operating conditions, beyond which we anticipate margins will expand through continued operational efficiencies and maximising asset utilisation;
- We anticipate a 55/45 EBITDA split for FY22;
- We have upgraded our FY'22 dividend forecasts to 3.5cps, we note this is still down YoY;
- At this time we have not included any capital expenditure forecasts as a part of the Hazelmere development, we look to include these as further commentary emerges.

NTA

CLX's fully diluted NTA has increased -17% YoY to 74 cps.

We highlight the NTA breakdown below:

Facility	Description	Book Value	
		A\$m	A\$/sh.*
West Perth	Head Office. Couriers; Records Management; Security.		
Hazelmere	Logistics & Warehousing.		
Welshpool	Parcels & Warehousing		
Sub-Total	Freehold Land & Buildings	64.4	0.83
Sub-Total	Investment Properties	2.2	0.03
Total Property & Building Assets		66.6	0.86
(+) Cash		6.5	0.08
(+) Other Tangible Assets		105.6	1.36
Total Tangible Assets		178.7	2.30
(-) Borrowings		-31.9	-0.41
(-) Lease Liabilities		-59.9	-0.77
(-) Other Liabilities		-29.6	-0.38
Net Tangible Assets		57.3	0.74

Source: EH:L estimates, Annual report

*Fully diluted

CLX trades on a 1.2x P/NTA

Euroz Hartleys Limited

All information and advice is confidential and for the private information of the person to whom it is provided and is provided without any responsibility or liability on any account whatsoever on the part of Euroz Hartleys Limited or any member or employee thereof. Refer to full disclaimer at the end of this document.

CTI Logistics Ltd

(CLX \$0.90) Hold, Downgrade from Speculative Buy

EUROZ HARTLEYS

Valuation

We maintain our \$0.94/sh Price Target, however, in light of negative earnings momentum in the short term we have downgrade our recommendation to a Hold.

We view the key risk to our recommendation being continued abnormal operating conditions, which could generate positive earnings momentum in the short term.

Methodology	Weight (W)	Valuation (V)	W x V
DCF	50%	\$1.14	\$0.57
NTA	50%	\$0.74	\$0.37
Blended Total	100%		\$0.94
Price Target			\$0.94

Source: EHL Estimates

Euroz Hartleys Limited

All information and advice is confidential and for the private information of the person to whom it is provided and is provided without any responsibility or liability on any account whatsoever on the part of Euroz Hartleys Limited or any member or employee thereof. Refer to full disclaimer at the end of this document.

CTI Logistics Ltd

(CLX \$0.90) Hold, Downgrade from Speculative Buy

EUROZ HARTLEYS

Financial Statements	2021A	2022F	2023F	2024F	Performance Ratios	2021A	2022F	2023F	2024F
Income Statement					Growth & Margins				
(+) Transport	162.7	167.6	172.7	177.8	Revenue Growth	11%	3%	3%	3%
(+) Logistics	93.2	95.9	98.8	101.8	EBITDA Growth	30%	-9%	-3%	4%
(+) Property	3.9	4.0	4.1	4.2	EBIT Growth	136%	-18%	-5%	16%
(+) Other	6.7	6.7	6.7	6.7	Normalized Net Profit Growth	756%	-32%	-8%	26%
(-) Eliminations	-27.6	-28.4	-29.2	-30.1	EBITDA margin	15%	13%	12%	13%
Total Revenue	239.0	245.9	253.1	260.5	EBIT margin	5%	4%	4%	4%
(-) COGS	-200.9	-210.8	-218.9	-224.9	Normalized net profit margin	3%	2%	2%	2%
(-) Corp O/H	-2.7	-2.8	-2.9	-3.0	Effective tax rate	27%	30%	30%	30%
Total Expenses	-203.5	-213.6	-221.7	-227.8	Liquidity				
EBITDA	35.4	32.3	31.4	32.6	Capex/depreciation (x)	0.3	0.3	0.3	0.3
(-) D&A	-22.5	-21.7	-21.3	-21.0	Current ratio (x)	0.9	1.0	1.1	1.1
EBIT	12.9	10.6	10.0	11.6	Quick ratio (x)	2.1	2.4	2.5	2.7
(-) Net Finance	-4.0	-4.0	-4.0	-4.0	Receivable days	50.5	49.3	49.3	49.3
(-) Impairment	-	-	-	-	Payable days	33.9	31.8	31.8	31.8
(+/-) Other Income	2.4	-	-	-	Risk Measures				
NPBT	11.3	6.6	6.0	7.6	Dividend Cover (x)	2.7	1.8	1.6	1.6
(-) Tax	-3.1	-2.0	-1.8	-2.3	Payout ratio (%)	37%	57%	62%	64%
NPAT	8.2	4.6	4.2	5.3	Net interest cover (x)	3.2	2.6	2.5	2.9
(+/-) Abnormals, pre-tax	-1.5	-	-	-	Net debt/equity (%)	96%	90%	85%	80%
Adj. NPAT	6.8	4.6	4.2	5.3	Returns				
Cash flow (A\$m)					Return on Invested Capital	5.7%	4.3%	3.9%	4.8%
Reported NPAT	8.2	4.6	4.2	5.3	Return on Assets	3.2%	2.2%	2.0%	2.4%
(+) D&A	22.5	21.7	21.3	21.0	Return on Equity	7.7%	5.1%	4.6%	5.7%
(-) Lease Expense	-13.1	-13.1	-13.1	-13.1	Share Data/Valuation				
(+/-) Impairments, Non-cash	-	-	-	-	Share Data				
(+/-) Other	-0.3	-	-	-	Issued shares (m)	75.2	75.2	75.2	75.2
Gross Cashflow	17.3	13.2	12.5	13.3	Weighted ave shares (m)	75.1	75.2	75.2	75.2
(-) Capital Expenditure	-6.4	-6.5	-6.5	-6.5	Fully diluted shares (m)	77.9	77.9	77.9	77.9
(-) Change in NWC	0.8	0.2	0.0	-0.3	Basic EPS (c)	10.9	6.1	5.6	7.1
Operating Free Cashflow	11.6	6.9	6.0	6.5	YoY change (%)	-2.9	-0.4	-0.1	0.3
(+/-) Sale of assets	-	-	-	-	Fully diluted EPS (c)	10.5	5.9	5.4	6.8
(-) Acquisition	-	-	-	-	YoY change (%)	-2.9	-0.4	-0.1	0.3
(-) Dividend	-1.4	-2.6	-2.6	-3.4	Fully diluted normalised EPS (c)	8.7	5.9	5.4	6.8
(+/-) Equity Issue	-	-	-	-	YoY change (%)	7.5	-0.3	-0.1	0.3
(+/-) Other	0.9	-	-	-	Dividend/share (c)	4.0	3.5	3.5	4.5
Net Cashflow	11.2	4.3	3.4	3.1	Franking (%)	1.0	1.0	1.0	1.0
BoP Net Cash	-94.2	-85.3	-81.2	-78.0	Gross cashflow/share (c)	23.0	17.6	16.6	17.6
(+/-) Net Cashflow	11.2	4.3	3.4	3.1	NBV/share (c)	117.6	120.2	122.4	124.9
(+/-) AASB16 Adj.	-2.3	-0.1	-0.1	-0.1	NTA/Share (c)	76.2	80.4	83.7	87.1
EoP Net Cash	-85.3	-81.2	-78.0	-75.0	Valuation				
Balance Sheet (\$m)					PER (Basic) (x)	8.3	14.7	16.1	12.7
Cash	6.5	10.6	13.9	16.8	PER (Fully diluted) (x)	8.6	15.2	16.6	13.2
Receivables	33.1	33.2	34.2	35.2	PER (Fully diluted, normalized) (x)	10.3	15.2	16.6	13.2
Income tax receivables	-	-	-	-	P/CFPS (x)	3.9	5.1	5.4	5.1
properties held for sale	-	-	-	-	Price/NBV (x)	0.8	0.7	0.7	0.7
Inventories	0.3	0.3	0.3	0.3	Price/NTA (x)	1.2	1.1	1.1	1.0
Total Current Assets	39.9	44.1	48.3	52.3	Dividend Yield (%)	0.0	0.0	0.0	0.1
Other Investments	0.1	0.1	0.1	0.1	EV/EBITDA (x)	4.4	4.8	5.0	4.8
PP&E	88.1	87.3	86.5	85.9	EV/EBIT (x)	15.7	20.6	22.2	18.1
Investment properties	2.2	2.2	2.2	2.2	EV/Revenue (x)	0.7	0.6	0.6	0.6
Deferred Tax Assets	3.2	3.2	3.2	3.2	Other Information				
Right of Use Assets	45.4	45.4	45.4	45.4	12-mth High/Low (A\$/sh)				0.96-0.50
intangible Assers	31.1	30.0	29.1	28.4	Average daily volume (\$k)				8.7
Total Non-Current Assets	170.0	168.0	166.4	165.1	ASX Code				CLX
Total Assets	209.9	212.1	214.7	217.4	Next result				Feb-22
Payables	18.7	18.4	19.1	19.6	Company Description				
Borrowings	-	-	-	-	CTI Logistics Ltd ("CTI") is a Perth based transport and logistics company with large WA exposure and a wider national presence. The company's various brands provide everything from couriers and taxi trucks to warehousing and distribution solutions.				
Lease Liabilities	17.4	17.4	17.4	17.4					
Current Tax Liabilities	1.4	1.4	1.4	1.4					
Provisions	6.9	7.5	7.8	8.0					
Total Current Liabilities	44.4	44.7	45.6	46.4					
Borrowings	31.9	31.9	31.9	31.9					
Deferred Tax Liabilities	-	-	-	-					
lease Liabilities	42.5	42.5	42.5	42.5					
Provisions	2.6	2.6	2.6	2.6					
Total Non-Current Liabilities	77.1	77.1	77.1	77.1					
Total Liabilities	121.4	121.7	122.7	123.4					
Net Assets									
Contributed Equity	27.4	27.4	27.4	27.4					
Reserves	1.9	1.9	1.9	1.9					
Retained Earnings	59.1	61.1	62.7	64.6					
Total Equity	88.4	90.4	92.0	93.9					

Euroz Hartleys Limited

All information and advice is confidential and for the private information of the person to whom it is provided and is provided without any responsibility or liability on any account whatsoever on the part of Euroz Hartleys Limited or any member or employee thereof. Refer to full disclaimer at the end of this document.

Copyright & Distribution

The material contained in this communication (and all attachments) is prepared for the exclusive use of clients of Euroz Hartleys Limited (ACN 104 195 057) only.

Euroz Hartleys Limited is the holder of an Australian Financial Services Licence (AFSL 230052) and is a participant of the Australian Securities Exchange Group.

The information contained herein is confidential. If you are not the intended recipient no confidentiality is lost by your receipt of it. Please delete and destroy all copies, and contact Euroz Hartleys Limited on (+618) 9488 1400. You should not use, copy, disclose or distribute this information without the express written authority of Euroz Hartleys Limited.

Disclaimer & Disclosure

Euroz Hartleys Limited, and their associates declare that they deal in securities as part of their securities business and consequently may have an interest in the securities recommended herein (if any). This may include providing equity capital market services to the issuing company, hold a position in the securities, trading as principal or agent and as such may effect transactions not consistent with the recommendation (if any) in this report.

Euroz Hartleys Limited declares that they may have separately or jointly acted as an underwriter, arranger, co-arranger or adviser in equity capital raisings, and will have received a fee for its services, from or any company mentioned within this report during the last 12 months.

You should not act on any recommendation issued by Euroz Hartleys Limited without first consulting your investment adviser in order to ascertain whether the recommendation (if any) is appropriate, having regard to your objectives, financial situation and needs. Nothing in this report shall be construed as a solicitation to buy or sell a security, or to engage in or refrain from engaging in any transaction.

Euroz Hartleys Limited believes that the information and advice contained herein is correct at the time of compilation, however we make no representation or warranty that it is accurate, complete, reliable or up to date, nor do we accept any obligation to correct or update the opinions in it. The opinions expressed are subject to change without notice. No member of Euroz Hartleys Limited accepts any liability whatsoever for any direct, indirect, consequential or other loss arising from any use of this material.

We cannot guarantee that the integrity of this communication has been maintained, is free from errors, virus interception or interference.

The author of this publication, Euroz Hartleys Limited, its directors and their associates from time to time may hold shares in the security/securities mentioned in this Research document and therefore may benefit from any increase in the price of those securities. Euroz Hartleys Limited, and its Advisers may earn brokerage, fees, commissions, other benefits or advantages as a result of transactions arising from any advice mentioned in publications to clients.

Analyst Certification

We hereby certify that all of the views expressed in this report accurately reflect our personal views about the subject company or companies and its or their securities, and we are not in possession of, nor does this Research contain any inside information.

No part of our compensation was, is or will be directly or indirectly, related to the specific recommendations or views expressed by the authoring analyst in this research, nor has any attempt been made to influence this Research.

Contact Details

Euroz Hartleys Limited +61 8 9488 1400

Research Analysts

Jon Bishop - Head of Research	+61 8 9488 1481
Mike Millikan - Resources Analyst	+61 8 9268 2805
Kyle De Souza - Resources Analyst	+61 8 9488 1427
Michael Scantlebury - Resources Analyst	+61 8 9268 2837
Steven Clark - Resources Analyst	+61 8 9488 1430
Trent Barnett - Senior Analyst	+61 8 9268 3052
Gavin Allen - Senior Analyst	+61 8 9488 1413
Harry Stevenson - Industrials Analyst	+61 8 9488 1429
Seth Lizee - Associate Research Analyst	+61 8 9488 1414

Euroz Hartleys Limited

All information and advice is confidential and for the private information of the person to whom it is provided and is provided without any responsibility or liability on any account whatsoever on the part of Euroz Hartleys Limited or any member or employee thereof. Refer to full disclaimer at the end of this document.