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NXT Company Spotlight

QEX Logistics

General industrials

16 February 2018

Tapping into Chinese growth

QEX Logistics is a New Zealand-based logistics company that facilitates the growing direct trade between New Zealand/Australia and China. As a key bridge between the two countries into China, QEX has quickly established itself as a trusted supplier of services to enable the swift and economic export of dairy products and health supplements. Future plans to diversify its product range and replicate its model in Australia provide significant growth opportunities. Ronnie Xue, the young, entrepreneurial CEO (who retains 80% of shares), is helped by an experienced and strong set of independent directors, including Conor English and Danny Chan.

Fast growing

QEX has grown quickly from a standing start in 2010 to generating revenues of NZ$22.2m in the year to March 2017 and the company forecasts NZ$26m and NZ$28m in FY18 and FY19 respectively. This reflects fast-growing demand for QEX's streamlined one-stop-shop service encompassing the collection, storage, warehousing, repacking, customs clearance and delivery of New Zealand products directly to individual Chinese consumers, or via a daigou, saving time and money and helping to cut out the middleman. So far, the majority of revenues have come from infant baby formula, other dairy products and health supplements and we expect this to be a solid pillar for the company. However, QEX intends to diversify and has assembled a strong board to enable further growth, including Conor English as independent chairman and Danny Chan as an independent director.

Targeting growing Chinese trade

China is the largest export customer for New Zealand's goods, and the two countries have made strides to make trade even more fluid. In November 2016, they launched negotiations to upgrade their free trade agreement, while New Zealand was the first country to achieve mutual recognition of organic certification with China. QEX is well placed to take advantage of this evolving picture.

Valuation: Peer comparison

QEX is still relatively small and has few listed peers. AuMake is an Australia-listed company taking a different approach to the daigou market, which has no revenues but a market cap of US$110m. This makes QEX's issuance (priced at just 4x prospective EV/EBITDA) look attractive, given its positioning, size and the growth potential of its markets, as well as a very strong board. Logistics companies trade on multiples of c 12.1x EV/EBITDA and 23.1x P/E on a trailing 12-month basis.

Company financials

Year end	Sales turnover (target in future)	PBT (NZ$m)	Cash (NZ$m)	Cash from operations (NZ$m)
03/16	18.1	0.6	0.3	0.9
03/17	22.2	2.6	0.1	0.4
03/18e	26.0	N/A	N/A	N/A
03/19e	28.0	N/A	N/A	N/A

Source: QEX (historicals and forecasts)

Price	NZ$0.25
Market cap	NZ$13m

Share details

Code	QEX
Listing	NXT
Shares in issue	50.3m

Business description

QEX is a logistics company that facilitates direct trade between New Zealand/Australia and China, aiming to be a one-stop shop for Australasian entities looking to export products to China.

Bull

- Fast growth into a large market.
- Strong board.
- Diversified relationships.

Bear

- Acquisitions made could be dilutive.
- Rapid growth may present management problems.
- Majority of revenues dependent on daigou market.

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QEX Logistics coverage is provided through the NXT Research Scheme

Leveraging Chinese demand for Australasian goods

Founded in 2010, QEX is a logistics company that facilitates trade between China and New Zealand (Australian office opening soon), aiming to be a one-stop shop for Australasian entities looking to export products to China. This includes nationwide pick-up, storage, packaging, customs clearance and delivery of products by Chinese consumers or through a daigou.

Many goods are much more expensive in China than elsewhere. In addition, Chinese consumers often prefer to source luxury and health products from overseas, with New Zealand and Australian health products being particularly desirable, stimulating import demand. A daigou is a channel whereby an entity outside China buys products in other markets on behalf of a customer in China. This is mostly for luxury goods, but increasingly other products are being imported. This is reflected in QEX's rising sales of infant baby formula (demand for this in part reflecting Chinese consumer concerns over counterfeit goods and product safety). Daigous are widespread, with a significant percentage of Chinese consumers having used one to buy goods.

QEX's main operations are:

- Pick and pack services, and the export of health supplement parcels.
- Supply, storage, repackaging and export of infant dairy products (sales in China and New Zealand).
- Supply chain logistics.
- Customs clearance services for items being exported to China from New Zealand.
- Warehousing in Shanghai's free trade zone.
- Inventory management in New Zealand.

According to reports in the New Zealand Herald "QEX was the first cross-border logistics company in New Zealand to get risk management programme certification from the Ministry for Primary Industries, providing consumers with an assurance that their products are safe and authentic. It also offers a full traceability service".

Company growth strategy

QEX has grown quickly from its inception in 2010 and reported revenues of NZ$22.2m in FY17 (year ending 31 March). The company's growth was founded on logistics, easing customer journeys through establishing warehousing and co-ordination of customs routes. This led QEX to be one of the pre-eminent cross-border firms in New Zealand by 2013, helped by its risk management programme (RMP)-certified warehouses for e-commerce.

Growing demand for New Zealand products (including health supplements and diary/infant formula) fuelled further growth. QEX established its NZ subsidiary (New Y) to form relationships with manufacturers, offering bulk purchases and, as a result, clients started to purchase increasing amounts of supplements, infant formula and dairy products. Export volumes doubled in 2015 and revenues quadrupled.

The company plans to expand its business across a number of avenues. In New Zealand, investing in warehousing facilities will enable it to increase trading in its bulk products. QEX has recently moved to new warehouse facilities close to Auckland airport, increasing its footprint from 1,100m^2 to 2,539m^2 (while office space has increased to 515m^2 from 100m^2). Listing (and capital-raising) will give the company the ability to establish its Australian operations, and increase its client relationships and product range.

QEX's Chinese subsidiary (Shanghai Ditu) will increase the group's clearance capability to deal with the anticipated volumes from New Zealand and Australia. Equally, it is looking to enable the reverse flow of goods (from China to New Zealand/Australia).

Finally, in Australia, the new office opening in the first quarter of CY18 could mirror the success of QEX in New Zealand.

Operations

The company is headquartered in New Zealand and has subsidiaries in China and Australia.

New Y Trading, New Zealand

QEX's New Zealand operations are dominated by three activities:

Health supplement parcels: every day, New Y collects health supplements and other items from souvenir stores and online warehouses in the Auckland area. Collections are also made from Hamilton, Palmerston North, Wellington, Christchurch and Queenstown. Once collected, items are packaged and exported to China, for a fee.

Warehousing and repacking: New Y provides a certified warehouse service in Auckland, providing export, logistics, repacking and storage services. Inventory ownership is retained by the clients, with New Y managing inventory.

Supply chain services: New Y supplies infant formula powder and baby food to customer specifications, saving money by buying in large quantities. It also allows customers to outsource the packaging, labelling and delivery of products to end-users in China. It also supplies logistics for large orders of New Zealand (and soon Australian) goods to Chinese end-users.

Shanghai Ditu, China

QEX's Chinese subsidiary (Shanghai Ditu International Freight Forwarders) focuses on a number of operations:

Customs clearance services (Shanghai): Ditu provides clearance services for cross border parcels into China. It also has contracts with customs in Guangzhou, Chonqing, Chengdu, Tianjing, Kunming, Changsa, Ningbo and Xiamen. Ditu's quick and efficient customs clearance has attracted customers in New Zealand, Australia, the US, the UK and Japan.

Manifest preparation and clearance: due to global time differences and to enable efficient customs clearance, Ditu prepares manifests for clients from data supplied by its customers. All manifests are prepared before the arrival of the product.

Customer service: Ditu provides 24/7 customer service to its clients including parcel tracking, local delivery logistics and customs interface.

Inventory management: Ditu's bonded warehouse in the Shanghai Free Trade Zone (FTZ) allows orders to be received, repackaged and cleared through customs quickly for onward delivery.

Export service: QEX is looking to capitalise on the demand for goods made in China flowing to Australasia. As a result, it is working with the Chinese to provide services to export small parcels from China to New Zealand and Australia.

New Y (Aus), Australia

The daigou market in Australia is bigger than New Zealand and operates in a similar way, allowing QEX to capitalise on its knowledge and brand. It created an Australian subsidiary in October 2017 and plans to have a team in place in Melbourne by the end of March 2018. Initial focus will be on cross-border logistics services, specifically targeting dairy products and health supplements as per operations in New Zealand.

Free trade zones indicate daigou channels are here to stay

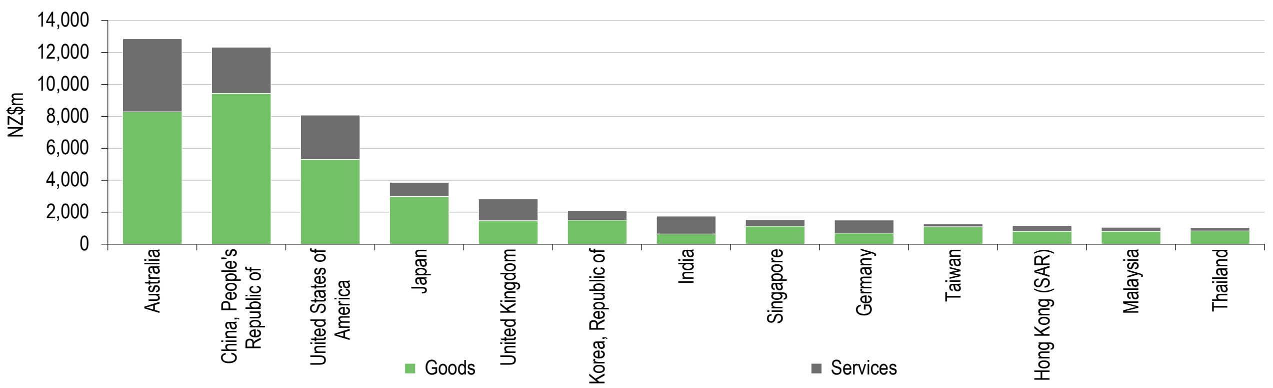
In April 2016, the Chinese government created a “positive list” for cross-border e-commerce to legitimise the grey market, adding 1,142 product categories that no longer require permits or registrations when being imported into China. These categories include many of the goods on which QEX focuses. Goods on this positive list are subject to reduced VAT of 11.9% on small transactions. If Chinese customers buy goods with a value lower than c $NZ400 (or c NZ$4,000 per year), lower taxes are levied.

QEX uses two channels to deliver products to Chinese consumers: (i) small parcels are collected and aggregated daily, and delivered through the Chinese postal services under the Chinese parcel tax scheme; and (ii) dairy products and infant formula are exported and delivered through the warehouse, where the goods go through a pre-clearance declaration (essentially moving the Chinese border to the FTZ). This system reduces lead times for delivery to Chinese customers, while import VAT and duty is not paid until the goods have left the warehouse.

Chinese market dynamics

China is the largest market for New Zealand’s goods (and second only to Australia in total exports). Nearly 16% of goods exported from New Zealand (worldwide) are dairy products. We note that New Zealand’s organic certification is recognised by China.

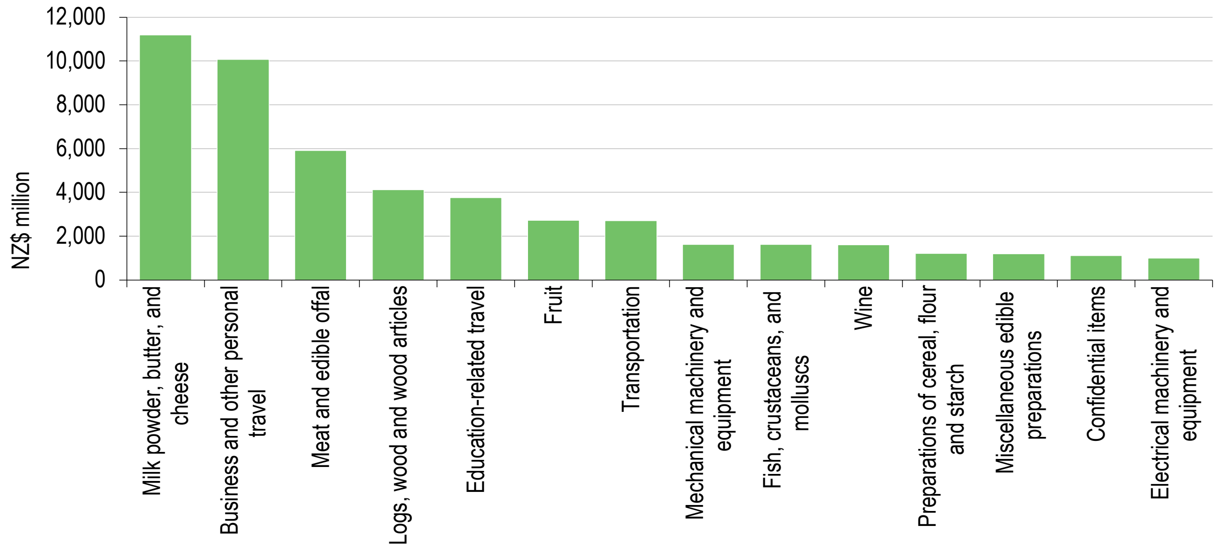
Exhibit 1: Top New Zealand export countries, 2016



Source: Statistics NZ Note: This work is based on/includes Stats NZ’s data which are licensed by Stats NZ for reuse under the Creative Commons Attribution 4.0 International licence.

Given the size and growth of the Chinese economy, we would expect it to make up an increasing percentage of New Zealand (and Australian) trade, especially given the improving relationship between them. Negotiations are underway to upgrade the free trade agreement between the two countries.

Exhibit 2: Total commodity exports from New Zealand, 2016



Source: Statistics NZ Note: This work is based on/includes Stats NZ's data which are licensed by Stats NZ for reuse under the Creative Commons Attribution 4.0 International licence.

Client relationships and multiple sources

QEX has relationships with a wide range of New Zealand suppliers. These include:

A major supermarket chain: QEX has been contracted by a major Australasian supermarket chain to provide cross border logistics services for its online portal targeting Chinese consumers. The extent of the contract is confidential.

Sky Distribution (SDL) is the marketing company for Anmum infant formula, produced by Fonterra. QEX picked up SDL as a client in August 2017 to fulfil online sales in China, using QEX's Chinese warehousing facilities.

Munchkin: QEX distributes Munchkin's (goat-based) infant formula in New Zealand and Australia, using its warehousing infrastructure. The contract started in January 2017.

Fonterra Anchor: QEX distributes Anchor milk powder in New Zealand and China (it is the most recognised New Zealand drinking milk brand in China) through daigou channels. The contract started in January 2016.

Health Element 2009 has six stores in New Zealand focusing on Chinese daigou channels. QEX provides daily pick-up from Health Element stores and supply chain services. The contract started in January 2011.

Magic Lamp Group (Aladdin) is an online platform for New Zealand companies to sell direct to China. It has 70,000 consumers and 3,600 resellers (recruiting over 1,500 merchants in the past two years). QEX has provided logistics services since 2015.

EZ Health and Beauty supports the daigou channel for New Zealand health and beauty products. QEX has provided logistics services since 2011.

Whoo Team is a wholesaler and distributor of infant milk powder, for which QEX provides pick-and-pack and cross-border logistics.

Natural Line International sells New Zealand health/beauty and dairy products through Taobao, for which QEX provides pick-and-pack and cross-border logistics.

Kylin International sells infant formula (various brands) to the Chinese market via Taobao. The relationship started in 2013.

Nuxten NZ sells New Zealand foods and skincare products on Alibaba (and is a Gold Supplier). QEX has supplied services to Nuxten since 2016.

Best Choice: wholesaler and distributor of health and dairy products to China through e-commerce sites. QEX provides storage services (including FTZ warehouses) for Best Choice.

NatureGate is a wholesaler and distributor of health supplements and dairy products.

Newhealth provides health supplements to daigou customers.

SWOT analysis

Strengths

Board: having Conor English and Danny Chan on the board is a major coup for QEX and their presence should help guide future growth, opening up new markets.

Relationship with suppliers: QEX is young but has grown its supplier base quickly. Recurring revenues and strong growth suggest it is providing good service to its suppliers and customers.

Bonded warehouse: The company's bonded warehouse in China is a key strength, enabling QEX to deliver advantages to its clients that others cannot. The warehousing also gives the company the ability to buy in bulk on its own account, selling to Chinese clients as demand requires it, thereby making good margins. This also means it can help to serve the burgeoning e-commerce demand in China.

Weaknesses

Distribution: the company relies on third parties for selected logistics operations. While it is not responsible for the operations of these companies, its reputation and business could be negatively affected by poor performance. Equally, reliance on these relationships could cause short-term issues if the contracts between the companies are troubled or terminated. However, it is confident that suitable alternative companies could be sourced at similar rates/costs.

Competition: There are hundreds (if not thousands) of daigous serving Chinese consumers and the exact number in New Zealand/Australia is not known. QEX may therefore face strong competition in the coming years.

Economies of scale: QEX is small and relies on a large number of (presumably small) contract values, which means it cannot (yet) deliver increasing economies of scale with much larger order sizes.

Opportunities

Vast market: The Chinese market is vast, and should provide growth potential for QEX if it can deliver on its geographic and product diversification programme. The addition of a large supermarket chain gives us increasing confidence that the company can enhance its presence further. Successful execution of the supermarket channel could materially boost volumes and help build a sizeable reputation in New Zealand.

Australia: Australia is another huge potential source of goods for Chinese consumers, and QEX's move to open new operations in Melbourne is a good one.

Threats

Geographic concentration: the company is entirely focused on cross-border trade with China. As a result, any changes in regulatory environment in relation to trading between China and New Zealand/Australia could have a material effect on revenues.

Product concentration: in the year ended 31 March 2017, more than 50% of revenues were derived from sales of infant formula and other dairy products. As a result, the company would be sensitive to any events that affect the sales of dairy in China (such as tariffs, foreign exchange movements or health issues). The company expects this reliance to reduce over time as it increases the range of products it trades and opens up markets in Australia.

Foreign exchange: despite the majority of revenues being driven by sales to China, the overwhelming balance of its currency exposure is to New Zealand dollars (only 2% of sales are in renminbi). This will likely change as the Australian operations ramp up and, perhaps, as Chinese operations mature.

Taxes, legislation and regulation: as a trading company, any changes in regulations, operations, tariffs or laws guiding exports and imports from/to China may have a significant effect on the company's operations. At the moment, we believe New Zealand/Australia and China all see mutual benefits in lowering barriers to trade, as evidenced by the free trade zones first set up in China in 2013, which now number 11 across the country.

Daigou status: there are risks of state clamp-down on the daigou channels, but we do not think this is likely at this point, due to the setting up of the FTZ.

Management

Independent chairman: Conor English is an experienced director with many years' experience and brings expertise in exports, a range of international networks and relationships to QEX. He is currently chairman of Agribusiness New Zealand (which focuses on exports and trading, farm systems, smart city technologies, and agricultural and technology investment). Its exports markets include China.

He acts as an independent advisor to the Reserve Bank of New Zealand (one of only two external independent advisors). He is a director of GMP Pharmaceuticals Group, a leading privately owned Australia- and New Zealand-based manufacturing company specialising in complementary healthcare products, natural health and dairy products. GMP's pharmaceutical-grade facilities in Sydney and Auckland service clients both locally and in over 30 countries around the world.

He has directorships of Silvereye, the New Zealand eSports Foundation and is a board member of the Live Animal and Germplasm Trade Association. Mr English holds 500k options.

Chief executive officer: Jingje "Ronnie" Xue was born in Suzhou, China and received a Master's from Monash University (Melbourne). He started his logistics career at Australian National Line, one of Australia's leading shipping companies. In 2010, Ronnie moved to New Zealand and started what has now become QEX Logistics. Under his leadership, New Y Trading was ranked 42nd in the Deloitte Fast 50 in 2016 and 13th in 2017.

Mr Xue currently holds 80% (or 40m) of QEX's shares.

Independent director: Danny Chan holds a number of directorships in New Zealand. He is a director of Academic Colleges Group and an independent director of Abano Healthcare. He also holds positions at Flowerzone International, Auckland Tourism Events and Economic Development, Farmers' Mutual Group and Marlborough Wine Estates. Throughout his career, Mr Chan has developed an extensive network of contacts in both New Zealand and Asia, and is fluent in Mandarin and Cantonese. Danny acts as an advisor for several New Zealand companies for their

Asia marketing and joint venture operations. He is a member of the Institute of Chartered Accountants of New Zealand and a member of the Cost and Management Association. He is also a fellow of the CFA Society New Zealand and a member of the Institute of Directors. Danny is a member of the NZ-China Executive Advisory Council and a director of the Asia New Zealand Foundation - Confucius Institute. He is also a member of the New Zealand Stock Exchange's Markets Disciplinary Tribunal. Mr Chan holds 500k options.

Valuation

QEX remains a small company and has few peers. We note that AuMake (a recently listed Australian company) is approaching the daigou market differently, planning to open at least 20 specialist stores in Australia targeting Chinese consumers. It currently has no revenues, but raised A$14m on 22 January 2018.

There are a number of other logistics companies globally, which average 12.8x next year EV/EBITDA multiples. As can be seen, analyst coverage of these is poor for any companies with market caps of less than c US$700m.

Exhibit 3: Comparative multiples

	Market cap (US$m)	EV/EBITDA (x) trailing 12 months	P/E (x) trailing 12 months
Direct			
AuMake International	84	-	-
Milk and health supplements			
a2 Milk Co	4,645	19.4	70.7
Bellamy's Australia	1,275	-	-
Blackmores	2,047	17.6	44.4
Median		**18.5**	**57.6**
Logistics			
United Parcel Service	96,818	12.1	18.7
FedEx Corp	67,021	9.3	20.6
Deutsche Post	56,545	9.7	17.7
Kuehne + Nagel International	21,139	18.5	27.8
Bollore SA	16,026	25.6	44.8
DSV A/S	14,996	19.5	28.1
JB Hunt Transport Services	12,724	13.6	30.4
CH Robinson Worldwide	12,654	15.6	26.8
Expeditors International of Washington	10,994	13.3	26.0
Yamato Holdings	10,503	18.7	-
Nippon Express	6,673	7.6	15.1
Hyundai Glovis	4,964	6.9	11.4
Landstar System	4,658	14.9	29.6
Panalpina Welttransport Holding	3,780	23.5	50.7
Sinotrans	3,427	7.2	12.9
Sankyu	3,074	7.2	15.6
Hitachi Transport System	2,773	10.2	15.7
Mainfreight	1,900	14.1	25.3
Forward Air Corp	1,732	13.0	35.8
Hub Group	1,576	12.3	27.4
Kintetsu World Express	1,474	8.8	28.4
Echo Global Logistics	793	17.4	-
Eddie Stobart Logistics	745	-	-
Logwin	470	5.5	26.4
Wincanton	338	4.9	6.5
Hanjin Transportation	289	18.3	-
Sebang	230	8.0	9.2
Marsden Maritime Holdings	160	186.1	22.6
K&S Corp	153	5.5	42.5
TIL Logistics Group	122		
South Port New Zealand	117	10.5	18.9
Lindsay Australia	100	5.8	23.8
CTI Logistics	67	5.7	20.0
Bremer Lagerhaus-Gesellschaft	69	-	-
Mercantile Ports and Logistics	39	-	-
Hansol Logistics	32	4.5	11.1
Median		**12.1**	**23.2**

Source: Edison Investment Research, Bloomberg (priced on 7 February 2018)

Financials

QEX generated revenues of NZ$22.2m in FY17 (increasing 23% y-o-y), while gross profit increased to NZ$3.8m (up 156%). A good handle on costs resulted in net profits of NZ$1.9m (up from NZ$0.35m in 2016). The company grew strongly.

The company expects this growth to continue, guiding to 17% growth in revenues in 2018 and 8% in 2019. While 2018 will be a year of growth at the top line, the company is investing in new facilities (including the new warehouse), which will increase costs and reduce margins in the near term. However, the increase in the capital base will enable further growth as the company expands into the warehousing space in the coming years.

Dividend policy: the company has no plans to pay dividends in the foreseeable future.

Share listing: the company has a total of 50.3m shares in issue to be listed on the NXT market, although no new shares will be issued at this time. The most recent capital issue in December 2017/January 2018 was held at 25 cents per share (of 10.3m shares, raising NZ$2.575m), implying a total market capitalisation of NZ$12.575m. The new shares were issued at a multiple of 4x EV/EBITDA, which looks attractive given the growth potential.

Exhibit 4: Income statement

NZ$	H116	H216	2016	H117	H217	2017	2018e	2019e
- Revenue from freight	5,690,491	3,508,851	**9,199,342**	3,038,625	9,197,467	**12,236,092**		
- Revenue from sale of goods	4,212,075	4,708,400	**8,920,475**	7,797,656	2,200,085	**9,997,741**		
Sales turnover (target in future periods)	9,902,566	8,217,251	**18,119,817**	10,836,281	11,397,552	**22,233,833**	26,000,000	28,000,000
COGS	(7,086,409)	(9,534,056)	**(16,620,465)**	(9,333,500)	(9,055,298)	**(18,388,798)**		
Gross profit	2,816,157	(1,316,805)	**1,499,352**	1,502,781	2,342,254	**3,845,035**	3,718,000	4,200,000
Gross margin	**28%**	**(16%)**	**8%**	**14%**	**21%**	**17%**	**14%**	**15%**
Other income - interest received	27,492	(2,933)	**24,559**	19,440	35,542	**54,982**		
Admin	(242,278)	(164,683)	**(406,961)**	(336,386)	(220,615)	**(557,001)**		
Employee benefits	(286,070)	(230,404)	**(516,474)**	(679,906)	(44,968)	**(724,874)**		
Depreciation	(19,938)	(8,136)	**(28,074)**	(42,805)	(22,223)	**(65,028)**		
Finance expense on bank overdraft	0	(1,582)	**(1,582)**	(17,611)	8,669	**(8,942)**		
Gain on acquisition of subsidiary		0	**0**		47,879	**47,879**		
PBT	**2,295,363**	**(1,724,543)**	**570,820**	**445,513**	**2,146,538**	**2,592,051**		
Taxes	(643,680)	426,688	**(216,992)**	(120,639)	(595,473)	**(716,112)**		
Profit for year	**1,651,683**	**(1,297,855)**	**353,828**	**324,874**	**1,551,065**	**1,875,939**		
Net profit margin	16.7%	-15.8%	**2.0%**	3.0%	13.6%	**8.4%**		

Source: QEX (historicals and forecasts)

Exhibit 5: Balance sheet

NZ$	2016	H117	H217	2017	2018e	2019e
Cash	**341,989**	610,722	154,091	**154,091**		
Trade and other receivables	**665,247**	2,653,918	2,351,041	**2,351,041**		
Stock on Hand - finished goods	**21,364**	2,466,342	1,275,999	**1,275,999**		
Loan shareholder	**685,728**	248,363	1,431,000	**1,431,000**		
Current assets	**1,714,328**	**5,979,345**	**5,212,131**	**5,212,131**		
PPE	**162,176**	393,954	432,997	**432,997**		
Deferred tax	**22,633**	47,555	50,769	**50,769**		
Non-current assets	**184,809**	441,509	483,766	**483,766**		
Total assets	**1,899,137**	**6,420,854**	**5,695,897**	**5,695,897**		
Trade and other payables	**1,306,354**	1,952,323	1,902,522	**1,902,522**		
Borrowings	**0**	934,984	726,861	**726,861**		
Tax payables	**212,425**	932,194	810,216	**810,216**		
Current liabilities	**1,518,779**	**3,819,501**	**3,439,599**	**3,439,599**		
Total liabilities	**1,518,779**	**3,819,501**	**3,439,599**	**3,439,599**		
Equity						
share capital	**100**	101	101	**101**		
Retained earnings	**380,258**	2,601,252	2,256,197	**2,256,197**		
Equity	**380,358**	**2,601,353**	**2,256,298**	**2,256,298**		

Source: QEX (historicals and forecasts)

Exhibit 6: Cash flow statement

NZ$	H116	H216	2016	H117	H217	2017	2018e	2019e
Profit for year	1,651,683	(1,297,855)	**353,828**	324,874	1,551,065	**1,875,939**		
Income tax	643,680	(426,688)	**216,992**	120,639	595,473	**716,112**		
Depreciation and amortisation	19,938	8,136	**28,074**	42,805	22,223	**65,028**		
(Gain)/loss on acqn/disposal of PPE		4,341	**4,341**		(47,879)	**(47,879)**		
Interest paid	0	1,582	**1,582**	17,611	(8,668)	**8,943**		
Interest received	(27,492)	2,933	**(24,559)**	(19,440)	(35,542)	**(54,982)**		
Shareholder salary and accruals		155,079	**155,079**		0			
Operating cash flows per working capital	**2,287,809**	**(1,552,472)**	**735,337**	**486,489**	**2,076,672**	**2,563,161**		
Movements in debtors	(1,243,702)	795,155	**(448,547)**	(123,678)	(937,960)	**(1,061,638)**		
Movements in creditors	(378,688)	1,103,337	**724,649**	609,507	(662,107)	**(52,600)**		
Movements in borrowing								
Movements in deferred tax								
Movements in inventory	(200,441)	195,077	**(5,364)**	(1,190,343)	(64,292)	**(1,254,635)**		
Movements in loan to shareholder	223,530	(223,530)	**0**	(11,501)	383,907	**372,406**		
Cash generated from operations	**688,508**	**317,567**	**1,006,075**	**(229,526)**	**796,220**	**566,694**		
Interest paid		(1,582)	**(1,582)**	(17,216)	8,274	**(8,942)**		
Income taxes paid	(13,583)	(60,716)	**(74,299)**	4,470	(154,027)	**(149,557)**		
Cash flows from operating activities	**674,925**	**255,269**	**930,194**	**(242,272)**	**650,467**	**408,195**		
Property, plant and equipment additions	(221,848)	114,319	**(107,529)**	(3,681)	(329,111)	**(332,792)**		
Cash received from acquisition of subsidiary		0		(720,800)	793,335	**72,535**		
Cash flows from investing activities	**(221,848)**	**114,319**	**(107,529)**	**(724,481)**	**464,224**	**(260,257)**		
Proceeds from shareholder	1,696	(1,696)	**0**	1,215,718	(488,857)	**726,861**		
Payments to shareholder	(664,426)	1,139,323	**474,897**	(2,535)	592,650	**590,115**		
Payments from trade finance		(1,124,677)	**(1,124,677)**	208,123	(1,860,935)	**(1,652,812)**		
Cash flow from financing activities	**(662,730)**	**12,950**	**(649,780)**	**1,421,306**	**(1,757,142)**	**(335,836)**		
Increase in cash and cash equivalents	(209,653)	382,538	**172,885**	456,631	(644,529)	**(187,898)**		
Cash at start of period	341,989	132,336	**169,104**	154,091	187,898	**341,989**		
Cash at end of period	**132,336**	**341,989**	**341,989**	**610,722**	**(456,631)**	**154,091**		
Net debt (cash) at end of period	0	0	**(341,989)**	324,262	572,770	**572,770**		

Source: QEX (historicals and forecasts)

Exhibit 7: Other information

Lease commitments, NZ$		2016	2017	2018e	2019e
Not later than 1 year		133,596	133,596		
Between 1 and 5 year		276,785	143,189		
Later than 5 years					
Total operating lease commitments		410,381	276,785		
Monthly volume of dairy products exported (NZ to China)	tonnes	140	146	155	160
Parcels cleared monthly	#	59,693	60,928	66,000	72,000

Source: QEX (historicals and forecasts)

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