

# Freightways Half Year Presentation

18 February 2013



Freightways

Half Year Result | February 2013

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This presentation relates to the Freightways Limited NZX announcement and media release of 18 February 2013

As such, it should be read in conjunction with, and is subject to, the explanations and views contained in those releases

This half year result is drawn from unaudited financial statements prepared in accordance with NZ GAAP

Freightways Half Year Result | February 2013

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# Agenda

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- 2013 Half Year Highlights
- Operating Performance
- Business Strategy
- Outlook



## 2013 Half Year Highlights

## General Highlights

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- A record result for the company
- Increased express package volumes against a very strong prior comparative period
- Increasing information management market support from large nationwide customers in Australia
- Innovative new services introduced in both divisions, including technology-based solutions flowing from the completion of a significant IT upgrade project

## Financial Highlights

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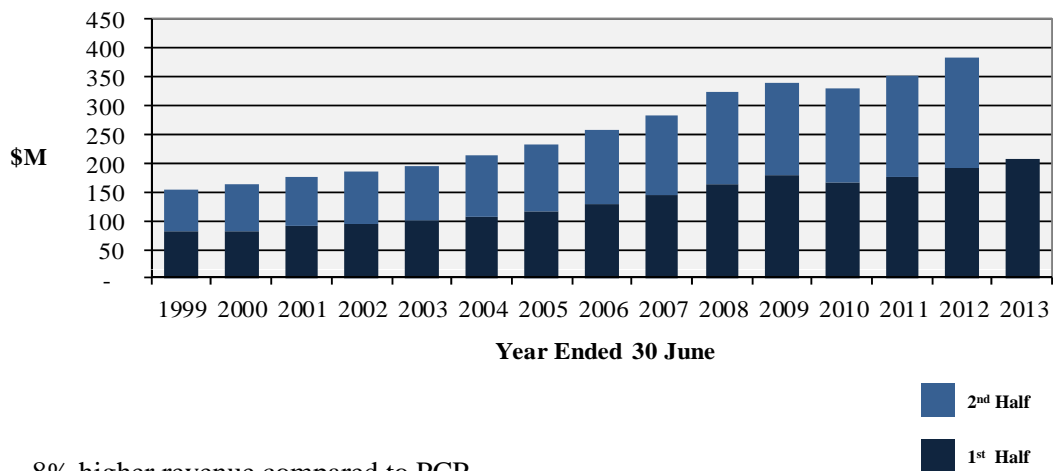
	Dec-12 \$M	Dec-11 \$M	Increase %
<b>Operating Revenue</b>	206.7	192.2	8%
<b>EBITDA*</b>	39.6	36.3	9%
<b>EBITA*</b>	33.8	31.3	8%
<b>NPAT*</b>	20.0	18.3	10%

\* Dec-12 excludes non-recurring \$1m benefit relating to an acquisition earnout that is now not expected to be payable (\$1m after tax)  
(Dec-11 excludes non-recurring \$1m of income relating to earthquake insurance proceeds received (\$0.7m after tax))



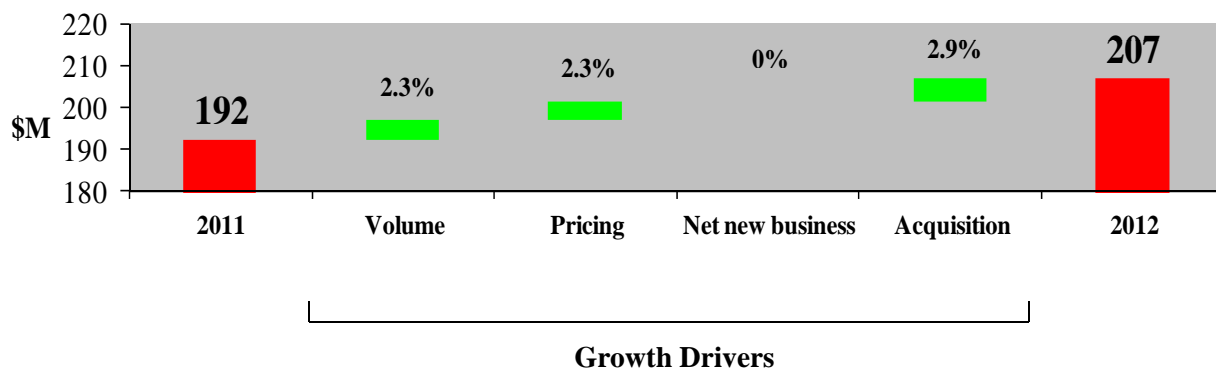
## Operating Performance

## Operating Revenue

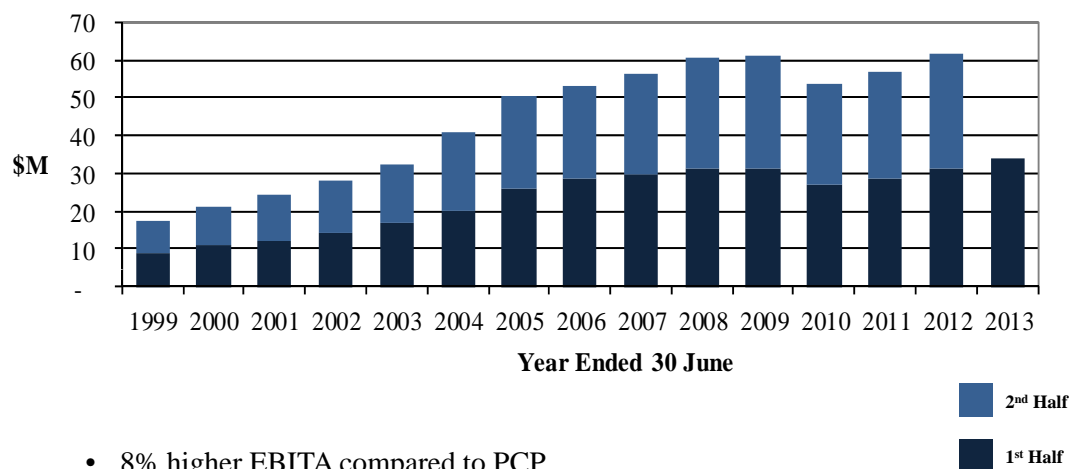


- 8% higher revenue compared to PCP
- 10-year compound average annual revenue growth of 7.5%

## Where Revenue Growth Has Come From



## EBITA\*



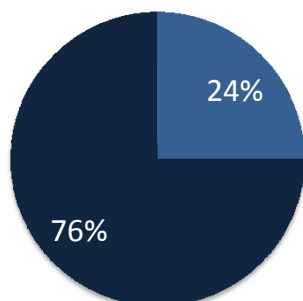
- 8% higher EBITA compared to PCP
- 10-year compound average annual EBITA growth of 8%

\* NB: This graph represents the operating results of the company, exclusive of any non-recurring items

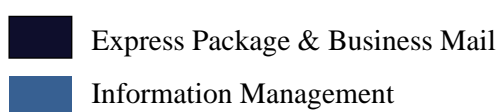
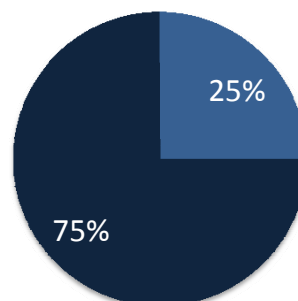
## Business Segments

### Operating Performance (Half year to 31 December 2012)

**Revenue**



**EBITA**



## Express Package & Business Mail

	Dec-12 \$M	Dec-11 \$M	Increase %
<b>Operating Revenue</b>	157.8	149.4	6%
<b>EBITDA</b>	29.0	27.9	4%
<b>EBITA</b>	26.1	25.5	2%
<b>EBITA Margin</b>	17%	17%	

## Information Management

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	Dec-12 \$M	Dec-11 \$M	Increase %
<b>Operating Revenue</b>	49.9	43.6	15%
<b>EBITDA</b>	11.2	9.2	21%
<b>EBITA</b>	8.9	7.2	23%
<b>EBITA Margin</b>	18%	17%	

## Balance Sheet – Key Points

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- Total Assets and Total Liabilities have increased since FY12 by \$11m and \$4m, respectively, primarily as a result of the Dataprint acquisition for \$3m and capital expenditure of \$7m
- Net bank borrowings have increased since FY12 by \$4m, mainly to fund the Dataprint acquisition in July 2012
- No significant changes in issued capital during the year
- Debt to debt & equity ratio of 49% (50% in FY12) reflects ongoing stability in the company's gearing levels
- Fair value of derivative financial instruments has reduced marginally as a liability when compared with FY12 as certain derivatives have matured and market interest rates have stabilised

## Cash Flow – Key Points

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- Cash inflows from operating activities remain strong at \$37m for the half year
- Cash outflows from investing activities were lower than the PCP as a consequence of less being spent on acquisitions this half year
- Cash outflows from financing activities represent predominantly the payment of the previous final dividend. By comparison, the PCP also had inflows from bank borrowings to fund acquisitions

## Subsequent Event – Interim Dividend

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- Interim dividend: 9.0 cps
- Imputation credits: 3.54 cps (NB. 89% of credits at 28% tax rate)
- Supplementary dividend: 1.5882 cps
- Record date: 15 March 2013
- Payment date: 2 April 2013
- No DRP offered in respect of the 2013 Interim Dividend





## Strategy

## Business Strategy

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- Develop organic growth opportunities
- Diversification: Industry and Geography
- Positioning, People, Performance, Profit
- Explore complementary acquisition and alliance opportunities

# Express Package & Business Mail

Network Courier	Point-to-Point	Business Mail	Support
			
			
			
			
			

# Information Management

	New Zealand	Australia
Document Storage		
Data Storage		
Document Destruction		

# Capital Expenditure

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	2013 Half year actual	2013 Full year forecast
<b>Capital Expenditure</b>	\$7m	\$14m
<b>Depreciation</b>	\$6m	\$12m



## Outlook

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- Slow growth environment expected to continue for foreseeable future, but also mindful of any further deterioration in global economy
- Express Package growth expected to be sustained at similar levels for the foreseeable future. Business Mail volume expected to continue to decline; much of which is expected to be offset through market share gains.
- Information Management growth expected to continue. No sign of near-term improvement in prices for recycled paper.
- Strategic growth opportunities, including alliances and acquisitions, will continue to be investigated and developed where they make commercial sense



## Conclusion

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- FRE has delivered another record result
- This result again demonstrates the resilience of FRE, the positive features of the industries it operates in, the high quality of its subsidiary businesses and its teams of people
- Subject to business factors beyond its control, FRE is well positioned to reap benefits from further market improvement

## Freightways Half Year Presentation

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