

Freightways Half Year Presentation

24 February 2014



50
YEARS
KEEPING NEW ZEALAND
BUSINESS MOVING
SINCE 1964

This presentation relates to the Freightways Limited NZX announcement and media release of 24 February 2014.

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

The half year financial results presented are drawn from unaudited financial statements prepared in accordance with NZ GAAP.

Financial amounts disclosed for the prior comparative period exclude a non-recurring item that Directors believe should not be included when assessing the underlying operating performance of the Company.

AGENDA



- 2014 Half Year Highlights
- Operating Performance
- Business Strategy
- Outlook
- Conclusion

2014 Half Year Highlights



General Highlights

- Widespread strength of the result
- Record performance in both the EP&BM and IM divisions
- Successful execution of acquisitions, enhancing the strategic positioning of the company
- New Zealand Couriers.....50 years!

Financial Highlights

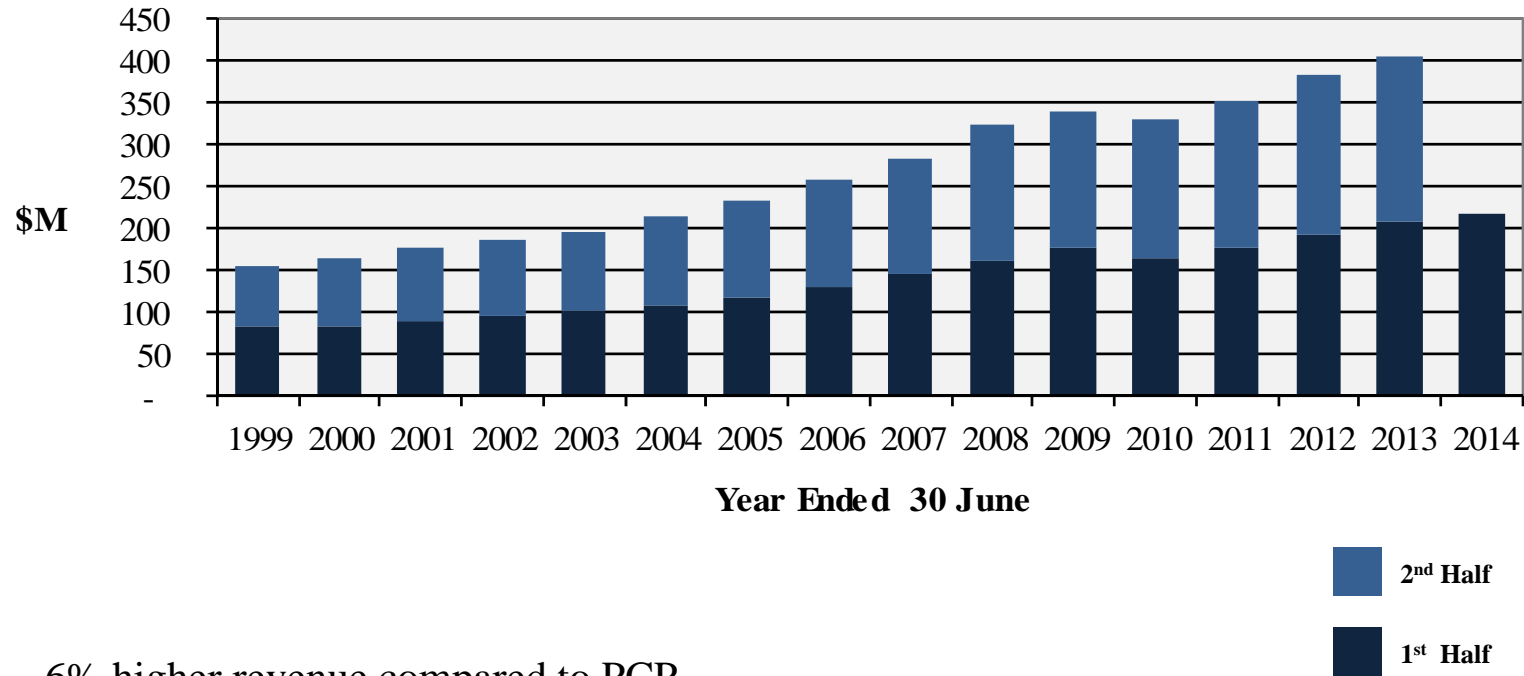
	Dec-13 \$M	Dec-12 \$M	Increase %
Operating Revenue	218	207	6%
EBITDA*	42	40	6%
EBITA*	36	34	7%
NPAT*	22	20	9%

* Dec-12 excludes a non-recurring \$1m benefit relating to an acquisition earnout that was not payable (\$1m after tax)

Operating Performance

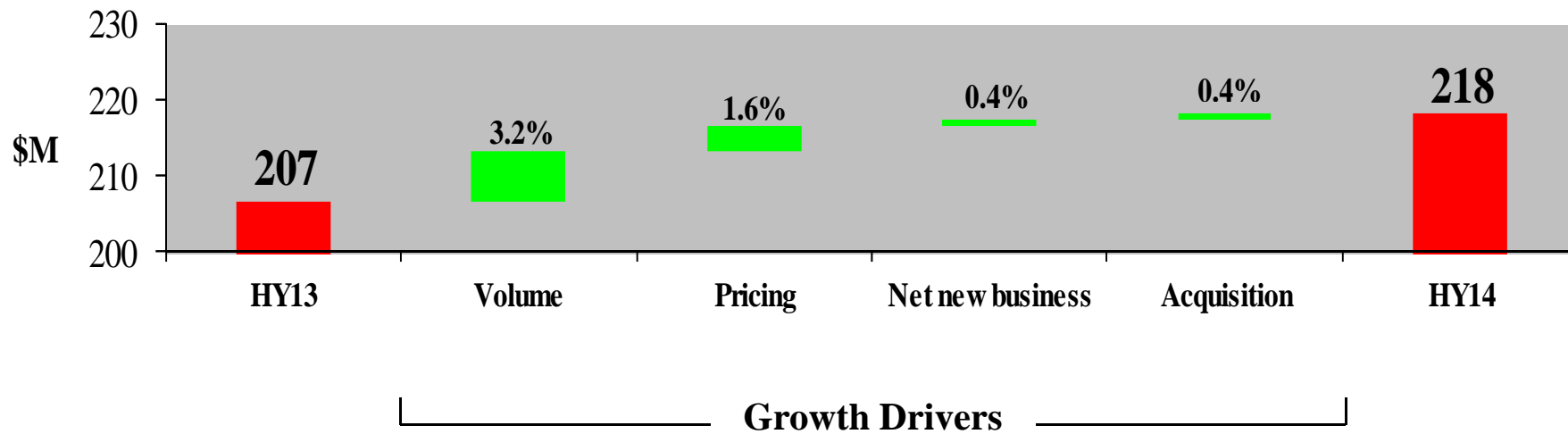


Operating Revenue

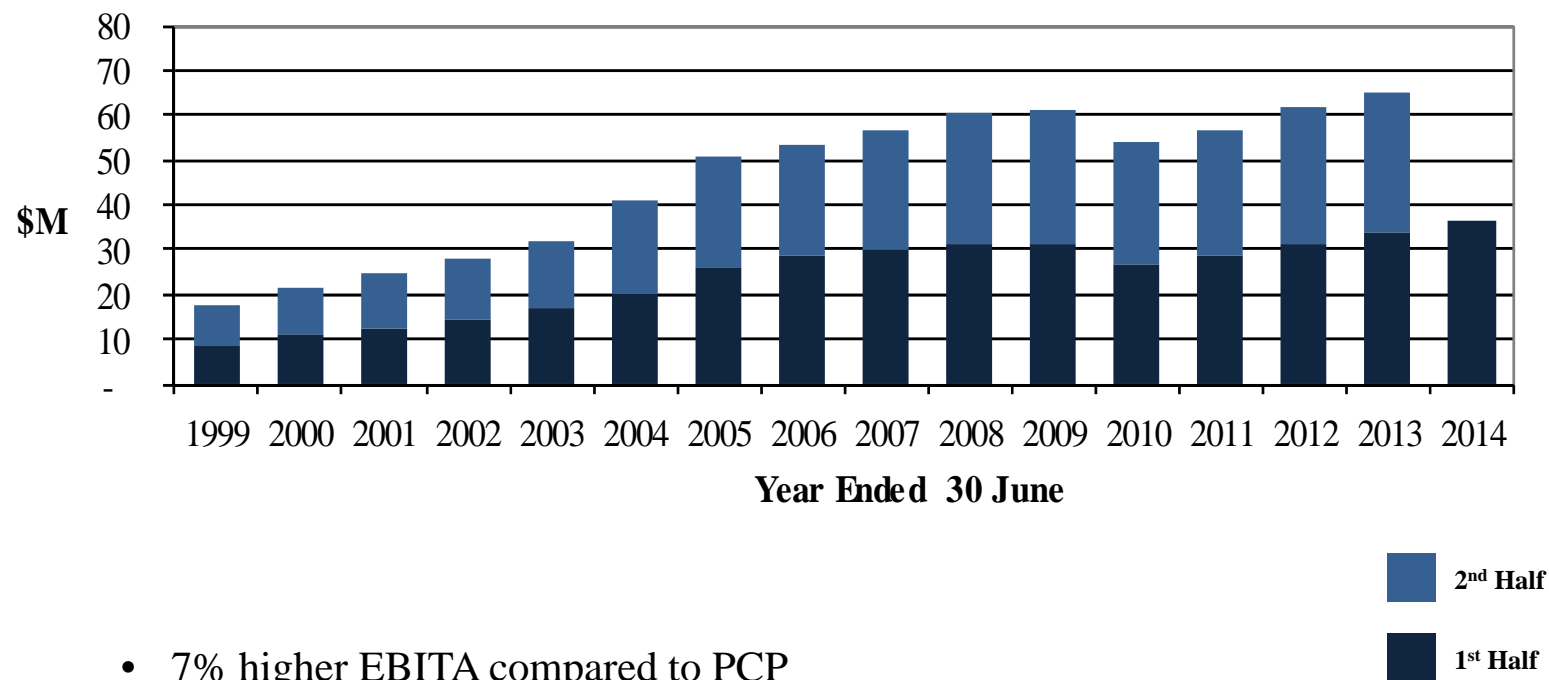


- 6% higher revenue compared to PCP
- 10-year compound average annual revenue growth of 7.6%

Where Revenue Growth Has Come From



EBITA



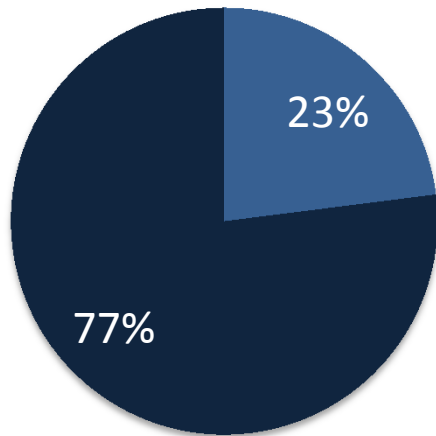
- 7% higher EBITA compared to PCP
- 10-year compound average annual EBITA growth of 7.3%

NB: This graph represents the operating profit before interest, tax and amortisation of intangibles, exclusive of any non-recurring items

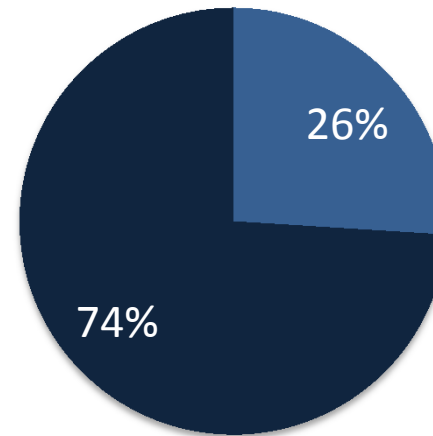
Business Segments

Operating Performance (Half Year ended 31 December 2013)

Revenue



EBITA



- Express Package & Business Mail
- Information Management

Express Package & Business Mail

	Dec-13 \$M	Dec-12 \$M	Increase %
Operating Revenue	168.1	157.8	7%
EBITDA	30.9	29.0	6%
EBITA	27.9	26.1	7%
EBITA Margin	16.6%	16.5%	

Information Management

	Dec-13 \$M	Dec-12 \$M	Increase %
Operating Revenue	51.3	49.9	3%
EBITDA	11.7	11.2	5%
EBITA	9.6	8.9	8%
EBITA Margin	18.6%	17.8%	

Balance Sheet – Key Points

- Total Assets and Total Liabilities have increased since FY13 by \$23m and \$16m, respectively, primarily as a result of the acquisitions completed during the period
- Net bank borrowings have increased since FY13 by \$9m, mainly as a result of \$15m being spent on acquisitions, net of a favourable \$10m translation impact from converting AUD borrowings at a higher NZD exchange rate compared with FY13.
- No significant changes in issued capital during the period
- Debt to debt & equity ratio of 46% is relatively consistent with FY13
- Fair value of derivative financial instruments has reduced \$4m as a liability when compared with FY13, from \$10m to \$6m, as certain derivatives have matured and future market interest rates have lifted

Cash Flow – Key Points

- Cash inflows from operating activities remained strong at \$40m for the period
- Cash outflows from investing activities were \$14m higher than the PCP, driven mainly by \$13m more being spent on acquisitions this period than in the PCP
- Cash outflows from financing activities mostly related to the payment of dividends and a net \$13m increase in bank borrowings to fund acquisitions. By comparison, the PCP included a small net decrease in bank borrowings.

Subsequent Event – Interim Dividend

- Interim dividend: 10.00 cps
- Imputation credits: 3.89 cps (at 28% tax rate)
- Supplementary dividend: 1.7647 cps
- Record date: 21 March 2014
- Payment date: 7 April 2014
- No DRP offered in respect of the 2014 Interim Dividend

Business Strategy



Business Strategy

- 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

	2014 Half Year Actual	2014 Full Year Forecast
Capital Expenditure	\$9m	\$16m
Depreciation	\$6m	\$13m

Outlook



Outlook

- Positive growth evident in this result expected to continue for foreseeable future
- Both Business-to-Business (B2B) and Business-to-Consumer (B2C) volumes expected to increase
- Our smaller DX Mail business will continue to operate in a challenging and overall declining market, yet it is expected to attract increasing customer demand for its street delivery, mailhouse and digital services
- Information Management revenue and earnings growth expected to continue with the additional benefit of recently-acquired businesses
- Strategic growth opportunities, including alliances and acquisitions, will continue to be investigated and developed where they make commercial sense

Conclusion



Conclusion

- FRE has delivered another record result
- This result again demonstrates the resilience of FRE, the positive features of the markets it operates in and the successful execution of growth strategies by an experienced and capable team
- Subject to business factors beyond its control, FRE is well positioned to reap benefits from further market improvement