Freightways

www.freightways.co.nz

NZX Announcement & Media Release

25 October 2018

Trading Update

An update on the unaudited trading performance of Freightways Limited (Freightways) for the three months ended 30 September 2018 is provided below.

Freightways' 1st quarter result (unaudited):

	Quarter ended:			
	Note	**Sep-18 $000**	**Sep-17 $000**	**Variance**
Operating revenue		155,134	143,236	8.3%
EBITDA	(i)	27,612	26,938	2.5%
EBITA	(ii)	23,884	23,561	1.4%
NPATA	(iii)	15,553	15,515	0.2%
NPAT	(iv)	15,075	15,051	0.2%

Notes:
(i) Operating profit before interest, tax, depreciation and amortisation. (ii) Operating profit before interest, tax and amortisation. (iii) Net profit after tax (NPAT), before amortisation. (iv) Profit for the period attributable to shareholders.

This first quarter result demonstrates the ongoing revenue growth within both our operating divisions. It also is a good start to the financial year, with earnings growth above the prior comparative period (pcp), at a time when the businesses are implementing a number of strategies to enhance earnings in the medium to long term. The express package & business mail division is very focussed on pricing for effort, particularly in relation to residential deliveries, as well as improving the efficiencies of the fleet servicing those areas. The information management division continues to see strong uptake in its digital services and positive trading through its recent acquisitions in the medical waste industry in Australia, which have involved some one-off acquisition costs in this first quarter.

Express Package & Business Mail division
This division's unaudited result is as follows:

	Quarter ended: Sep-18 $000	Sep-17 $000	Variance
Operating revenue	114,058	105,340	8.3%
EBITDA	19,379	18,185	6.6%
EBITA	17,529	16,537	6.0%
EBITA Margin	15.4%	15.7%	

Revenue growth in this first quarter has been positive against the pcp and was contributed to by this financial year's general price increase (and an approximate 2.3% lift in fuel surcharge revenue). Operating cost increases reflect increased payments to courier contractors and operational labour. When compared to the pcp, there has been an increase of approximately $0.2m in depreciation relating to our newly-commissioned automation equipment and related IT. The EBITDA and EBITA increases above the pcp reflect a sound first quarter start to the 2019 financial year.

Information Management division
This division's unaudited result is as follows:

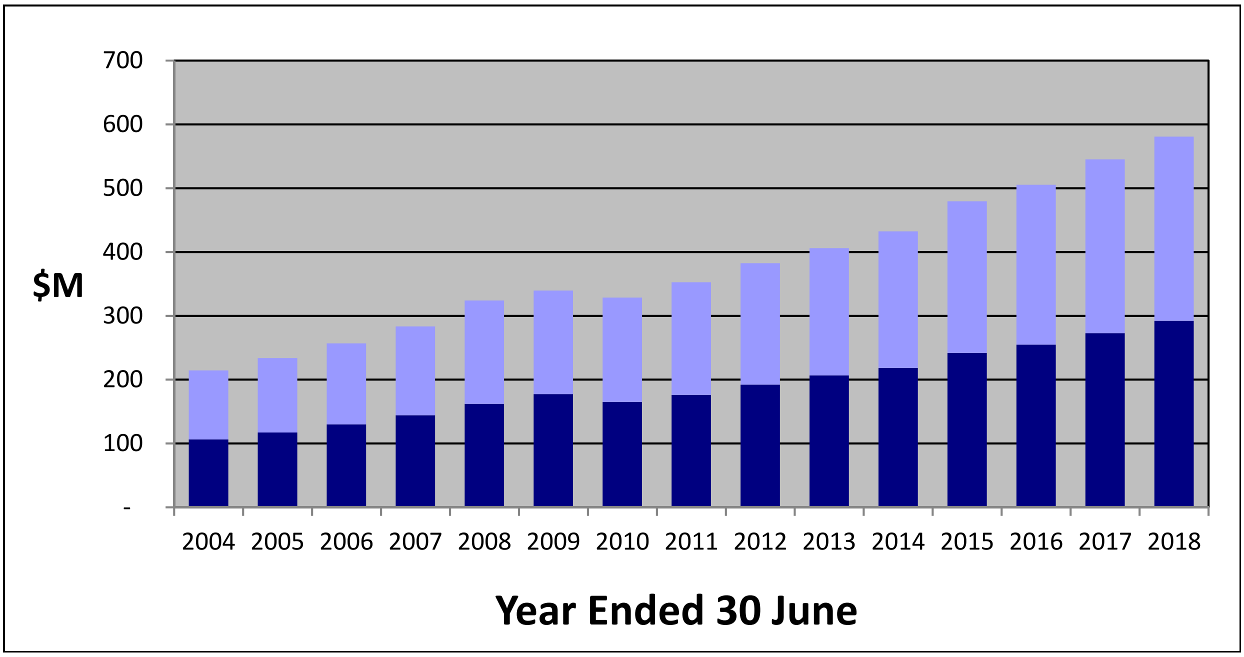
	Quarter ended: Sep-18 $000	Sep-17 $000	Variance
Operating revenue	41,636	38,379	8.5%
EBITDA	9,257	9,245	0.1%
EBITA	7,786	7,923	(1.7%)
EBITA Margin	18.7%	20.6%	

Solid revenue growth compared to the pcp was driven by Shred-X, with its newly-acquired medical waste businesses, as well as by TIMG, particularly from document storage in Australia. Media revenue declined against the pcp. During the quarter there were costs incurred associated with the four recent acquisitions in Australia, as well as an increase in sales & marketing and IT development resource in relation to the new investment in digital products, which are forecast to deliver longer term benefit.

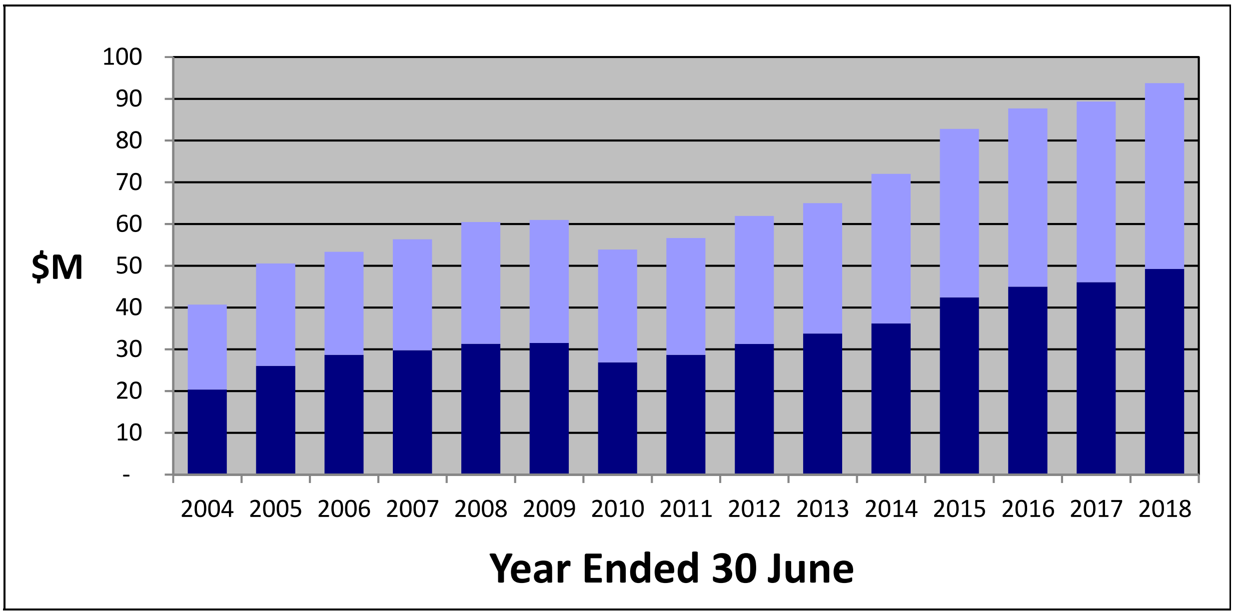
Corporate
Corporate costs increased by $0.5m compared to the pcp, of which approximately half were one-off costs associated with Managing Director transition and appointment of two new directors. First quarter capital expenditure is within budgeted expectations.

Freightways' financial performance over the longer term
The graphs below demonstrate the strong historical performance of Freightways:

Freightways Operating Revenue



Freightways EBITA*



* This EBITA graph represents the operating results of the company, exclusive of any non-recurring items.

1st half   2nd half

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Outlook
The markets in which Freightways operates in both New Zealand and Australia remain positive. Freightways has continued to experience increased demand for its services in both divisions, which has provided a sound start to the 2019 financial year. Accordingly, Freightways continues to target year-on-year earnings growth.

Within the express package & business mail division significant effort has been made to implement pricing which reflects the cost of providing the service and this has assisted us to match cost increases in respect of our staff and contractors. Within the information management division, we have recently acquired four small businesses and are currently integrating their operations into our existing business units, as well as increasing our investment in IT and sales & marketing.

Overall capital expenditure for the 2019 financial year is still expected to be approximately $20-22 million. Operating cash flows are expected to remain strong throughout the 2019 financial year.

Strategic growth opportunities, including acquisitions and alliances that complement existing capabilities, will continue to be executed where they make commercial sense.

ENDS

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