

ANNUAL SHAREHOLDERS MEETING

31 October 2019



Freightways



**A HERITAGE
THAT
STARTED
IN 1964**

Freightways

A portrait of Mark Verbiest, a middle-aged man with short grey hair, wearing a dark suit jacket over a light pink shirt. He is smiling and looking slightly to the right. The background is a bright, out-of-focus interior, possibly a train or bus.

Mark Verbiest **CHAIRMAN**

AGENDA

1. CHAIRMAN'S INTRODUCTION
2. CEO'S REVIEW & TRADING UPDATE
3. RESOLUTIONS

1. CHAIRMAN'S INTRODUCTION

GENERAL HIGHLIGHTS



HIGHLIGHTS

EXPRESS PACKAGE & BUSINESS MAIL

- Overall year-on-year revenue, earnings and dividend growth
- Completed a number of business-critical IT projects to enable our new Pricing For Effort initiative for residential deliveries
- Improved route density, in residential areas in particular, and using the benefits to reinvest into the contractor fleet, which resulted in an average increase in contractor earnings of 7% above the previous year
- Expanded our business mail network to take on new customers and once again demonstrated growth year-on-year

HIGHLIGHTS

INFORMATION MANAGEMENT

- Improved utilisation in our Australian document storage footprint by 10% (from 61% to 67%). While this was short of our goal of 70%, it reflected a strong step forward in generating improved returns in our document storage business
- The completion of another large data collection/transformation contract win, supporting the growth of the division's suite of digital IM services
- Strong growth in our secure destruction business, which is successfully diversifying into complementary waste streams which require efficient logistics and processing

FINANCIAL HIGHLIGHTS

	Note	FY19 \$M	FY18 \$M	Increase %
Revenue		615.7	580.9	6.0
EBITA (before non-recurring items)	(i)	96.7	93.7	3.2
Non-recurring items		2.4	2.6	
EBITA	(ii)	99.1	96.3	2.9
NPAT (before non-recurring items)	(iii)	61.0	59.6	2.3
Non-recurring items after tax		2.4	2.6	
NPAT	(iv)	63.4	62.2	1.9
Basic EPS (cents) (before non-recurring items)		39.3	38.4	2.3

NOTES

- (i) Operating profit before interest, tax and amortisation, before non-recurring items
- (ii) Operating profit before interest, tax and amortisation
- (iii) Net profit after tax (NPAT), before non-recurring items
- (iv) Profit for the year attributable to the shareholders

EXPRESS PACKAGE & BUSINESS MAIL

	FY19 \$M	FY18 \$M	Change %
Operating Revenue	453.0	428.8	5.6
EBITDA	80.0	74.8	6.9
EBITA	72.2	67.9	6.3
EBITA Margin	15.9%	15.8%	

INFORMATION MANAGEMENT

	FY19* \$M	FY18* \$M	Change %
Operating Revenue	164.5	153.8	6.9
EBITDA*	35.3	35.4	(0.1)
EBITA*	29.3	29.8	(1.9)
EBITA Margin*	17.8%	19.4%	

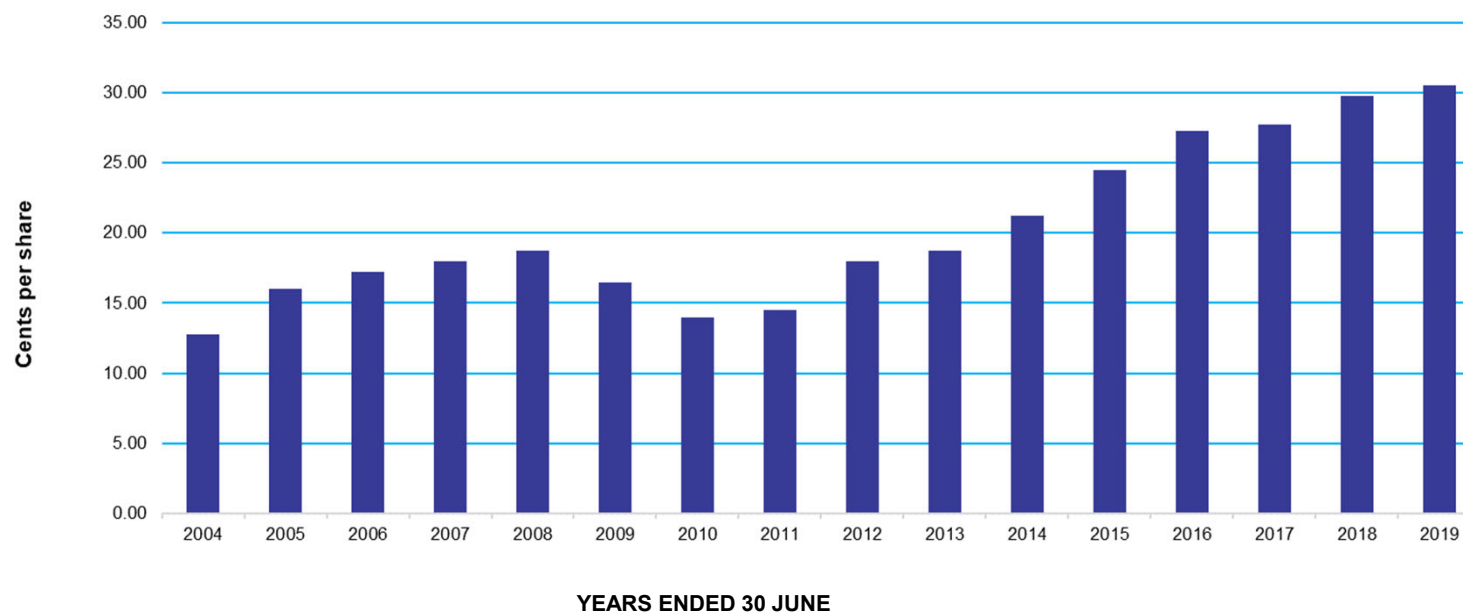
NOTES

* Excluding non-recurring items

DIVIDEND

- FINAL DIVIDEND: **15.5 cps**
- IMPUTATION CREDITS: **6.0278 cps (fully imputed at 28% tax rate)**
- SUPPLEMENTARY DIVIDEND: **2.7353 cps**
- RECORD DATE: **13 September 2019**
- PAYMENT DATE: **1 October 2019**
- NO DRP WAS OFFERED IN RESPECT OF THIS DIVIDEND

DIVIDEND PAYMENT HISTORY



FREIGHTWAYS ACQUIRES

BIG CHILL DISTRIBUTION

- Announced acquisition, subject to OIO approval
- Market leader in temperature-controlled express freight
- Aligns with FRE core capabilities – Pick up, Process, Deliver



CORPORATE GOVERNANCE

- Compliance with the NZX Corporate Governance Code
- 2019 annual report expands on Freightways' strategy and a range of ESG initiatives



Mark Trougher

CEO

AGENDA

- BUSINESS STRATEGY
- ACQUISITION ACTIVITY
- ESG INITIATIVES
- TRADING UPDATE
- OUTLOOK

PROVEN, MARKET-LEADING BRANDS



Express Package

New Zealand Couriers
Post Haste Couriers
Castle Parcels
NOW Couriers
SUB60
Kiwi Express
Security Express



Business Mail

DX Mail
Dataprint



Information Management

TIMG Australia &
New Zealand



Secure Destruction

Shred-X
Med-X
TIMG NZ

2. CEO'S REVIEW & TRADING UPDATE

EXPRESS PACKAGE & BUSINESS MAIL

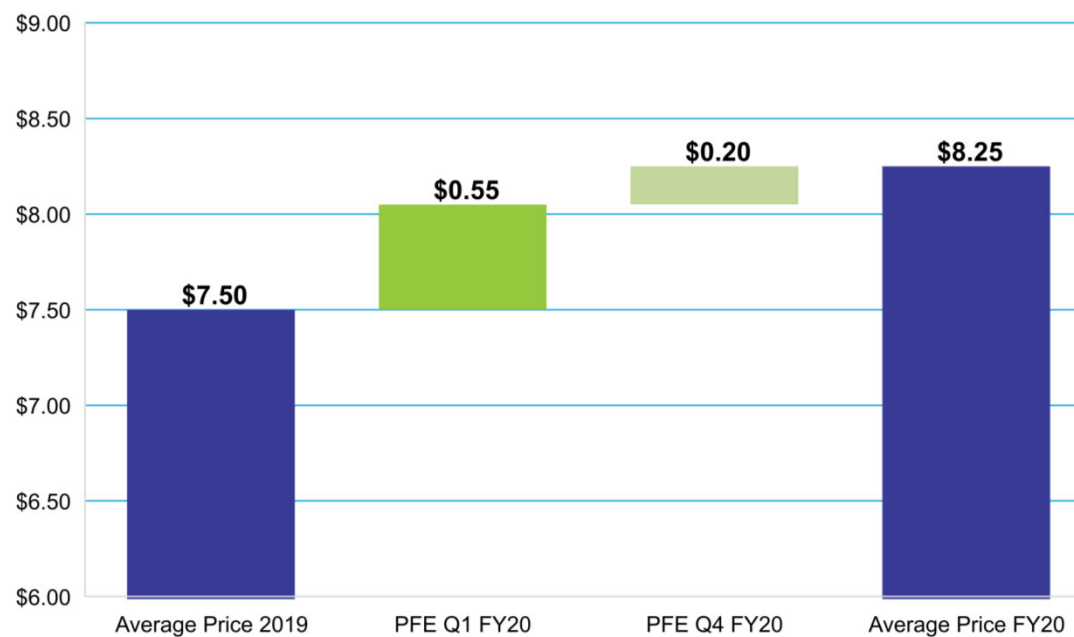


LOOKING AHEAD:
EXPRESS PACKAGE



1. Continue to drive the industry standard for contractor earnings, service quality and productivity
2. Improve revenue and margin per item through Pricing for Effort and improved revenue capture
3. Utilise technology to improve visibility for both customers and our teams in terms of parcel tracking, route optimisation, customer reporting and parcel notifications
4. Implement new service offerings to target niches with growth potential

PFE RESIDENTIAL AVERAGE PRICING



LOOKING AHEAD:
BUSINESS MAIL



1. Continue to target customers that require superior service levels
2. Provide a bundled digital & physical mail delivery service
3. Improve productivity by 5% through the postie network
4. Retention of our volume post customers despite NZ Post targeting DX Mail delivery areas at a lower price point

2. CEO'S REVIEW & TRADING UPDATE

INFORMATION MANAGEMENT



LOOKING AHEAD:

INFORMATION MANAGEMENT



1. Improve margins in AU by improving the utilisation of our facilities by 20% over the next 2 years
2. Exploit our digitalisation capability in NZ and AU to target scale opportunities
3. Develop new services to market to our large trans-Tasman customer bases
4. Continually assess the return on investment on individual services

2. CEO'S REVIEW & TRADING UPDATE

SECURE DESTRUCTION



LOOKING AHEAD:

SECURE DESTRUCTION



1. Continue to add density to our networks through market share and bolt-on acquisitions
2. Develop new lines of business which share common capability: Product and eDestruction
3. Improve our ability to quickly integrate acquisitions into our operations and systems
4. Explore avenues in NZ to replicate the AU business model

ACQUISITIONS & ALLIANCES

	FY19	FY20 YTD
Secure Destruction	SSS Destruction (WA)	Green Team (SA)
Medical Waste	-	Country Hygiene (NSW)
Records Storage	Formfile (VIC)	-
Digital Services	Back Online 75% share	GoSweetSpot 33% share
Total consideration	\$10.5m	\$10.3m
Annualised EBITA	\$1.7m	\$1.3m

OVERVIEW OF BIG CHILL DISTRIBUTION



MARKET LEADING OPERATOR

Big Chill is New Zealand's leading temperature-controlled transport operator



200+

Chiller / freezer truck and trailer fleet¹



2million

Shipments in 2018



11,000sqm

Purpose-built depots over 9 sites nationwide, growing 3PL facilities



370+

Full time staff and contractors



500+

Active customers with long tenure. Average association of Top10 customers > 10 years



Highly experienced management with long tenure

Over 95 years sector experience across management and vendor shareholders

GROWTH OPPORTUNITIES



Cold 3PL expansion

- Expansion of Auckland facility to 9,300 pallets to be completed in March 2020 in response to customer demand
- Favourable supply-demand imbalance in the current temperature-controlled 3PL market



Network enlargement

- Strong demand is supporting network expansion
- Number of extensions to existing depots and new locations are well advanced



Synergies

- Potential last mile service / temperature-controlled delivery fleets
- Cross-selling across respective customer bases and utilisation of respective network strengths

Auckland expansion



FINANCIAL OVERVIEW & TRANSACTION FUNDING

- Initial purchase price payment in cash of \$117m for 100% of Big Chill, representing 80% of Big Chill's enterprise value (EV), adjusted for completion adjustments, and a final payment later in 2022
- To be funded through existing and increased bank facilities
- Post-acquisition, Freightways will briefly have pro-forma net debt / EBITDA approaching 2.00x. Consistent with recent years, Freightways expects the historic trend of debt amortisation to continue, which together with other business initiatives is expected to bring the gearing back to ~1.75x in the short term
- Assuming settlement in the first half of Calendar 2020, Freightways anticipates the transaction will deliver mid single-digit EPS accretion on a pro-forma full year basis (pre-synergies)
- The value of the final purchase price payment will represent 20% of Big Chill's EV as at 30 June 2022, calculated using actual FY22 EBIT at an agreed multiple determined by EBIT growth achieved in FY21

ESG INITIATIVES



SDG 3 Good health and well-being



SDG 8 Decent work and economic growth



SDG 9 Industry, innovation and infrastructure

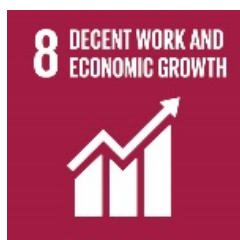


SDG 13 Climate action



SDG 16 Peace, justice and strong institutions

ESG INITIATIVES



SDG 8 – DECENT WORK AND ECONOMIC GROWTH

Driven a 7% increase in average contractor earnings to \$103.5k per annum

Maintained wage rates above minimum wage for FRE employees

Put 216 of our team through personal improvement training to assist them develop their careers within Freightways

ESG INITIATIVES



SDG 3 - Good health and well-being



Established a companywide physical and mental health well-being campaign to engage staff and contractors across NZ and AU



Lead partner for KidsCan Shoes for Kids programme

ESG INITIATIVES



SDG 13 – CLIMATE ACTION

Implementation of run intensification programme and fleet modernisation has assisted in achieving a further reduction of in Co2 emissions

Emissions per revenue unit have decreased by 5%

Actively reviewing new technology vs the tasks required to be performed and ensuring our contractors are remunerated to be able to make the investment in that technology when it is proven

2. CEO'S REVIEW & TRADING UPDATE

Q1 TRADING UPDATE



2. CEO'S REVIEW & TRADING UPDATE

FIRST QUARTER CONSOLIDATED PERFORMANCE

Quarter ended: (unaudited)

	Note	Q1 FY20 \$M	Remove leasing	Underlying results (pre-leasing)		
				Q1 FY20 \$M	Q1 FY19 \$M	Increase %
Revenue		156.7		156.7	155.1	1.0
EBITDA	(i)	33.6	(7.3)	26.3	27.6	(4.7)
EBITA	(ii)	23.3	(1.2)	22.1	23.9	(7.5)
NPATA	(iii)	14.0	0.5	14.5	15.6	(7.4)
NPAT	(iv)	13.4	0.5	13.9	15.1	(8.3)

NOTES

- (i) Operating profit before interest, tax, depreciation and amortisation
- (ii) Operating profit before interest, tax and amortisation
- (iii) Net profit after tax before amortisation
- (iv) Net profit after tax

2. CEO'S REVIEW & TRADING UPDATE

Q1 EXPRESS PACKAGE & BUSINESS MAIL

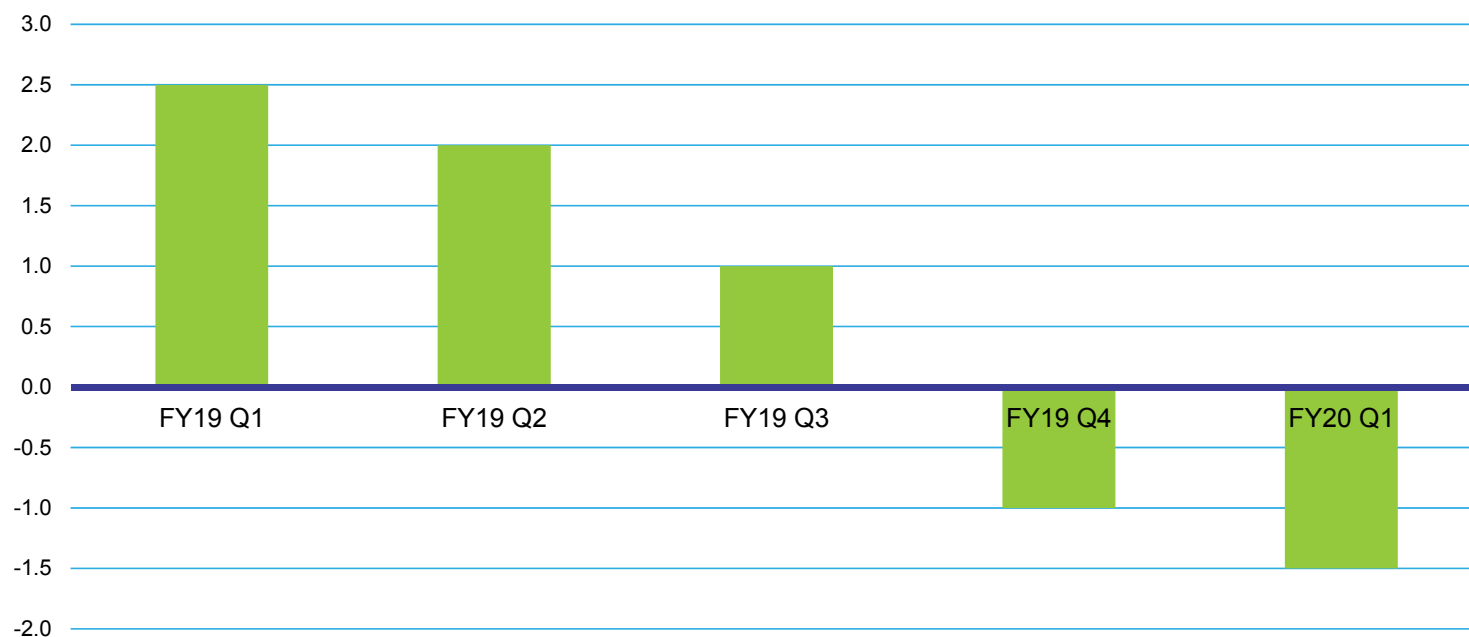
* Unaudited and excludes new lease accounting

	Q1 FY20	Q1 FY19
OPERATING REVENUE	\$116m	\$114m
EBITDA	\$20m	\$19m
EBITA	\$18m	\$18m
EBITA MARGIN	15.2%	15.4%

Q1 EXPRESS PACKAGE & BUSINESS MAIL COMMENTARY

1. EP&BM incurred significant aircraft disruptions in Q1, with two 737's offline with maintenance requirements, resulting in an additional \$0.75m in costs incurred. All three aircraft are back in service as of Q2.
2. Previously-disclosed discount to maintain a significant customer of \$0.35m in Q1.
3. Organic growth for Q1 was negative 1.5%.

ORGANIC GROWTH TREND



Q1 INFORMATION MANAGEMENT * Unaudited and excludes new lease accounting

	Q1 FY20	Q1 FY19
OPERATING REVENUE	\$42m	\$42m
EBITDA	\$8m	\$9m
EBITA	\$6m	\$8m
EBITA MARGIN	14.3%	18.7%

Q1 INFORMAITON MANAGEMENT COMMENTARY

1. Shred-X relocated its NSW facility in Q1, incurring \$0.4m in relocation costs
2. TIMG AU incurred equipment and labour cost to scale up for a digitalisation project expected to commence in Q2
3. Print and copy services performance in Australia was poor, down \$1.2m, and management have a number of improvement initiatives underway
4. Paper sales were adversely impacted by \$0.25m, due to lower paper prices

2. CEO'S REVIEW & TRADING UPDATE

OUTLOOK



OUTLOOK

- Incremental growth in Pricing For Effort returns through FY20, from \$0.55c to \$0.75c per residential item by year end
- We would expect to see improving organic trade from EP customers through Q2, slowly improving in the second half of the financial year
- Expect utilisation to improve in AU facilities - targeting 75% by year end
- Anticipate the commencement of a large digitisation project in AU in Q2
- Expect to work through OIO approval to complete Big Chill acquisition later in FY20



RESOLUTIONS



2. RESOLUTIONS

1. Re-election of Director: Kim Ellis
2. Re-election of Director: Mark Verbiest
3. Approval of Directors' fees
4. Authority to fix Auditor's remuneration
5. Approval of amended Constitution



Re-election of Director **Kim Ellis**



Re-election of Director Mark Verbiest

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THANK YOU



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