

A large white Parcelair cargo plane is parked on a runway at sunset. The sky is filled with orange and yellow clouds, and the sun is low on the horizon. In the background, another plane is visible in the sky.

**ASM** 25 October 2018

Sue Sheldon | Chairman

Mark Troghear | CEO

Freightways



A heritage  
that started in 1964

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# SUE SHELDON

CHAIRMAN

Freightways

# AGENDA

- Chairman's Introduction
- CEO's Review and Trading Update
- Resolutions



# GENERAL HIGHLIGHTS

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# GENERAL HIGHLIGHTS

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- Year on year revenue, earnings and dividend growth
- Investment in capacity for the air network and critical Auckland and Christchurch facilities
- The move to Agile IT deployment
- A successful first year in the Medical Waste industry
- The successful completion of a major data transformation project
- Sustained strong cash generation leading to reduced gearing levels

# FINANCIAL HIGHLIGHTS

	Note	Jun-18 \$M	Jun-17 \$M	Increase %
Revenue		580.9	545.3	6.5
EBITA (before non-recurring items)	(i)	93.7	89.3	4.9
Non-recurring items		2.6	3.7	
EBITA	(ii)	96.3	93.0	3.5
NPAT (before non-recurring items)	(iii)	59.6	56.6	5.3
Non-recurring items after tax		2.6	4.3	
NPAT	(iv)	62.2	60.9	2.1
Basic EPS (cents) (before non-recurring items)		38.4	36.5	

## 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

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# FY18 EXPRESS PACKAGE & BUSINESS MAIL

Operating Revenue

**\$428.8m**

**↑6.5%**

EBITDA

**\$74.8m**

**↑6.4%**

EBITA

**\$67.9m**

**↑4%**

EBITA Margin

**15.8%**

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# FY18 INFORMATION MANAGEMENT

\* EBITDA, EBITA and EBITA Margin represent the operating results of the division, exclusive of any non-recurring items.

Operating Revenue

**\$153.8m** **↑6.6%**

EBITDA\*

**\$35.4m** **↑8.1%**

EBITA \*

**\$29.8m** **↑7.8%**

EBITA Margin \*

**19.4%**

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# FINAL DIVIDEND

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- Final dividend: **15.25 cps**
- Imputation credits: **5.9306 cps (at 28% tax rate)**
- Supplementary dividend: **2.6912 cps**
- Record date: **14 September 2018**
- Payment date: **2 October 2018**
- No DRP was offered in respect of this dividend

# CORPORATE GOVERNANCE

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- Compliance with the new NZX Corporate Governance Code
- Launched an updated Freightways website
- 2018 annual report expands on Freightways strategy and a range of ESG initiatives



# MARK TROUGHEAR

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CEO

Freightways

# AGENDA

- Business Strategy:
  - Express Package & Business Mail
  - Information Management
- ESG Initiatives
- Trading Update
- Outlook



Express Package Video

# EXPRESS PACKAGE & BUSINESS MAIL



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# EXPRESS PACKAGE & BUSINESS MAIL

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## 1. Residential Network Review

- Assess the opportunities across our various brands to improve our delivery density, productivity and courier earnings
- Our objective is to improve our residential delivery productivity by at least 5%

## 2. Pricing for Effort

- Recognise the lower density, the extra effort required, and therefore the cost incurred, for delivering to residential addresses and price these items accordingly.
- Our objective is to improve our pricing per item to fund higher courier pay as well as to improve B2C margins



# EXPRESS PACKAGE & BUSINESS MAIL

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## 3. Visibility and Data Analytics

- Improve visibility for customers and receivers on the progress of their deliveries and improve reporting on every aspect of our business for our teams
- Our objective is to improve customer and receiver satisfaction and enable our teams with accurate and timely data to improve efficiency and service quality

# INFORMATION MANAGEMENT



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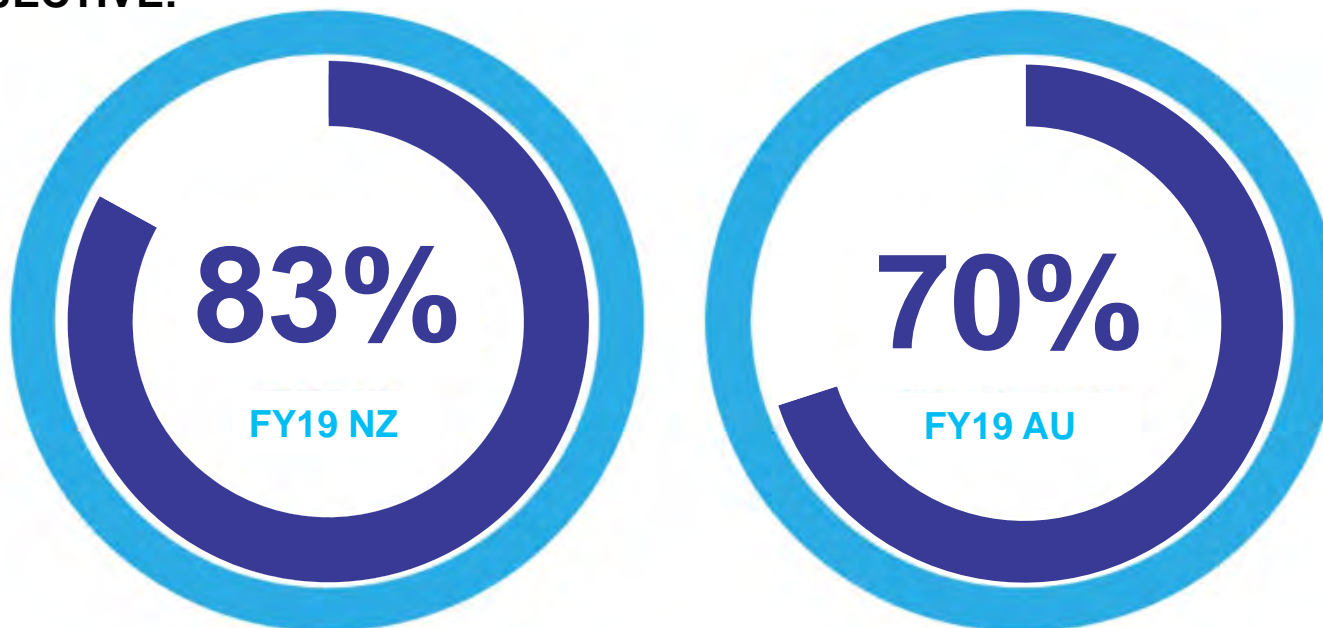
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# INFORMATION MANAGEMENT

## 1. Facility Utilisation

- Warehouse utilisation was 81% in NZ and 61% in Australia at the end of 2018.

**OUR OBJECTIVE:**



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# INFORMATION MANAGEMENT

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## 2. Growth in Digital Services

- Invest in further sales & marketing resource to be able to scale-up our digital revenue streams, which are currently circa 10% of revenue for this division
- Our goal is to grow the revenue for these services and, through that scale, drive improved EBITA margins

## 3. Secure Destruction / Medical Waste

- Develop the niches within Secure Destruction and Medical Waste through start-ups, alliances and acquisitions to provide a national, high quality service offering to our customers
- Our goal is to establish a new arm of growth for Freightways

# ACQUISITIONS AND ALLIANCES

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## 1. Acquisitions completed in 2018

- Bolt-on Secure Destruction business in NSW
- Records Management business in VIC
- Medical Waste business in NSW which allows us to establish a starting point in medical and sanitary collection and disposal services

## 2. Acquisitions completed in Q1, 2019

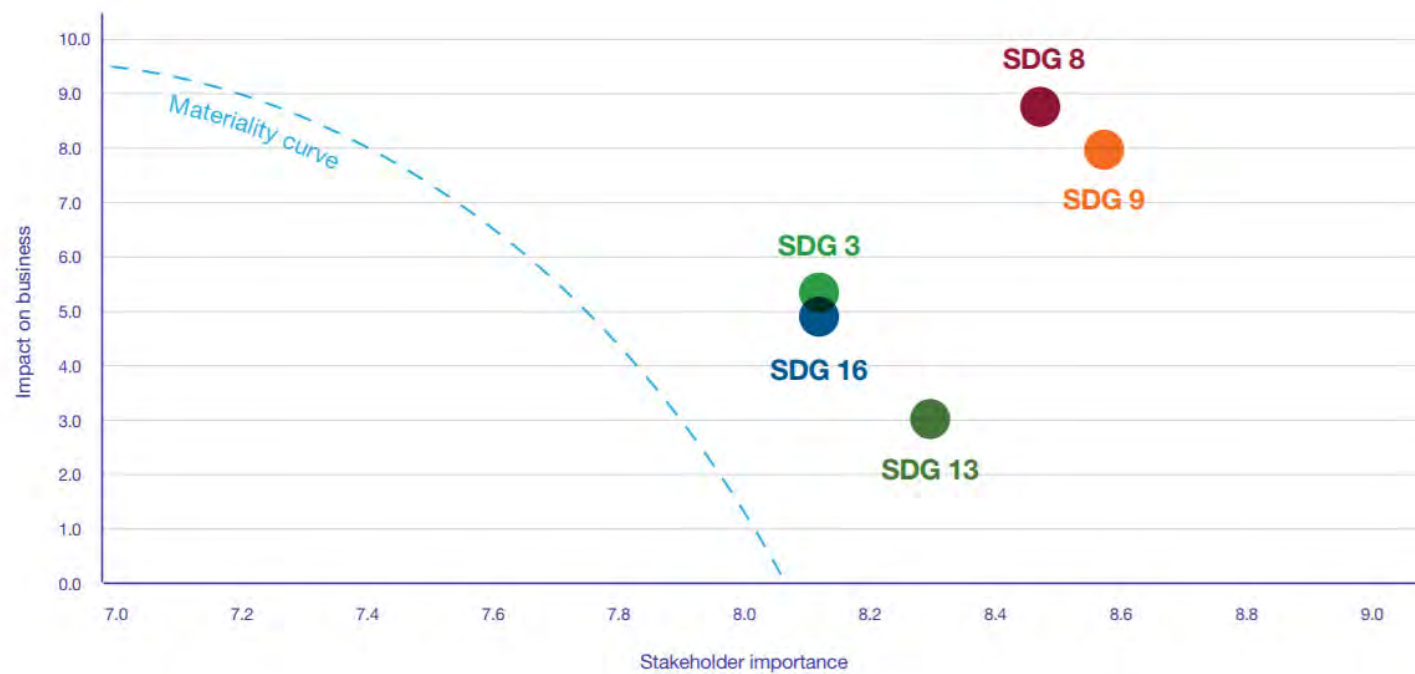
- Bolt-on Secure Destruction business in WA
- Medical Waste business in VIC
- 75% share in a Digital Online back-up business servicing NZ & Australia

## 3. Continue to explore opportunities to add bolt-on acquisitions to current lines of business, as well as acquisitions which are complementary to our business model

# ESG INITIATIVES

## 1. Materiality assessment

Materiality Matrix



# ESG INITIATIVES

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## 2. Materiality assessment:



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

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## 3. Highlights

- SDG 3: Installed Guardian Seeing Machines into the cabs of our linehaul fleet
- SDG 8: Implemented a programme to provide a pathway for school leavers and long-term unemployed into the workforce
- SDG 8: Implemented Employee Assistance Programme across NZ and AU
- SDG 8: Implemented *The Movement* Wellbeing campaign across Post Haste
- SDG 9: Census (TIMG NZ), Express Refrigerated Services (MSL), InMotion (DAP)
- SDG13: Introduction of a fleet of 737's achieved significantly lower emissions
- SDG 16: New annual report format, commitment to increasing non-financial measures



# KEY SUSTAINABLE DEVELOPMENTAL GOALS

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## 4. Courier earnings (SDG 8)

- Average courier revenue = NZ\$97,000 per annum
- Significant improvements to point-to-point and residential incomes over the past 6 months
- Trial of a new residential courier pay model at Post Haste
- Average courier pay up 8-10% year on year across NZC, PHL, MSL (Sept17 vs Sept18)
- Ongoing run reviews to minimise km's driven and improve courier productivity and incomes
- Aspiration that couriers earn superior incomes

# Q1 TRADING UPDATE

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# Q1 CONSOLIDATED PERFORMANCE

Quarter ended: (Unaudited)

	Note	Sept-18 \$M	Sept-17 \$M	Increase %
Revenue		155.1	143.2	8.3
EBITDA	(i)	27.6	26.9	2.5
EBITA	(ii)	23.9	23.6	1.4
NPATA	(iii)	15.6	15.5	0.2
NPAT	(iv)	15.1	15.0	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 before amortisation
- (iv) Net profit after tax

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# Q1 EXPRESS PACKAGE & BUSINESS MAIL

\* Unaudited

Operating Revenue

**\$114.1m** **↑8.3%**

EBITDA

**\$19.4m** **↑6.6%**

EBITA

**\$17.5m** **↑6%**

EBITA Margin

**15.4%**

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# Q1 INFORMATION MANAGEMENT

\* Unaudited

Operating Revenue

**\$41.6m**

**↑8.5%**

EBITDA

**\$9.3m**

**↑0.1%**

EBITA

**\$7.8m**

**↓1.7%**

EBITA Margin

**18.7%**

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# OUTLOOK

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1. Increased demand for services in both divisions
2. Continue to target year on year earnings growth for FRE
3. Expect by the end of 2019 that our pricing and efficiency initiatives for B2C are gaining traction
4. Investing for the future in terms of IT, sales and marketing resource
5. Capital expenditure of \$20-22m forecast for 2019
6. Continue to explore complementary acquisition opportunities

# QUESTIONS

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# RESOLUTIONS

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1. Election of Director – Abby Foote
2. Election of Director – Andrea Staines
3. Re-election of Director – Peter Kean
4. Approval of Directors' fees
5. Authority to fix Auditor's remuneration



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