

# Freightways Full Year Presentation

15 August 2011



**Freightways**

This presentation relates to the Freightways Limited NZX announcement and media release of 15 August 2011.

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

These full year results are drawn from audited financial statements prepared in accordance with NZ IFRS.

# Agenda

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- 2011 Full Year Highlights
- Operating Performance
- Business Strategy
- Outlook



# 2011 Full Year Highlights

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# General Highlights

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- Express Package & Business Mail division again demonstrated its ability to deliver double digit EBITA growth in Q2 and Q4
- New operations started-up in NSW, WA and SA now means FRE can offer a nationwide Information Management service to its Australian customers
- Information Management division continues its excellent revenue and earnings growth
- FRE again demonstrates its resilience to the challenges of nature and the economy

## Financial Highlights

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	<b>Jun-11</b>	<b>Jun-10</b>	<b>Variance</b>
	<b>\$M</b>	<b>\$M</b>	<b>%</b>
<b>Operating Revenue</b>	353	329	7%
<b>EBITDA*</b>	66	64	4%
<b>EBITA*</b>	57	54	5%
<b>NPAT*</b>	31	29	7%

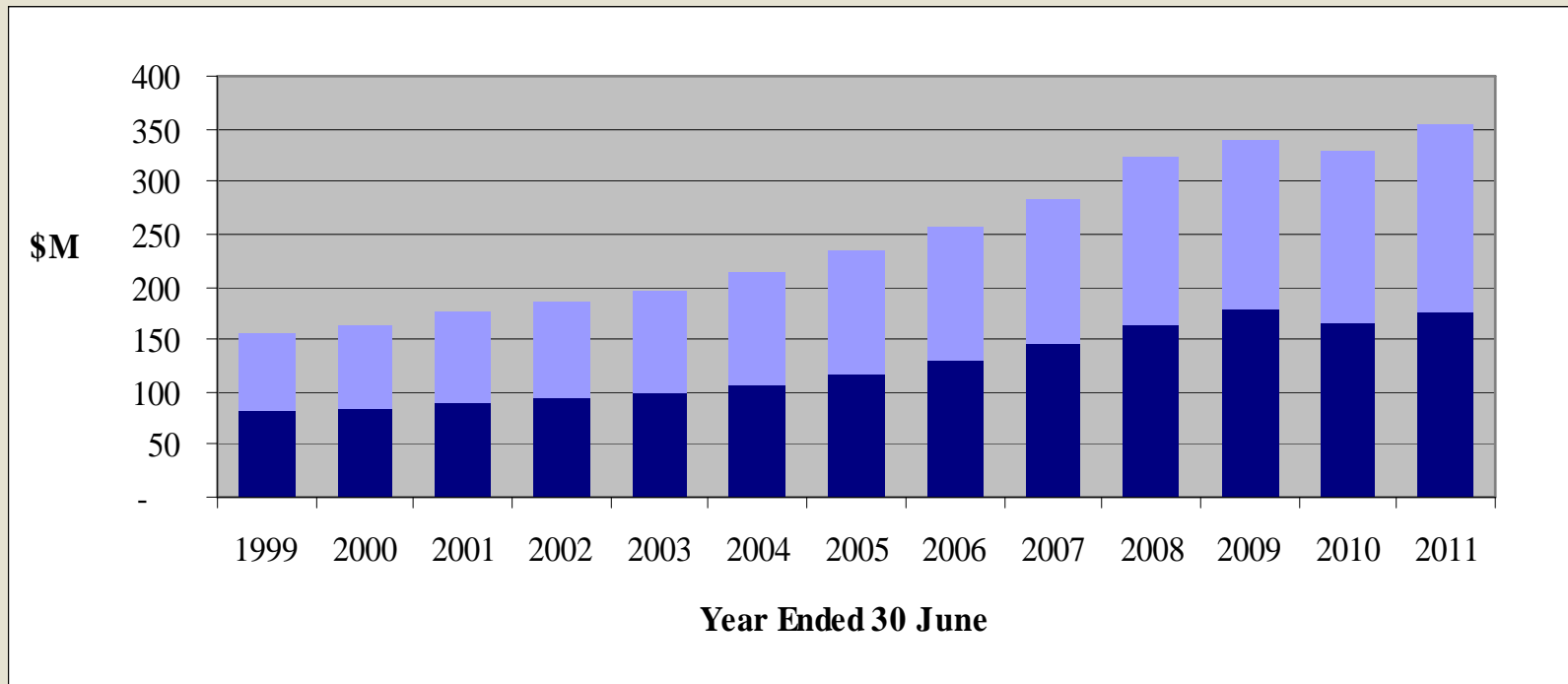
\* Jun-11 excludes non-recurring earthquake costs \$1.3m (\$0.9m net of tax)  
Jun-10 NPAT excludes one-off abnormal tax charge \$5.7m

# Operating Performance

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# Operating Revenue

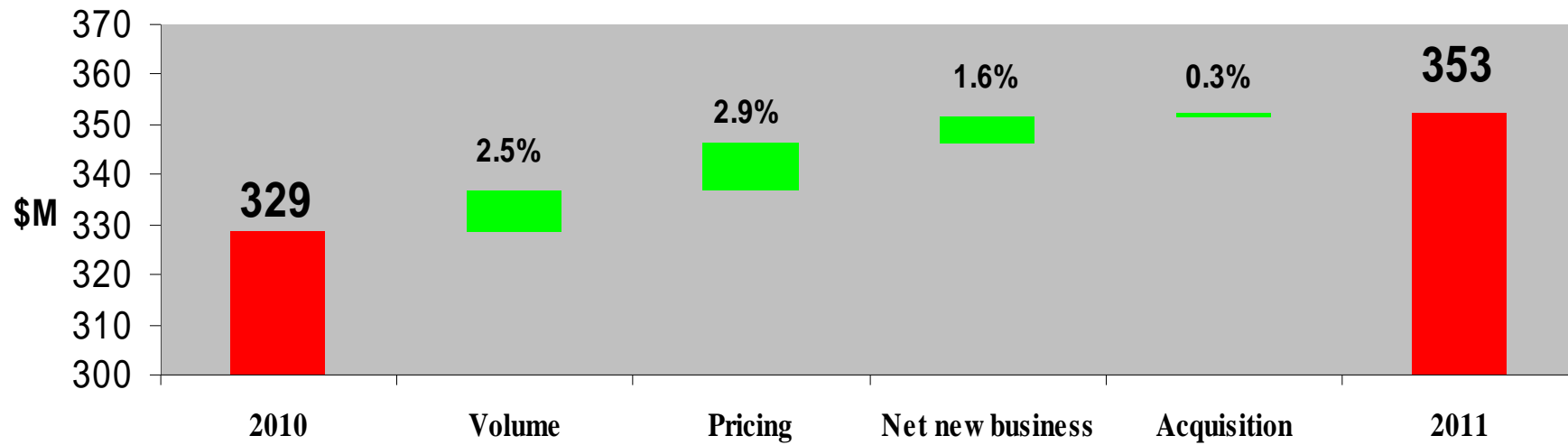


- 8% higher revenue compared to PCP
- 10-year compound average annual revenue growth of 7%

2<sup>nd</sup> Half  
1<sup>st</sup> Half

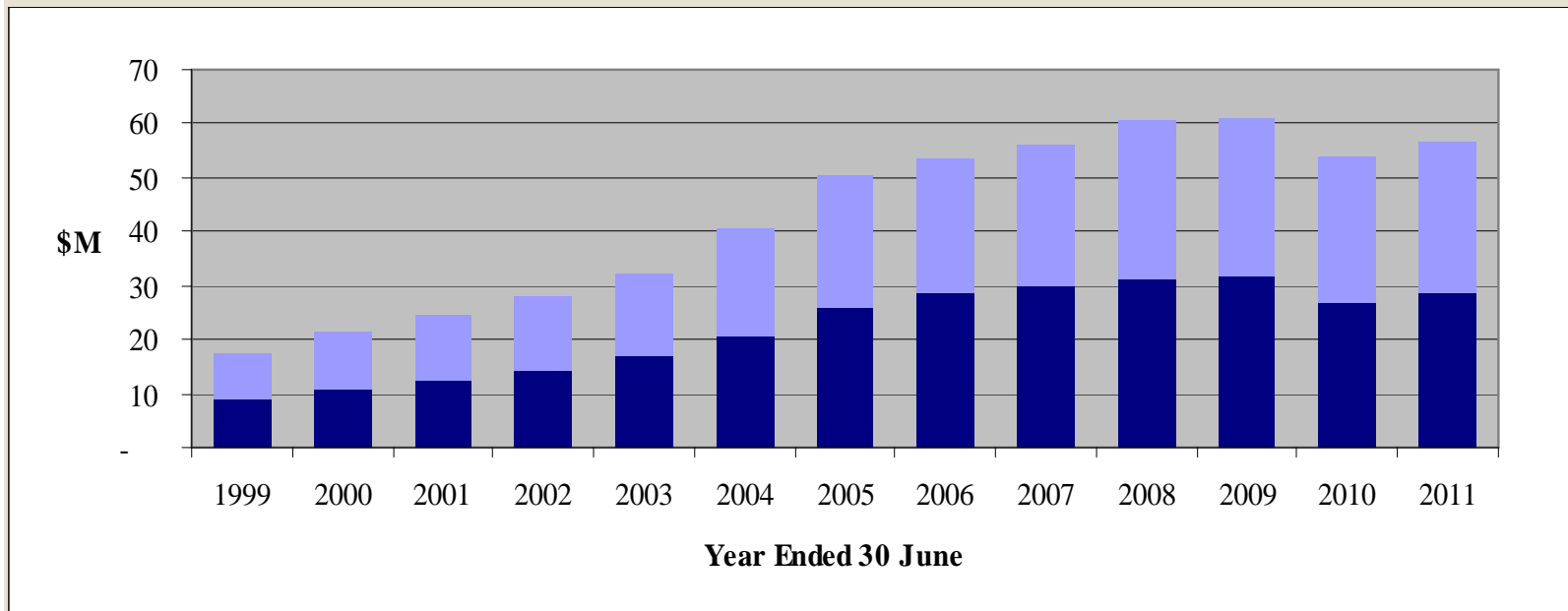


# Where Revenue Growth Has Come From



Growth Drivers

# EBITA\*



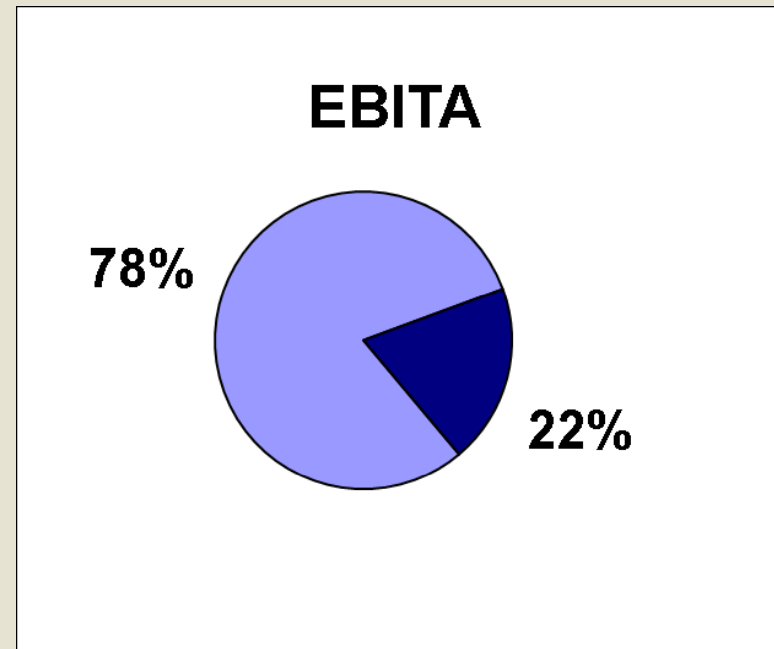
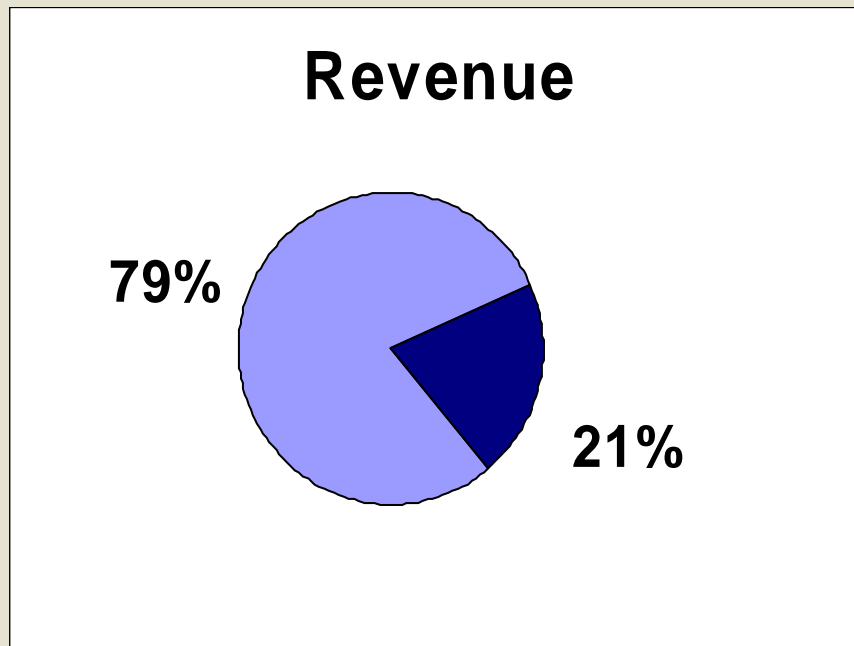
■ 2<sup>nd</sup> Half  
■ 1<sup>st</sup> Half

- 5% higher EBITA compared to PCP
- 10-year compound average annual EBITA growth of 9%

\*2011 excludes non-recurring earthquake costs \$1.3m

# Business Segments

## Operating Performance (Year Ended 30 June 2011)



## Express Package & Business Mail

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	<b>Jun-11</b>	<b>Jun-10</b>	<b>Variance</b>
	<b>\$M</b>	<b>\$M</b>	<b>%</b>
<b>Operating revenue</b>	278	264	5%
<b>EBITDA</b>	50	49	2%
<b>EBITA</b>	45	43	4%
<b>EBITA Margin</b>	16%	16%	

# Information Management

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	<b>Jun-11</b>	<b>Jun-10</b>	<b>Variance</b>
	<b>\$M</b>	<b>\$M</b>	<b>%</b>
<b>Operating revenue</b>	76	66	15%
<b>EBITDA</b>	17	16	13%
<b>EBITA</b>	14	12	12%
<b>EBITA Margin</b>	18%	19%	

## Balance Sheet – Key Points

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- Movement in Total Assets and Total Liabilities above FY10 by \$17m and \$7m, respectively, driven mainly by translation to NZD using the stronger NZD:AUD exchange rate at year end
- No change in level of NZD or AUD bank borrowings from FY10
- No significant changes in issued capital during the year
- Debt to debt & equity ratio has reduced to 48% (from 49%) since FY10

## Cash Flow – Key Points

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- Cash inflows from operating activities - \$4m up on PCP due to lower interest payments from a timing perspective
- Cash outflows from investing activities - \$7m higher than PCP due to a small acquisition and higher investment in property, plant & equipment
- Cash outflows from financing activities – lower by \$14m compared to PCP. During PCP \$9m of capital was raised and \$24m of bank debt repaid

## Subsequent Event – Final Dividend

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- Final dividend: 7.25 cps
- Imputation credits: 3.11 cps
- Supplementary dividend: 1.28 cps
- Record date: 16 September 2011
- Payment date: 30 September 2011
- No DRP offered in respect of the 2011 Final Dividend



## Subsequent Event – Bank Funding Renewal

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- Multi-currency facilities: NZD110m & AUD70m
- Syndication: Continuation of existing 3 banks as lenders
- Effective date: 1 September 2011
- Maturity profile: spread evenly across 3, 4 and 5 year tranches
- Pricing: Improved by 110 points
- Banking covenants: Unchanged

# Strategy

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# Business Strategy

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- Develop organic growth opportunities
- Positioning, People, Performance, Profit
- Explore complementary acquisition and alliance opportunities

# Express Package and Business Mail

## Network Courier



## Point - to - Point
























## Business Mail



## Support



# Information Management

	New Zealand	NSW	VIC	QLD	ACT	SA	WA
Document Storage							
Data Storage							
Document Destruction							

# Capital Expenditure

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	<b>2011</b>	<b>2012</b>
	<b>Actual</b>	<b>Forecast</b>
Capital expenditure	\$14m	\$17m
Depreciation	\$10m	\$11m

# Outlook

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## Outlook

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- Continued gradual improvement in FRE's market segments expected with consequently improving FRE performance
- If recent EP&BM growth from existing customers can be maintained, 2011 improvement is expected to be sustained
- IM transitioning through a period of significant capacity investment, with accompanying stepped lease costs and an initial reduction in margin.
- Capital expenditure expected to be \$17m for FY12, including a one-off \$4m refurbishment on FRE's primary Auckland site
- FRE continues to seek and develop strategic growth opportunities



# Conclusion

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# Conclusion

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- FRE has delivered a full year result that again demonstrates good progress and is above the prior year in all respects
- This result again demonstrates the resilience of FRE, the positive features of the markets it operates in and the high quality of its subsidiary businesses and teams of people
- Subject to business factors beyond its control, FRE is well positioned to reap benefits from further market improvement

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