Freightways Full Year Result Presentation

17 August 2015

This presentation relates to the Freightways Limited NZX announcement and media release of 17 August 2015.

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

The full year consolidated financial result presented is drawn from audited financial statements prepared in accordance with NZ GAAP.

Financial amounts disclosed for the full year and the prior comparative year exclude non-recurring items that Directors believe should not be included when assessing the underlying trading performance of the Freightways group.

Agenda

- 2015 Full Year Highlights
- Operating Performance
- Business Strategy
- Outlook
- Conclusion

2015 Full Year Highlights

General Highlights

- A strong full year result
- An 11% increase in dividend compared to the pcp
- Improved performance from all businesses, in all regions
- Successful implementation of organic and strategic growth strategies

Financial Highlights

$M	Note	2015 Result	Non-recurring items	Underlying trading result Jun-15	Underlying trading result Jun-14	Increase %
Revenue		479.5	-	479.5	432.3	10.9%
EBITDA	(i)	86.5	9.0	95.5	83.9	13.9%
EBITA	(ii)	73.8	9.0	82.8	72.0	15.0%
NPATA	(iii)	44.8	6.5	51.3	44.0	16.6%
NPAT	(iv)	43.3	6.5	49.7	43.0	15.8%
EPS (cents)		28.0	4.2	32.2	27.9	15.4%

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 year attributable to the shareholders

Non-recurring items

- 2015 result included 5 more trading days than PCP: approximate benefit $7m revenue, $2m EBITDA & EBITA and $1.4m NPATA and NPAT

- Directors believe non-recurring items should be excluded when assessing the underlying trading performance of the company. The following non-recurring items have been excluded from the financial analysis and related commentary in this presentation:

<u>2014</u>: a one-off expense of $1.25m in IM division related to final Filesaver earn-out payment

<u>2015:</u>

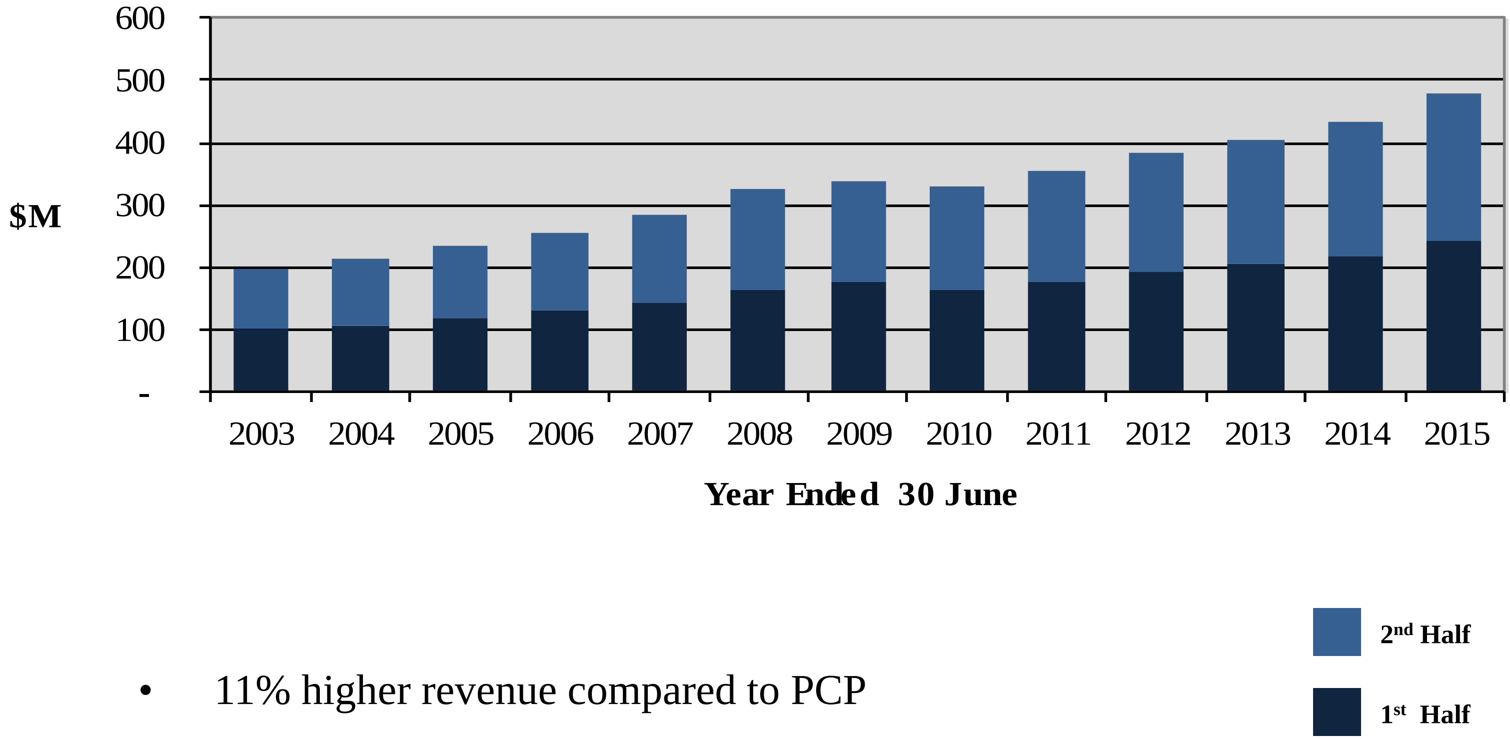
- one-off expense of $7.6m ($5.5m after tax) to write-down the carrying value of aircraft and spares

- one-off expense of $0.7m ($0.5m after tax) to be spent in 2016 to transition from current aircraft

- one-off expense of $0.65m ($0.45m after tax) to be spent in 2017 to relocate TIMG operations

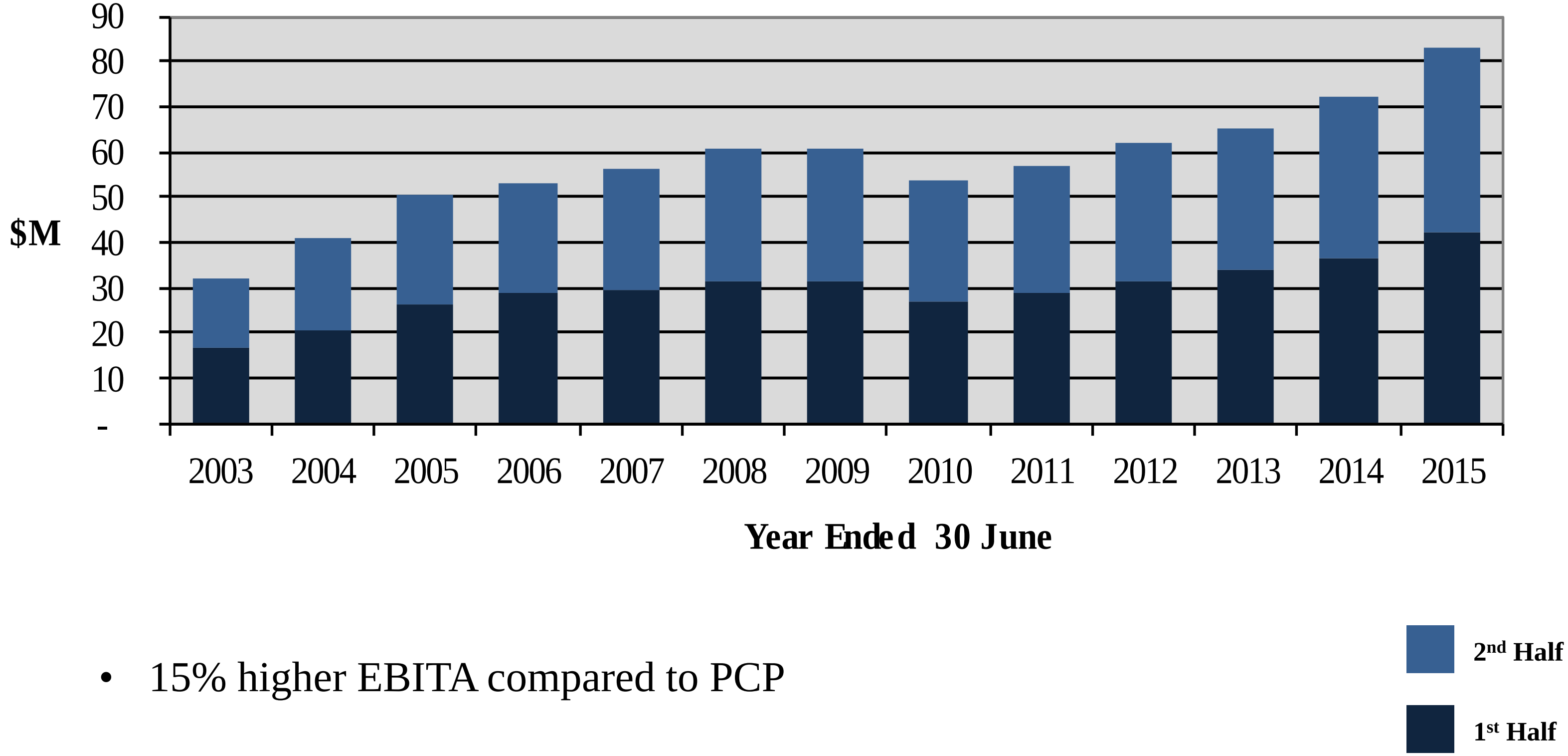
Operating Performance

Operating Revenue



- 11% higher revenue compared to PCP

EBITA

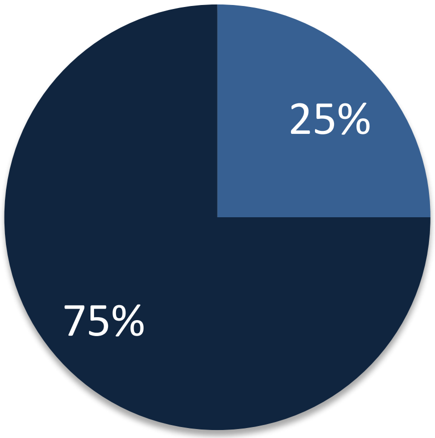


- 15% higher EBITA compared to PCP

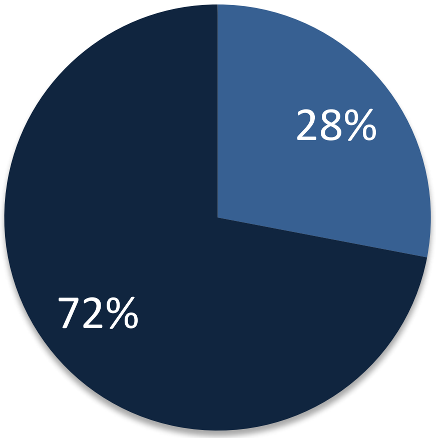
NB: This graph represents the operating profit before interest, tax and amortisation of intangibles, exclusive of any non-recurring items

Business Segments
Operating Performance (Year ended 30 June 2015)

Revenue



EBITA*



Express Package & Business Mail

Information Management

* Excludes non-recurring items

Express Package & Business Mail

	Jun-15 $M	Jun-14 $M	Increase %
Operating Revenue	359.9	331.9	8.4%
EBITDA*	68.3	60.7	12.6%
EBITA*	61.7	54.5	13.2%
EBITA Margin*	17.1%	16.4%	

* Excludes non-recurring items

Information Management

	Jun-15 $M	Jun-14 $M	Increase %
Operating Revenue	121.7	102.7	18.4%
EBITDA*	28.7	24.4	17.9%
EBITA*	24.1	20.1	20.2%
EBITA Margin*	19.8%	19.5%	

* Excludes non-recurring items

Balance Sheet – Key Points

- Total Assets and Total Liabilities have increased since FY14 by $45m and $36m, respectively, primarily as a result of acquisitions completed during the year.

- Approx. $4m was borrowed during the year to assist in funding capital expenditure and acquisitions. However, due to the translation impact from converting AUD borrowings at a lower NZD exchange rate at year-end compared with FY14, net bank borrowings on the balance sheet actually show an increase of $8m compared to the PCP.

- No significant changes in issued capital during the year.

- Debt to debt & equity ratio has continued at 44%, consistent with the pcp.

- Fair value of derivative financial instruments has increased $2m as a liability when compared with FY14, from $7m to $9m, as current and future market interest rates have reduced.

Cash Flow – Key Points

- Cash inflows from operating activities increased by $9m to $68m compared to the PCP, assisted by strong trading performance and stable interest costs.
- Cash outflows from investing activities were $2m higher than the PCP. Reflects $6m more being spent on acquisitions this year, but $4m less on capital expenditure than the PCP.
- Cash outflows from financing activities mostly related to the payment of dividends and the increase in bank borrowings to assist funding of acquisitions and capital expenditure.

Subsequent Event – Final Dividend

- Final dividend: 12.5 cps
- Imputation credits: 4.8611 cps (at 28% tax rate)
- Supplementary dividend: 2.2059 cps
- Record date: 18 September 2015
- Payment date: 5 October 2015
- No DRP offered in respect of the 2015 Final 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
NEW ZEALAND COURIERS	SUB60 Trust it to us...	DX MAIL	FIELDAIR HOLDINGS LTD
POST HASTE delivering excellence · people. service. package.	KIWI EXPRESS COURIERS	TRAVCOUR TRAVELLERS VISA & PASSPORT SPECIALISTS	AIR FREIGHT NZ LTD
CASTLE PARCELS	SECURITY EXPRESS	dataprint	FIELDAIR ENGINEERING LTD
NOW COURIERS	stuck.co.nz POWERED BY FREIGHTWAYS		Parceline Express Ltd
PASS THE PARCEL			FIS Freightways Information Services Limited

Information Management

	New Zealand	Australia
Document Storage	Archive Security	Archive Security; Filesaver – Hassle-Free Archiving
Data Storage	Data Security	Databank
Document Destruction	DDS Document Destruction	Shred-X Document Destruction
Ancillary Services	Back Online	Back Online; LitSupport – A culture of excellence
	Online Security Workflow Solutions	Online Security Workflow Solutions

Capital Expenditure & Depreciation

	2015 Actual $M	2016 Forecast $M
Capital Expenditure	14	20
Depreciation & software amortisation	13	13

Outlook

Outlook

- Well positioned to benefit from the growth opportunities that exist in the markets we operate in
- Express package market expected to continue to expand, albeit not at the same rate as seen in FY15 result
- Our smaller business mail operations of DX Mail and Dataprint expected to sustain their positive growth largely from market share gains
- Information management market is expected to continue to grow, both in relation to the physical and digital services offered by our 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 a strong FY15 result
- Evident in this result are:
  - the positive features of the markets that FRE operates in;
  - the resilience and adaptability of the FRE business model to accommodate growth and changing market circumstances; and
  - the successful execution of growth strategies by an experienced and capable team
- The Directors acknowledge the outstanding work and dedication of the FRE team of people throughout New Zealand and Australia

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