Freightways

2016

FULL YEAR
RESULTS

This presentation relates to the Freightways Limited NZX announcement and media release of 15 August 2016.

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

- Financial Highlights
- Operating Performance
- Final Dividend
- Business Strategy
- Outlook
- Conclusion

FY2016
Highlights

Freightways

Financial Highlights

$M	Note	2016 Result	Non-recurring items	Underlying trading result Jun-16	Underlying trading result Jun-15*	Increase
Revenue		505.4	-	505.4	479.5	5.4%
EBITDA	(i)	92.1	6.3	98.4	95.5	3.1%
EBITA	(ii)	81.4	6.3	87.7	82.8	5.9%
NPATA	(iii)	51.5	4.6	56.0	51.9	8.0%
NPAT	(iv)	49.8	4.6	54.4	50.3	8.0%
EPS (cents)		32.2	2.9	35.1	32.6	7.7%

* Jun15 included 5 extra trading days

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 half year attributable to the shareholders

Non-Recurring Items

- 2015 result included 5 more trading days than 2016: As mentioned in the 1st quarter results announcements, the approximate benefit of these days is $7m revenue, $2m EBITDA & EBITA and $1.4m NPATA & NPAT

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

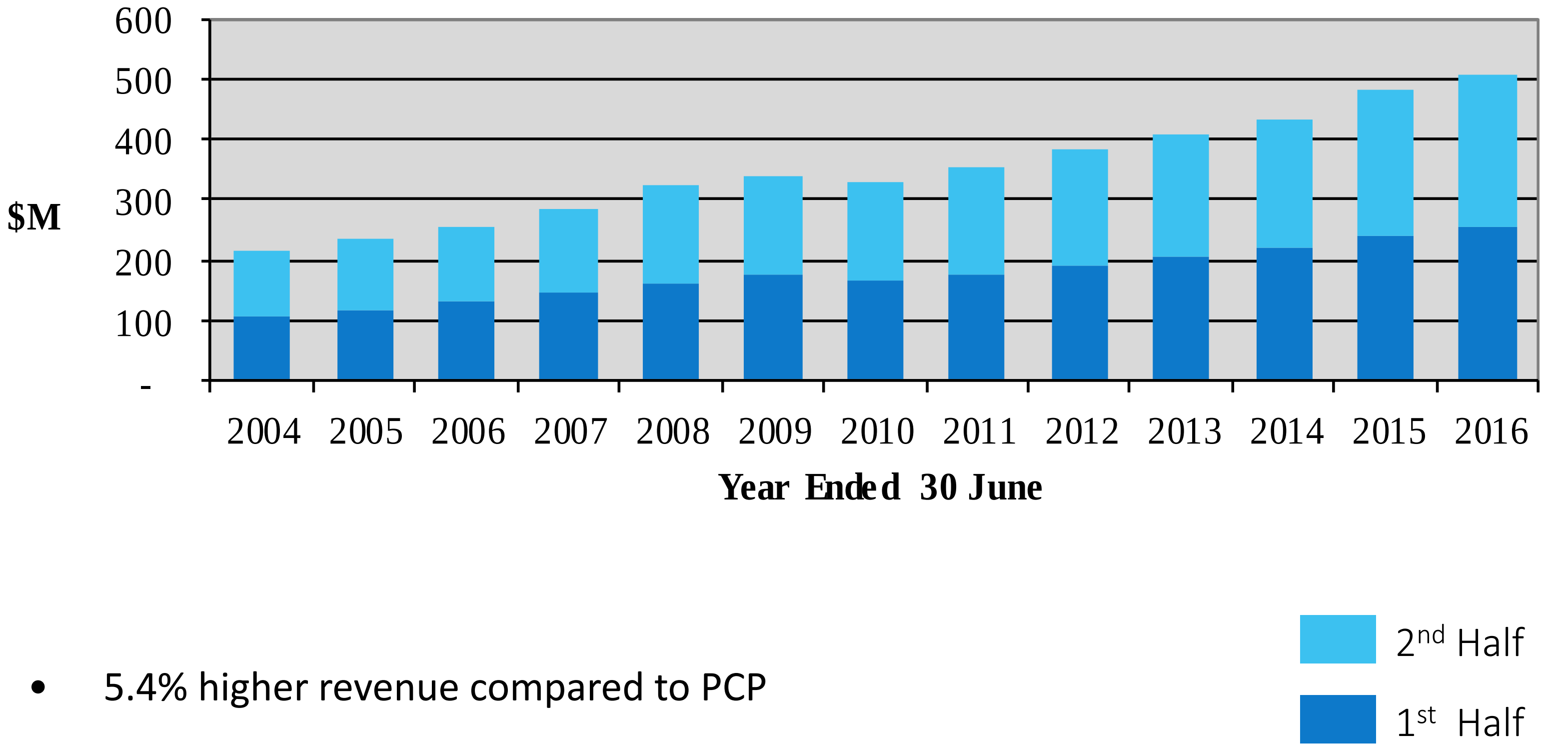
  2016: one-off expense of $6.3m ($4.6m after tax) to write-down the carrying value of aircraft and spares

  2015: a total non-recurring charge of $9m ($6.5m after tax) that comprised one-off expenses relating to the initial write-down of the carrying value of aircraft, related fleet transition costs and property relocation costs

Operating Performance

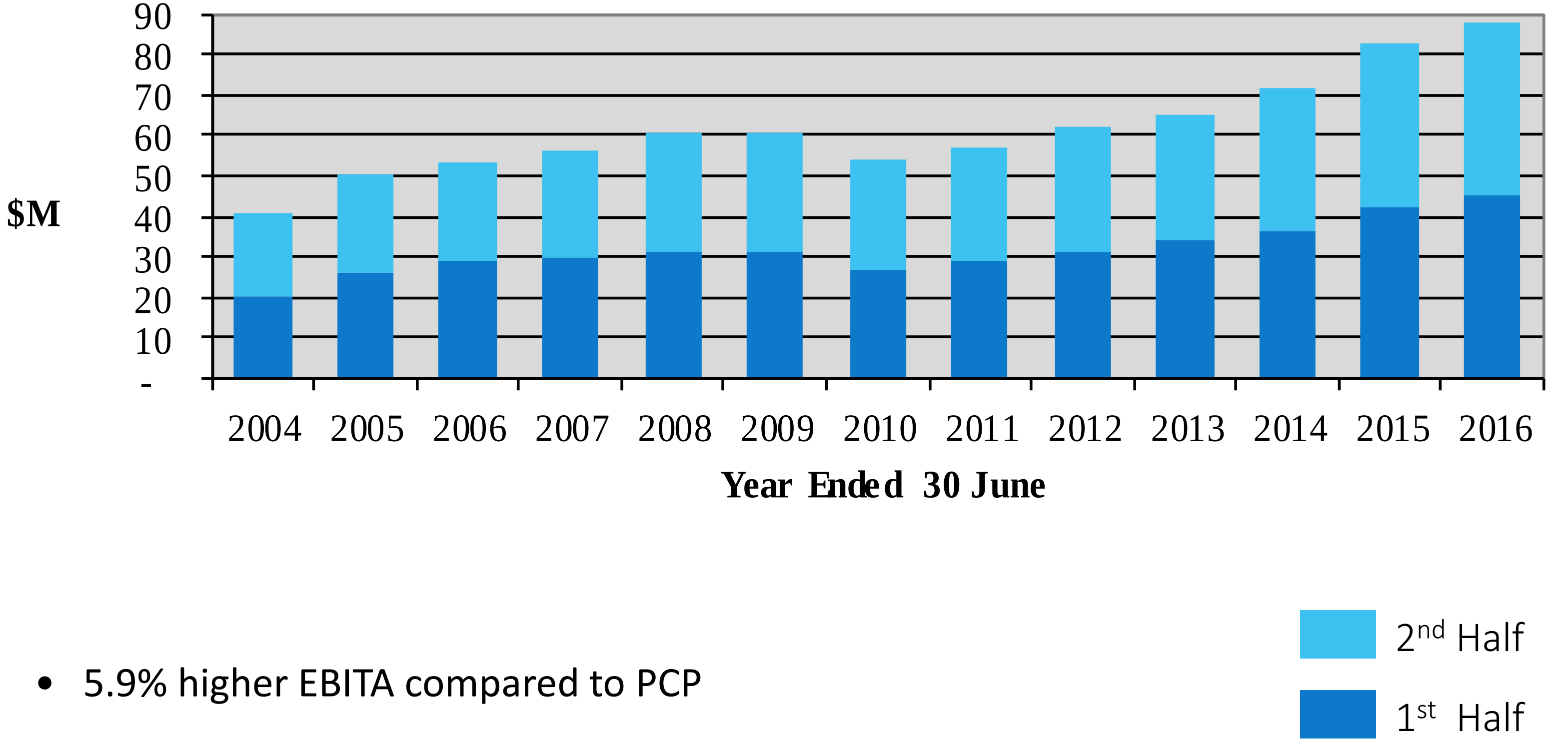
Freightways

Operating Revenue



- 5.4% higher revenue compared to PCP

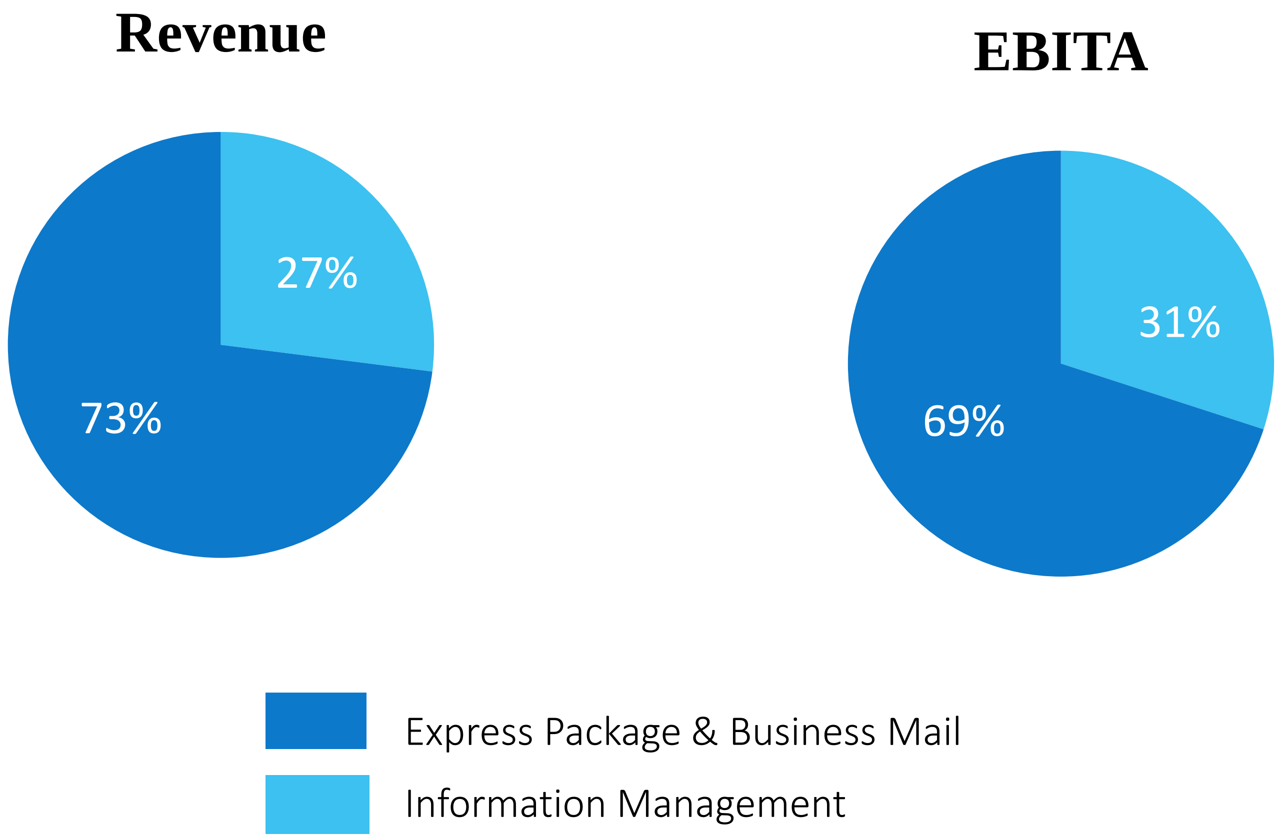
EBITA



- 5.9% 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 2016)



Express Package & Business Mail

	Jun-16 $M	Jun-15** $M	Change
Operating Revenue	370.3	359.9	2.9%
EBITDA*	66.5	68.3	(2.6%)
EBITA*	62.1	61.7	0.6%
EBITA Margin*	17%	17%	

*** excluding non-recurring items**
**** Jun15 included 5 extra trading days**

Information Management

	Jun-16 $M	Jun-15** $M	Increase
Operating Revenue	136.8	121.7	12.5%
EBITDA*	33.2	28.7	15.8%
EBITA*	28.4	24.1	18.0%
EBITA Margin*	21%	20%	

*** excluding non-recurring items**
**** Jun15 included 5 extra trading days**

Balance Sheet – Key Points

- Total Assets have decreased since FY15 by $14m, primarily as a result of $7m less cash on hand and the $6.3m write-down of the Convair fleet and spare parts.
- Total Liabilities have decreased since FY15 by $21m, primarily as a result of a reduction in bank borrowings.
- The $18m decrease in bank borrowings reflects the repayment of $12m during the year and the favourable translation impact from converting AUD borrowings at a higher NZD exchange rate at 30 June 2016 compared with 30 June 2015.
- No significant changes in issued capital during the period.
- Gearing ratio has further reduced to around 41% during the year.
- The fair value of derivative financial instruments has increased as a liability to approximately $13m, reflecting the continuing reduction in floating interest rates relative to the fixed rates of these instruments.

Cash Flow – Key Points

- Cash from operations was similar to the PCP at more than $90m. Net cash inflows from operating activities (i.e. after deducting interest and tax payments) were similar to the PCP at more than $60m.

- Cash outflows from investing activities were $17m lower than the PCP, mostly reflecting $22m less being spent on acquisitions, but $4m more on capital expenditure and other investing activities for the year.

- The $28m increase in cash outflows from financing activities compared to the PCP mostly reflecting $12m of bank borrowings being repaid during the year compared to $13m in bank borrowings being drawn in the PCP to assist funding of acquisitions in that year.

Capital Expenditure & Depreciation

	2016 Actual $M	2017 Forecast $M
Capital Expenditure	17	23
Depreciation	11	12

Final
Dividend

Freightways

Subsequent Event - Final Dividend

▪ Final dividend:	14.5 cps
▪ Imputation credits:	5.6389 cps (at 28% tax rate)
▪ Supplementary dividend:	2.5588 cps
▪ Record date:	16 September 2016
▪ Payment date:	3 October 2016

- No DRP was offered in respect of this final dividend

BUSINESS
Strategy

Freightways

Business Strategy

- Develop organic growth opportunities
- Diversification by 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	DX Mail	Fieldair Holdings Ltd
Post Haste	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		Parceline Express Ltd
Pass the Parcel			FIS Freightways Information Services Limited

Information Management

Manage	Transform	Destroy
Archive Security	Imaging & document capture	Secure destruction
DataBank & data security	Automated accounts payable	eDestruction
FileSaver	Workflow Solutions	Product destruction
Secure Distribution Services	Digital mailroom	Paper recycling
LitSupport – Bureau Services	LitSupport - eDiscovery	

Outlook

Freightways

Outlook

- FRE will continue to adapt and position itself to realise the growth opportunities that exist in all the markets it operates in

- Subject to factors beyond FRE control, overall year-on-year earnings growth is expected:
  - The Express Package & Business Mail division is expected to continue its sound trading performance

  - The Information Management division's earnings results are currently expected to be slightly below the strong prior year that included the benefit of some one-off project work and also due to costs related to investing in and relocating to a new purpose-built facility in Sydney, the full benefit of which will be realised late in 2017

- Capital expenditure for the year ahead is expected to be approximately $23 million

- Strategic growth opportunities, including alliances and acquisitions, will continue to be investigated and developed where they make commercial sense

Conclusion

Freightways

Conclusion

- Good trading results in both the Express Package & Business Mail division and the Information Management division contributed to a 2016 result above the prior year

- Subject to factors beyond its control, FRE expects to again increase its year-on-year earnings in 2017

- The Directors acknowledge the outstanding work and dedication of the FRE team of people throughout New Zealand and Australia

Freightways

2016

FULL YEAR
RESULTS