

A white Boeing 747-400 freighter aircraft is parked inside a large hangar. The aircraft is viewed from the front-left, showing its distinctive upper deck and four engines. The hangar has a high ceiling with a grid of lights and red structural beams. The aircraft's registration 'PAK' is visible on the nose. The text 'Freightways' is overlaid in a blue box in the top left corner.

Freightways

2016 HALF YEAR RESULTS PRESENTATION

This presentation relates to the Freightways Limited NZX announcement and media release of 22 February 2016.

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

The half year financial result presented is drawn from unaudited financial statements prepared in accordance with NZ GAAP.

Agenda

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



2016 Half Year Highlights



Financial Highlights

\$M	Note	Dec-15	Dec-14*	Increase
Operating Revenue		254.9	241.8	5.4%
EBITDA	(i)	51.2	48.6	5.3%
EBITA	(ii)	45.0	42.4	6.1%
NPATA	(iii)	28.7	26.9	6.7%
NPAT	(iv)	27.7	26.3	5.5%
EPS (cents)		17.9	17.0	5.3%

*** Dec14 included 4 extra trading days**

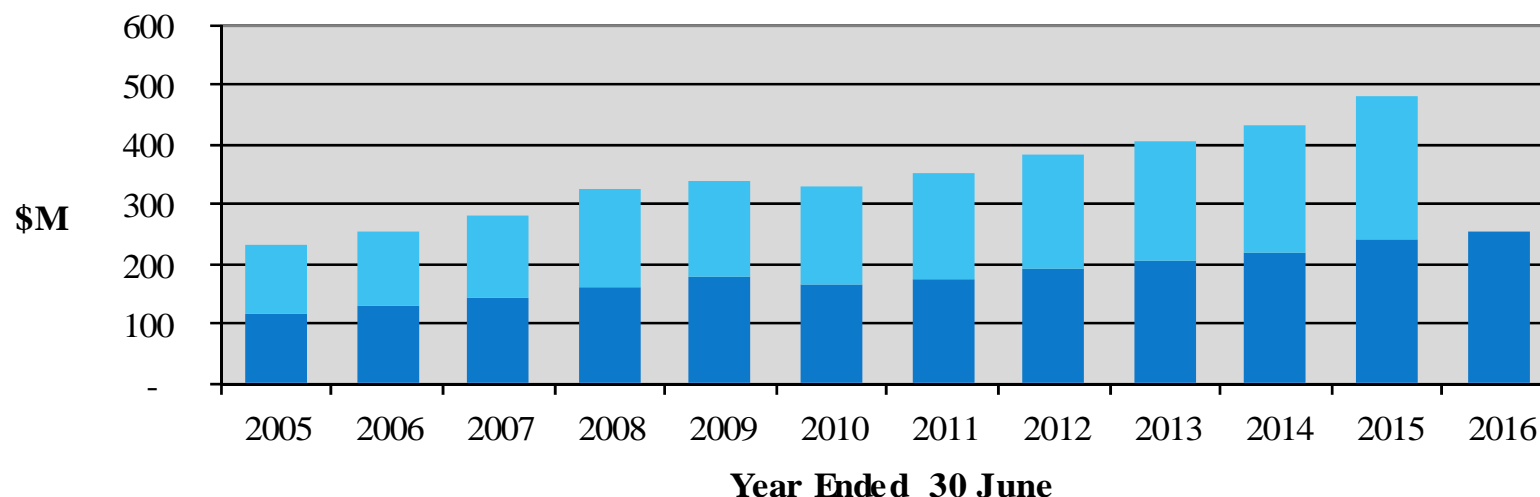
Notes:

- (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

Operating Performance



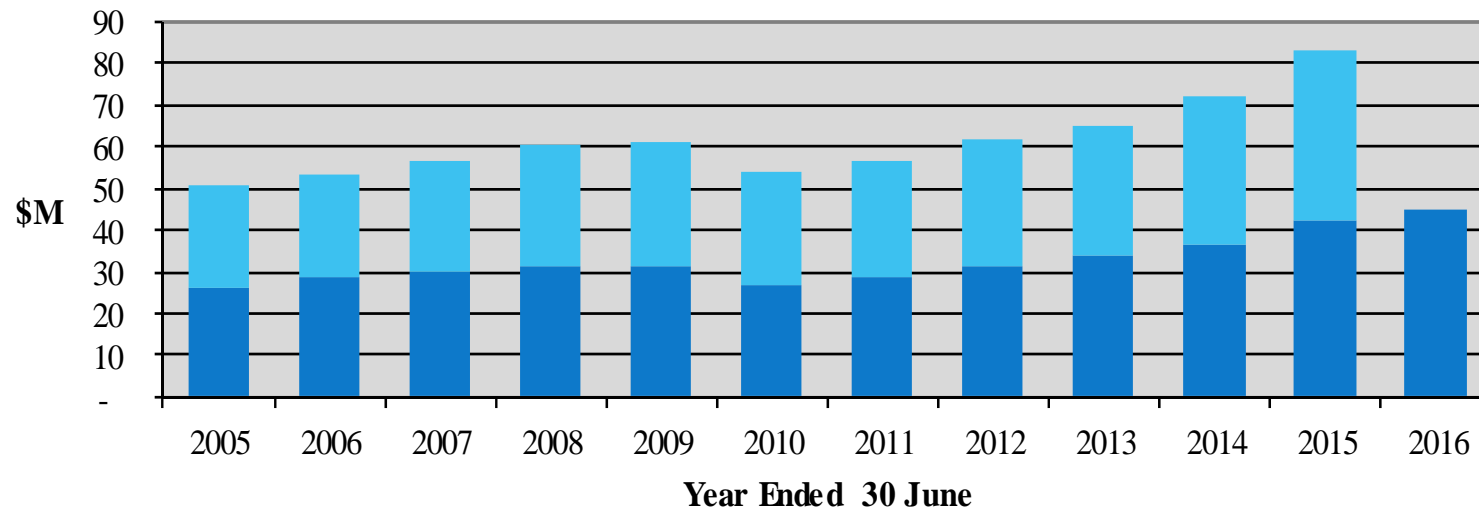
Operating Revenue



- 5% higher revenue compared to PCP



EBITA



- 6% higher EBITA compared to PCP

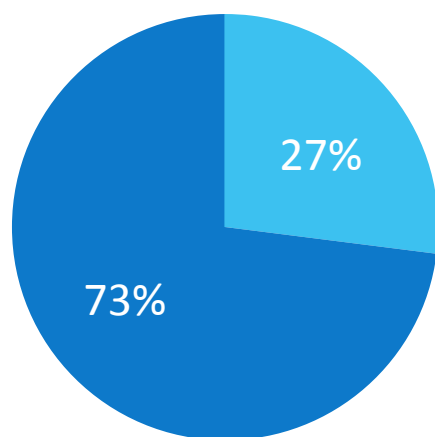


NB: This graph represents the operating profit before interest, tax and amortisation of intangibles, exclusive of any non-recurring items

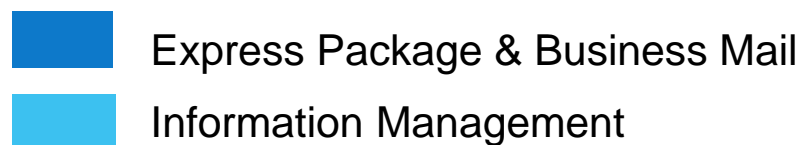
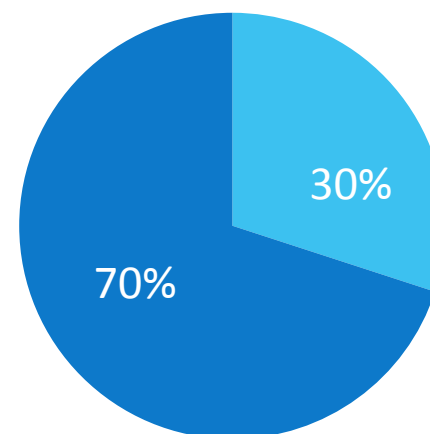
Business Segments Operating Performance

(Half Year ended 31 December 2015)

Revenue



EBITA



Express Package & Business Mail

	Dec-15 \$M	Dec-14* \$M	Change
Operating Revenue	186.8	185.2	0.9%
EBITDA	35.4	35.9	(1.4%)
EBITA	32.4	32.7	(0.9%)
EBITA Margin	17.3%	17.6%	

*** Dec14 included 4 extra trading days**

Information Management

	Dec-15 \$M	Dec-14 \$M	Increase
Operating Revenue	69.1	57.7	19.8%
EBITDA	16.5	13.5	22.3%
EBITA	14.2	11.3	25.5%
EBITA Margin	20.4%	19.6%	

Balance Sheet – Key Points

- Total Assets and Total Liabilities have decreased since FY15 by \$1m and \$9m, respectively, primarily as a result of converting AUD-denominated balances at a higher NZD exchange rate at 31 December 2015 (NZ\$1:A\$0.94) compared with 30 June 2015 (NZ\$1:A\$0.89).
- The \$6m decrease in bank borrowings reflects the favourable translation impact from converting AUD borrowings at a higher NZD exchange rate at 31 December 2015 compared with 30 June 2015.
- No significant changes in issued capital during the period.
- Debt to debt & equity ratio has decreased to around 42% during the half year.
- The fair value of derivative financial instruments has continued as a liability of approximately \$9m, decreasing marginally compared with FY15 as a number of instruments matured during the period.

Cash Flow – Key Points

- Cash from operations was similar to the PCP at \$50m, assisted by increased trading and good working capital management. Net cash inflows from operating activities (i.e. after deducting interest and tax payments) were also similar to the PCP at \$32m.
- Cash outflows from investing activities were \$15m lower than the PCP, reflecting \$16m less being spent on acquisitions, but \$1m more on capital expenditure and other investing activities for the period.
- The \$15m increase in cash outflows from financing activities compared to the PCP mostly reflects the large cash inflow in the PCP from drawing \$13m in bank borrowings to assist funding of acquisitions in that period.

Capital Expenditure

	2016 Half Year Actual	2016 Full Year Forecast
Capital Expenditure	\$8m	\$20m
Depreciation	\$6m	\$13m

Subsequent Event - Interim Dividend

- Interim dividend: 12.75 cps
- Imputation credits: 4.9583 cps (at 28% tax rate)
- Supplementary dividend: 2.2500 cps
- Record date: 18 March 2016
- Payment date: 4 April 2016
- No DRP was offered in respect of this interim dividend



Business Strategy


















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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
			
			
			
			
			

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

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Outlook

- Positioned in markets that are expected to deliver long-term growth.
- Given current volatility in global markets, FRE is cautious in its near-term outlook
- Express Package & Business Mail division expected to perform at similar levels to the prior year
- Information Management division expected to continue to deliver year-on-year growth
- Strategic growth opportunities, including alliances and acquisitions, will continue to be investigated and developed where they make commercial sense

Conclusion

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Conclusion

- FRE has delivered a sound half year result
- Benefits of diversification into the Information Management industry are evident in this result
- Express Package & Business Mail growth may be challenging in the near term
- The Directors acknowledge the outstanding work and dedication of the FRE team of people throughout New Zealand and Australia

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