Freightways

HALF YEAR RESULTS

20 February 2017

AGENDA

- Highlights
- Operating Performance
- Interim Dividend
- Business Strategy
- Outlook
- Conclusion

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HIGHLIGHTS

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GENERAL HIGHLIGHTS

- Strength of underlying volume growth and margins in the EP&BM division
- Progress to budget and timetable of two major building projects and related relocations
- Execution of robust contingency plans that ensured minimal service disruption, despite the significant impact of the North Canterbury earthquake
- Performance of our information management businesses, other than TIMG Australia, which was primarily affected by a poor result at LitSupport

FINANCIAL HIGHLIGHTS

$M	Note	Dec-16 Result	Non-recurring items	Underlying trading result		Increase
				Dec-16	Dec-15	
Revenue		272.8	-	272.8	254.9	7.0%
EBITDA	(i)	55.8	4.0	51.8	51.2	1.2%
EBITA	(ii)	50.1	4.0	46.1	45.0	2.4%
NPATA	(iii)	34.8	4.5	30.3	28.7	5.6%
NPAT	(iv)	34.0	4.5	29.5	27.7	6.2%
EPS (cents)		21.9	2.9	19.0	17.9	6.1%

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 period attributable to the shareholders

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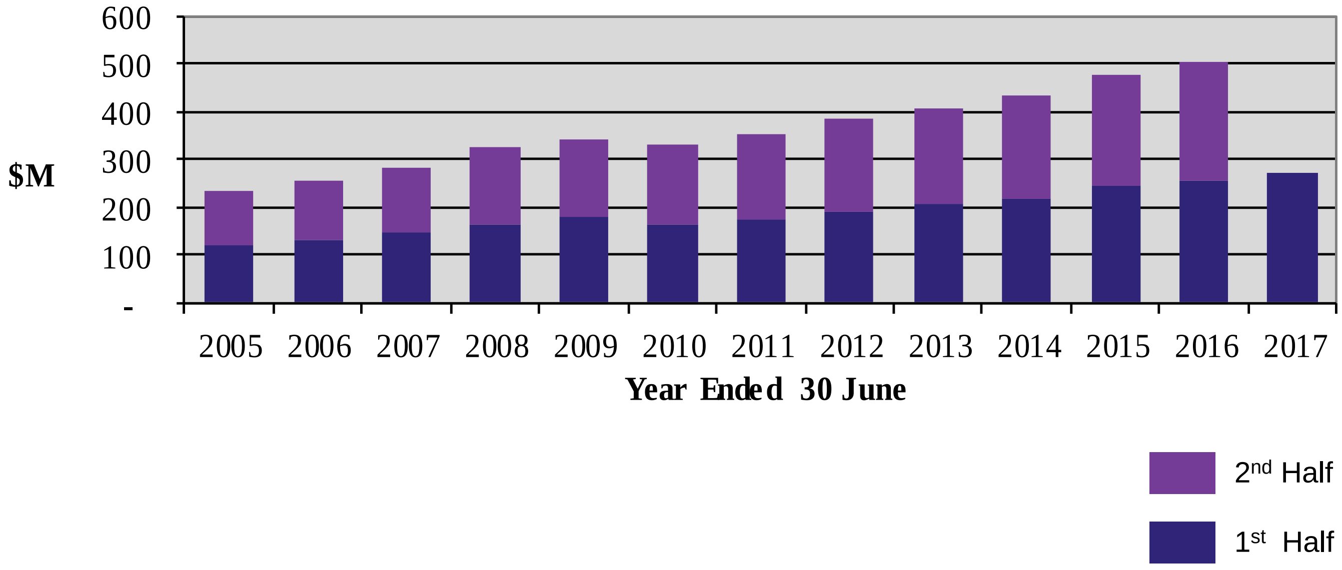
NON-RECURRING ITEMS

- A non-recurring benefit before tax of $5.6m ($5.6m after tax) relating to previously accrued final acquisition payments that are no longer expected to be required. The interim dividend was calculated exclusive of this non-cash benefit.

- A non-recurring cost before tax of $1.6m ($1.1m after tax) relating to the relocation of the TIMG business in Sydney

OPERATING PERFORMANCE

Operating Revenue



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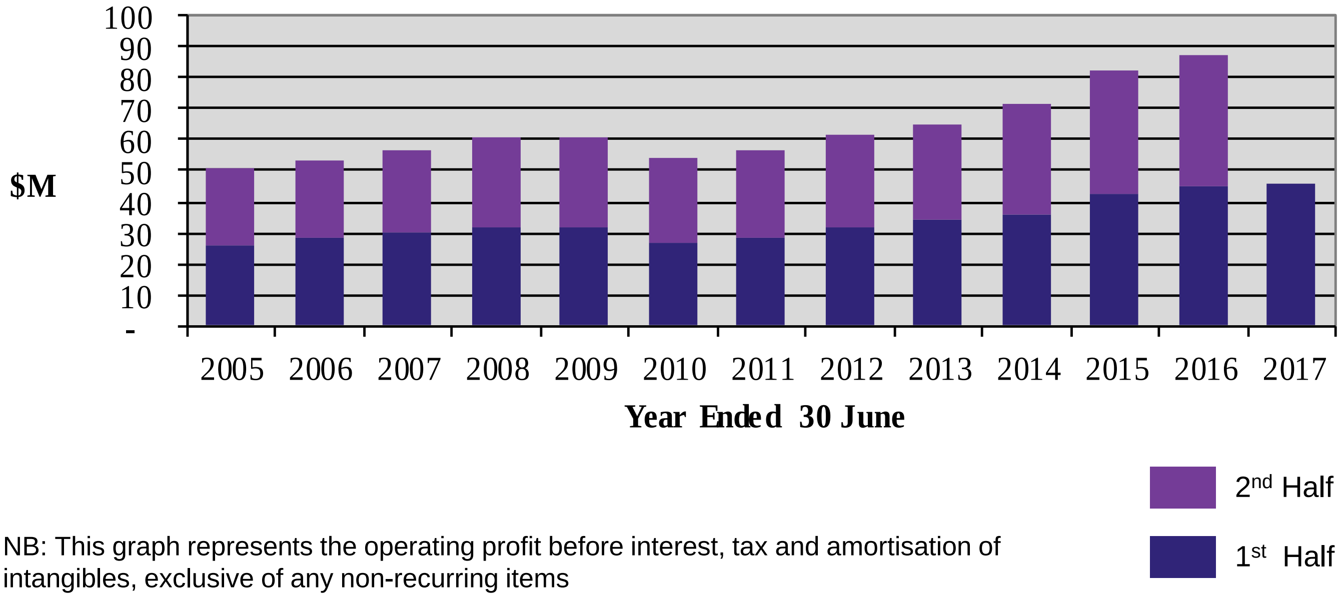
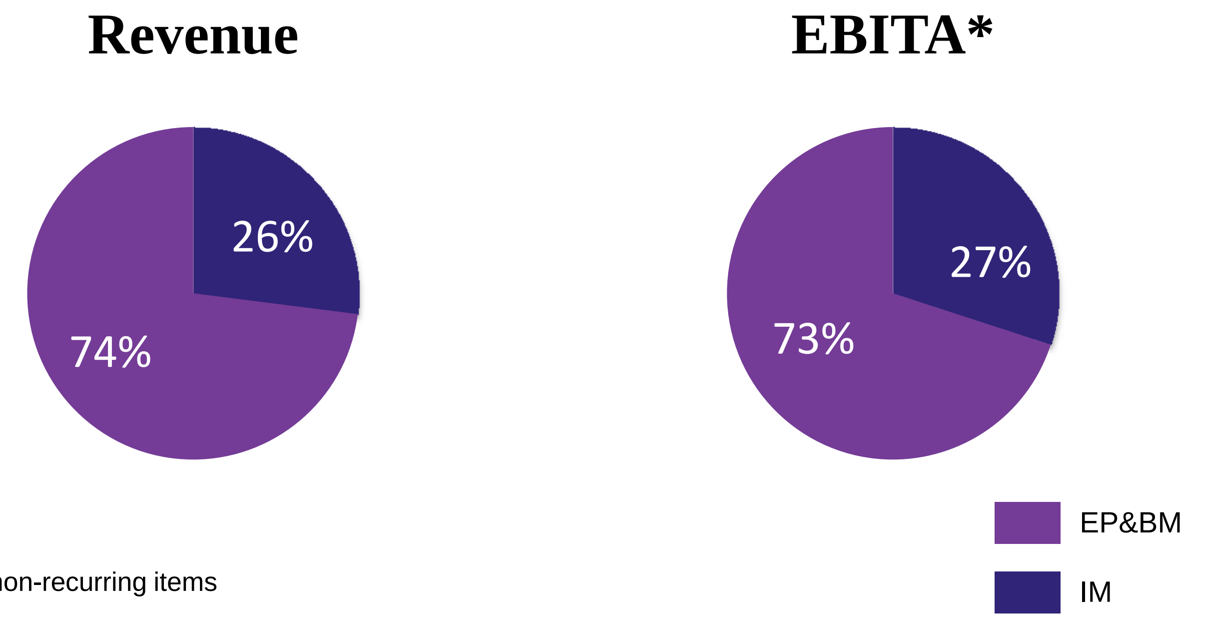
EBITA



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 2016)



* Excluding non-recurring items

EXPRESS PACKAGE & BUSINESS MAIL

	Dec-16 $M	Dec-15 $M	Change
Operating Revenue	202.5	186.8	8.4%
EBITDA	37.3	35.4	5.1%
EBITA	34.8	32.4	7.4%
EBITA Margin	17%	17%	

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INFORMATION MANAGEMENT

	Dec-16 $M	Dec-15 $M	Change
Operating Revenue	71.1	69.1	2.9%
EBITDA*	15.8	16.5	(4.3)%
EBITA*	13.4	14.2	(5.6)%
EBITA Margin*	19%	20%	

* Excluding non-recurring items

BALANCE SHEET – KEY POINTS

- Total Assets have increased since FY16 by $23m, primarily as a result of higher accounts receivable at the end of half year, following a very busy Christmas period. Capital expenditure and acquisitions also contributed to higher recorded assets.

- Total Liabilities have increased since FY16 by $9m, also primarily as a result of the busy Christmas period, which drove accounts payable higher.

- No significant changes in issued capital during the period.

- Gearing ratio has remained consistent at approximately 40% during the period.

- The fair value of derivative financial instruments has decreased as a liability to approximately $8m, reflecting the progressive increase in medium to long-term floating interest rates relative to the fixed rates of these instruments.

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CASH FLOWS – KEY POINTS

- Cash generated from operations was similar to the PCP at just under $50m. Net cash inflows from operating activities (i.e. after deducting interest and tax payments) were $4m below the PCP at $29m due to the timing of tax payments.

- Cash outflows from investing activities were in line with the PCP, but the mix was more weighted to capital expenditure than acquisitions this period compared to the PCP, as the businesses invest in automated facilities and enhanced IT solutions.

- The $9m decrease in cash outflows from financing activities compared to the PCP mostly reflects $10m higher use of bank borrowings during the period, compared to the PCP, to assist with funding of capital expenditure and acquisitions.

CAPITAL EXPENDITURE & DEPRECIATION

	2017 Half Year Actual $M	2017 Full Year Forecast $M
Capital Expenditure	10	24
Depreciation	6	12

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INTERIM DIVIDEND

INTERIM DIVIDEND

• Interim dividend:	13.0 cps
• Imputation credits:	5.0556 cps (at 28% tax rate)
• Supplementary dividend:	2.2941 cps
• Record date:	17 March 2017
• Payment date:	3 April 2017

- 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
New Zealand Couriers	SUB60 Trust it to us...	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

timg	timg	SHRED-X timg
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	

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OUTLOOK

OUTLOOK

- Volumes and activity experienced in this first half year result support Freightways' expectations of again improving its overall year-on-year performance

- As stated in previous market announcements, results from the Express Package & Business Mail division will partly be offset by the investment we are making in the information management division and poor results from LitSupport, whose performance is expected to improve in the second half of the financial year

- Two major building projects and related relocations in Christchurch and Sydney are on target to be completed by the end of June 2017, with the benefits relating to these projects being realised in 2018

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OUTLOOK continued

- Capital expenditure for the full year is expected to be approximately $24 million

- Cash flows are expected to remain strong throughout the remainder of the 2017 financial year

- Strategic growth opportunities, including acquisitions and alliances that complement existing capabilities, will be executed where they make commercial sense

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CONCLUSION

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CONCLUSION

- Strong revenue growth and good margins in the EP&BM division were the primary contributors to this half year result, that is above the PCP

- The outlook for the balance of the 2017 financial year remains positive

- Directors acknowledge the outstanding work and ongoing dedication of the Freightways team of people, particularly following the North Canterbury earthquake

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