



HALF YEAR RESULTS

19 FEBRUARY 2018

Freightways

AGENDA

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

A man in a New Zealand Couriers uniform stands with arms crossed in front of a red New Zealand Couriers van and a red New Zealand Couriers truck. The van and truck are parked in front of a large industrial building. The man is wearing a black polo shirt with 'NEW ZEALAND COURIERS' on the sleeve and black trousers. The van has 'NEW ZEALAND COURIERS' and 'nzcouriers.co.nz' on its side. The truck has 'NEW ZEALAND COURIERS' and 'nzcouriers.co.nz' on its side. The background shows a large industrial building and a clear blue sky. The overall image is a promotional photograph for New Zealand Couriers.

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GENERAL HIGHLIGHTS

- Volume and revenue growth achieved in the Express Package businesses and the related earnings that have more than offset the cost impact of significant recent investment in capacity
- Overall revenue and earnings growth of the Information Management division compared to the PCP reflects improvement in each of the businesses after a year of investment in capacity and integration
- Freightways' further diversification through its entry into the Medical Waste industry

FINANCIAL HIGHLIGHTS

	Note	Dec-17 \$M	Dec-16 \$M	Increase %
Revenue		292.1	272.8	7.1
EBITA (before non-recurring items)	(i)	49.2	46.1	6.9
Non-recurring items		-	4.0	
EBITA	(ii)	49.2	50.1	(1.7)
NPAT (before non-recurring items)	(iii)	31.4	29.5	6.5
Non-recurring items after tax		-	4.5	
NPAT	(iv)	31.4	34.0	(7.6)
Basic EPS (cents) (before non-recurring items)		20.3	19.0	

NOTES

- (i) Operating profit before interest, tax and amortisation, before non-recurring items
- (ii) Operating profit before interest, tax and amortisation
- (iii) Net profit after tax (NPAT), before non-recurring items
- (iv) Profit for the half year attributable to the shareholders

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NON-RECURRING ITEMS

2016:

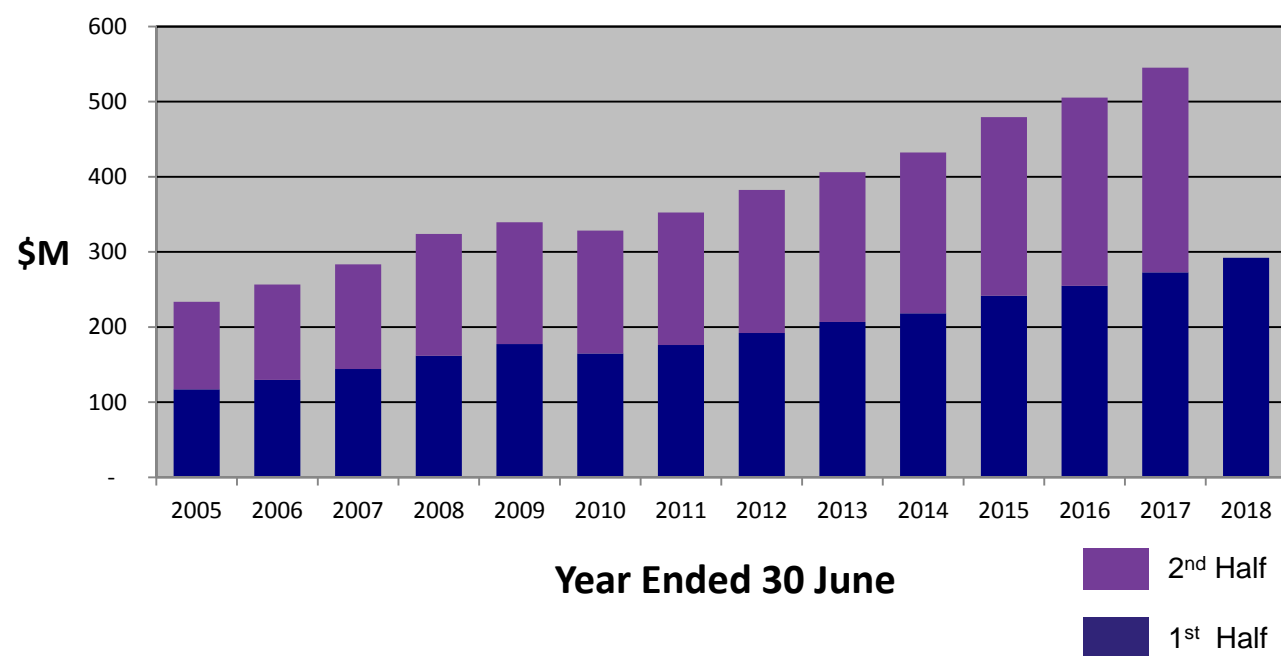
A non-recurring benefit before tax of \$5.6m (no tax applicable) relating to previously accrued final acquisition payables that are no longer expected to be required. A non-recurring cost before tax of \$1.6m (\$1.1m after tax) relating to the relocation of the TIMG business in Sydney.



OPERATING PERFORMANCE

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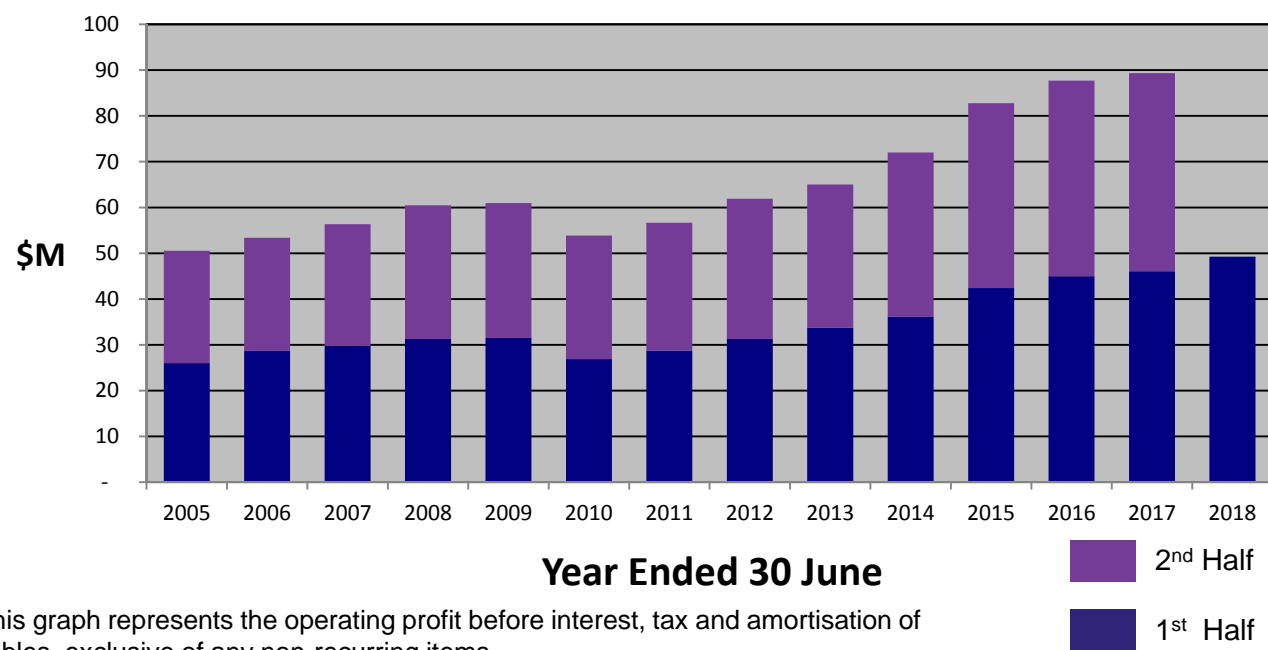
Operating Revenue



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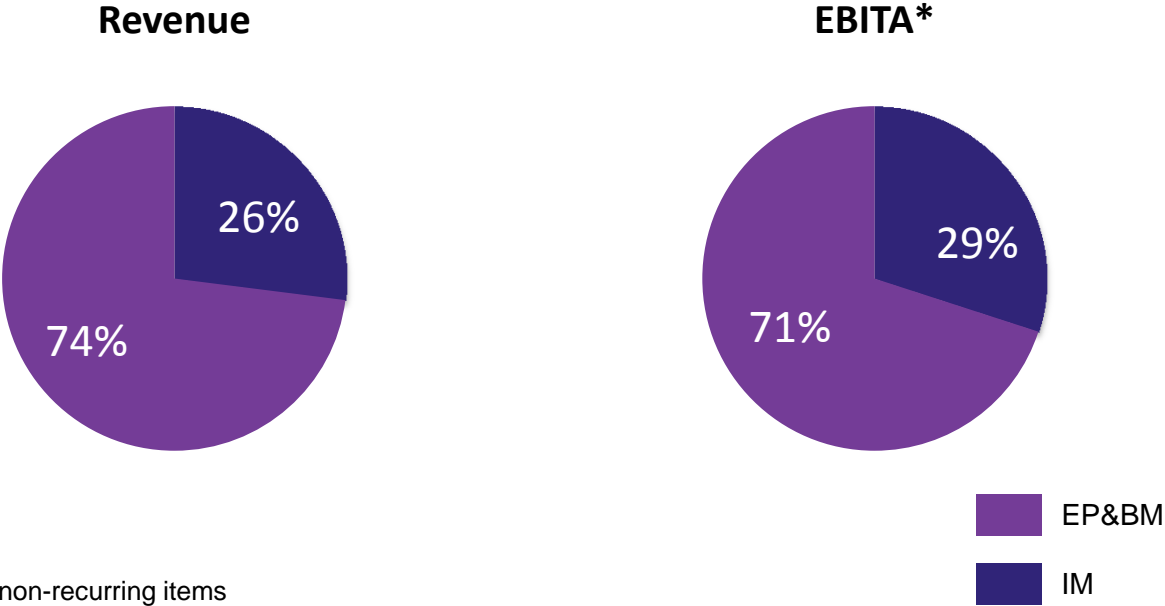
EBITA



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Business Segments Operating Performance

(Half year ended 31 December 2017)



* Excluding non-recurring items



EXPRESS PACKAGE & BUSINESS MAIL

	Dec-17 \$M	Dec-16 \$M	Change
Operating Revenue	216.7	202.5	7.0%
EBITDA	39.8	37.3	6.8%
EBITA	36.4	34.8	4.6%
EBITA Margin	16.8%	17.2%	

INFORMATION MANAGEMENT

	Dec-17 \$M	Dec-16* \$M	Change
Operating Revenue	76.3	71.1	7.3%
EBITDA	17.3	15.8	9.6%
EBITA	14.6	13.4	9.2%
EBITA Margin	19.1%	18.8%	

* Excluding non-recurring items

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BALANCE SHEET – KEY POINTS

- Total Assets have increased since FY17 by \$28m, including \$9m of intangible assets in respect of the small acquisition of a medical waste business in Australia. Higher trade and other receivables due to increased activity (\$12m) also contributed to higher recorded assets.
- Total Liabilities have increased since FY17 by \$16m, due mostly to a combination of higher accounts payable (\$8m) and higher borrowings (\$9m).
- No significant changes in issued capital during the half year.
- Gearing ratio has remained consistent during the half year at approximately 40%.

CASH FLOWS – KEY POINTS

- Cash generated from operations of \$54m was \$5m above the PCP. Net cash inflows from operating activities (i.e. after deducting interest and tax payments) were \$6m above the PCP at \$35m, reflecting comparatively lower tax payments for the period (timing only).
- Cash outflows from investing activities were up \$2m on the PCP, driven mostly by \$3m more in acquisition payments compared to the PCP.
- The \$6m increase in cash outflows from financing activities compared to the PCP reflects \$6m less drawn against borrowings compared to the PCP.

CAPITAL EXPENDITURE & DEPRECIATION

	2018 Half Year Actual \$M	2018 Full Year Forecast \$M
Capital Expenditure	10	16
Depreciation	7	14



INTERIM DIVIDEND



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INTERIM DIVIDEND

- Interim dividend: 14.5 cps
- Imputation credits: 5.6389 cps (at 28% tax rate)
- Supplementary dividend: 2.5588 cps
- Record date: 16 March 2018
- Payment date: 3 April 2018
- No DRP was offered in respect of this dividend



BUSINESS STRATEGY

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BUSINESS STRATEGY

Express Package & Business Mail

- Continued focus on growing B2B market share
- Execute B2C strategies which are focussed on a better customer experience and greater efficiency to generate improved returns

Information Management

- Improve the utilisation of the Australian footprint
- Explore complementary acquisition and alliance opportunities
- Scale-up digital service offerings

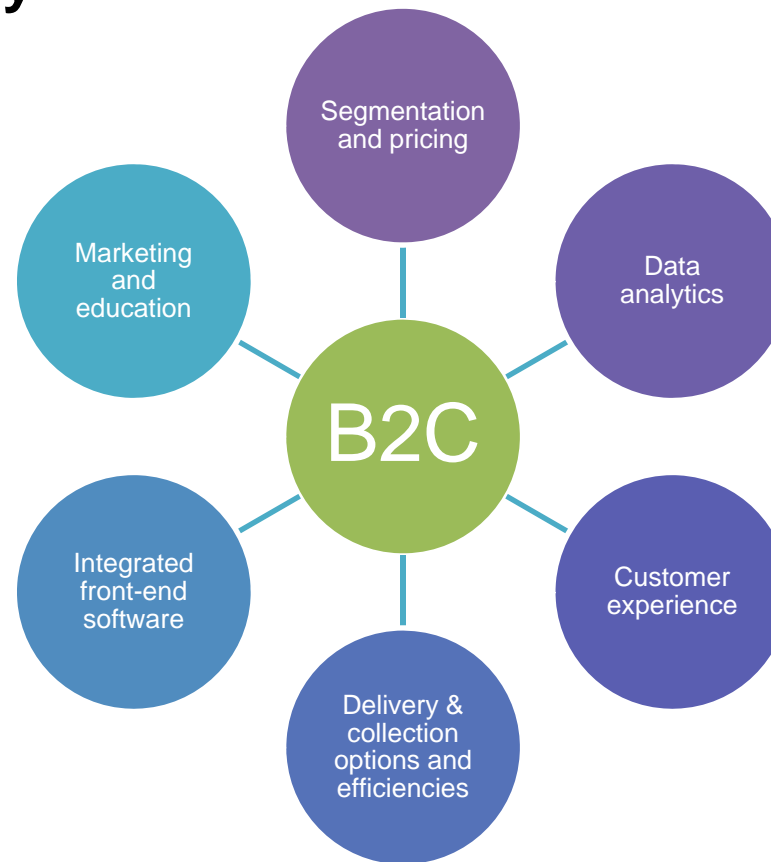
Secure Destruction and Medical Waste

- Explore growth opportunities for Medical Waste
- Explore complementary acquisition and alliance opportunities for both revenue streams

EXPRESS PACKAGE & BUSINESS MAIL

Network Courier	Point-to-Point	Business Mail	Support
			
			
			
			
			






B2C Strategy



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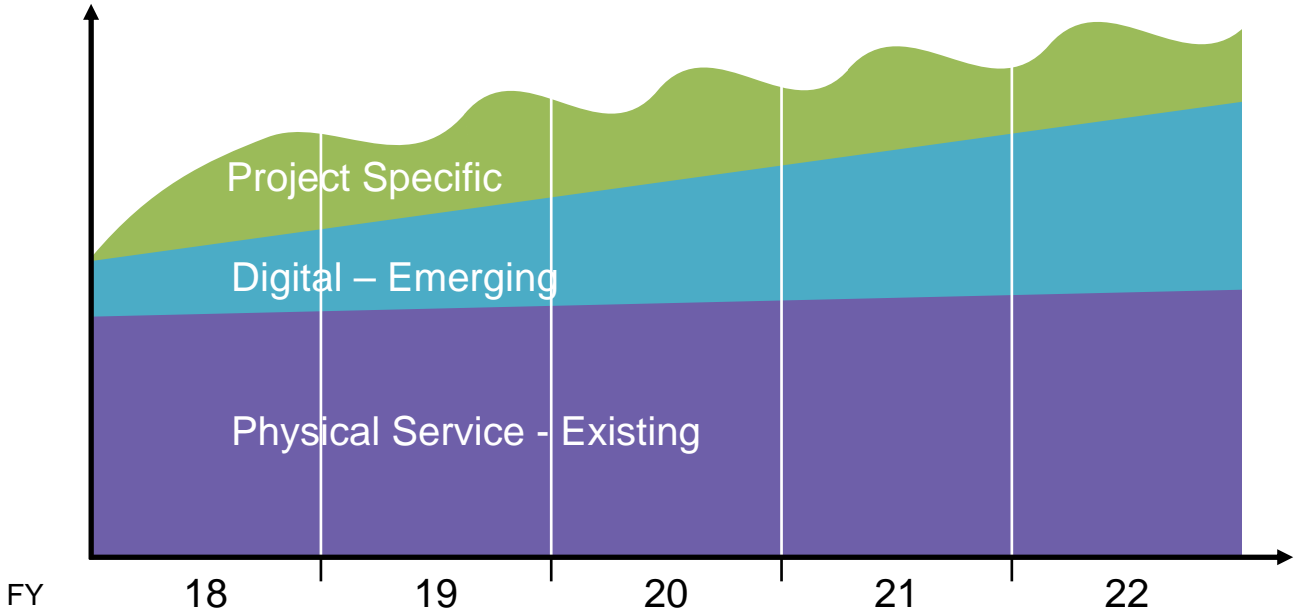
INFORMATION MANAGEMENT

		  
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	Medical waste



INFORMATION MANAGEMENT

Revenue streams:





OUTLOOK

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OUTLOOK

- The markets in which Freightways operates remain positive.
- Freightways is again targeting year-on-year earnings growth for the full year.
- Strategic growth opportunities, including acquisitions and alliances, will be executed where they make commercial sense.
- As an employer in NZ of around 2,300 employees and a business partner to 1,200 independent contractors, Freightways will continue to monitor employment law reform.
- Annual capital expenditure totalling approximately \$16 million will be invested to support growth initiatives. Cash flows are expected to remain strong throughout the balance of 2018.

CONCLUSION



CONCLUSION

- Evident in this result are the:
 - strength of Freightways' business models
 - expertise of its team of people
 - positive features of the markets it operates in
 - opportunities in all of its business lines
- The Board of Directors has acknowledged the outstanding work and ongoing dedication of the Freightways team of people



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