



FULL YEAR RESULTS

13 AUGUST 2018

Freightways



AGENDA

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

Local
Regional
Inter-Island
International

nzcouriers.co.nz

NEW ZEALAND
COURIERS

NEW ZEALAND
COURIERS
we go further

HIGHLIGHTS

Freightways



GENERAL HIGHLIGHTS

- Year on year revenue, earnings and dividend growth
- Investment in capacity for the air network and critical Auckland and Christchurch facilities
- The move to Agile IT deployment
- The successful completion of a major data transformation project
- A successful first year in the Medical Waste industry
- Sustained strong cash generation leading to reduced gearing levels

FINANCIAL HIGHLIGHTS

	Note	Jun-18 \$M	Jun-17 \$M	Increase %
Revenue		580.9	545.3	6.5
EBITA (before non-recurring items)	(i)	93.7	89.3	4.9
Non-recurring items		2.6	3.7	
EBITA	(ii)	96.3	93.0	3.5
NPAT (before non-recurring items)	(iii)	59.6	56.6	5.3
Non-recurring items after tax		2.6	4.3	
NPAT	(iv)	62.2	60.9	2.1
Basic EPS (cents) (before non-recurring items)		38.4	36.5	

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 year attributable to the shareholders



NON-RECURRING ITEMS

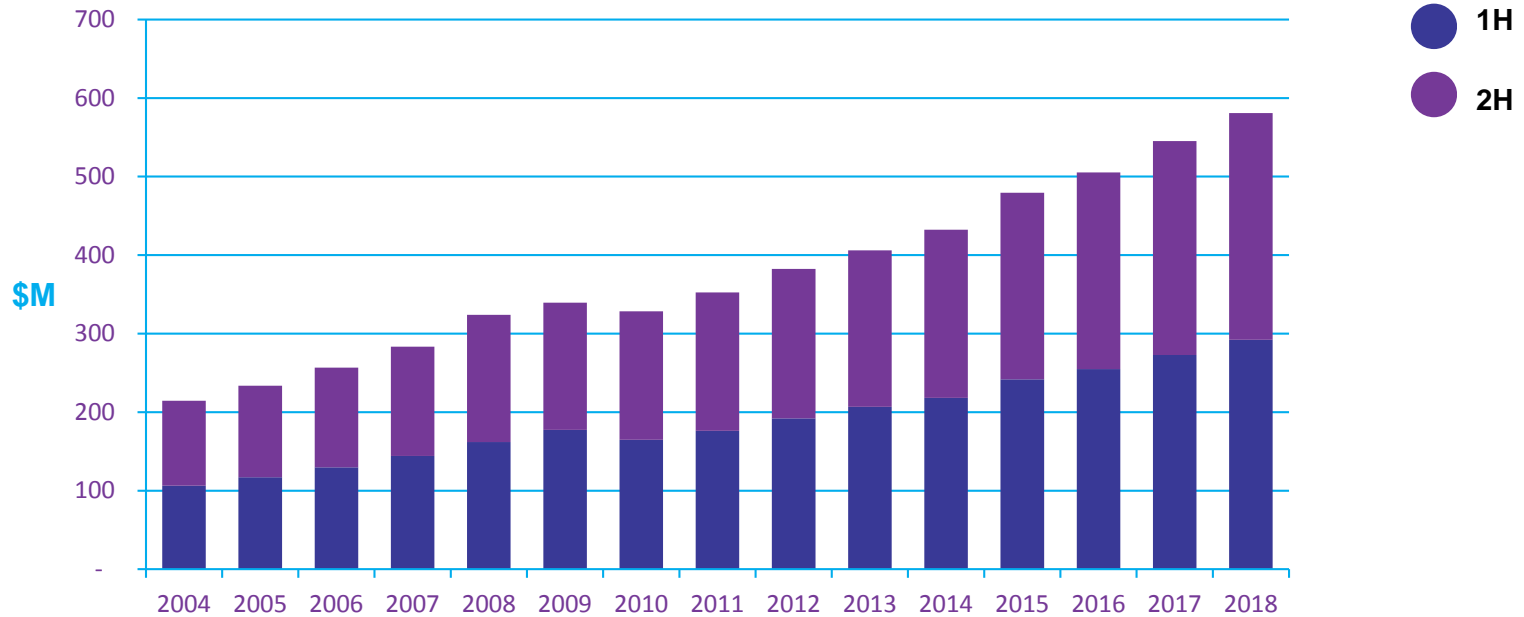
- 2018: Non-recurring benefits before tax of \$2.6m in total (no tax applicable) in respect of reversing \$1.6m of a previously accrued final acquisition payable that is no longer expected to be required and a \$1m gain upon recording the replacement of earthquake-related damaged racking funded by insurance proceeds. The gain on the racking replacement arises from the insurance proceeds for new racking (\$3m) exceeding the \$2m write-off of the written down book value of the structurally-compromised racking
- 2017: A net \$3.7m non-recurring benefit before tax (\$4.3m after tax) comprised of a \$5.6m benefit (no tax applicable) relating to previously accrued final acquisition payables that are no longer expected to be required and a non-recurring cost before tax of \$1.9m (\$1.3m after tax) relating to the relocation of the TIMG business in Sydney



OPERATING PERFORMANCE

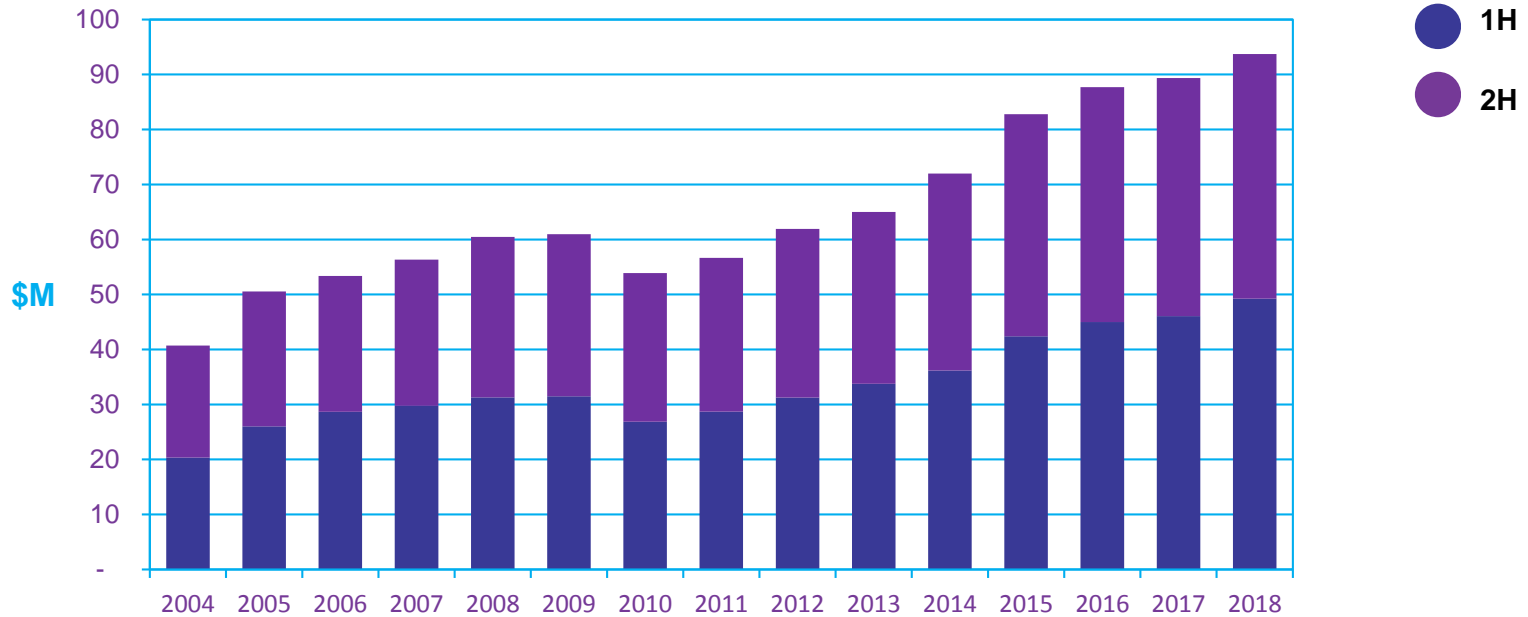
Freightways

OPERATING REVENUE



Year Ended 30 June 2018

EBITA



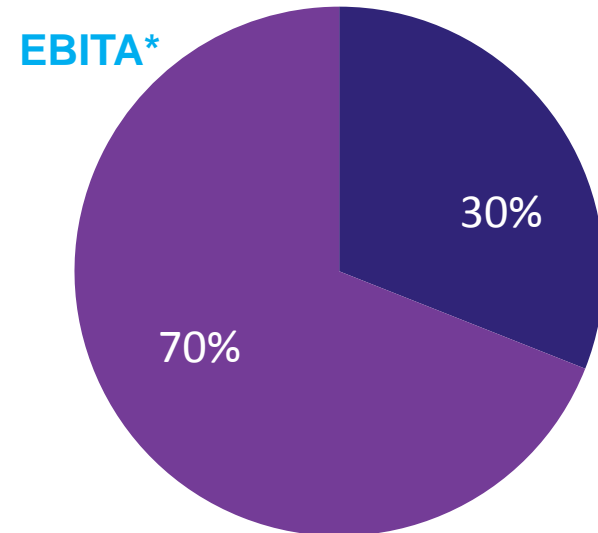
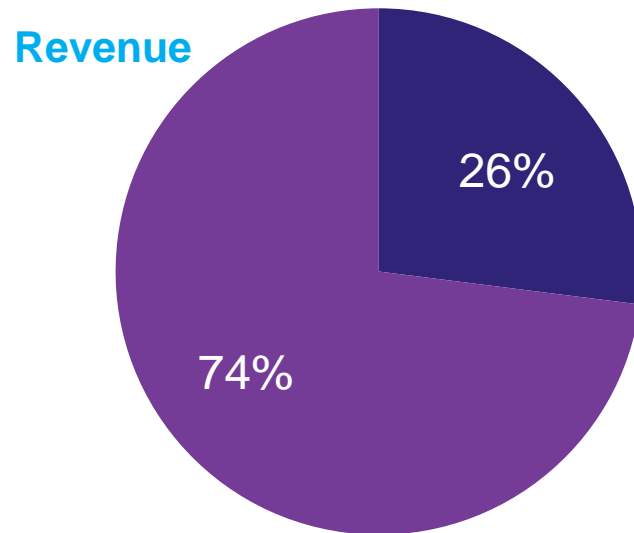
Year Ended 30 June 2018

NOTES

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

DIVISIONAL OPERATING PERFORMANCE

(Year ended 30 June 2018)



NOTES

* Excluding non-recurring items

EXPRESS PACKAGE & BUSINESS MAIL

	Jun-18 \$M	Jun-17 \$M	Change
Operating Revenue	428.8	402.6	6.5%
EBITDA	74.8	70.4	6.4%
EBITA	67.9	65.3	4.0%
EBITA Margin	15.8%	16.2%	

INFORMATION MANAGEMENT

	Jun-18*	Jun-17*	Change
	\$M	\$M	
Operating Revenue	153.8	144.2	6.6%
EBITDA	35.4	32.7	8.1%
EBITA	29.8	27.7	7.8%
EBITA Margin	19.4%	19.2%	

NOTES

* Excluding non-recurring items



BALANCE SHEET - KEY POINTS

- Total Assets have increased since FY17 by \$21m, including \$11m of intangible assets in respect of the acquisitions of three small businesses in Australia. Higher trade and other receivables due to increased activity (\$5m) also contributed to higher recorded assets
- Total Liabilities have decreased slightly since FY17 by \$1m
- No significant changes in issued capital during the year
- Gearing ratio has decreased below 40%



CASH FLOW - KEY POINTS

- Cash generated from operations of \$105m was \$5m above the PCP. Net cash inflows from operating activities (i.e. after deducting interest and tax payments) were \$10m above the PCP at \$76m, reflecting comparatively lower tax payments for the period (partly timing and also a tax refund for overpaid provisional tax in FY17)
- Cash outflows from investing activities were down \$4m on the PCP, mainly due to \$7m less capital expenditure, partially offset by \$5m more in acquisition payments compared to the PCP
- The \$17m increase in cash outflows from financing activities compared to the PCP reflects repayment of \$8m of debt this year compared to a \$7m increase in borrowings in the PCP

CAPITAL EXPENDITURE & DEPRECIATION

	2018 Full Year Actual \$M	2019 Full Year Forecast \$M
Capital Expenditure	17	20 - 22
Depreciation	14	16

FINAL DIVIDEND

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FINAL DIVIDEND

- Final dividend: 15.25 cps
- Imputation credits: 5.9306 cps (at 28% tax rate)
- Supplementary dividend: 2.6912 cps
- Record date: 14 September 2018
- Payment date: 2 October 2018
- No DRP was offered in respect of this dividend



BUSINESS STRATEGY

Freightways



BUSINESS STRATEGY

Express Package & Business Mail

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

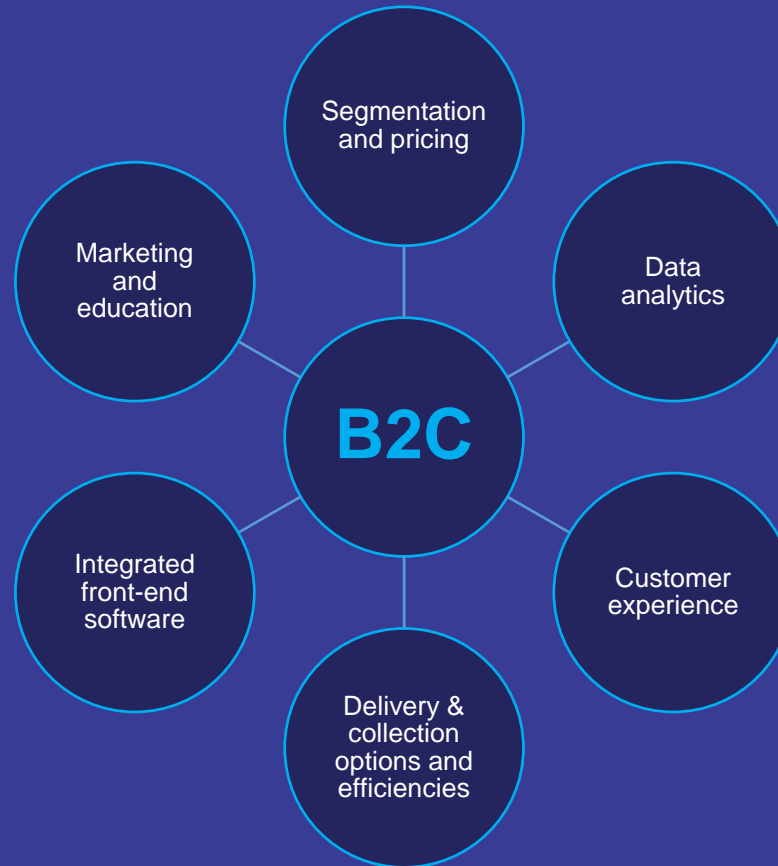
Information Management

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

Secure Destruction and Medical Waste

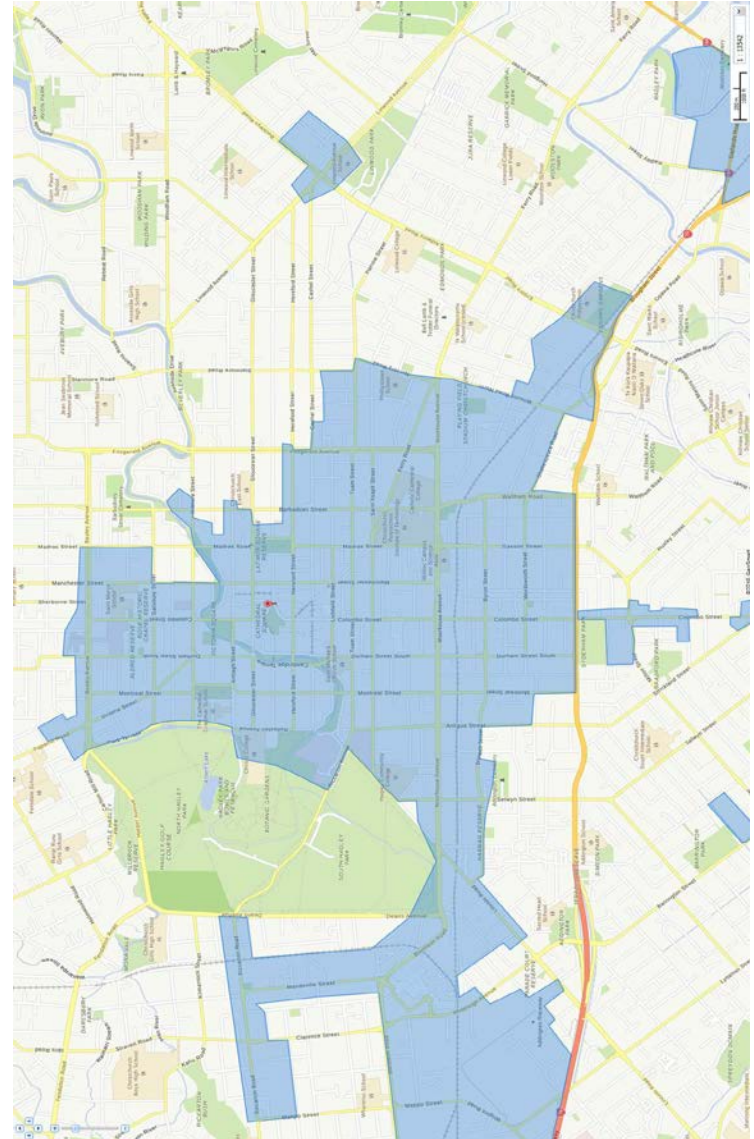
- Explore complementary acquisition and alliance opportunities for both revenue streams
- Explore growth opportunities for Medical Waste

B2C STRATEGY

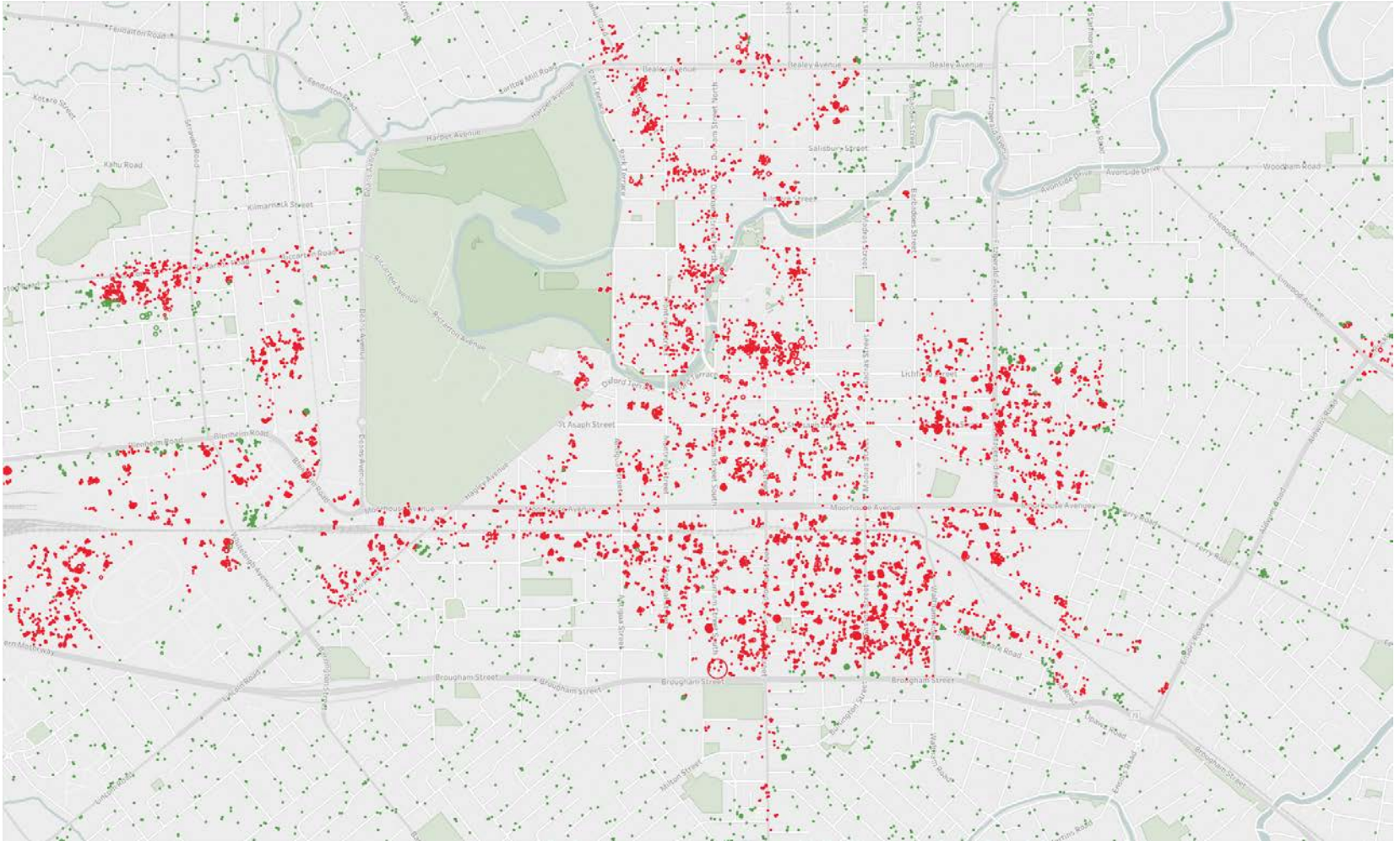


DATA ANALYTICS

- 90+% of NZ geo-mapped
- Data quality adequate for:
 - Analysis of customer margin
 - Identification of residential courier runs
 - Defining service standards
- Requires refinement for automated charging: Targeting 2019
- Intend to administer courier pay through definition of areas: 2019

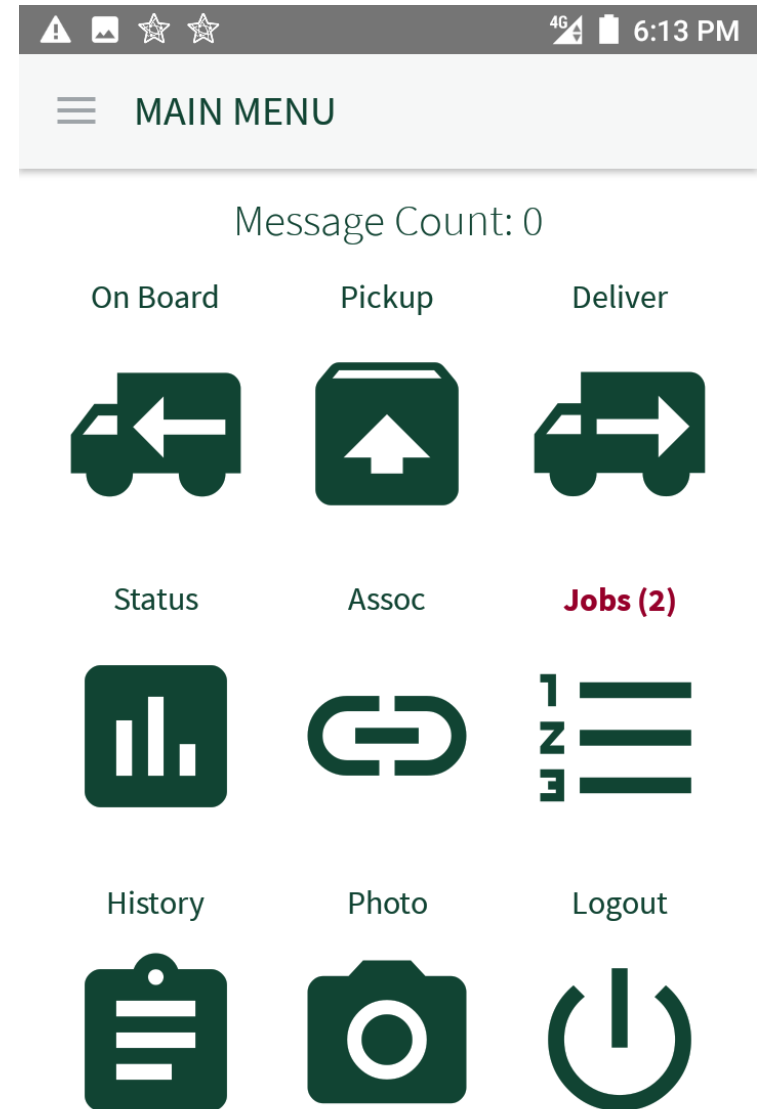


DATA ANALYTICS



CUSTOMER EXPERIENCE

- New scanner software and equipment - pilot underway
- Provides:
 - Improved visibility
 - Productivity tools (Authority to leave options)
 - Two-way communication
 - Reduces costs to contractors
- Full roll out by end of June 2019





DELIVERY EFFICIENCY

- Run intensification - single courier delivery of multi brand residential items
- Create smaller / denser areas for couriers
- Increased productivity target ~10%
- Use of Artificial Intelligence for route optimisation
- 250 pure residential areas under review
- 30 runs restructured at 1 July

SEGMENTATION & PRICING

- Differentiate pricing for Business / Residential / Non Urban areas across NZ
- Provide address checker tools for customers
- Assess margins across B2C customers
- Implement new B2C pricing immediately for new business and phase in for existing customers

The screenshot shows the New Zealand Couriers website's address checker tool. The page title is "Rural / Non-Urban Delivery and Saturday Delivery Locations". The tool allows users to check if a delivery address is considered rural / non-urban or if Saturday delivery is available. The user has entered "6 Oleander Point, Farm Cove, Auckland" and the results show that Saturday delivery is available for this address, while other delivery types are not.

NEW ZEALAND COURIERS

Contact us Find us quick Search...

Open an account Send NZ Send international Tools About Help

Home / Address Checker

Rural / Non-Urban Delivery and Saturday Delivery Locations

New Zealand Couriers arranges delivery to thousands of rural / non-urban addresses nationwide, and provides Saturday delivery to all main metropolitan areas. This tool lets you check whether a delivery address is considered by us to be rural / non-urban, or if we deliver to an address on a Saturday.

For more information, see [ticketing guidelines](#) or calculate which ticket to use and how many with our [online calculator](#).

To check these details for any address, just type into the field below. Select from the list that appears as you type and press enter.

If you are unable to locate the address you are seeking please call us on 0800 800 841.

Track and trace

Book a courier

Order products

Rural or Saturday delivery

Enter the address in the box below, then select the matching address from the list

Address:

Note: The address typed should start with a number.

Results for: 62 Princes Street, Otahuhu, Auckland

Address Type	
Mon - Fri Standard Delivery	✓
Standard Saturday Delivery	✓ A Saturday Delivery ticket must be applied to the ticketed item (this includes satchels). Clearly label the item as 'Saturday delivery'
Business Delivery Area	✗
Rural Delivery	✗
Special Conditions	✗

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

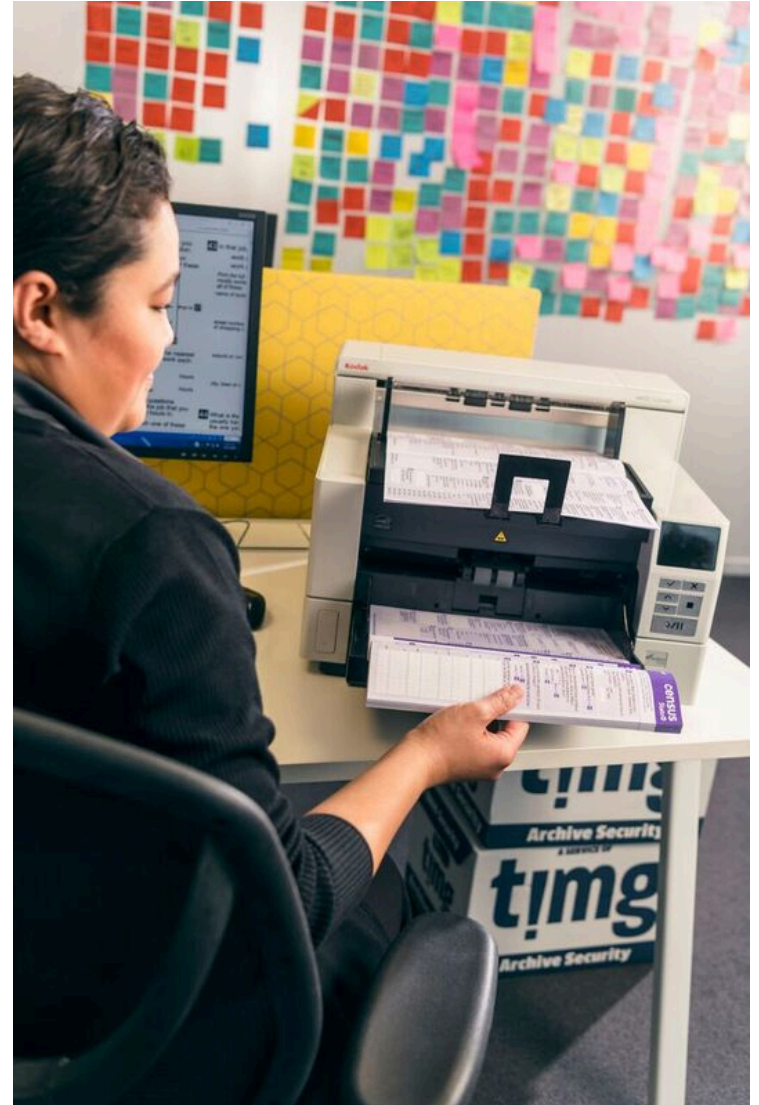
FACILITY UTILISATION

- Only incremental footprint to be added in 2019
- Target utilisation 70% in AU, 85% in NZ
- Mix of organic, market share gains and conversion from self-service customers
- Continue to assess bolt-on acquisitions in AU



DIGITAL SERVICES

- 2018 completed major data transformation project for Statistics NZ
- Strengthened our reputation in digital with Government / corporates
- Investment in sales and marketing resource
- Assess Digital acquisitions / partnering opportunities



SECURE DESTRUCTION

- Expansion of WA business through the acquisition of SSS,
 - Larger facility
 - Access to Government contracts
- Medical Waste:
 - SWS rebranded as Med-X
 - Acquired Medico (VIC) in June 2018
 - Established small QLD start-up
- Continue to explore complementary opportunities





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Parcelair 

OUTLOOK

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OUTLOOK

- The markets in which Freightways operates remain positive albeit we are cautious about declining business confidence
- Freightways is again targeting year-on-year earnings growth in 2019
- Strategic growth opportunities, including acquisitions and alliances, will be executed where they make commercial sense
- As an employer in NZ of around 2,900 employees and a business partner to 1,100 independent contractors, Freightways will continue to closely monitor employment law reform
- Annual capital expenditure of \$20-22m will be invested to support growth initiatives. Cash flows are expected to remain strong throughout 2019

CONCLUSION

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SUB60

Trust it to us...

SUB60 Road Run





CONCLUSION

- Freightways has, and will continue to, invest in the future of its businesses
- There are opportunities in all lines of business to continue to grow and evolve services to meet customer demand
- Freightways remains entrepreneurial and resilient in the face of external factors
- Each brand will compete strongly in their respective niche while collaborating on infrastructure and capability
- The Board of Directors has acknowledged the outstanding work and ongoing dedication of the Freightways team of people



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