

2019 FULL YEAR RESULTS PRESENTATION

26 August 2019



AGENDA

1. HIGHLIGHTS
2. OPERATING PERFORMANCE
3. DIVIDEND
4. STRATEGY
5. OUTLOOK
6. CONCLUSION



**A HERITAGE
THAT
STARTED
IN 1964**

PROVEN, MARKET LEADING BRANDS



**Express
Package**

New Zealand Couriers
Post Haste Couriers
Castle Parcels
NOW Couriers
SUB60
Kiwi Express
Security Express



**Business
Mail**

DX Mail
Dataprint



**Information
Management**

TIMG Australia and
New Zealand



**Secure
Destruction**

Shred-X
Med-X
TIMG NZ

SECTION 1

HIGHLIGHTS



HIGHLIGHTS

- Lift in Full Year EBITA margin % in Express Package (EP), despite softer 2HY revenue growth
- Positioning the EP business with IT and sales tools to launch Pricing For Effort initiative from 1 July 2019
- Improving route density in residential areas
- An increase in average daily courier earnings by 7%
- Expanding the DX Mail network in response to customer demand
- Improved utilisation of the Australian document storage facilities by 10%
- Positioning the TIMG business as a market leading digitalisation service
- Revenue growth in Australia in Document & Product Destruction and Medical Waste
- Sustained cash generation leading to reduced gearing levels

SECTION 2

OPERATING

PERFORMANCE



FINANCIAL SUMMARY

	Note	Jun-19 \$M	Jun-18 \$M	Increase %
Revenue		615.7	580.9	6.0
EBITA (before non-recurring items)	(i)	96.7	93.7	3.2
Non-recurring items		2.4	2.6	
EBITA	(ii)	99.1	96.3	2.9
NPAT (before non-recurring items)	(iii)	61.0	59.6	2.3
Non-recurring items after tax		2.4	2.6	
NPAT	(iv)	63.4	62.2	1.9
Basic EPS (cents) (before non-recurring items)		39.3	38.4	2.3

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

2019

Non-recurring benefits before tax totalling \$2.4 million (no tax applicable) in respect of reversing \$0.5 million of previously accrued acquisition payables that are no longer expected to be required and a \$1.9 million gain upon recording the replacement of earthquake-related damaged racking funded by insurance proceeds.

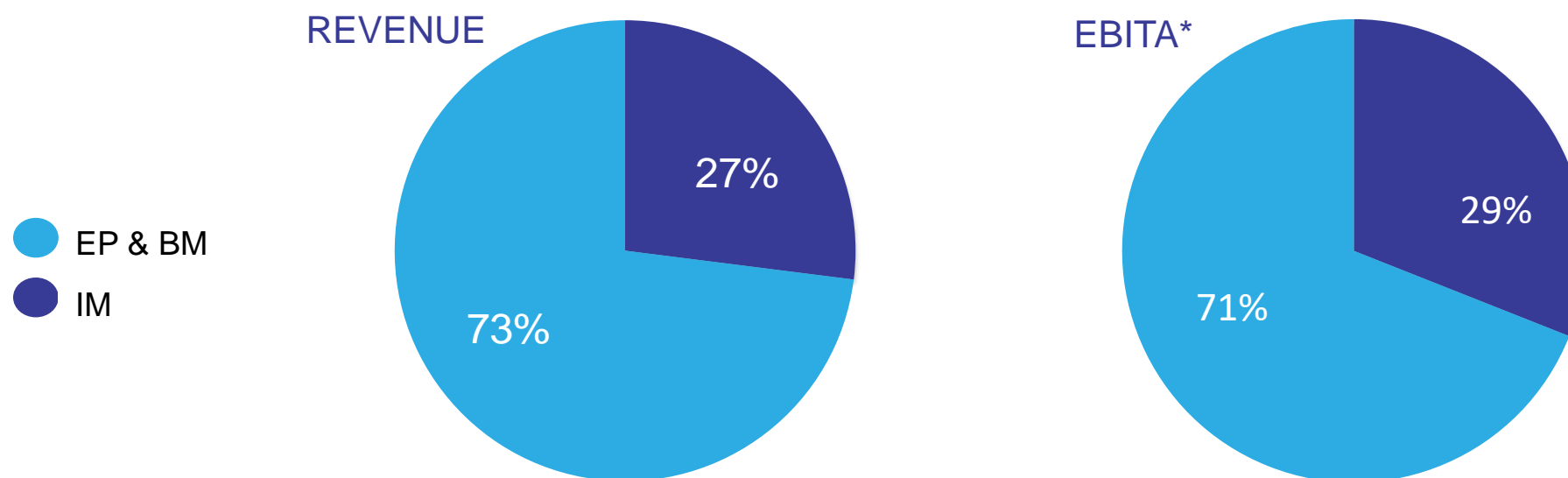
2018

Non-recurring benefits before tax totalling \$2.6 million (no tax applicable) in respect of reversing \$1.6 million of a previously accrued final acquisition payable that is no longer expected to be required and a \$1 million gain upon recording the replacement of earthquake-related damaged racking funded by insurance proceeds. The gain on the racking replacement arises from the \$3 million of insurance proceeds received during the year for new racking exceeding the \$2 million written down book value of the structurally-compromised racking that was written-off.

REVENUE SEGMENTATION

	Jun-19 \$M	Jun-18 \$M	Change
Express package	397.2	376.6	5.5%
Postal	54.0	50.5	6.9%
Storage & handling	62.6	62.1	0.8%
Destruction activities	59.7	52.7	13.3%
Other	42.2	39.0	8.2%
Total revenue	615.7	580.9	6.0%

CONSOLIDATED RESULTS



NOTES

* Excluding non-recurring items

EXPRESS PACKAGE & BUSINESS MAIL

	Jun-19 \$M	Jun-18 \$M	Change
Operating Revenue	453.0	428.8	5.6%
EBITDA	80.0	74.8	6.9%
EBITA	72.2	67.9	6.3%
EBITA Margin	15.9%	15.8%	

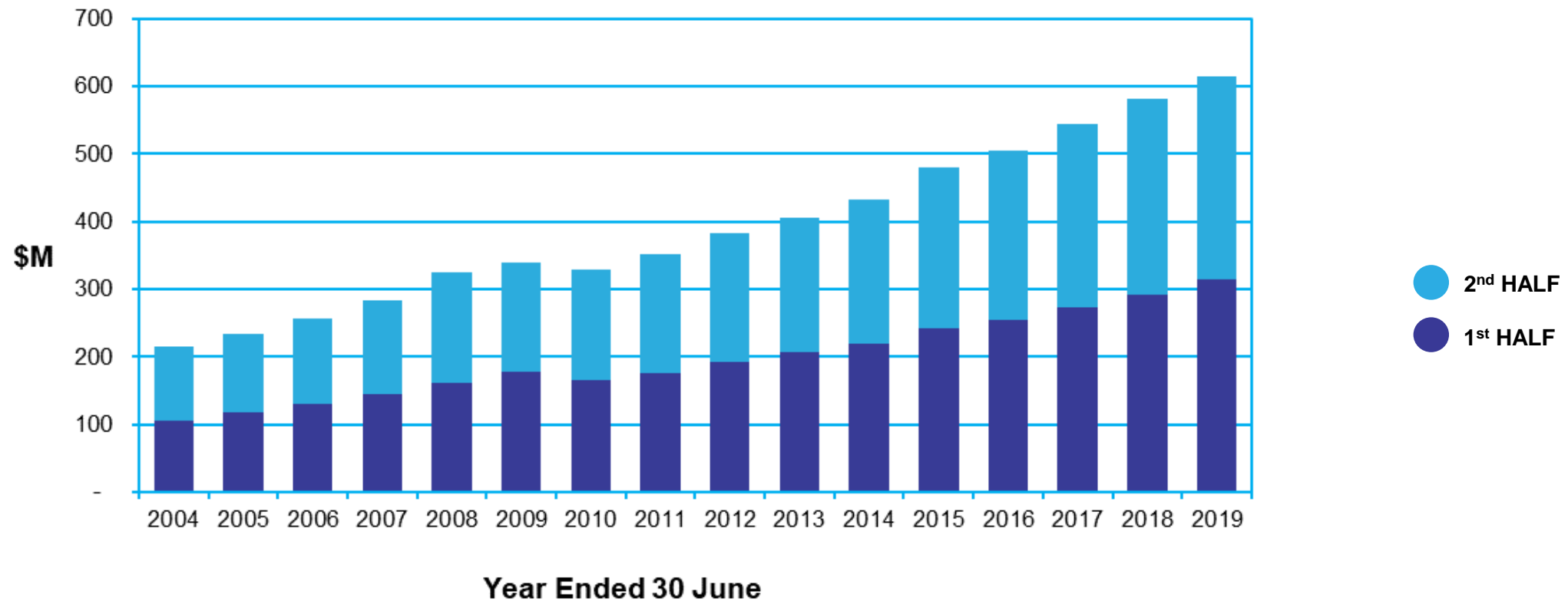
INFORMATION MANAGEMENT

	Jun-19* \$M	Jun-18* \$M	Change
Operating Revenue	164.5	153.8	6.9%
EBITDA*	35.3	35.4	(0.1%)
EBITA*	29.3	29.8	(1.9%)
EBITA Margin*	17.8%	19.4%	

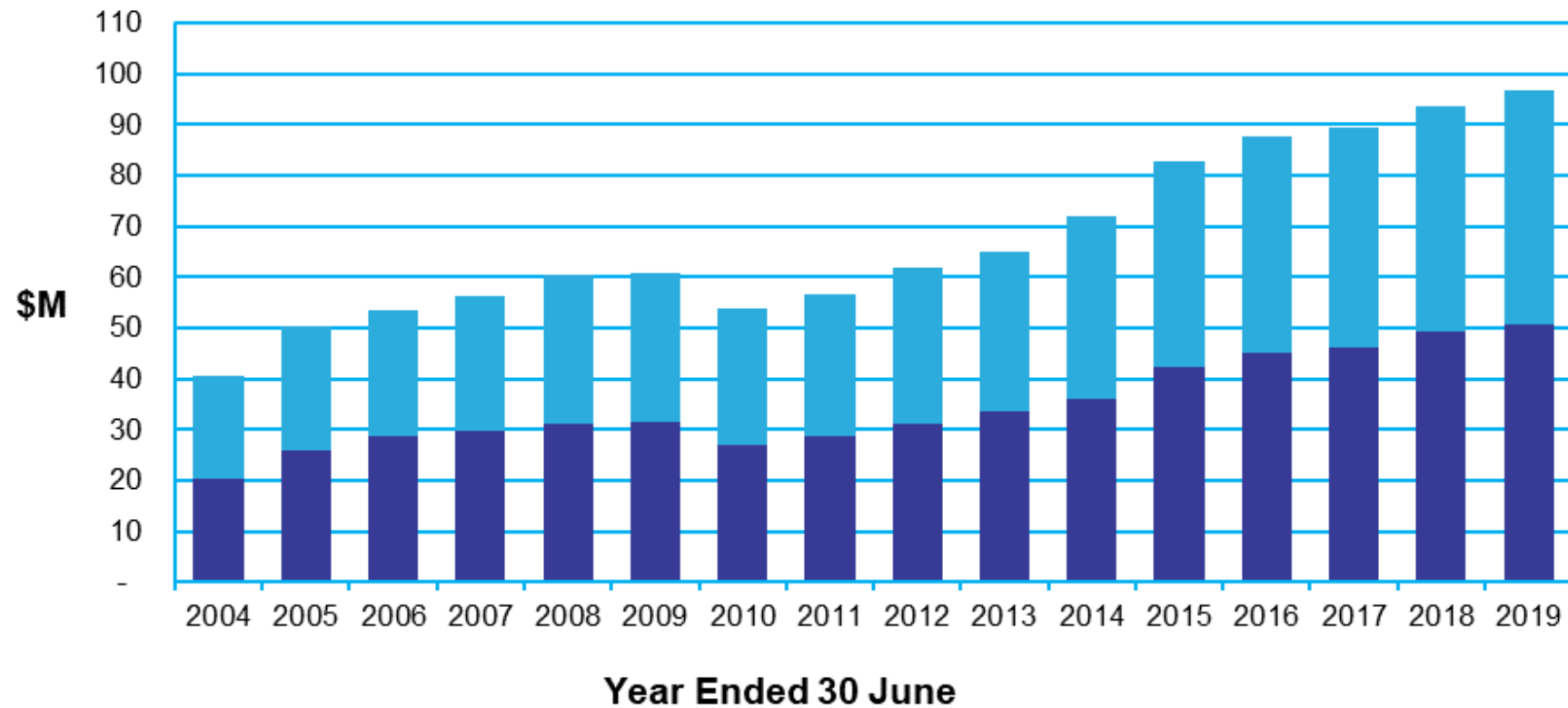
NOTES

* Excluding non-recurring items

OPERATING REVENUE



EBITA



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

● 2nd HALF
● 1st HALF

BALANCE SHEET – KEY POINTS

- Total assets increased from FY18 by \$24m, including \$7m of intangible assets in respect of the acquisitions of three small businesses in Australia. Higher trade & other receivables from increased activity (\$6m) and a higher cash balance (\$9m) due to timing of receipts & payments also contributed to higher recorded assets
- Total liabilities increased from FY18 by \$8m due to a \$6m increase in borrowings to fund the three small acquisitions
- No significant changes to issued capital during the year

CASH FLOW – KEY POINTS

- Cash generated from operations of \$109m was \$4m above the PCP. Net cash inflows from operating activities (i.e. after deducting interest and tax payments) were marginally above the PCP at \$76m. Income tax paid in the PCP was lower due to payment timing, but also a tax refund for overpaid provisional tax from FY17
- Cashflows from investing activities were up \$5m on the PCP, which included \$3m more in acquisition payments compared to the PCP
- The \$15m decrease in cash outflows from financing activities compared to the PCP reflects the drawdown of \$10m of debt in FY19 compared to \$8m being repaid in the PCP

CAPITAL EXPENDITURE & DEPRECIATION

	2019 Full Year Actual \$M	2020 Full Year Forecast \$M
Capital Expenditure	21	22 - 24
Depreciation	15	17

SECTION 3

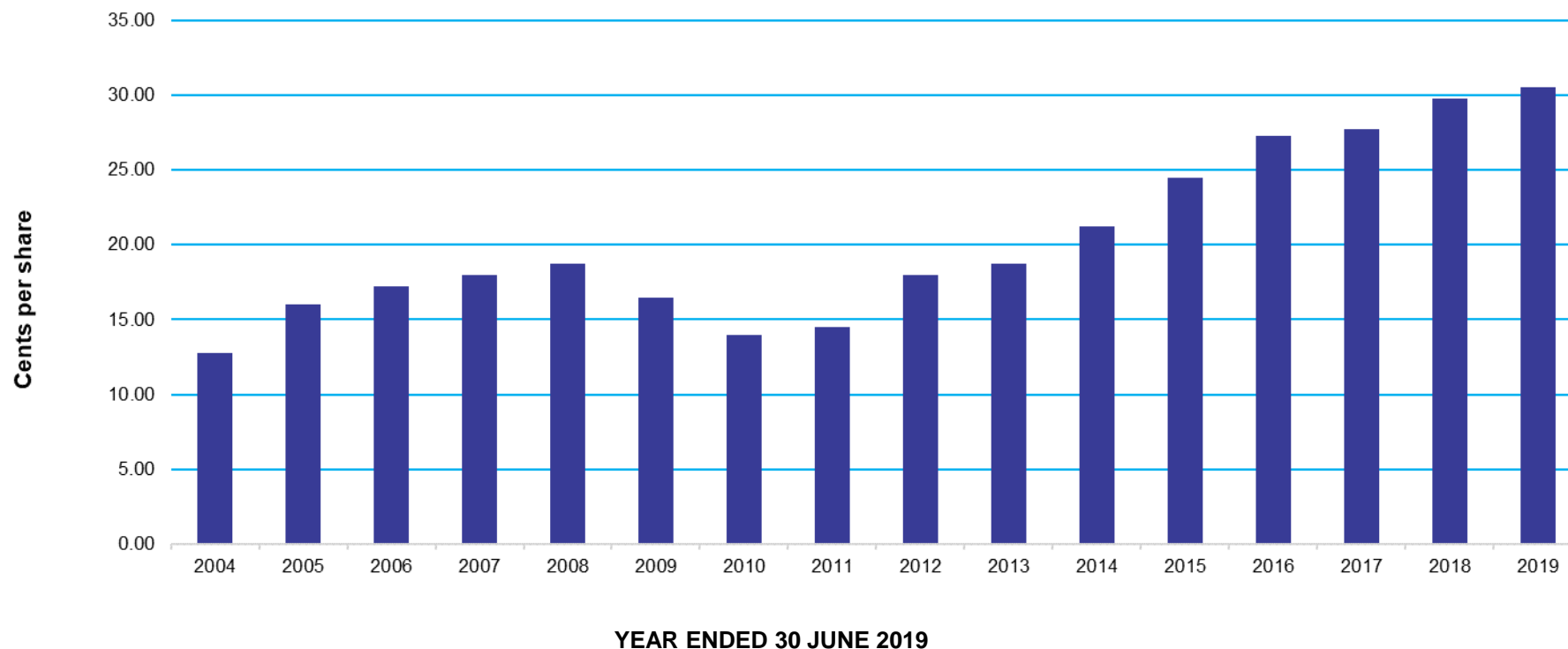
DIVIDEND



DIVIDEND

- FINAL DIVIDEND - **15.5 cps**
- IMPUTATION CREDITS - **6.0278 cps (fully imputed at 28% tax rate)**
- SUPPLEMENTARY DIVIDEND - **2.7353 cps**
- RECORD DATE - **13 September 2019**
- PAYMENT DATE - **1 October 2019**
- NO DRP IS OFFERED IN RESPECT OF THIS DIVIDEND

DIVIDEND PAYMENT HISTORY



SECTION 4

STRATEGY



4 CORE AREAS OF BUSINESS



FOCUSED ON SERVICE AND INNOVATION



4000+
staff and contractors



Committed to
market leadership



Deep
**customer and
consumer focus**



Track record of
**diversification
and innovation**



LOOKING AHEAD: EXPRESS PACKAGE

Current State

- Softer same-customer growth in 2HY
- Higher price increases in FY20 from all market participants driven by labour cost increases
- FRE's B2C proportion of deliveries is ~ 20% after PFE introduced
- Stable and loyal customer base

Strategy

- Pricing For Effort: Stage I in effect for residential deliveries
- Residential productivity now embedded as BAU
- Tracking and notification systems being introduced to customers
- Enhanced local delivery service being developed for Auckland

LOOKING AHEAD: BUSINESS MAIL



Current State

- Bulk mail pricing has become complex
- NZ Post's zonal pricing directly targets DX Mail
- Important to customers to maintain an operational competitor to NZ Post
- Overall mail market continues to experience organic decline

Strategy

- DX Mail is the only provider capable of performing overnight and five-days-per-week delivery
- Continue to target customers who require superior service levels
- Provide a bundled digital & physical mail delivery service
- Building-out our network to meet customer demand and achieve greater efficiencies through scale
- Engage NZCC on NZ Post's pricing strategies



LOOKING AHEAD: INFORMATION MANAGEMENT

Current State

- NZ is a high utilisation / high margin business (82% utilisation)
- AU experiencing good growth in document storage but has lower margins due to lower utilisation of facilities at 67%
- Activity-related revenue for Media is declining
- Rationalised market
- Customers can be hard to transition, but once won, are sticky with annuity revenue streams

Strategy

- Improve margins in AU by improving the utilisation of our facilities to 82% over the next 2 years
- Exploit our scale digitalisation capability in NZ and AU
- Develop new services to market to our large NZ and AU customer bases



LOOKING AHEAD:

SECURE DESTRUCTION

Current State

- Rationalised market
- Large volumes of active paper and archives to be destroyed
- FRE capabilities are transferrable to other niches
- Mix of fixed rates for paper and spot market pricing
- Spot-market prices expected to be softer in the short term

Strategy

- Continue to target market share gains
- Move into adjacent markets which require efficient pick-up, processing (e.g. separation, shredding, baling) and delivery (selling into commodity markets)
- Target business customers looking for assistance with electronic waste, medical waste, coffee cups, plastic and textiles
- Use a combination of acquisition, alliance and start-ups to grow scale in NZ and AU

SECTION 5

OUTLOOK



OUTLOOK

- In the short term, expect the trend from 2HY to continue in terms of same-customer sales
- Focus on pricing and efficiency should deliver YoY earnings growth, which will position the business well when organic growth levels improve
- Expect utilisation to improve in AU, targeting 75% in FY20
- Continue to target scale digital opportunities in NZ and AU
- Build density in the expanded destruction networks
- Target acquisition opportunities that are synergistic or complementary to Freightways' networks and capabilities



SECTION 6

CONCLUSION



CONCLUSION

While the Full Year results for 2019 were impacted by lower organic growth rates in EP and slower transition of archives into IM, we are encouraged by:

- margin expansion in 2HY in EP
- pricing initiatives which are underway and expected to provide a profitable base for B2C growth in the future
- the capability we have developed in Digitalisation and eDiscovery
- the opportunities to leverage our secure destruction network

Freightways will continue to invest in its people, service quality and growth opportunities for the long-term benefit of all of its stakeholders.



THANK YOU



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