

A NEW PLATFORM FOR GROWTH

FREIGHTWAYS FY23 RESULTS

21 AUGUST 2023 | NZX FRW

ALLIED
EXPRESS

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Read this presentation with the financial statements

The financial results in this presentation should be read in conjunction with the financial statements for the year ended 30 June 2023, which can be found in the NZX preliminary results announcement.

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AGENDA

1. Introduction and Highlights
2. Financial Summary
 - Capital Management
 - Business Performance
3. Business Strategy
4. Outlook
5. Appendices

PRESENTERS



Mark Troughear
Chief Executive



Stephan Deschamps
Chief Financial Officer

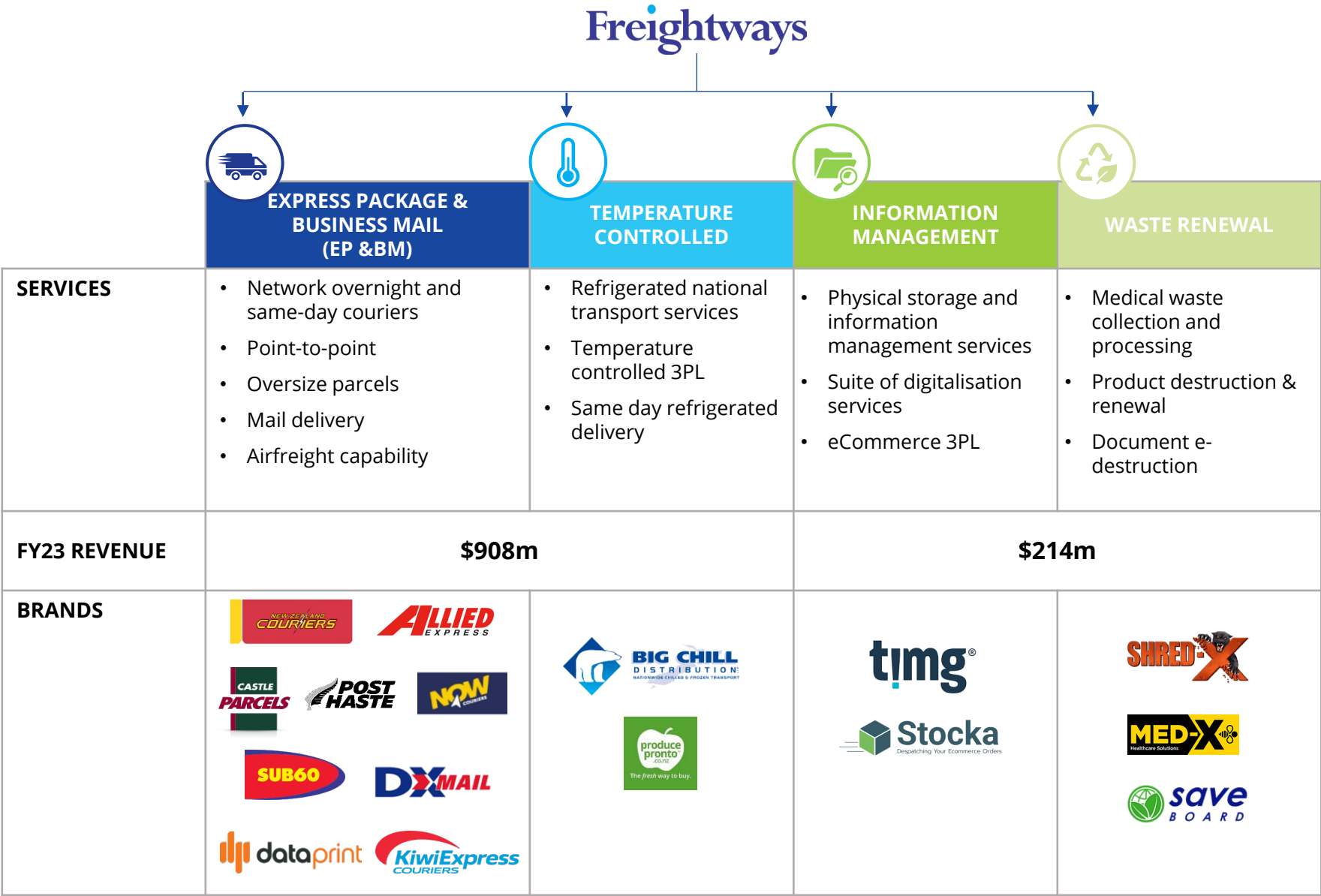


Neil Wilson
General Manager

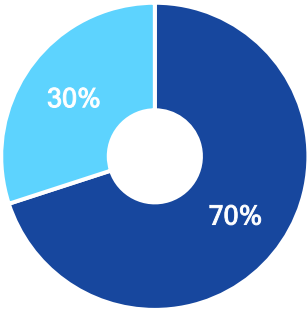


Steve Wells
General Manager of
Express Package

A DIVERSIFIED PLATFORM FOR GROWTH



FY23 REVENUE BY GEOGRAPHY



■ New Zealand ■ Australia

FY23 HIGHLIGHTS

ACROSS
FREIGHTWAYS

↑ **29%**

REVENUE GROWTH

EXPRESS PACKAGE
& BUSINESS MAIL

↑ **32%**

REVENUE GROWTH

INFORMATION
MANAGEMENT

↑ **15%**

REVENUE GROWTH

ACROSS
FREIGHTWAYS

↑ **7%**

NPAT* GROWTH

ACROSS
FREIGHTWAYS

↑ **15%**

EBITA** GROWTH

ACROSS
FREIGHTWAYS

↑ **26%**

CASH FLOW



FY23 CONSOLIDATED PERFORMANCE

- Revenue growth of 29% supported by growth across both EP&BM of 32% and IM of 15% divisions
- Successful integration of Allied Express (“Allied”) and strong performance in the nine-month period since acquisition
- NZ market impacted by a same-customer slow down through FY23. AU has been more resilient through the FY but we expect more challenging macro conditions in FY24
- Shred-X impacted by \$4m EBITA through lower medical waste volume and pricing as signalled at the end of FY22
- Strong performance from Information Management in NZ and AU assisted by a large project in NZ
- One-off events impacted EBITA by \$4.5m due to weather related events and non-recurring costs related to M&A activities and the preparation for a potential dual listing on the ASX
- EBITA growth of 15%
- Amortisation increased 29% and interest expense increased 30%

	Note	FY23 \$m	FY22 \$m	Change %
Operating Revenue		1,121.6	873.1	28.5
EBITDA (non-GAAP)	(i)	214.9	184.9	16.2
EBITA (non-GAAP)	(ii)	145.3	126.5	14.8
NPATA (non-GAAP)	(iii)	86.6	77.7	11.5
NPAT (GAAP)	(iv)	75.3	70.2	7.3
Basic Earnings Per Share (cents)		43.1	42.3	

NOTES

- Operating profit before interest, tax, depreciation and amortisation
- Operating profit before interest, tax and amortisation
- Net profit after tax before amortisation
- Net profit after tax

- GAAP – Generally Accepted Accounting Principles (IFRS-compliant)
- Results in this table are after adjustments for NZ IFRS16 (Leases). Refer to appendices for reconciliation to results before NZ IFRS16.

CAPITAL MANAGEMENT AND DIVIDEND POLICY

CAPITAL MANAGEMENT PRINCIPLES

- Targeting solid Investment Grade credit profile, at a level that minimises the cost of capital
- Net Debt / EBITDA between 2x and 3x (currently 2.8x)

DIVIDEND POLICY

- Dividend Policy aligned with Capital Management Policy, balancing a number of objectives:
 1. The setting of the dividend is subordinated to the overall capital structure of Freightways. When debt is considered high, the cash dividend will be reduced to allow for faster debt reduction
 2. The dividend is set at a level that the Board expects to be sustainable in the medium term
 3. Subject to the first two principles, the Board will aim to pay 75% to 80% of the NPATA adjusted for significant one-offs

FINAL DIVIDEND	19 CPS (37 CPS FOR THE YEAR)
Imputation credits	7.39 cps (fully imputed in NZ at 28% tax rate)
Supplementary dividend	3.3529 cps
Record date	15 September 2023
Payment date	2 October 2023
Dividend Reinvestment Plan	Offered with a discount of 2%

ASX DUAL LISTING

- Whilst the majority of our business is in New Zealand, and the NZX is our primary listing, Australia is a larger and growing part of our activity, and it is likely that the pace of growth in Australia will surpass that of New Zealand
- A dual listing in Australia therefore makes sense to reflect the new reality of our business
- It also allows us to work with Australian Fund Managers that have a mandate to only invest in ASX-listed companies and thus broaden our investor base in line with our business activity
- We are now applying for a dual listing and expect the listing to take place by the end of September



FY23 EXPRESS PACKAGE & BUSINESS MAIL

New Zealand

- EP&BM Network courier volumes were largely as predicted for H2
- Volume for the H2 was down 2% on the pcp (down 1.3% adjusting for the additional holiday and the two weeks of weather events)
- Market share gains of 4% helped offset organic volume declines
- EP&BM division revenue up 5% ex Allied, up 32% including Allied's contribution over the nine-month period since acquisition
- Headline courier (GRI) pricing improvement initiated for FY24 of 7.5%, expect to realise around 75% of this
- EP&BM EBITA up 17% (including nine months of contribution from Allied)
- Labour costs continue to be a feature, up 10% on the pcp (excluding Allied), however the number of applicants per job has increased materially in last 2-3 months
- Strong service performance by all EP&BM businesses has continued to be a differentiator

	FY23 \$m	FY22 \$m	Change %
Operating Revenue	911.1	689.0	32.2
EBITDA (non-GAAP)	169.8	142.2	19.4
EBITA (non-GAAP)	125.4	107.5	16.7
EBITA Margin	13.8%	15.6%	
NPAT (GAAP)	78.1	70.0	11.6

- Results in this table are after adjustment for NZ IFRS16 (Leases). Refer to appendices for reconciliation to results before NZ IFRS16.
- GAAP – Generally Accepted Accounting Principles (IFRS-compliant)

FY23 EXPRESS PACKAGE & BUSINESS MAIL

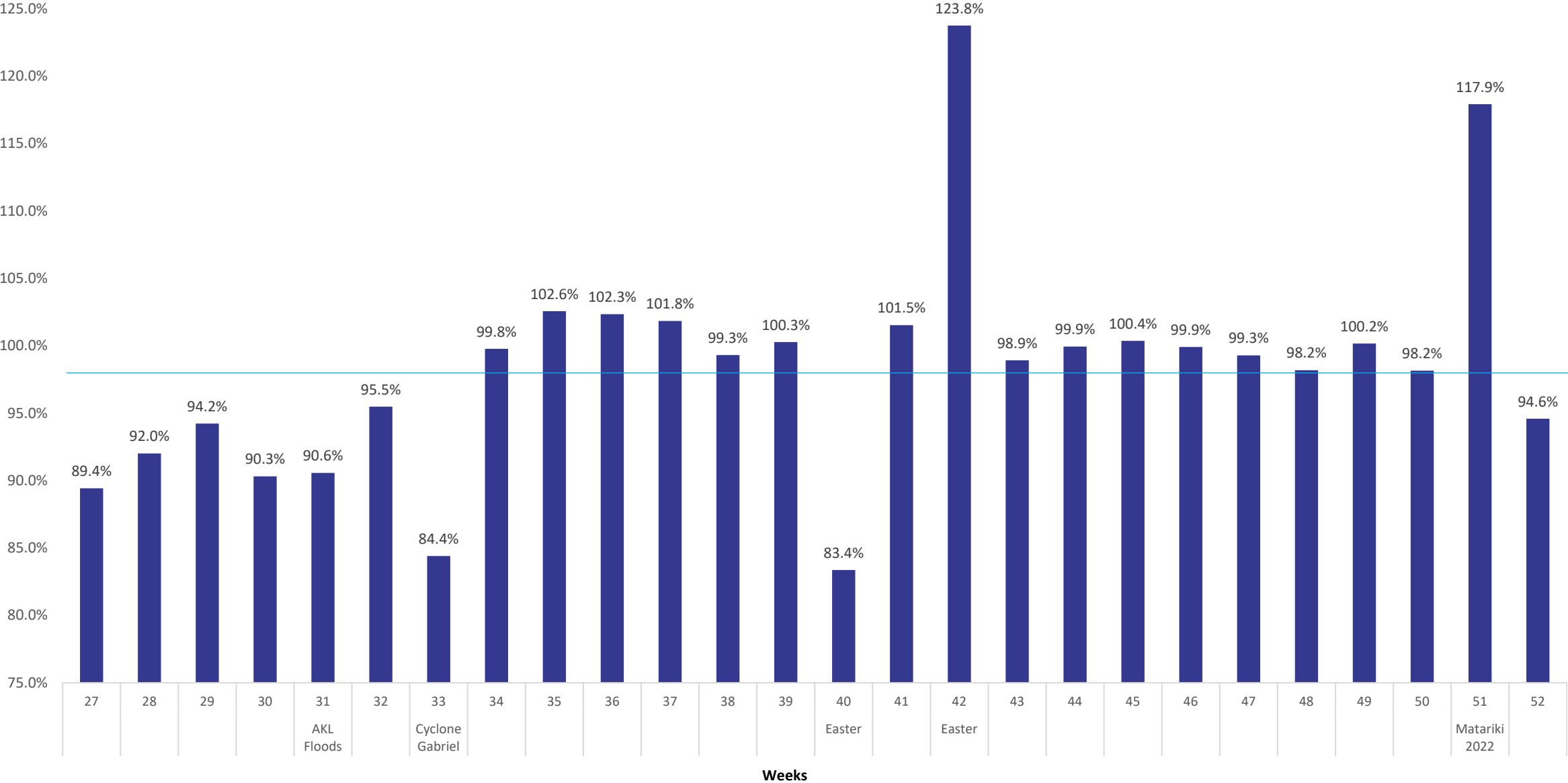
Australia

- Allied has provided a national footprint for profitable growth in express package across Australia and assisted in diversifying FRW earnings so that they are less reliant on NZ's economic performance
- Strong financial performance over the year
- Volumes and revenue are steady to date with incremental new business gains being achieved
- NSW automation due to be commissioned by Q2 FY24
- New business team actively targeting market share opportunities
- Headline price increase of 4% in FY24



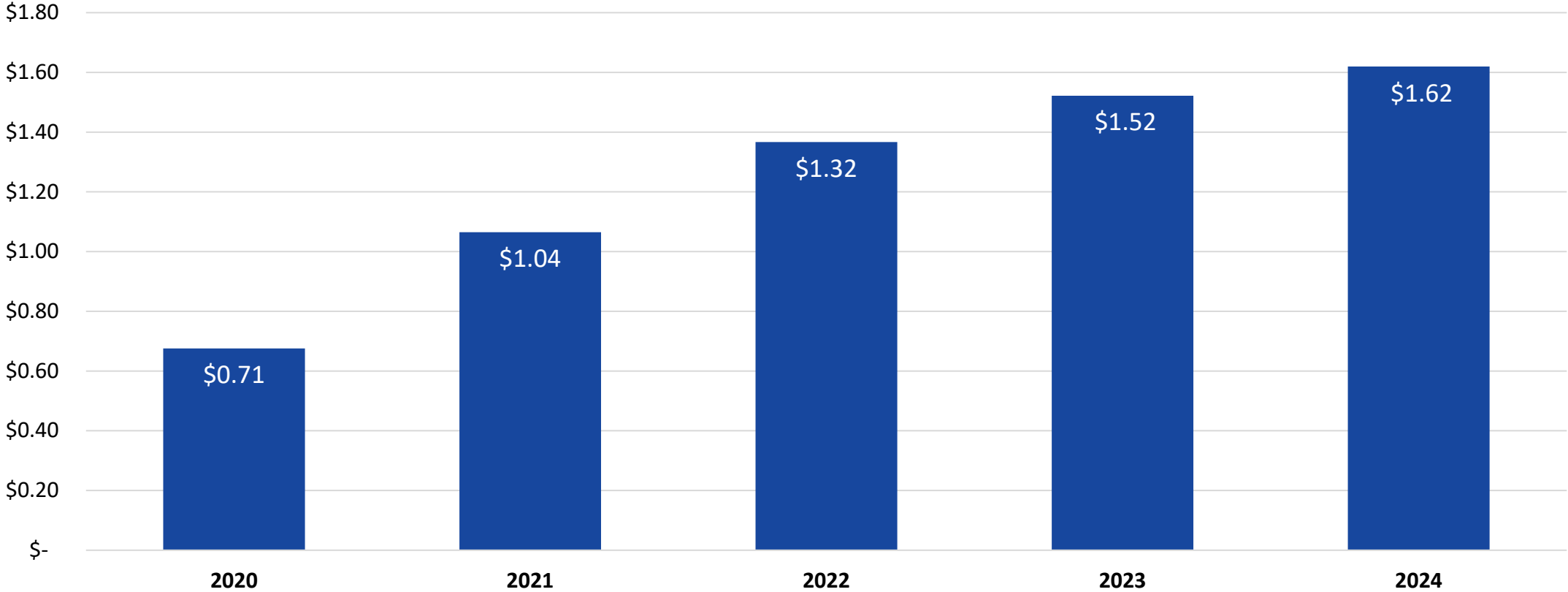
NZ NETWORK COURIER ITEM TREND FOR H2, FY23 as a % of FY22

FREIGHTWAYS FY23 RESULTS PRESENTATION



NZ NETWORK COURIER PFE REVENUE PER ITEM

FREIGHTWAYS FY23 RESULTS PRESENTATION



FY23 INFORMATION MANAGEMENT AND WASTE RENEWAL HIGHLIGHTS



- IM Revenue up 15% (FX, recovery of activity in TIMG NZ and AU)
 - Strong growth in digitisation, up 52% on pcp
 - Major NZ digital project helped to deliver 27% revenue growth at TIMG NZ
 - Return of service work for media and documents
 - Stronger destruction revenues assisted by strong paper prices although these began to ease at the end of FY23
 - LitSupport revenues are now consistent and finished the year up 8% on pcp
- IM EBITA down 1%, \$0.4m
 - Revenue decline of A\$7.7m in Med-X and higher operating costs in waste renewal led to a decline in margins of A\$4m
 - Investment in the VIC Med-X facility, which is due to commence operations in Q1 FY24

	FY23 \$m	FY22 \$m	Change %
Operating Revenue	214.3	187.1	14.6
EBITDA (non-GAAP)	56.4	55.2	2.1
EBITA (non-GAAP)	32.7	33.1	(1.3)
EBITA Margin	15.3%	17.7%	
NPAT (GAAP)	18.0	18.2	(1.1)

- Results in this table are after adjustment for NZ IFRS16 (Leases). Refer to appendices for reconciliation to results before NZ IFRS16.
- GAAP – Generally Accepted Accounting Principles (IFRS-compliant)



THREE HORIZONS OF GROWTH

ACTIVITIES		HORIZON 1	HORIZON 2	HORIZON 3
		Extend and Defend	Grow Scale	Establish New Lines of Business
 EXPRESS PACKAGE & BUSINESS MAIL	B2B <ul style="list-style-type: none">Focus on a profitable market share gainsImprove the resilience of airfreight networkAssess metropolitan “local” service levels, infrastructure costs and pricing	B2C <ul style="list-style-type: none">Leverage our trans-Tasman presence for common eCommerce customersMaintain high levels of service to maintain a premium for B2C deliveries	Oversize (25kg+) <ul style="list-style-type: none">Scale Oversize revenue in NZNew business teams to grow Allied’s market share in Oversize in AUAssess bolt-on M&A opportunities in AU	
	 TEMPERATURE CONTROLLED LOGISTICS	National Delivery <ul style="list-style-type: none">Pursue market share opportunities as infrastructure (trucks and depots) come on stream	3PL <ul style="list-style-type: none">Utilisation of 95% in AucklandRuakura due to open in October 2023, targeting 50% utilisation by end of FY24	Same Day <ul style="list-style-type: none">Roll out of national delivery for convenience storesGrow scale with new coolstore capacity brought on during 2023

OUR CAPABILITIES



STRIVE FOR EFFICIENCY
NETWORK DENSITY

DELIVER RELIABLY
ALWAYS DELIVER ON TIME

LOVE OUR CUSTOMERS
SALES APPROACH & CULTURE

ACT LIKE AN ENTREPRENEUR
M&A GROWTH/THE STARTERY

THREE HORIZONS OF GROWTH

ACTIVITIES		HORIZON 1	HORIZON 2	HORIZON 3
		Extend and Defend	Grow Scale	Establish New Lines of Business
 INFORMATION MANAGEMENT	Storage <ul style="list-style-type: none">Improvement in utilisation of existing warehouses through market share gainsAU boxes now >3m, strongest growth achieved in WA (up 7% year on year)	Digitisation <ul style="list-style-type: none">Large scale digital project completed in FY23Digital revenues in AU up 39% for year. Digital services now contribute 30% of TIMG AU EBITA	eCommerce 3PL <ul style="list-style-type: none">STOCKA eCommerce offering showing strong growth. To meet demand a new 3PL warehouse is expected to be added in June 2024	
	 WASTE RENEWAL	Secure Destruction <ul style="list-style-type: none">Paper prices likely to be more volatile in FY24Continued focus on market share gains	Medical Waste <ul style="list-style-type: none">VIC processing plant built and awaiting EPA approvalTarget market share gains in VIC, NSW, QLD	High Value Waste <ul style="list-style-type: none">Build profitability in SaveBoard after establishment yearTarget product destruction marketContinue to source circular loop solutions for hard to recycle waste

OUR CAPABILITIES





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SUSTAINABILITY - KEY INITIATIVES FOR FREIGHTWAYS

SDG	FREIGHTWAYS KEY FY24 INITIATIVES
<div>  <div> SDG#3 GOOD HEALTH & WELLBEING </div> </div>	<ul style="list-style-type: none"> • Health and safety in employment: Injury reduction. TRIFR continues to reduce year on year
<div>  <div> SDG#8 DECENT WORK & ECONOMIC GROWTH </div> </div>	<ul style="list-style-type: none"> • Our commitment is to improve Contractor earnings year on year • L&D – We will continue to invest in training our people so 80% or more of our promotions come from within
<div>  <div> SDG#9 INDUSTRY, INNOVATION & INFRASTRUCTURE </div> </div>	<ul style="list-style-type: none"> • We have a customer churn rate of <2% of revenue • We are committed to continued growth in Horizon's 2 & 3
<div>  <div> SDG#13 CLIMATE ACTION </div> </div>	<ul style="list-style-type: none"> • GHG emissions reduction with a target to reduce Scope 1, 2 & 3 emissions by 50% by 2035, ensuring that our contribution to Global Warming is no greater than 1.5 degrees celsius • The average age of linehaul vehicles (in our direct control) is 4 years or less • Commitment to assisting the development of circular re-use of waste

M&A GROWTH

ACQUISITION STRATEGY & INVESTMENT CRITERIA

- ✓ **Target characteristics:**
 1. Established / profitable, well-managed and growing businesses
 2. Earnings accretive acquisitions with achievable synergies and well-understood integration costs
- ✓ **Strategic rationale:**
 1. Access new customer segments that we can grow earnings from, using our core capabilities
 2. Increase our size, capability and capacity across existing business units
- ✓ **Size:** Bolt-on acquisitions that complement existing business divisions through to larger opportunities
- ✓ **Geography:** Australia and New Zealand
- ✓ **Method:** Disciplined adherence to deriving value

SUCCESSFUL M&A TRACK RECORD (recent examples)



(A\$160m, 2022)

- Entry point to the Australian market for EP&BM
- Platform for growth in the Oversize category of the Australian express market



(NZ\$16m, 2021)

- Complements successful acquisition of Big Chill to expand same-day and overnight temperature-controlled delivery niche



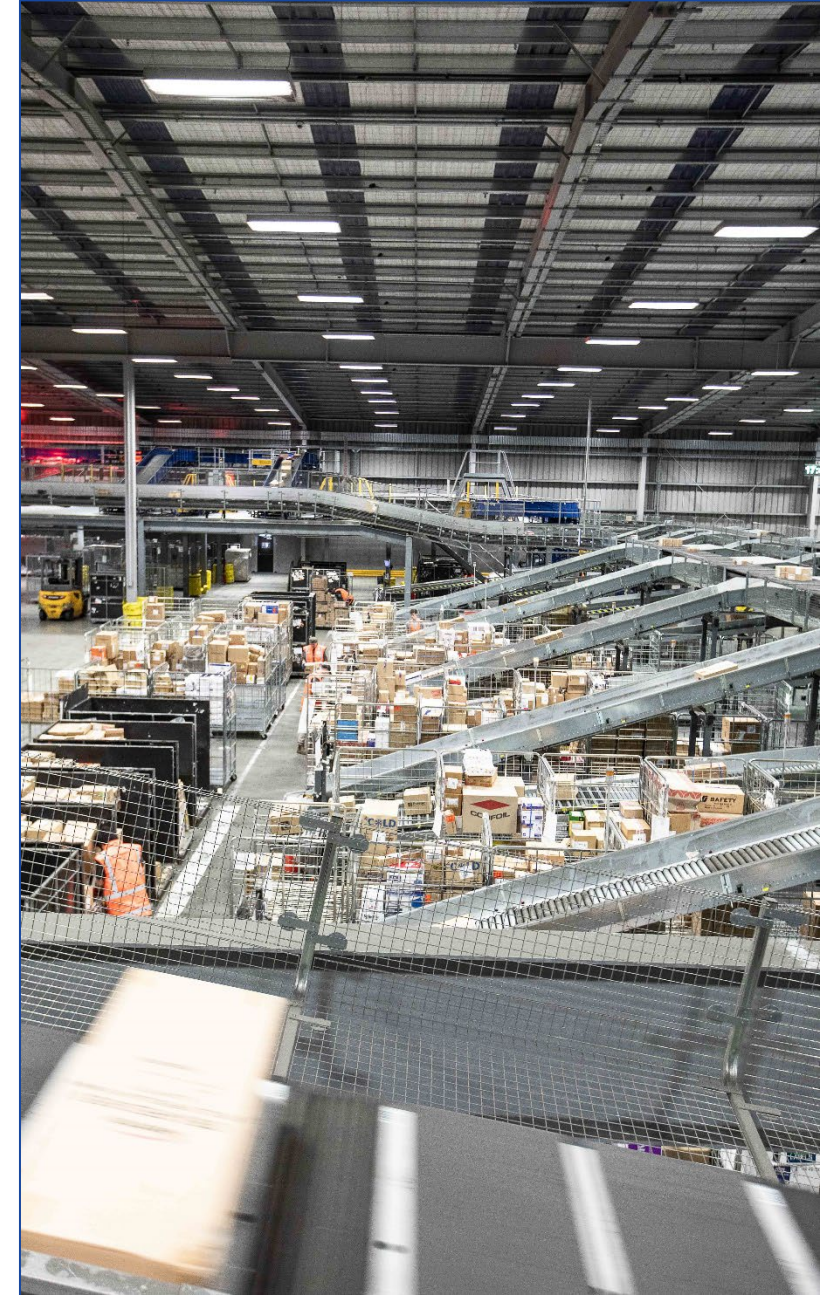
(NZ\$171m, 2020)

- Expansion into refrigerated logistics to provide short and long-term growth opportunities, while further diversifying earnings base



OUTLOOK

- The economic climate has presented challenges over the past six months, and we expect this to continue through FY24. In NZ, while same-customer volume is lower than in FY23, we have secured new customers who are mitigating this impact. The tight labour markets in both NZ and Australia are beginning to ease
- In the short term we are cautious about the impact of the economy, particularly in NZ, and we will continue to review the portfolio of services we provide with a view to delivering superior long-term value to shareholders through short, medium and long-term initiatives. We will do so whilst monitoring costs closely and acting quickly if we see additional pressure on our margins
- Our NZ Express Package businesses will use efficiency, pricing and market share levers to manage any decline in volume
- We are positive about the diversification and resilience our business model offers with operations in Australia and NZ and across a number of logistics segments – many of which are not directly tied to domestic NZ economic activity
- With the acquisition of Allied, we now have a strong platform in Australia, which we can leverage. There are opportunities for both organic and acquisition-related growth
- We have unique competitive positioning in a number of Horizon 3 segments which we can grow over the longer term
- Maintaining strong service performance, retaining our existing customers and seeking out profitable new business will be a feature for all our businesses
- An ASX dual listing is on track for HY24



QUESTIONS

APPENDICES

Appendix - Reconciliation of Post-NZ IFRS16 to Pre-NZ IFRS16

FREIGHTWAYS GROUP		FY23 \$m	FY23 \$m	FY23 \$m	FY22 \$m	FY22 \$m	FY22 \$m
	Note	Post NZ IFRS16	NZ IFRS16 adjustment	Pre NZ IFRS16 (non-GAAP)	Post NZ IFRS16	NZ IFRS16 adjustment	Pre NZ IFRS16 (non-GAAP)
Operating Revenue		1,121.6	-	1,121.6	873.1	-	873.1
EBITDA (non-GAAP)	(i)	214.9	(53.5)	161.3	184.9	(43.8)	141.1
EBITA (non-GAAP)	(ii)	145.3	(8.7)	136.6	126.5	(7.2)	119.3
NPATA (non-GAAP)	(iii)	86.6	3.4	90.0	77.7	2.6	80.3
NPAT	(iv)	75.3	3.4	78.7	70.2	2.6	72.8

NOTES

- i. Operating profit before interest, tax, depreciation and amortisation
- ii. Operating profit before interest, tax and amortisation
- iii. Net profit after tax before amortisation
- iv. Net profit after tax

GAAP – Generally Accepted Accounting Principles

Appendix - Reconciliation of Post-NZ IFRS16 to Pre-NZ IFRS16

<i>EXPRESS PACKAGE & BUSINESS MAIL</i>	FY23 \$m	FY22 \$m	Change %
Operating Revenue	911.1	689.0	32.2
EBITDA (after NZ IFRS16)	169.8	142.2	19.4
Less: NZ IFRS16 adjustment	(34.3)	(26.3)	30.2
EBITDA (before NZ IFRS16)	135.5	115.8	17.0
EBITA (after NZ IFRS16)	125.4	107.5	16.7
Less: NZ IFRS16 adjustment	(4.7)	(4.0)	18.0
EBITA (before NZ IFRS16)	120.7	103.5	16.7

NOTES

EBITDA and EBITA are non-GAAP measures

Appendix - Reconciliation of Post-NZ IFRS16 to Pre-NZ IFRS16

INFORMATION MANAGEMENT & WASTE RENEWAL	FY23 \$m	FY22 \$m	Change %
Operating Revenue	214.3	187.1	14.6
EBITDA (after NZ IFRS16)	56.4	55.2	2.1
Less: NZ IFRS16 adjustment	(19.0)	(17.3)	10.3
EBITDA (before NZ IFRS16)	37.4	38.0	(1.6)
EBITA (after NZ IFRS16)	32.7	33.1	(1.3)
Less: NZ IFRS16 adjustment	(3.9)	(3.2)	22.9
EBITA (before NZ IFRS16)	28.8	29.9	(3.9)

NOTES

EBITDA and EBITA are non-GAAP measures