



Freightways Half Year Presentation

23 February 2015

This presentation relates to the Freightways Limited NZX announcement and media release of 23 February 2015.

As such, it should be read in conjunction with, and is subject to, the explanations and views contained in those releases.

The half year financial result presented is drawn from unaudited financial statements prepared in accordance with NZ GAAP.

Agenda



- 2015 Half Year Highlights
- Operating Performance
- Business Strategy
- Outlook
- Conclusion

2015 Half Year Highlights



General Highlights

- Record result and dividend (20% above prior year's interim dividend)
- Improved performance from all businesses, in all regions
- Organic growth strategies successful:
 - Continued support and increased activity from customers
 - Increasing demand for newly-introduced digital services
- Strategic growth strategies successful:
 - Further information management businesses acquired
 - Acquisitions in the prior year performing well

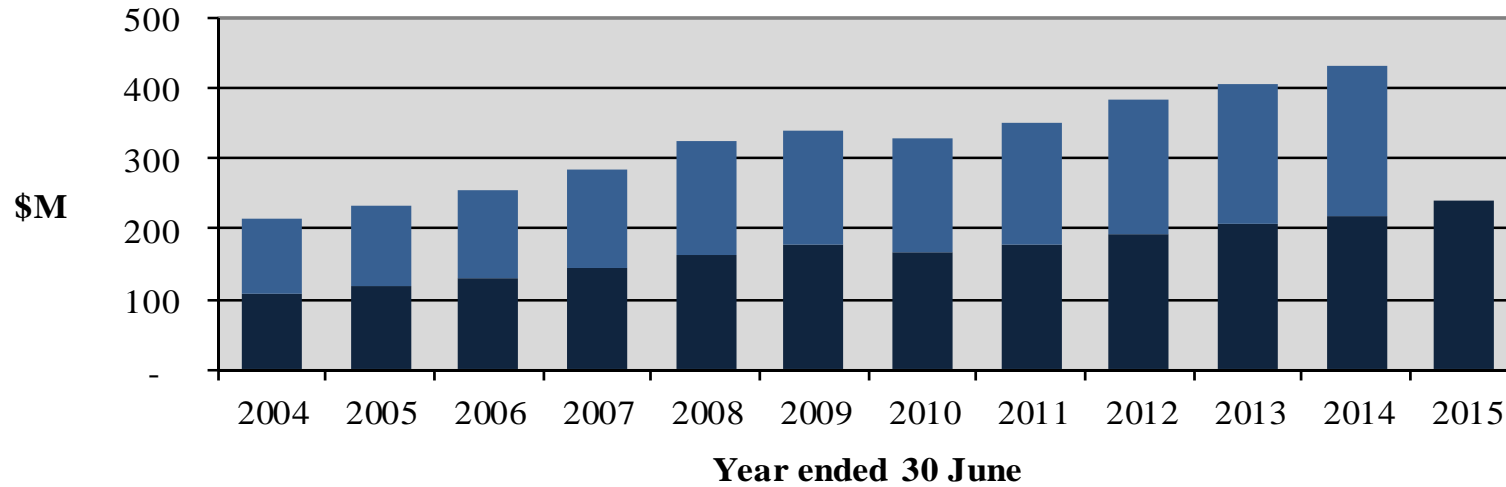
Financial Highlights

	Dec-14 \$M	Dec-13 \$M	Increase %
Operating Revenue	241.8	218.3	10.8%
EBITDA	48.6	42.0	15.6%
EBITA	42.4	36.2	17.3%
NPATA	26.9	22.2	21.1%
NPAT	26.3	21.7	21.0%

Operating Performance



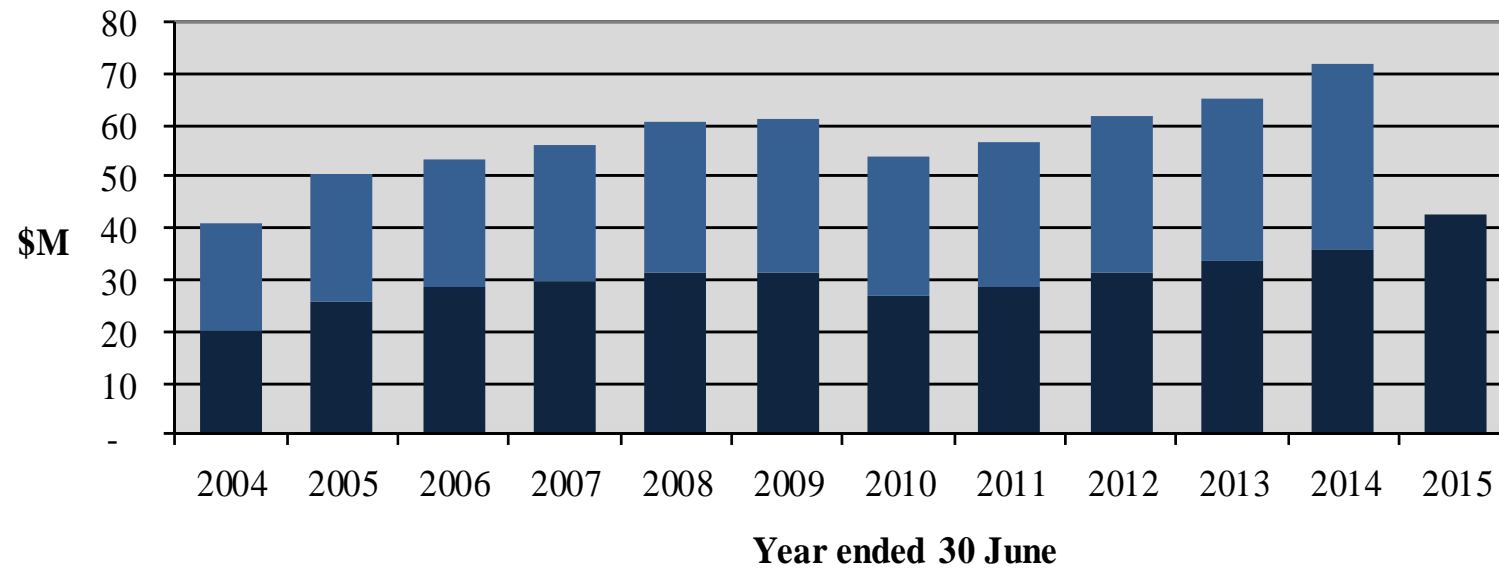
Operating Revenue



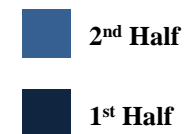
- 11% higher revenue compared to PCP



EBITA



- 17% higher EBITA compared to PCP

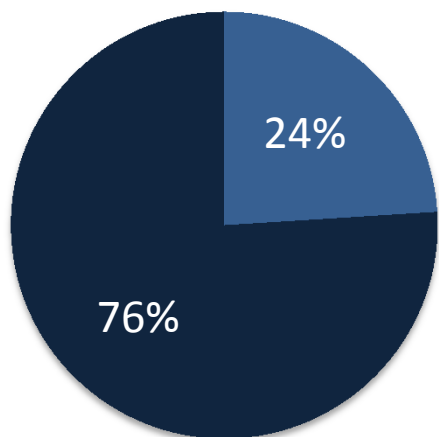


NB: This graph represents the operating profit before interest, tax and amortisation of intangibles, exclusive of any non-recurring items

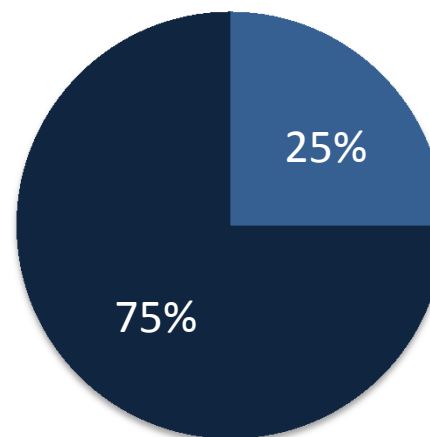
Business Segments

Operating Performance (Half Year ended 31 December 2014)

Revenue



EBITA



- Express Package & Business Mail
- Information Management

Express Package & Business Mail

	Dec-14 \$M	Dec-13 \$M	Increase %
Operating Revenue	185.2	168.1	10.2%
EBITDA	35.9	30.9	16.4%
EBITA	32.7	27.9	17.3%
EBITA Margin	17.6%	16.6%	

Information Management

	Dec-14 \$M	Dec-13 \$M	Increase %
Operating Revenue	57.7	51.3	12.4%
EBITDA	13.5	11.7	15.3%
EBITA	11.3	9.6	18.0%
EBITA Margin	19.6%	18.6%	

Balance Sheet - Key Points

- Total Assets and Total Liabilities have increased since FY14 by \$34m and \$27m, respectively, primarily as a result of the acquisitions completed during the year.
- Approx. \$13m was borrowed during the half year to assist in funding acquisitions and capital expenditure. Due to a favourable \$3m translation impact from converting AUD borrowings at a higher NZD exchange rate at 31 December 2014 compared with 30 June 2014, net bank borrowings on the balance sheet actually only increased by approx. \$10m for the period.
- No significant changes in issued capital during the period.
- Debt to debt & equity ratio has continued around 45% during the half year.
- Fair value of derivative financial instruments has increased \$2m as a liability when compared with FY14, from \$7m to \$9m, as future market interest rates have softened.

Cash Flow - Key Points

- Cash from operations was \$50m, assisted by increased trading and good working capital management. Net cash inflows from operating activities (i.e. after deducting interest and tax payments) of \$33m, were up \$9m compared to the PCP.
- Cash outflows from investing activities were \$4m higher than the PCP. This reflects \$7m more being spent on acquisitions, but \$3m less on capital expenditure for the period.
- The \$2m increase in cash outflows from financing activities mostly related to the 2014 final dividend payment being larger than the PCP. There was \$13m drawn on existing finance facilities to assist funding of acquisitions and capital expenditure, which was consistent with the PCP.

Capital Expenditure

	2015 Half Year Actual	2015 Full Year Forecast
Capital Expenditure	\$7m	\$17m
Depreciation	\$6m	\$13m

Subsequent Event - Interim Dividend

- Interim dividend: 12.00 cps
- Imputation credits: 4.6667 cps (at 28% tax rate)
- Supplementary dividend: 2.1176 cps
- Record date: 20 March 2015
- Payment date: 7 April 2015
- No DRP offered in respect of this dividend

Business Strategy














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
			
			
			
			
			

Information Management

	New Zealand	Australia
Document Storage		 
Data Storage		
Document Destruction		
Ancillary Services		 
		

Outlook



Outlook

- Express Package & Business Mail and Information Management markets remain positive and FRE businesses well-positioned to benefit from related opportunities
- Express Package market expansion from increased activity amongst existing users and new volume created by online retailers
- Business Mail increased demand expected for overnight delivery of standard priced letters and from businesses seeking alternative or new digital mailhouse services
- Information Management market growth from lower cost of outsourcing, privacy of business information and increasing demand for complementary and digital services relating to the creation and management of information
- Strategic growth opportunities, including alliances and acquisitions, will continue to be investigated and developed where they make commercial sense

Conclusion



Conclusion

- FRE has delivered another record result
- Evident in this result are:
 - the positive features of the markets that FRE operates in;
 - the resilience and adaptability of the FRE business model to accommodate growth and adapt to changing market circumstances; and
 - the successful execution of growth strategies by an experienced and capable team
- The Directors acknowledge the outstanding work and dedication of the FRE team of people throughout New Zealand and Australia



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