

# Freightways Full Year Presentation

12 August 2013



This presentation relates to the Freightways Limited NZX announcement and media release of 12 August 2013.

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

The full year financial results presented are drawn from audited financial statements prepared in accordance with NZ GAAP.

Financial amounts disclosed exclude non-recurring items as the Directors believe that these items should not be included when assessing the underlying operating performance of the Company.

# Agenda

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- 2013 Financial Highlights
- Operating Performance
- Business Strategy
- Outlook





# 2013 Financial Highlights

# Financial Highlights

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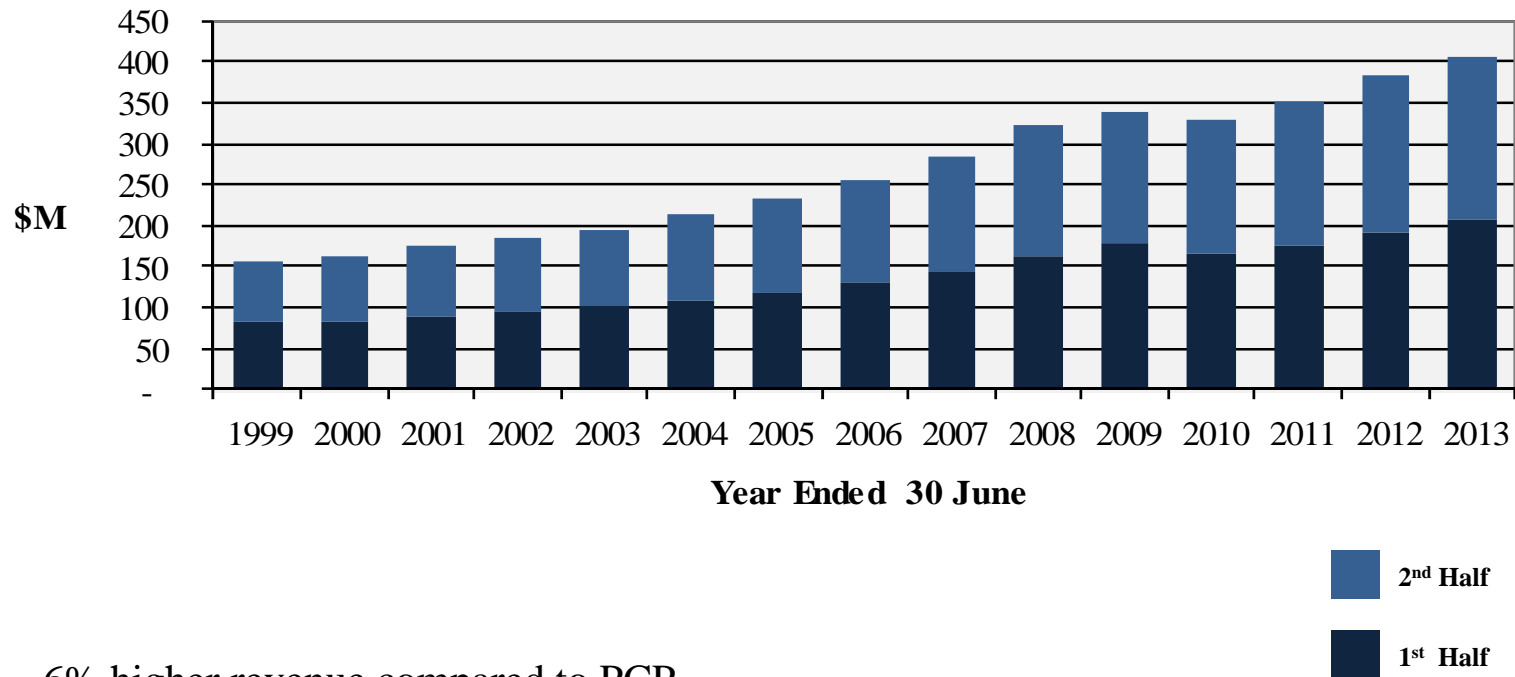
	Jun-13 \$M	Jun-12 \$M	Increase %
<b>Operating Revenue</b>	406	382	6%
<b>EBITDA*</b>	77	72	7%
<b>EBITA*</b>	65	62	5%
<b>NPAT*</b>	38	36	6%

\* Jun-13 excludes non-recurring income of \$2.1m relating to acquisition earnout payments that are now not expected to be paid (\$2.1m after tax)  
 (Jun-12 excludes \$1.5m of non-recurring income relating to earthquake insurance proceeds received (\$1.0m after tax))



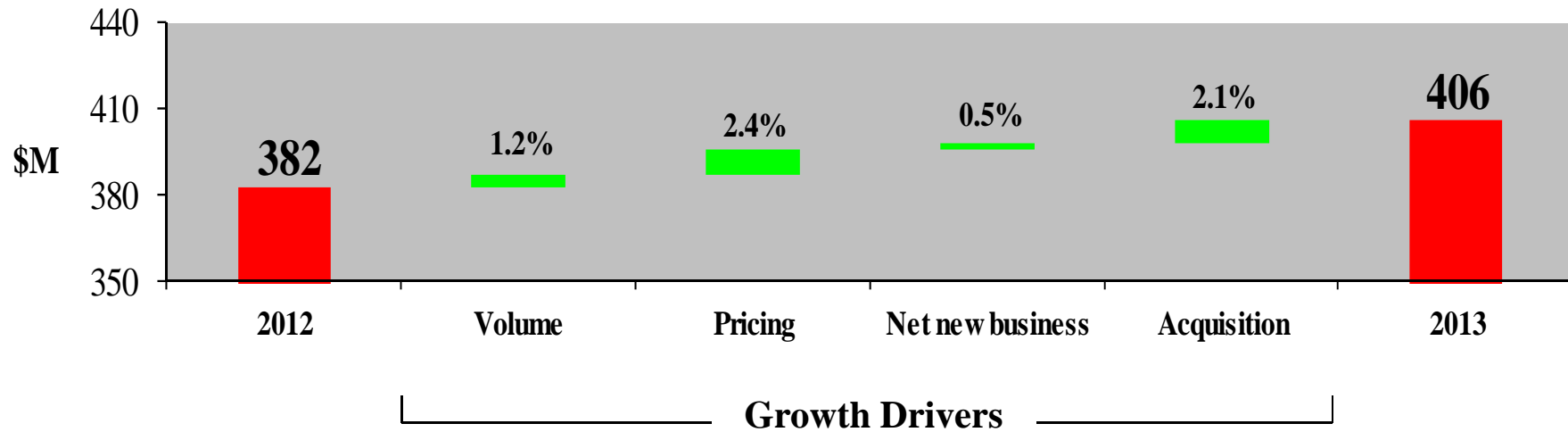
# Operating Performance

# Operating Revenue



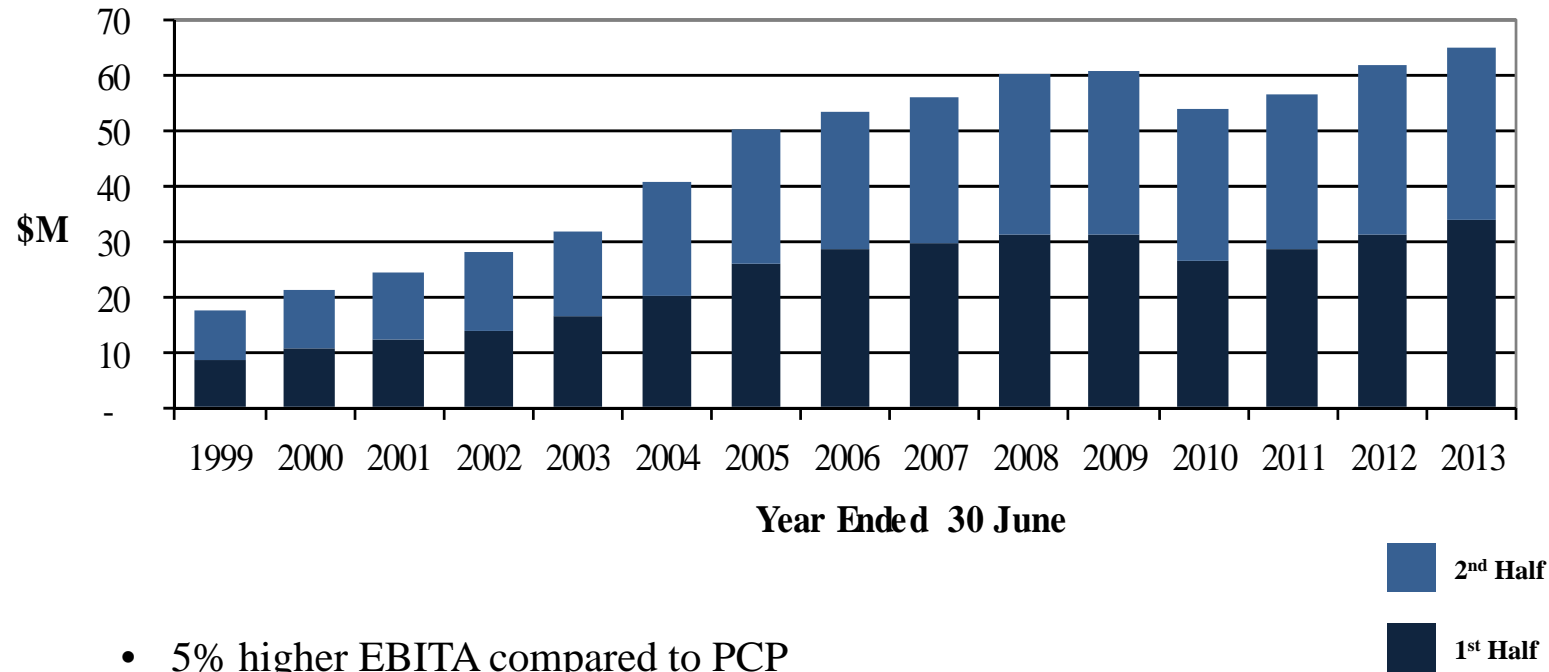
- 6% higher revenue compared to PCP
- 10-year compound average annual revenue growth of 7.6%

# Where Revenue Growth Has Come From





# EBITA\*



- 5% higher EBITA compared to PCP
- 10-year compound average annual EBITA growth of 7.3%

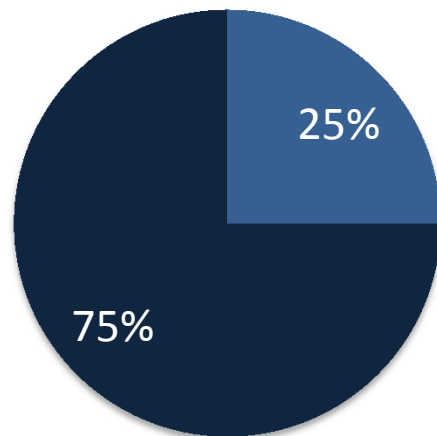
NB: This graph represents the operating profit before interest, tax and amortisation of intangibles, exclusive of any non-recurring items

# Business Segments

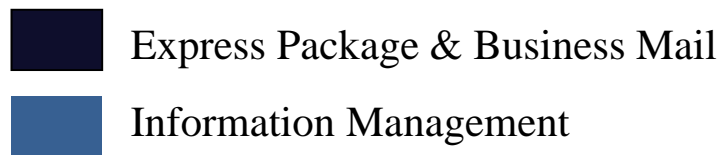
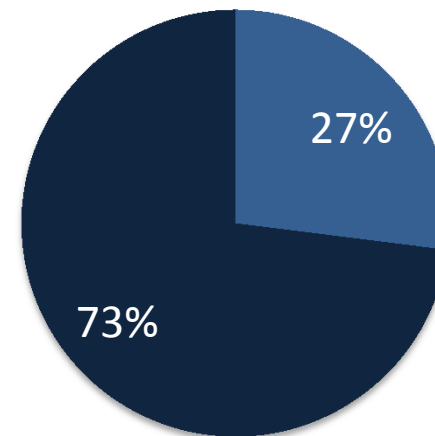
## Operating Performance (Year ended 30 June 2013)

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### Revenue



### EBITA



## Express Package & Business Mail

	Jun-13 \$M	Jun-12 \$M	Increase %
<b>Operating Revenue</b>	308	292	6%
<b>EBITDA*</b>	55	53	3%
<b>EBITA*</b>	49	48	1%
<b>EBITA Margin*</b>	16%	17%	

\* Jun-13 excludes a non-recurring income of \$1m relating to an acquisition earnout payment that is now not expected to be paid

# Information Management

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	<b>Jun-13</b> \$M	<b>Jun-12</b> \$M	<b>Increase</b> %
<b>Operating Revenue</b>	100	92	8%
<b>EBITDA*</b>	23	21	13%
<b>EBITA*</b>	19	16	13%
<b>EBITA Margin*</b>	19%	18%	

\* Jun-13 excludes a non-recurring income of \$1.1m relating to an acquisition earnout payment that is now not expected to be paid

## Balance Sheet – Key Points

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- Total Assets and Total Liabilities have decreased since FY12 by \$4m and \$18m, respectively, primarily as a result of the application of cash to the repayment of bank borrowings
- Net bank borrowings have decreased since FY12 by \$13m
- No significant changes in issued capital during the year
- Debt to debt & equity ratio of 46% (50% in FY12) reflects reduction in bank borrowings during FY13
- Fair value of derivative financial instruments has reduced \$5m as a liability when compared with FY12 as certain derivatives have matured and future market interest rates have started to increase

## Cash Flow – Key Points

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- Cash inflows from operating activities remain strong at \$77m for the year
- Cash outflows from investing activities were \$21m lower than the PCP as a consequence of less being spent on acquisitions this year
- Cash outflows from financing activities represent predominantly the payment of dividends and repayment of \$13m of bank borrowings. By comparison, the PCP had \$22m inflows from bank borrowings to fund acquisitions.

## Subsequent Event – Final Dividend

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- Final dividend: 9.75 cps
- Imputation credits: 3.79 cps (at 28% tax rate)
- Supplementary dividend: 1.7206 cps
- Record date: 13 September 2013
- Payment date: 1 October 2013
- No DRP offered in respect of the 2013 Final Dividend

# Finance Facilities – Maturity Extended

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- Multi-currency facilities: NZD110m & AUD70m
- Syndication: Existing 3 banks continue as lenders
- Extended: 2 years for all existing facilities
- Effective date: 26 July 2013
- Maturity profile: Spread evenly across 3, 4 and 5 year tranches
- Pricing: Unchanged
- Banking covenants: Unchanged





# Strategy

# Business Strategy

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- Develop organic growth opportunities
- Diversification: 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

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	New Zealand	Australia
Document Storage		
Data Storage		
Document Destruction		

# Capital Expenditure

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	<b>2013 Actual \$M</b>	<b>2014 Forecast \$M</b>
<b>Capital Expenditure</b>	13	14
<b>Depreciation</b>	12	13



## A decade of achievement

*“A strong successful business....positioned to deliver continuing earnings growth....offering an attractive dividend yield.”*

(FRE Investment Statement & Prospectus - September 2003)

## A decade of achievement

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- 10<sup>th</sup> year since listing on the NZX in September 2003
- *A strong successful business...*
  - development and retention of people (3,000 across NZ & Aust)
  - successful acquisition and start-up of new businesses
  - progressive introduction of new services alongside market demand
  - continued investment in technology, capability and capacity
  - diversification by industry and geography

\* *FRE is a stronger and more successful business today than it was in 2003*

## A decade of achievement (cont.)

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- *...positioned to deliver continuing earnings growth ...*
  - Revenue growth since 2003 of 107%
  - Operating earnings growth since 2003 of 102%
  - NPAT growth since first published result in 2004 of 137%
  
- \* *FRE is better positioned today than it was in 2003 to deliver continuing earnings growth*



## A decade of achievement (cont.)

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- *...offering an attractive dividend yield*
  - Gross dividends since listing in 2003: **241 cents per share**
  - Total Shareholder Return (dividends plus share price appreciation) September 2003 to July 2013: **387%**

*\* Positive cash generating ability of the Company is such that Directors remain comfortable with the current dividend policy for the foreseeable future*



# Outlook

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# Outlook

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- Overall positive, but slow growth environment expected to continue for the foreseeable future. 2014 year-on-year improvement expected to be similar to 2013
- Express Package volumes expected to increase incrementally with a weighting towards business-to-consumer (B2C) growth
- Our smaller DX Mail business will continue to operate in a challenging and overall declining market, yet it is expected to attract increasing customer demand for its street delivery, mailhouse and digital services (that also leverages the information management division's capabilities)
- Information Management revenue and earnings growth expected to continue
- Strategic growth opportunities, including alliances and acquisitions, will continue to be investigated and developed where they make commercial sense



# Conclusion

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# Conclusion

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- FRE has delivered another record result
- This result again demonstrates the resilience of FRE, the positive features of the markets it operates in and the successful execution of its growth strategies by an experienced and capable team
- Subject to business factors beyond its control, FRE is well positioned to reap benefits from further market improvement

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