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Freightways Full Year Presentation

18 August 2014

This presentation relates to the Freightways Limited NZX announcement and media release of 18 August 2014.

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 for the full year and the prior comparative year exclude non-recurring items that Directors believe should not be included when assessing the underlying operating performance of Freightways.

Agenda



- 2014 Full Year Highlights
- Operating Performance
- Business Strategy
- Outlook
- Conclusion

2014 Full Year Highlights



General Highlights

- Widespread strength of the result
- Good first half earnings growth, even better in the second half
- Organic growth strategies well executed and acquisitions successfully integrated
- A record result for Freightways and a record dividend to shareholders

Financial Highlights

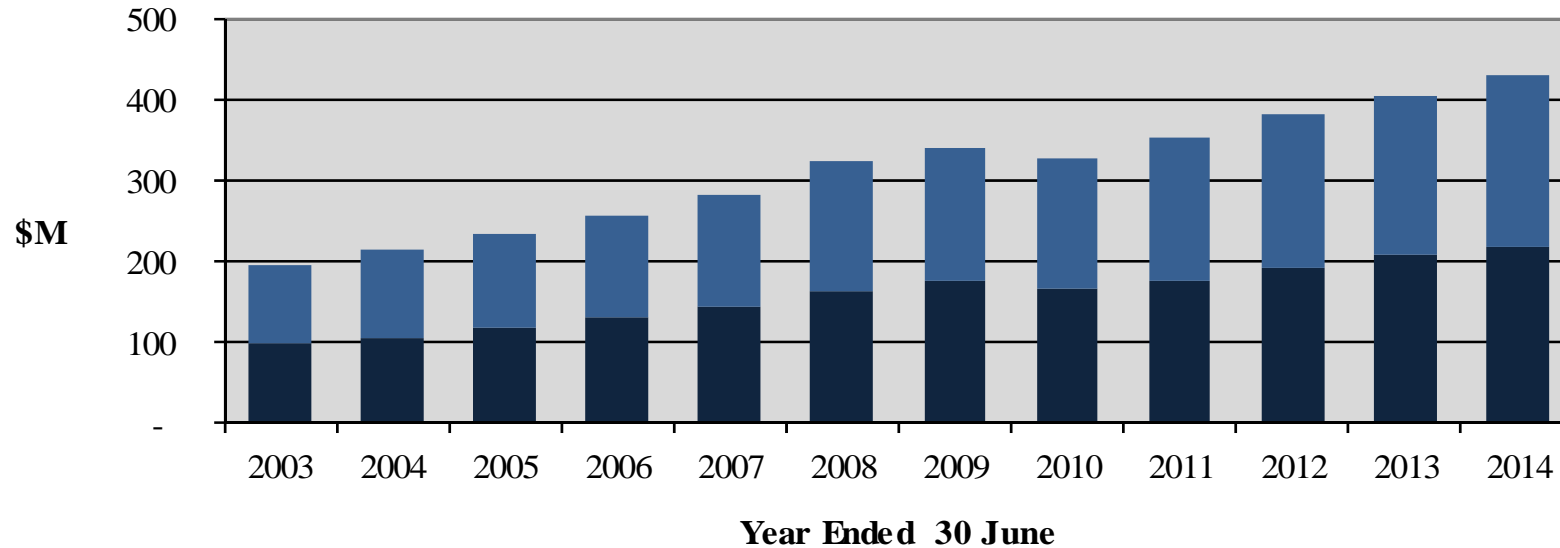
	Jun-14 \$M	Jun-13 \$M	Increase %
Operating Revenue	432.3	406.1	6.4%
EBITDA*	83.9	77.2	8.7%
EBITA*	72.0	65.0	10.7%
NPAT*	43.0	38.3	12.2%
NPATA*	44.0	38.6	14.0%

* Jun-14 excludes a non-recurring \$1.25m expense relating to an upcoming acquisition earn-out payable (\$1.25m after tax). Jun-13 excludes a non-recurring benefit of \$2.1m from reversing accrued earn-out payments not expected to be payable (\$2.1m after tax).

Operating Performance



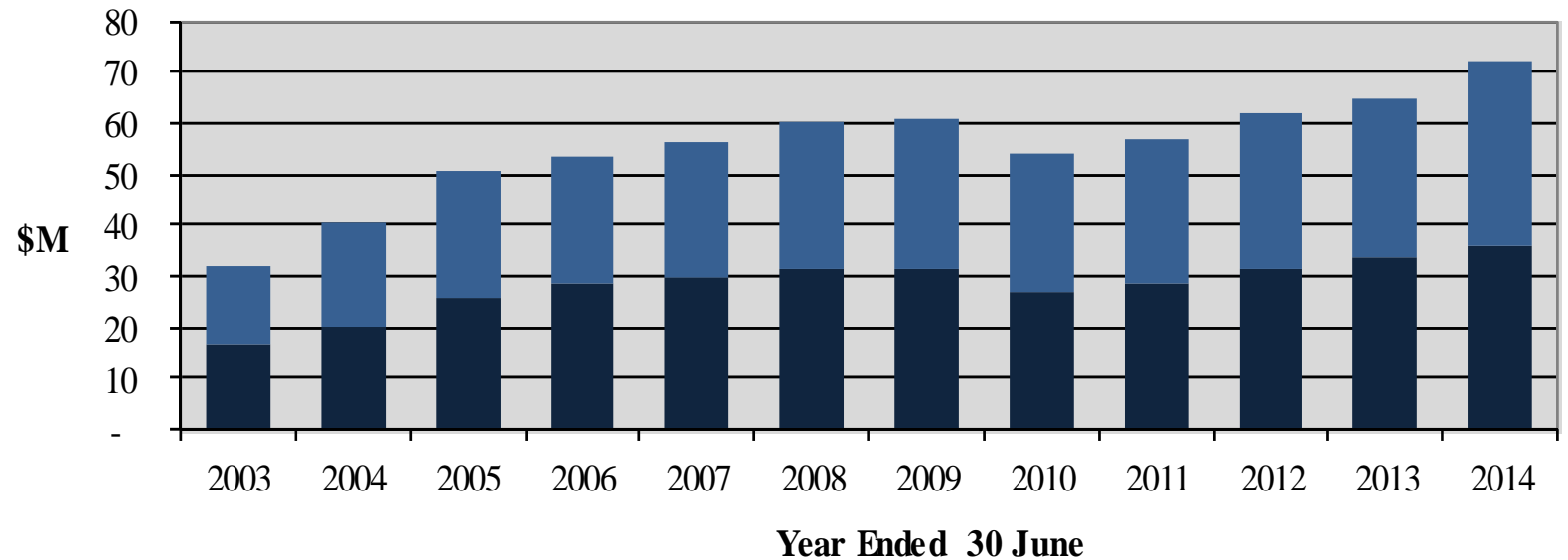
Operating Revenue



- 6% higher revenue compared to PCP
- 10-year compound average annual revenue growth of 7.3%

■ 2nd Half
■ 1st Half

EBITA



- 11% higher EBITA compared to PCP
- 10-year compound average annual EBITA growth of 5.9%

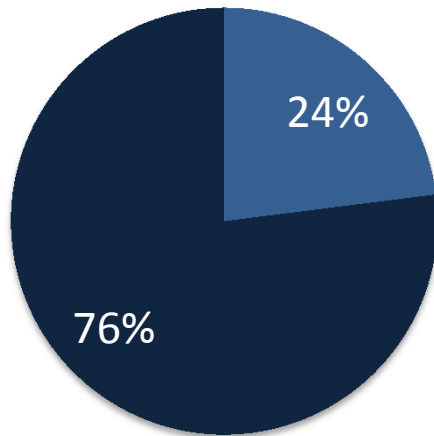


NB: This graph represents the operating profit before interest, tax and amortisation of intangibles, exclusive of any non-recurring items

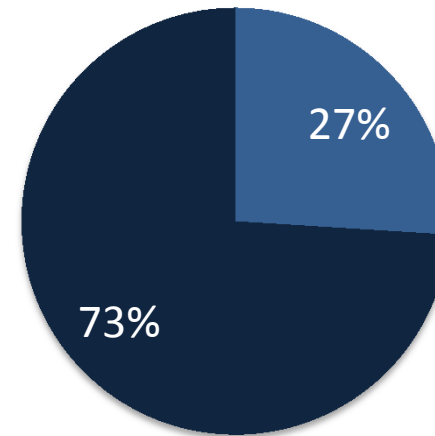
Business Segments

Operating Performance (Year ended 30 June 2014)

Revenue



EBITA



- Express Package & Business Mail
- Information Management

Express Package & Business Mail

	Jun-14 \$M	Jun-13 \$M	Increase %
Operating Revenue	331.9	308.3	7.7%
EBITDA	60.7	54.8	10.8%
EBITA	54.5	48.8	11.7%
EBITA Margin	16.4%	15.8%	

Express Package & Business Mail

Half Year % Increase vs. PCP

	HY Jul-Dec13 % Increase	HY Jan-Jun14 % Increase
Operating Revenue	6.5%	8.8%
EBITDA	6.4%	15.4%
EBITA	7.2%	16.9%

Information Management

	Jun-14 \$M	Jun-13 \$M	Increase %
Operating Revenue	102.7	99.9	2.8%
EBITDA	24.4	23.2	4.8%
EBITA	20.1	18.5	8.4%
EBITA Margin	19.5%	18.5%	

Information Management

Half Year % Increase vs. PCP

	HY Jul-Dec13 % Increase	HY Jan-Jun14 % Increase
Operating Revenue	2.8%	2.9%
EBITDA	5.0%	4.6%
EBITA	7.7%	9.0%

Balance Sheet - Key Points

- Total Assets and Total Liabilities have increased since FY13 by \$21m and \$8m, respectively, primarily as a result of the acquisitions completed during the year.
- Approx. \$5m was borrowed during the year to assist in funding capital expenditure and acquisitions. However, due to a favourable \$7m translation impact from converting AUD borrowings at a higher NZD exchange rate at year-end compared with FY13, net bank borrowings on the balance sheet actually shows a decrease of \$2m compared to the pcp.
- No significant changes in issued capital during the period.
- Debt to debt & equity ratio reduced to 44% from 46% in FY13.
- Fair value of derivative financial instruments has reduced \$3m as a liability when compared with FY13, from \$10m to \$7m, as certain derivatives have matured and future market interest rates have lifted.

Cash Flow - Key Points

- Cash inflows from operating activities increased by \$7m to \$60m compared to the PCP, assisted by a \$1m lower interest cost this year.
- Cash outflows from investing activities were \$17m higher than the PCP. Reflects \$13m more being spent on acquisitions this year and \$4m higher capital expenditure this year following \$3m being invested to acquire two properties adjacent to FRE's main Auckland site.
- Cash outflows from financing activities mostly related to the payment of dividends and a \$6m increase in bank borrowings to assist funding of acquisitions and capital expenditure. By comparison, \$13m of borrowings were repaid in the PCP.

Subsequent Event - Final Dividend

- Final dividend: 11.25 cps
- Imputation credits: 4.375 cps (at 28% tax rate)
- Supplementary dividend: 1.9853 cps
- Record date: 19 September 2014
- Payment date: 6 October 2014
- No DRP offered in respect of the 2014 Final Dividend

Business Strategy



Business Strategy

- 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

	New Zealand	Australia
Document Storage		
Data Storage		
Document Destruction		

Capital Expenditure

	2014 Actual \$M	2015 Forecast \$M
Capital Expenditure	17.4	17.3
Depreciation & software amortisation	11.9	13.5

Outlook



Outlook

- Positive performance expected to continue and deliver year-on-year earnings growth, subject to business factors beyond our control
- Both Business-to-Business (B2B) and Business-to-Consumer (B2C) volumes expected to increase
- 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
- Information Management revenue and earnings growth expected to continue, including from digital services that we offer. Paper prices expected to remain similar to 2014
- 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 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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