

# ***MOVING FORWARD***

*Freightways 2020 Annual Shareholders Meeting*

FY  
20



# ***Mark Verbiest***

CHAIRMAN

# *Today's Business*

1. CHAIRMAN'S INTRODUCTION
2. CEO'S REVIEW & TRADING UPDATE
3. RESOLUTIONS



# *General Highlights*



Freightways

Freightways Limited and its subsidiaries  
Annual Shareholders Meeting Presentation



# Highlights

## COVID-19 Impacts

- Safe working practices including contactless delivery
- Reduced working hours to meet lower demand and reduced salaries and fees
- Redirected resources to where they were most required as volumes returned
- Adjusted linehaul and airfreight sectors to meet demand
- Protected the balance sheet through a range of debt and capital initiatives



# Highlights

## Express Package & Business Mail

- Encouraging organic volume in March – prior to level 4 lockdown
- Dramatic change in volume through lockdown levels 4 to 2 including a swing toward home delivery
- Pricing for Effort of 73c per item by June assisted to generate some margin from home delivery and boost courier earnings
- Took over Big Chill on April 1
- Provided 1.4kg of trans-Tasman capacity
- Business mail volumes fell by 30% through lockdown but recovered by the end of the year



# Highlights

## Information Management & Secure Destruction

- Storage revenue was resilient, but activity declined dramatically through lockdown – by up to 90% in NZ and 25% in Australia
- Print and copy declined by up to 50% in Australia
- In Victoria many businesses are yet to return to their offices in CBD areas – recovery will take longer for our destruction and archive businesses
- Medical Waste collections increased significantly toward the end of the financial year





## Financial Summary

For the year ended 30 June 2020

	Note	FY19			FY20			Change	
		GAAP \$M	IFRS16 lease adj. \$M	Excl. leasing \$M	GAAP \$M	IFRS16 lease adj. \$M	Excl. leasing \$M	GAAP %	Excl. leasing %
Revenue		615.7	-	615.7	630.9	-	630.9	2.5	2.5
EBITA, before non-recurring items	i.	96.8	-	96.8	97.8	5.3	92.5	1.0	(4.4)
Non-recurring items		2.6	-	2.6	(9.6)	-	(9.6)	(462.9)	(462.9)
EBITA	ii.	99.4	-	99.4	88.2	5.3	82.9	(11.3)	(16.6)
NPAT, before non-recurring items	iii.	61.0	-	61.0	56.0	(2.5)	58.5	(8.2)	(4.1)
Non-recurring items after tax		2.4	-	2.4	(8.7)	-	(8.7)	(467.9)	(467.9)
NPAT	iv	63.4	-	63.4	47.4	(2.5)	49.8	(25.2)	(21.4)
Basic EPS (cents)		39.3		39.3	35.5		37.0	(9.7)	(5.9)
(before non-recurring items)									

GAAP – Generally Accepted Accounting Principles (IFRS-compliant)

### 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

2020

Non-recurring (gains) losses:	2020 \$000
Impairment of goodwill	5,194
Impairment of brand names	1,581
Impairment of intangible assets - software	608
Write-off of obsolete software	2,739
Acquisition advisory fee	981
Reversal of earn-out payables	(1,505)
Total non-recurring losses	(9,598)

2019

*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.*

## Express Package & Business Mail

For the year ended 30 June 2020

	FY19	FY20	Change
	\$M	\$M	%
Operating Revenue	453.0	474.4	4.7
EBITDA	80.0	85.6	7.0
EBITA	72.2	75.9	5.2
EBITA Margin	15.9%	16.0%	

## Information Management

For the year ended 30 June 2020

	FY19	FY20	Change
	\$M	\$M	%
Operating Revenue	164.5	158.7	(3.5)
EBITDA	35.3	29.6	(16.3)
EBITA	29.3	22.4	(23.5)
EBITA Margin	17.8%	14.1%	

### NOTES

- EBITDA, EBITA and EBITA margins on this slide represent operating results, exclusive of the impact of NZ IFRS 16 and non-recurring items
- Refer to appendix for reconciliation to GAAP results



# Dividend

- The prudent course of action was to not declare a final dividend for FY20 given a number of factors, principally;
  - Trading uncertainty in both the NZ and Australian markets at each level of lockdown
  - The consensus is that the full economic impact has yet to be felt in either country at this stage.
  - Our decision also better positions our balance sheet for an uncertain wider economic impact and preserves headroom for potential growth opportunities which may emerge from the current environment.
  - It is also important to acknowledge also that many of our team took pay cuts through the lockdown period and that some of our businesses accessed the government wage subsidy to ensure that we kept our people in work.
- For all of these reasons - not declaring a final dividend for FY20, which is expected to be a one-off decision, is the right thing to do.
- We envisage a resumption of dividends in the current financial year (FY21), subject to a continuation of our current trading conditions.



***Mark Troughear***

CHIEF EXECUTIVE OFFICER

**Freightways**

Freightways Limited and its subsidiaries.  
Annual Shareholder 2020 Meeting Presentation.

# *Today's Business*

1. BUSINESS STRATEGY
2. ESG INITIATIVES
3. TRADING UPDATE
4. OUTLOOK





# Video

# Strategy



# Express Package

## STRATEGY

- Pricing For Effort: Stage II has been launched effective 1st August at an additional 50c per item
- We have elected to levy a modest 1.9% price increase across all services
- NOW Couriers same-day-guaranteed service has been launched in Auckland
- Streamlined IT systems will be launched to continue to improve customer experience
- Big Chill will leverage the new 3PL facility in Auckland as well as increased capacity in Wellington and Hawkes Bay





# Business Mail

## STRATEGY

- Continue to expand our network to meet customer demand and achieve greater efficiencies through scale
- Provide customers with a multi-channel offer (digital and physical mail)
- Provide high levels of service at premium prices



# Information Management

## STRATEGY

- Target alternate storage revenue streams in NSW and WA while Archives continue to be slow to transition in
- Continue to grow Digitisation which will largely shift from FY20 to FY21, there are significant opportunities in the pipeline for FY21 & FY22
- Develop new services to market to our large NZ and AU customer bases



# Secure Destruction

## STRATEGY

- Continue to target market share gains in all lines of business
- Target new waste streams to divert from landfill
- Use a combination of acquisition, alliance and start-ups to grow scale in NZ and AU
- Generate transport efficiencies across the Shred-X and Med-X fleets



# SDG UPDATE

## 3 GOOD HEALTH AND WELL-BEING



THE MOVEMENT

**1,000**  
People  
Registered

250 Leaders attended  
Mental Health Awareness  
training in FY20

**250**

*LTIFR (12 months rolling)*

**9**  
In FY20

# SDG UPDATE

## 8 DECENT WORK AND ECONOMIC GROWTH



**10%**

Increase in contractor  
income YOY Q1.

**200** Aspiring leaders  
attended  
development training.

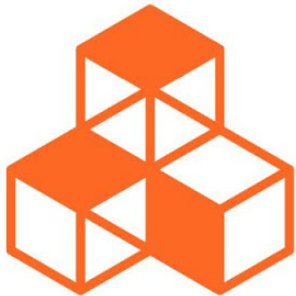
**200**

50:50  
Gender Mix



# SDG UPDATE

## 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



*New product development*



**4.5%**

**Express Package Productivity**  
4.5% improvement in items per route.

*Expand Medical Waste  
footprint*

***Provide  
critical  
capacity  
In FY21***

# SDG UPDATE

## 13 CLIMATE ACTION



**Top 10 NZ Business  
Carbon Reduce &  
Carbon Zero**  
(measure and report  
ISO 14064-1 organisation)



***Fleet modernisation  
& run rationalisation,  
EV Trials***

***Member of  
Love NZ Soft  
Plastic Recycling  
Scheme.***





# *Q1 Trading Update*



# Q1 Consolidated Performance

Unaudited

	Note	Q1 FY21 \$M	Q1 FY20 \$M	Increase %
Operating Revenue		211.7	156.7	35.1
EBITDA	(i)	49.4	33.6	47.0
EBITA	(ii)	34.8	23.3	49.1
NPATA	(iii)	21.1	14.0	50.9
NPAT	(iv)	19.2	13.4	43.4

## 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

*Note: Freightways uses a 4-4-5 weeks accounting calendar. In the first quarter of FY21, there is one extra week compared to prior year. Revenue and EBITA are respectively \$12.4m and \$2.1m for the extra week*

# Q1 Express Package & Business Mail

Unaudited and excludes new lease accounting

	Q1 FY21 \$M	Q1 FY20 \$M	Increase %
Operating Revenue	168.4	115.6	45.7
EBITDA	30.2	19.7	53.8
EBITA	27.3	17.5	55.6
EBITA Margin	16.2%	15.2%	

**Note:**

- *Freightways uses a 4-4-5 weeks accounting calendar. In the first quarter of FY21, there is one extra week compared to prior year. Revenue and EBITA are respectively \$11.6m and \$1.9m for the extra week*
- *Refer to appendix for reconciliation to GAAP results*



# Q1 Information Management

Unaudited and excludes new lease accounting

	Q1 FY21 \$M	Q1 FY20 \$M	Increase %
Operating Revenue	43.8	41.5	5.4
EBITDA	9.9	7.6	30.8
EBITA	7.9	5.9	33.4
EBITA Margin	18.1%	14.3%	

**Note:**

- Refer to appendix for reconciliation to GAAP results

# Outlook



# Outlook

Whilst the future economic environment remains highly uncertain, we are encouraged by the strong trading results achieved in the first quarter of FY21 which reflect improved margin, organic growth and market share gains in all our businesses

We expect that

- In Express Package, volume will be impacted by any slow down in macro-economic activity;
- In Information Management, whilst storage revenues are resilient, activity-based revenue recovery will be dependent on the number of people returning to offices, especially in Victoria.

We have learnt from the previous lockdowns and will react quickly to any volume change by adjusting our cost base to protect our margins.

We will also review the portfolio of services we provide with a view to delivering superior long-term value to shareholders.

We expect that COVID will continue to provide challenges as well as opportunities for new services, market share gains & accretive acquisitions.

# *Resolutions*



Freightways

Freightways Limited and its subsidiaries.  
Annual Shareholder 2020 Meeting Presentation.



# *Resolutions*

1. RE-ELECTION OF DIRECTOR: MARK RUSHWORTH
2. AUTHORITY TO FIX AUDITOR'S REMUNERATION

Resolution 1.

# ***Mark Rushworth***

Re-Election of Mark Rushworth.

Mark who retires by rotation and is eligible for re-election, be re-elected as a Director of the Company.





# *Resolutions*

1. RE-ELECTION OF DIRECTOR: MARK RUSHWORTH
2. AUTHORITY TO FIX AUDITOR'S REMUNERATION







## Appendix: Reconciliation to GAAP

For the year ended 30 June 2020

### Express Package & Business Mail

	FY19	FY20	Change
	\$M	\$M	%
Operating Revenue	453.0	474.4	4.7
EBITDA (before non-recurring items and NZ IFRS16)	80.0	85.6	7.0
Non-recurring items	-	(3.3)	100.0
NZ IFRS16 adjustment	-	16.1	100.0
EBITDA (after non-recurring items and NZ IFRS16)	80.0	98.3	22.9
Depreciation expense (including NZ IFRS16)	(7.8)	(23.9)	206.0
EBITA (GAAP)	72.2	74.4	3.1
EBITA (GAAP) Margin	15.9%	15.7%	

### Information Management

	FY19	FY20	Change
	\$M	\$M	%
Operating Revenue	164.5	158.7	(3.5)
EBITDA (before non-recurring items and NZ IFRS16)	35.3	29.6	(16.3)
Non-recurring items	2.4	(5.3)	(323.9)
NZ IFRS16 adjustment	-	17.5	100.0
EBITDA (after non-recurring items and NZ IFRS16)	37.7	41.8	10.8
Depreciation expense (including NZ IFRS16)	(6.1)	(21.2)	248.8
EBITA (GAAP)	31.6	20.6	(34.9)
EBITA (GAAP) Margin	19.2%	13.0%	

#### NOTES

\* GAAP – Generally Accepted Accounting Principles (IFRS-compliant)

## Appendix: Reconciliation to GAAP

For the quarter ended 30 September 2020

### Express Package & Business Mail

	Q1 FY20	Q1 FY21	Change
	\$ M	\$ M	%
Operating Revenue	115.6	168.4	45.7
EBITDA (before NZ IFRS16)	19.7	30.2	53.8
NZ IFRS16 adjustment	2.9	6.6	129.9
EBITDA (after NZ IFRS16)	22.5	36.9	63.5
EBITA (before NZ IFRS16)	17.5	27.3	55.6
NZ IFRS16 adjustment	0.3	0.8	134.9
EBITA (GAAP)	17.9	28.1	57.2
EBITA (GAAP) Margin	15.5%	16.7%	

#### NOTES

\* GAAP – Generally Accepted Accounting Principles (IFRS-compliant)

## Appendix: Reconciliation to GAAP

For the quarter ended 30 September 2020

### Information Management

	Q1 FY20	Q1 FY21	Change
	\$ M	\$ M	%
Operating Revenue	41.5	43.8	5.4
EBITDA (before NZ IFRS16)	7.6	9.9	30.8
NZ IFRS16 adjustment	4.4	4.4	-0.2
EBITDA (after NZ IFRS16)	12.0	14.3	19.4
EBITA (before NZ IFRS16)	5.9	7.9	33.4
NZ IFRS16 adjustment	0.9	1.0	12.3
EBITA (GAAP)	6.8	8.9	30.7
EBITA (GAAP) Margin	16.4%	20.4%	

#### NOTES

\* GAAP – Generally Accepted Accounting Principles (IFRS-compliant)

**Disclaimer.** This presentation has been prepared by Freightways Limited ("Freightways") for information purposes only. This presentation is not a product disclosure statement, prospectus or investment statement. Nothing in this presentation constitutes an invitation to subscribe for shares, securities or financial products in Freightways. Nothing in this presentation constitutes legal, accounting, financial or taxation advice or any other advice of any kind. Any investor should consult their own professional advisors and conduct their own independent investigation of Freightways and the information contained in this presentation, including any statements relating to the future performance of Freightways. The information in this presentation is given in good faith and has been obtained from sources believed to be reliable and accurate at the date of this presentation. This presentation may include forward-looking statements regarding future events and the future financial performance of Freightways. Such forward-looking statements are based on current expectations and involve risks and uncertainties. Actual results may be materially different from those stated in any forward-looking statements.

Nothing contained in this document is or should be relied on as a promise as to the future performance or condition of Freightways or as to any other future events. Except as required by law or the NZX Listing Rules, Freightways undertakes no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise or to report against any forward-looking statements. None of Freightways, their affiliates, or their respective advisers or representatives, give any warranty or representation as to the accuracy or completeness of the information contained in this presentation, and exclude their liability to the maximum extent permitted by law.

FEY  
20