

NZX Announcement

22 August 2022

Expanding our footprint in Australia with Allied Express

Freightways Limited (**Freightways**) is pleased to announce that it has entered into a transaction with Allied Express Transport Pty Ltd (**Allied Express** or the **Business**) and its shareholders (the **Transaction**). The Transaction will act as a significant entry point to the Australian market for Freightways' Express Package Division.

Allied Express is one of the largest, independently owned courier and express freight companies in Australia.

Allied Express has a national presence, delivering services including metropolitan courier and taxi truck, specialised logistics, and intra and interstate distribution, predominately using its own network and infrastructure.

Over 40 years, Allied Express has established a strong and highly competitive position in the Australian market targeting specialised logistics across a number of industry sectors and freight profiles, by delivering predominantly larger express items.

Aligning well with Freightways' New Zealand Express Package Division, Allied Express services clients ranging from SMEs to large corporates from a wide variety of industries including online retailing, automotive, trade supplies and manufacturing. Further, its oversized niche offers a platform for similar growth and expertise that can be scaled into the Freightways New Zealand network.

The company operates an asset light model using a contractor fleet and leased facilities with a similar capital expenditure profile to Freightways.

The aim of the Transaction is to create a platform to develop a significant express business in the Australian market, as well as giving Freightways a larger trans-Tasman presence in the growing Australian market.

Completion is expected to occur in on or after 30 September 2022, subject to customary conditions precedent.

The McDowell family (the shareholders of Allied Express) will become substantial shareholders in the enlarged Freightways group (with an approximately 6% shareholding in Freightways on completion of the Transaction) and will continue to work in the business to ensure continuity of personnel for all key stakeholders and to support growth plans in Australia.

The Transaction:

- A\$160m Transaction price (comprised of a A\$100m investment by the McDowell family in Freightways shares, and A\$60m in cash) for 100% of the shares in Allied Express. The Freightways shares will be issued to the McDowell family at an issue price of \$9.66 per share, based on the VWAP of Freightways shares calculated over the period of 10 trading days up to and including 18 August 2022, adjusted to exclude the cash amount of the dividend payable on 3 October 2022. A\$50m of the shares issued to the McDowell family will be subject to an

escrow on sale for a period of 12 months following completion, and A\$25m of those shares will then remain subject to an escrow on sale for a further period of 12 months thereafter.

- is expected to be EPS accretive to Freightways from completion
- is expected to deliver in excess of A\$20m EBITA in FY23 on a full year basis

The benefits for Freightways include:

- Leveraging Freightways' core capabilities in express pick up, processing and delivery which currently represents 76 per cent of earnings
- Providing a scale entry point into the Australian express package market with a platform for growth
- Providing Freightways with a successful oversized courier item model to implement in New Zealand

Allied Express by the numbers

- National footprint with leased depots in all major Australian cities
- 700 contractors
- 450 staff
- 1,750 clients ranging from SMEs to large corporates

Transaction Funding

Subject to customary completion adjustments the Transaction price of A\$160m will be funded by:

- A\$100m Freightways share issuance to the McDowell family; and
- ~A\$60m of cash drawn from Freightways debt facilities.

Upon settlement it is expected that Freightways pro-forma net debt to EBITDA will move up to 2.8, consolidating Allied Express's EBITDA and including lease liabilities of both Freightways and Allied Express.

Freightways remains committed to its capital management policy and maintaining a credit profile over the medium term aligned with an investment grade rating.

Advisers

KPMG has provided accounting and tax due diligence services, while K&L Gates and Russell McVeagh have provided legal advice to Freightways. 333 Capital and Ash Street Partners advised Allied Express.

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Disclaimer

Certain statements in this announcement constitute forward-looking statements. Forward-looking statements are statements (other than statements of historical fact) relating to future events and the anticipated or planned financial and operational performance of Freightways and Allied Express.

Although Freightways believes that the expectations reflected in these forward-looking statements are reasonable, such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause the Freightways' actual results, performance, operations or results, to differ materially from any future results, performance, operations or achievements expressed or implied by such forward-looking statements. Accordingly, you should not place undue reliance on any forward-looking statements.

Freightways does not intend, and does not assume any obligation, to update any forward-looking statements in this announcement, except as may be required by law.