Freightways

FY24 Results

For the full year ended 30 June 2024

Disclaimer

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Agenda

Overview, Divisional Performance, and Outlook

Mark Troughear
Chief Executive Officer

Financial Summary and Capital Management

Stephan Deschamps
Chief Financial Officer

Divisional Strategy (IM)

Neil Wilson
General Manager - FRW

Divisional Strategy (EP)

Aaron Stubbing
General Manager - EP

Our Four Lines of Business

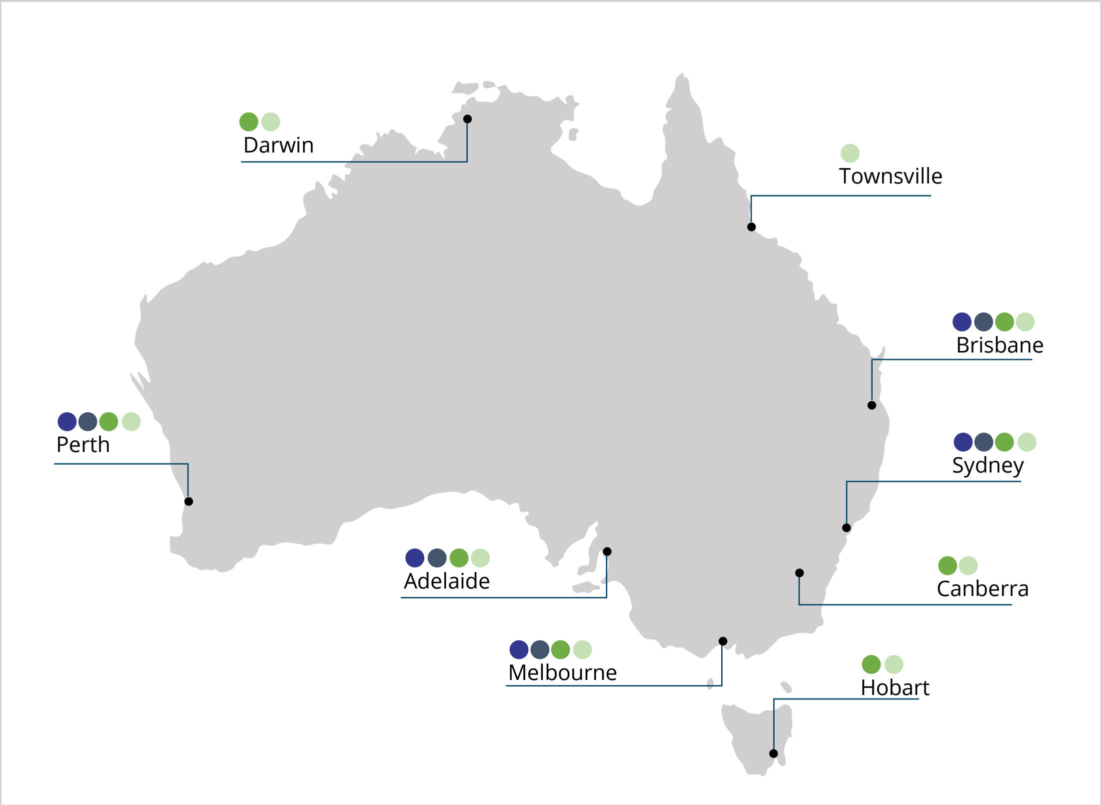
	Express Package & Business Mail	Temperature Controlled	Information Management	Waste Renewal
Overview	• B2B - overnight national network delivery - courier and mail • B2C - overnight and economy delivery - courier and mail • Oversize parcels	• Refrigerated national transport • Temperature controlled 3PL • Same day refrigerated delivery	• Physical storage and information management services • Suite of digitalisation services • eCommerce 3PL	• Document Destruction • Medical waste collection and processing • Product destruction & renewal
Brands	New Zealand Couriers, Allied Express, Post Haste, Castle Parcels, Now Couriers, Sub60, DX Mail, Dataprint, KiwiExpress Couriers	Big Chill Distribution, Produce Pronto .co.nz	timg, Stocka	Shred-X, Med-X, Save Board

EP & BM FY24 external revenue: $995m

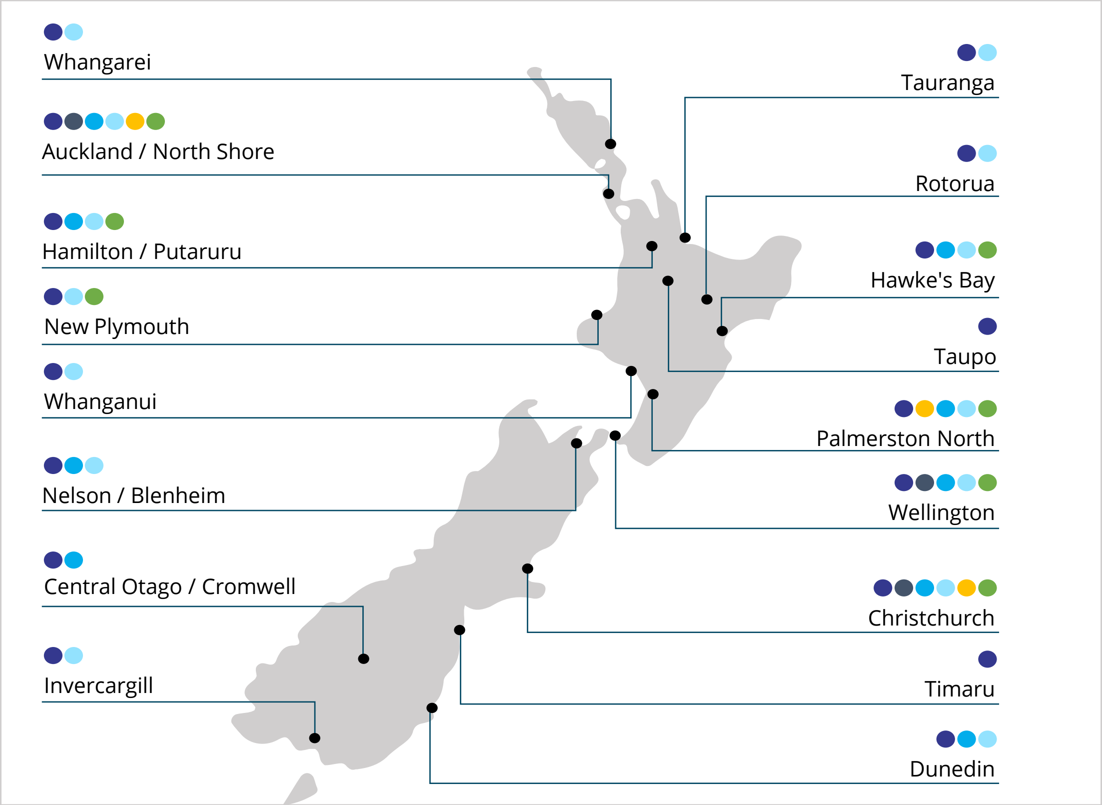
IM FY24 external revenue: $214

Our Trans-Tasman Footprint

AUSTRALIA (35% Revenue)



NEW ZEALAND (65% Revenue)



Legend

- Network Courier
- Point-to-point
- Temperature Controlled
- Business Mail
- Support
- Information Management
- Waste Renewal

Increasingly, business for FRW Group is about mapping growth across two complementary Trans-Tasman markets, strengthening FRW's portfolio diversification

Financial Summary and Capital Management

FY24 Group Highlights

Revenue Growth	EBITA* Growth	NPAT Growth	Dividend (Full Year)
▲ 7.8%	▲ 2.5%	▼ (5.8%)	37c

* Non-GAAP (Generally Accepted Accounting Principles)

FY24 Consolidated Performance

	Notes	**FY24 $m**	FY23 $m	Change %
Operating Revenue		1,209.2	1,121.6	7.8
EBITDA (non-GAAP)	1	229.1	214.9	6.6
EBITA (non-GAAP)	2	149.0	145.3	2.5
NPATA (non-GAAP)	3	83.6	86.6	(3.5)
NPAT	4	70.9	75.3	(5.8)
Basic Earnings Per Share (cents)		39.8	43.1	(7.7)

Notes:

- Results in this table are after adjustments for NZ IFRS16 (Leases).
- Refer to appendices for reconciliation to results before NZ IFRS16.
- Pcp includes 9 months Allied contribution only

1. Operating profit before interest, tax, depreciation and amortisation
2. Operating profit before interest, tax and amortisation
3. Net profit after tax before amortisation
4. Net profit after tax

FY24 Performance Overview:

- Resilient result in a challenging macro-economic environment
- Supported by diversity of businesses across the Tasman and a level of flexibility in the cost base
- FY24 still reflects strong cost pressures, but seen easing next year
- We continue to invest in our future
  - Allied Express sortation
  - Ruakura 3PL
  - First Global eCommerce
  - Victorian medical waste facility
- Tax expense includes one off $1.5m impact from the NZ Government's removal of tax depreciation deductions on commercial buildings

FY24 Consolidated Performance

Net Debt | EBITDA	
2024	2023
2.7x	2.8x
post IFRS16	

Dividend	
FY24	FY23
37cps	37cps

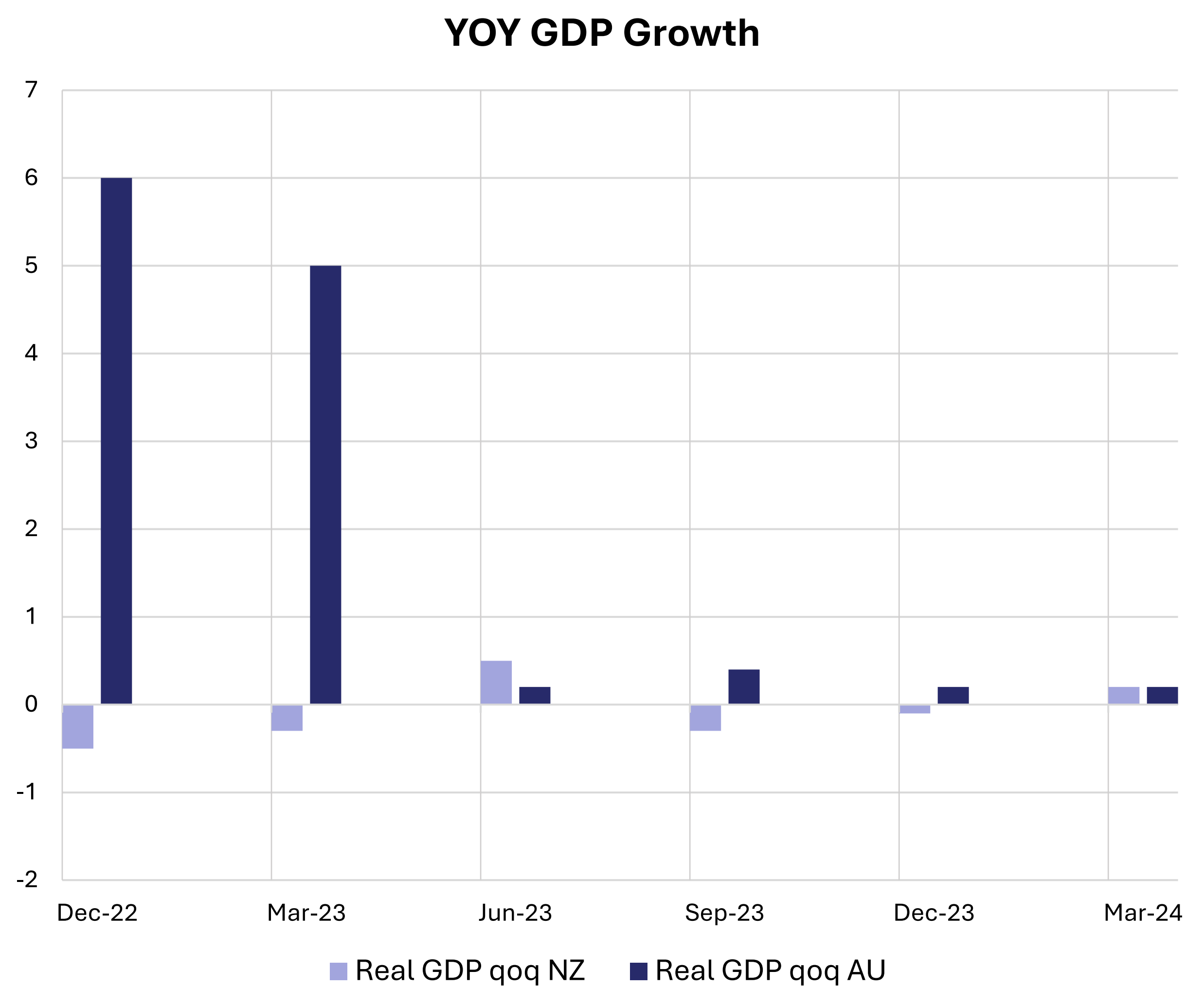
cps = Cents Per Share

Divisional Performance

Market Backdrop

Express Package Market Backdrop

- 4 quarters of negative GDP growth in NZ in the last 6 quarters, although NZ monetary policy now easing
  - Has negatively impacted NZ Express Package same-customer volumes
- GDP growth in AU was more positive but still modest compared to the long run average
  - AU same-customer volumes are steady without being spectacular
- Competitive market:
  - NZ has seen rationalisation of the market
  - AU fragmented and niche focussed
- Labour markets loosened in both countries



FY24 Express Package & Business Mail Highlights

	Notes	**FY24 $m**	FY23 $m	Change %
Operating Revenue		999.1	911.1	9.7
EBITDA (non-GAAP)	1	181.9	169.8	7.1
EBITA (non-GAAP)	2	128.4	125.4	2.4
NPAT	3	76.6	78.1	(1.9)

Notes:

- Results in this table are after adjustments for NZ IFRS16 (Leases).
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- Pcp includes 9 months Allied contribution only

1. Operating profit before interest, tax, depreciation and amortisation
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3. Net profit after tax

FY24 Performance Overview:

- EPBM divisional revenue up 9.7% on the pcp with a full year of Allied
- EPBM EBITA is up 2.4% on pcp
- Strong service performance has helped grow market share
- Big Chill profits lower due to weaker same-customer volume and the financial impact of the new Ruakura 3PL site
- DX Mail delivered strong improved performance on pcp supported by improved pricing, market share gains and operational efficiencies
- EPBM EBITA % margin is diluted slightly by Allied Express operating at a lower margin and impacted by the lower profitability of Big Chill
- Allied automation and depot programme will add $3m incremental depreciation and lease cost in FY25. Expected to be largely offset by new business gains and labour efficiencies

FY24 NZ Express Package Metrics

Same-Customer Volumes

▼ 5.5% H1

▼ 5.0% H2

Average Price Per Item

$8.50

At June '24,
excluding surcharges

EP Courier Pay Average

$507

Per courier / per day

Validated Addresses

73%

Of electronic ticketed items consigned

Local Deliveries

29%

Of total network items

PFE Per Residential Item

$1.67

Surcharge per residential item at June '24

B2C Items

20%

As a percentage of total items

Fleet Vacancies (wage drivers)

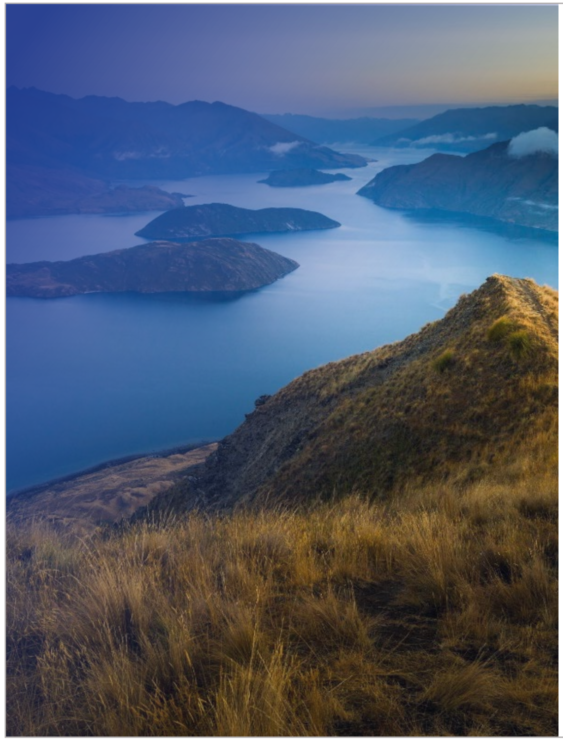
<1%

Of Total Fleet

FY24 NZ Express Package Volume

NZ Network Express Item Trend
Compared to FY23

H1 Volumes	H2 Volumes	FY24 Volumes
▲ 1.6%	▼ 1.9%	▼ 0.1%
		Temu contributed to 1.6% of FY24 volume (all in H1)



New Zealand

Other EP Volumes:

- NZ Network market share gains of c. 4% helped offset same-customer decline
- Woolworths has now fully exited the business (from September)
- Big Chill Transport same-customer volume is down 8%
- Oversize courier freight revenue now at a ~$10m p.a. run rate

FY24 AU Express Package Volume

AU Network Express Item Trend
Compared to FY23

H1 Volumes	H2 Volumes	FY24 Volumes
▲ 13%	▲ 9%	▲ 11%

Australia

Other EP Volumes:

- Allied has performed well over FY24. While same-customer volumes are flat, the investment in a larger sales team has delivered results with a strong new business performance
- The new automated sortation systems implemented during the year in Sydney and Melbourne are delivering the efficiencies we were expecting
- Good pipeline of new business prospects for FY25
- Brisbane depot was completed in August 2024. This milestone means that Allied have now transitioned to larger facilities in all key states and are well positioned for extra volume either organically or through M&A

FY24 Information Management and Waste Renewal

	Notes	**FY24 $m**	FY23 $m	Change %
Operating Revenue		214.4	214.3	-
EBITDA (non-GAAP)	1	57.5	56.4	2.0
EBITA (non-GAAP)	2	32.3	32.7	(1.2)
NPAT	3	17.7	18.0	(1.7)

Notes:

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- Refer to appendices for reconciliation to results before NZ IFRS16.

1. Operating profit before interest, tax, depreciation and amortisation
2. Operating profit before interest, tax and amortisation
3. Net profit after tax

FY24 Performance Overview:

- IM revenue was flat on the pcp overall with a mixed performance across the various lines of business:
  - Document storage and activity revenues grew by 6% through pricing and organic growth
  - Digital revenues in Australia remained strong, up 17% on pcp
  - Paper prices were $2.5m below the pcp
  - Non-recurring digital project in NZ in FY23 ($7m)
  - Medical Waste revenue was down 10% on pcp
- Earnings were on par with last year, primarily impacted by the factors above and the inability to utilise the Victorian Medical Waste facility (growth and processing efficiency) for most of FY24

Strategy Update

Three Horizons of Growth | Express Package

Overview:

- B2B - overnight national network delivery - courier and mail
- B2C - overnight and economy delivery - courier and mail
- Oversize parcels

Express Package Brands:

New Zealand Couriers, Allied Express, Post Haste, Castle Parcels, Now Couriers, Sub60, DX Mail, Dataprint, KiwiExpress Couriers

Horizon 1. Extend And Defend | B2B

- Focus on a profitable market share gains
- Continue to ensure service is a differentiator for customers
- Assess metropolitan “local” pricing and infrastructure costs

Horizon 2. Grow Scale | B2C

- Acquired First Global in November to provide cross-border eCommerce capability
- Maintain high levels of service to be able to command a premium for B2C deliveries

Horizon 3. Establish New Lines of Business | Oversize (25kg+)

- Scale Oversize revenue in NZ
- New business teams to grow Allied’s market share in Oversize in AU
- Assess bolt-on M&A opportunities in AU

Project Evolve | Express Package

Overview:

- Project Evolve is a multi-year investment in modernising pricing, billing and courier pay systems that support the NZ Express Package business.

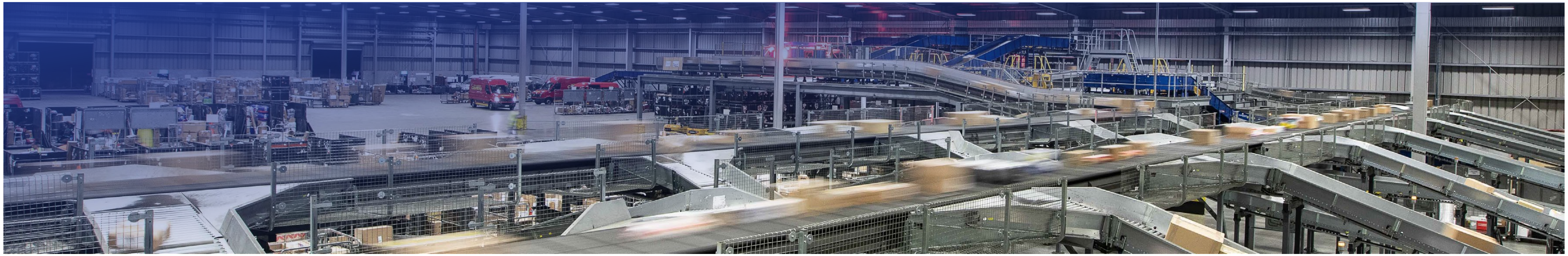
Expected Implementation Costs:

  - FY25 c. $5m
  - FY26 c. $5m
- Expected payback in c. 4.5 years
- Under current accounting standards, this is treated as an expense

Benefits:

- Designed to improve our ability to efficiently Price for Effort (differentiate our pricing on the basis of effort) for a range of transactions. It will enable, for example:
  - differential pricing for local items based on distance travelled and size
  - efficient charges for re-handling of items in the network
- Enable differential payment to couriers for effort
- Modernise customer invoicing with flexibility in invoice presentation, consolidation and payment options

Project Evolve.



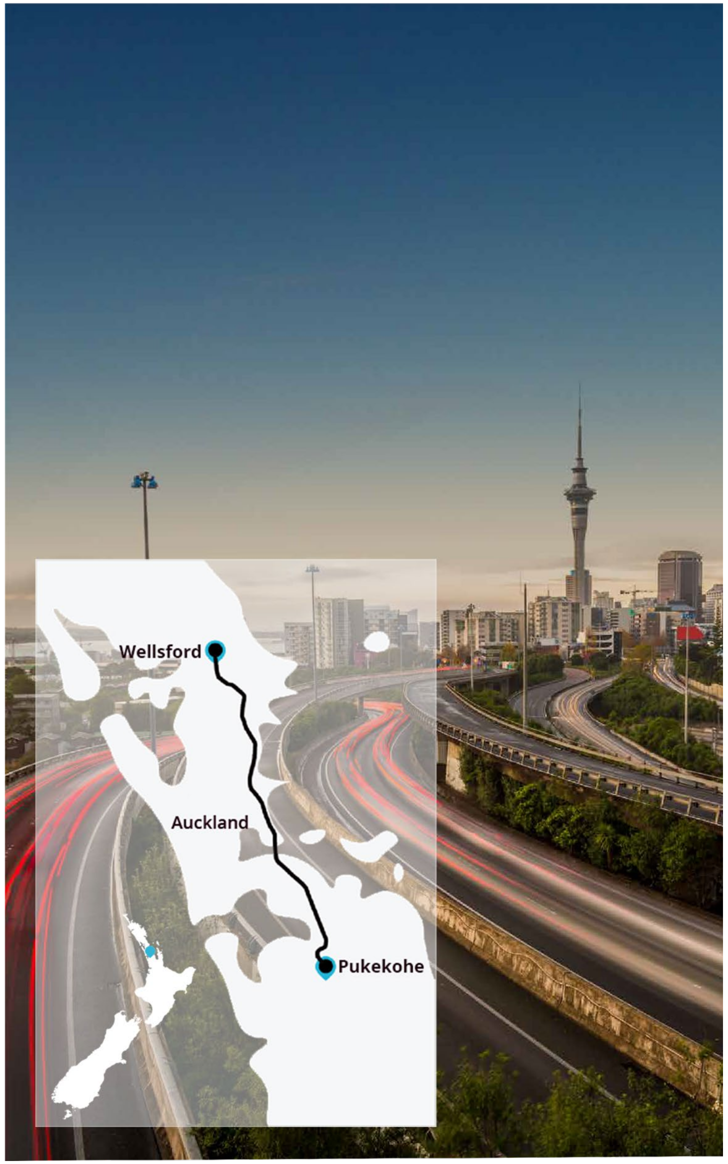
Local Network Courier Pricing | Express Package

Background

- Pricing structure hasn't changed. A flat rate per item up to 25kg / 0.125m3
- Local pricing has not kept in step with congestion, geographical spread of cities and the size of the average item travelling through networks
- City boundaries have grown. In 1996 Auckland was 65km (Papakura to Orewa), it is now 125km (Pukekohe to Wellsford) and growing
- Increased infrastructure required to deliver effectively across larger cities (satellite depots, shuttle trucks, people)

Solution

- Charge based on distance, size and complexity to maintain margin and remunerate couriers for effort and ensure pricing reflects that effort and resources required to deliver locally – especially in NZ's larger cities



Average local rates have increased only modestly in the last 25 years, whereas city boundaries and costs have increased significantly.

Average Auckland Local Rate is

1/3

Of the price charged in Sydney, Melbourne & Brisbane

Three Horizons of Growth | Temperature Controlled

Overview:

- Refrigerated national transport
- Temperature controlled 3PL
- Same day refrigerated delivery

Temperature Controlled Brands:

BIG CHILL DISTRIBUTION LTD
NATIONWIDE CHILLED & FROZEN TRANSPORT

producepronto.co.nz The *fresh* way to buy.

Horizon 1. Extend And Defend | National Delivery

- Pursue market share opportunities leveraging new infrastructure (trucks and depots) and improved service performance
- Implementation of Big Chill Connect (new Transport Management System) will provide improved visibility for existing customers and be an important tool to securing new business

Horizon 2. Grow Scale | 3PL

- Demand for Ruakura 3PL services has exceed expectations, profitable from July 2024, aim to scale to 95% utilisation by the end of FY25
- Assess viability of an additional 3PL facility

Horizon 3. Establish new lines of business | Same Day (ProducePronto)

- Roll out of national delivery for convenience stores continues to gain momentum. New volumes secured in July 2024 will further improve density and allow product diversification
- Achieve efficiency gains through shared facilities with Big Chill. ProducePronto's new Auckland site, which has doubled capacity, is also adjacent to Big Chill
- Expand services into the fast-food market

Three Horizons of Growth | Information Management

Overview:

- Document Destruction
- Digitalisation
- E-Commerce 3PL

Information Management Brands:

Horizon 1. Extend And Defend | Storage

- Archive revenues and margins forecast for continued growth through a combination of pricing and new business. New customer growth expected to be stronger in AU assisted by health and government verticals.
- Investigating dark store options outside of main centres given the shift to more static archive and media storage by some customers.

Horizon 2. Grow Scale | Digitisation

- New purchase order for $15m signed with large customer in AU will assist growth in FY25 & FY26
- Strong pipeline of future opportunities in both countries. In AU revenues are moving away from being one off project based and instead trending towards longer term annuity like opportunities.

Horizon 3. Establish new lines of business | eCommerce 3PL

- Utilise spare records storage capacity to grow our SME targeted eCommerce fulfilment offer

Three Horizons of Growth | Waste Renewal

Overview:

- Document Destruction
- Medical Waste
- High-Value Waste Recycling

Waste Renewal Brands:

Horizon 1. Extend And Defend | Secure Destruction

- Implementing new pricing strategies to improve margin
- Continued focus on market share gains

Horizon 2. Grow Scale | Medical Waste

- VIC processing plant expected to produce profit in FY25
- Target 25% revenue growth through market share gains in VIC, NSW, QLD in FY25

Horizon 3. Establish new lines of business | High Value Waste

- Build profitability in SaveBOARD
- Target product destruction market
- Continue to source circular loop solutions for hard to recycle waste

Disciplined Approach to M&A

Acquisition Strategy and Investment Criteria

- Well defined target characteristics
- Acquisitions aligned with strategy & operating culture
- Disciplined approach to acting on opportunities

In FY24

- Acquired **First Global** – to build scale in Express Package Horizon 2 eCommerce segment
- Acquired **OnSend** to add scale to our horizon 3 Oversize segment
- Invested in automated systems at **Allied Express**
- Built relationships with a pipeline of AU targets
- Have seen more stressed businesses in the last year due to the economic climate

Revenue and EBITA have improved year on year.

Significant investments made in automation and new or expanded facilities in Sydney, Melbourne, Perth, Adelaide and Brisbane.

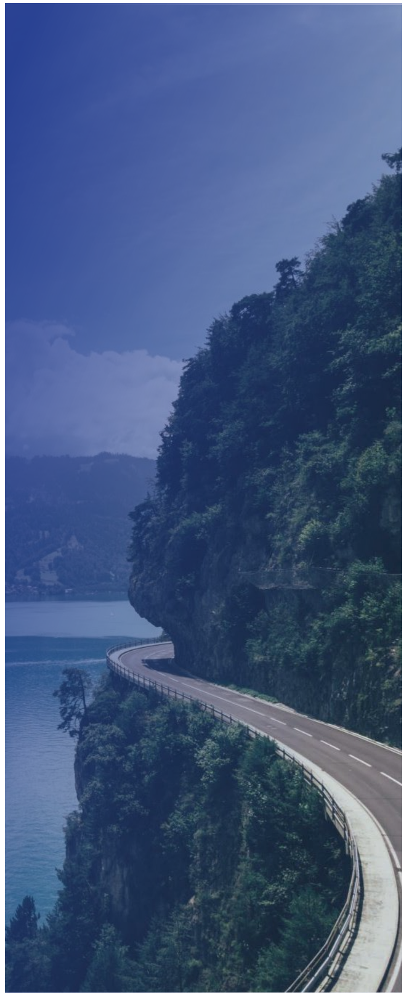
Assisted launch of Freightways' Kiwi Express Oversize service in NZ, Revenue run rate of $10m p.a.

Outlook


MED-X
Healthcare Solutions
med-x.solutions
1300 116 339
SHRED-X
SECURE DESTRUCTION
www.shred-x.com.au
IVECO

FY25 Outlook

- The economic climate is clearly tough in New Zealand in particular. We expect H1 to remain subdued and we are hopeful of a return to modest organic growth in H2
- AU is slightly more buoyant but with no rate cuts expected before Christmas
- We expect labour cost increases to be maintained at lower levels in FY25
- Our focus is on restoring margins for both divisions in FY25 and FY26 as those labour markets ease and modest organic growth occurs
- Both the Victorian Med-X facility and Big Chill's Ruakura facility are expected to contribute positively to earnings in the coming year
- Full Year Capex expected to be steady at $35m including for trucks, IT capital projects and NZ mechanisation
- Exploring options to modernise the aircraft fleet in the coming years
- We will invest c. $5m (opex) in a new pricing / billing and courier pay system in both FY25 and FY26, to enable pricing benefits from FY26 onwards
- We are assessing M&A opportunities to leveraging our strong platform in AU



Volumes expected to remain stable despite tough economic conditions.

Focus on restoring margins.

Disciplined M&A approach, with opportunities being explored.

Questions

Appendices


POST HASTE
delivering excellence - people. service. package
NOW COURIERS
PASS THE PARCEL
Pick up, deliver.
Consider it done.
nowcouriers.co.nz
Pick up, deliver. Consider it done.
L. LAUMATIA LTD

Appendix – Reconciliation of Post-IFRS16 to PRE-IFRS16

FREIGHTWAYS GROUP		FY24 ($m)			FY23 ($m)		
	Notes	Post NZ IFRS16	NZ IFRS16 adjustment	Pre NZ IFRS16 (non-GAAP)	Post NZ IFRS16	NZ IFRS16 adjustment	Pre NZ IFRS16 (non-GAAP)
Operating Revenue		1,209.2	-	1,209.2	1,121.6	-	1,121.6
EBITDA (non-GAAP)	1	229.1	(65.9)	163.2	214.9	(53.5)	161.4
EBITA (non-GAAP)	2	149.0	(12.1)	136.9	145.3	(8.7)	136.6
NPATA (non-GAAP)	3	83.6	3.8	87.4	86.6	3.4	90.0
NPAT	4	70.9	3.8	74.7	75.3	3.4	78.7

NOTES

- *Pcp includes 9 months Allied contribution only*

1. Operating profit before interest, tax, depreciation and amortisation
2. Operating profit before interest, tax and amortisation
3. Net profit after tax before amortisation
4. Net profit after tax

Appendix – Reconciliation of Post-IFRS16 to PRE-IFRS16

EXPRESS PACKAGE & BUSINESS MAIL	Notes	FY24 ($m)	FY23 ($m)	Change (%)
Operating Revenue		999.1	911.1	9.7
EBITDA (after NZ IFRS16)	1	181.9	169.8	7.1
Less: NZ IFRS16 adjustment		(44.4)	(34.3)	29.4
EBITDA (before NZ IFRS16)		137.5	135.5	1.5
EBITA (after NZ IFRS16)	2	128.4	125.4	2.4
Less: NZ IFRS16 adjustment		(7.6)	(4.7)	61.7
EBITA (before NZ IFRS16)		120.8	120.7	0.1

NOTES

- *Pcp includes 9 months Allied contribution only*

1. Operating profit before interest, tax, depreciation and amortisation (non-GAAP)
2. Operating profit before interest, tax and amortisation (non-GAAP)

Appendix – Reconciliation of Post-IFRS16 to PRE-IFRS16

INFORMATION MANAGEMENT & WASTE RENEWAL	Notes	FY24 ($m)	FY23 ($m)	Change (%)
Operating Revenue		214.4	214.3	-
EBITDA (after NZ IFRS16)	1	57.5	56.4	2.0
Less: NZ IFRS16 adjustment		(21.3)	(19.0)	12.1
EBITDA (before NZ IFRS16)		36.2	37.4	(3.2)
EBITA (after NZ IFRS16)	2	32.3	32.7	(1.2)
Less: NZ IFRS16 adjustment		(4.4)	(3.9)	12.8
EBITA (before NZ IFRS16)		27.9	28.8	(3.1)

NOTES

1. Operating profit before interest, tax, depreciation and amortisation (non-GAAP)
2. Operating profit before interest, tax and amortisation (non-GAAP)