

DRIVING GROWTH RESPONSIBLY :

# ***FY22 RESULT PRESENTATION***

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

Freightways

## **Disclaimer**

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### ***Read this presentation with the financial statements***

The financial results in this presentation should be read in conjunction with the financial statements for the year ended 30 June 2022, which can be found in the NZX preliminary results announcement.

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## Agenda

1. Introduction and Highlights
2. Financial Summary
3. Business Performance
4. Outlook/Conclusion
5. Appendices

## Presenters



**Mark Troghear**  
Chief Executive



**Stephan Deschamps**  
Chief Financial Officer



**Neil Wilson**  
General Manager

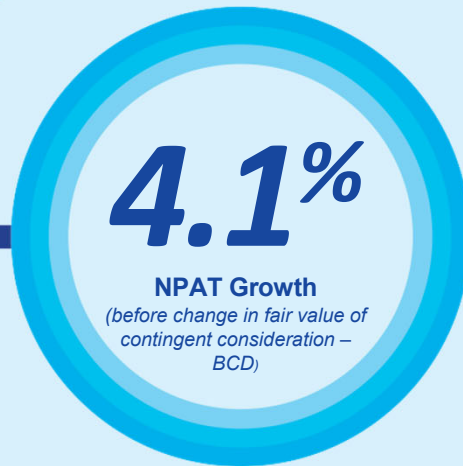


**Steve Wells**  
General Manager of Express Package



**Scott Hedgman**  
General Manager of Express Package Sales

FY22 KEY POINTS:



## Highlights



### Express Package

Pleasing improvement in Pricing for Effort (PFE), achieved \$1.42 in June and \$1.52 in July FY23

Contractor earnings up 7.2% v the prior comparative period (pcp)

Growth in Big Chill transport and 3PL revenue of 14% (over the pcp)

Strong service performance throughout the year despite COVID enforced absenteeism



### Information Management

Strong digital growth and a good pipeline of Government opportunities on both sides of Tasman

During Covid lockdowns, annuity storage revenues have remained resilient underpinning the TIMG result

New business wins in AU have offset Covid related declines.

Growth in legislative and government print volumes within LitSupport diversifying earnings



### Waste Renewal

Secure Destruction rebounded in H1 in NZ and AU, although the current Omicron outbreak in AU is affecting H2 revenue

Exceptional growth in Medical Waste, achieved \$26m in revenue in FY22, up 67% on the pcp

Encouraging progress on SaveBoard and other horizon 3 high-value waste initiatives



### Business Mail

DX mail implemented an automated sortation solution which is driving better run optimisation and labour efficiencies

## Highlights



### *FY Covid Lockdown impact*

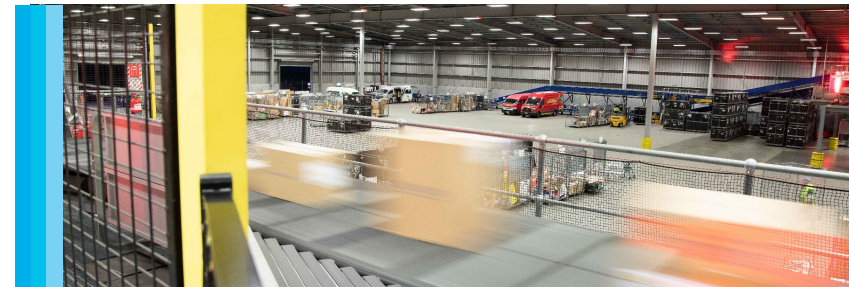
As disclosed in the quarterly update on 28th October:

- In August 2021, New Zealand entered an alert level 4 lockdown (which lasted 4 weeks in Auckland and reduced to level 3 for the rest of NZ after 2 weeks).
- Under alert level 4, activity levels are significantly impacted across our New Zealand businesses.
- The move from level 4 to level 3 in September 2021 saw the express package businesses recover and experience a significant increase in volumes.
- During H1, some areas of Australia also saw increased restrictions because of a resumption of COVID-19 cases. We estimate the cost of level 4 in NZ, and a range of restrictions in AU, at around \$5m in earnings in H1 (and all in the first quarter).

### *Omicron*

As updated in our May 2022 trading update:

- Omicron had a significant effect on our business in January and February in Australia and then from March onwards in NZ.
- At its peak we saw around 30% of our team absent from work through contracting the virus. This impacted not only our ability to operate efficiently and at maximum capacity, but also the ability of our customers to be able to consign 100% of their freight.
- Omicron became a handbrake not only on volume but also resulted in significantly higher employment costs and lower efficiency as our experienced teams were supplemented by temporary staff.



## Financial Summary

For the financial year ended 30 June 2022

	Note	FY22 \$m	FY21 \$m	Change %
Revenue		873.1	800.5	9.1
EBITA, before change in fair value of contingent consideration – Big Chill Distribution Limited (BCD) (non-GAAP)	i.	130.2	128.9	1.0
Change in fair value of contingent consideration – BCD		(3.7)	(23.0)	
EBITA (non-GAAP)	ii.	126.5	105.8	19.5
NPAT, before change in fair value of contingent consideration – BCD (non-GAAP)	iii.	73.9	71.0	4.1
Change in fair value of contingent consideration – BCD		(3.7)	(23.0)	
NPAT (GAAP)	iv.	70.2	47.9	46.4
Basic EPS (cents) (after change in fair value of contingent consideration – BCD)		42.3	29.0	45.9
Basic EPS (cents) (before change in fair value of contingent consideration – BCD)		44.6	42.9	4.0

### NOTES

- i. Operating profit before interest, tax and amortisation, before change in fair value of contingent consideration – BCD.
- ii. Operating profit before interest, tax and amortisation.
- iii. Net profit after tax (NPAT), before change in fair value of contingent consideration – BCD.
- iv. Profit for the half year attributable to shareholders.
- v. GAAP – Generally Accepted Accounting Principles (IFRS-compliant)

## Revenue Segmentation

For the financial year ended 30 June 2022

	FY22 \$m	FY21 \$m	Change %
Express package and refrigerated transport & storage	641.4	581.3	10.3
Postal	45.6	48.5	(5.9)
Storage & handling	59.3	60.7	(2.3)
Destruction activities	83.5	70.6	18.3
Other	43.3	39.4	9.8
<b>Total Revenue</b>	<b>873.1</b>	<b>800.5</b>	<b>9.1</b>

### NOTES

- i. Other includes Digital Services and Print & Copy revenue



## Express Package & Business Mail

For the financial year ended 30 June 2022

	FY22 \$m	FY21 \$m	Change %
Operating Revenue	689.0	633.0	8.8
EBITDA (non-GAAP)	142.2	141.0	0.8
EBITA (non-GAAP)	107.5	107.8	(0.3)
EBITA Margin	15.6%	17.0%	
NPAT (GAAP)	70.0	69.0	1.4

### NOTES

- i. Results in this table are after NZ IFRS16 (Leases). Refer to appendix for reconciliation to results before NZ IFRS16 which are non-GAAP

## Information Management

For the financial year ended 30 June 2022

	FY22 \$m	FY21 \$m	Change %
Operating Revenue	187.1	170.7	9.6
EBITDA (non-GAAP)	55.2	50.8	8.6
EBITA (non-GAAP)	33.1	29.0	14.3
EBITA Margin	17.7%	17.0%	
NPAT (GAAP)	18.2	15.2	19.9

### NOTES

- i. Results in this table are after NZ IFRS16 (Leases). Refer to appendix for reconciliation to results before NZ IFRS16 which are non-GAAP

## Capital Expenditure

For the financial year ended 30 June 2022

	2022 Full Year Actual \$m	2021 Full Year Actual \$m
Capital Expenditure <sup>(i)</sup>	24.7	16.2
Depreciation and software amortisation (including impact of NZ IFRS 16)	58.4	57.0
Depreciation and software amortisation (excluding impact of NZ IFRS 16)	21.5	21.8

### NOTES

(i) Aligned with IFRIC guidelines on the Configuration or Customisation Costs in a Cloud Computing Arrangement

## Capital Management Policy



### Capital Management Principles

Targeting solid Investment Grade credit profile, at a level that minimises the cost of capital. Range of Net Debt / EBITDA between 2x and 3x.

### Dividend Policy

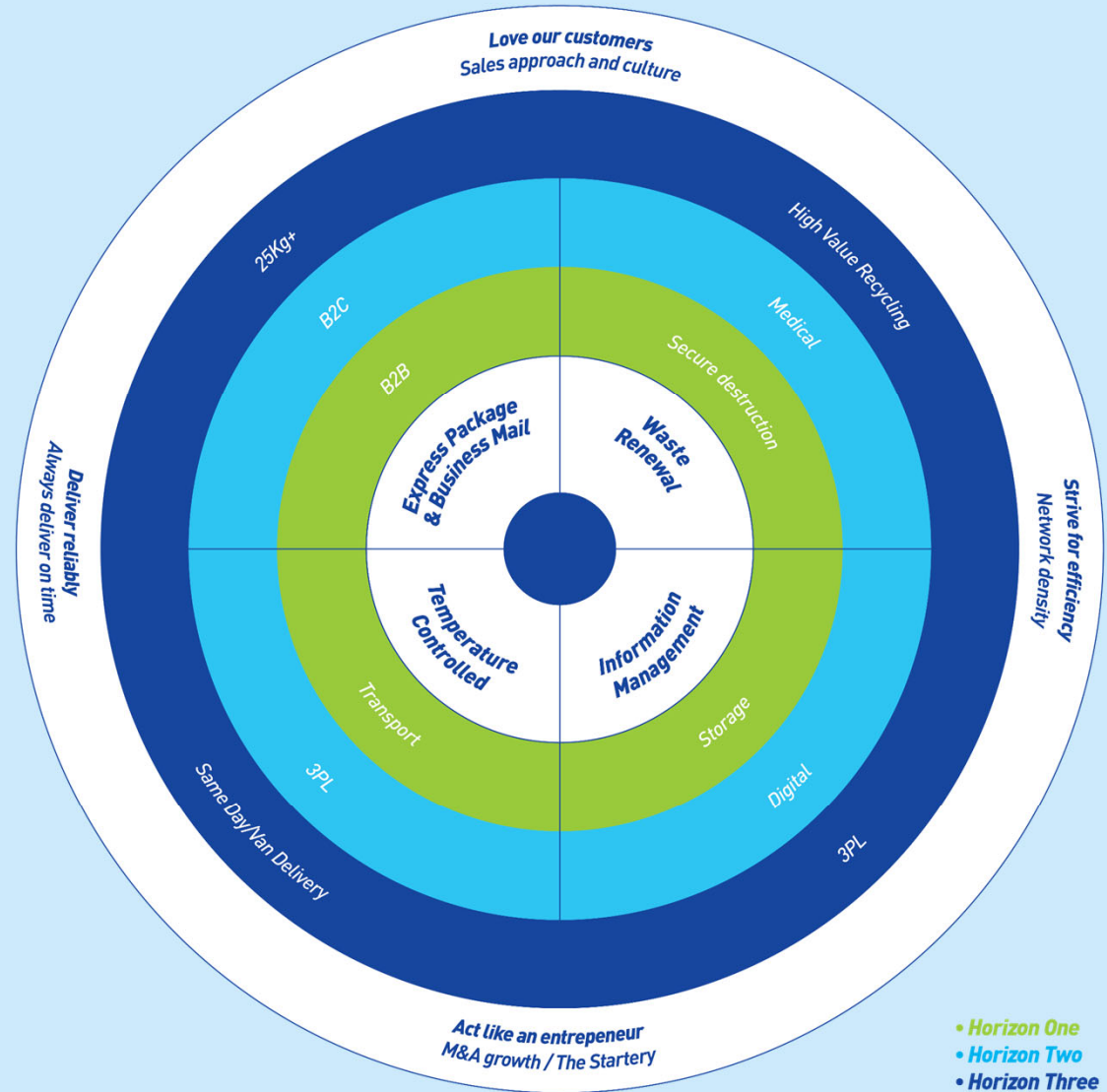
Dividend Policy aligned with Capital Management Policy, balancing a number of objectives:

1. The setting of the dividend is subordinated to the overall capital structure of Freightways. When debt is considered high, the cash dividend will be reduced to allow for faster debt reduction
2. The dividend is set at a level that the Board expects to be sustainable in the medium term
3. Subject to the first two principles, the Board will aim to pay 75% to 80% of the NPATA adjusted for significant one-offs

<b>FINAL DIVIDEND</b>	<b>19 CPS</b>
<b>IMPUTATION CREDITS</b>	<b>7.39 CPS (FULLY IMPUTED AT 28% TAX RATE)</b>
<b>SUPPLEMENTARY DIVIDEND</b>	<b>3.3529 CPS</b>
<b>RECORD DATE</b>	<b>16 SEPTEMBER 2022</b>
<b>PAYMENT DATE</b>	<b>3 OCTOBER 2022</b>

GROWTH STRATEGY:

# Three Horizons of Growth



## EXPRESS PACKAGE:



## Express Package Review



### Network Express Couriers

Item growth accelerated after the lockdowns in August / September 2021, fuelled by market share gains, increase in B2C deliveries and seasonal Xmas volumes

In late 2021 we took on a number of contingency sites in Auckland and Christchurch to cope with volume growth of around 15% on the pcp over the last 15 weeks of the calendar year

In H2 growth was moderated by the Omicron outbreak in March and April and then flat volume in May and June related to economic conditions & labour shortages

Labour costs increased steadily during H2 as a result of the rise in minimum wage, absenteeism and the tight labour market, the uplift is expected to be recovered with the GRI from July 1

GRI levied at 8% across network couriers and expected to gain between 6% and 6.5%



### Point to Point Express

Revenue growth of 14% on the pcp

Our Kiwi Express Oversized courier service had a soft launch in August 2022 targeting over 25kg / .125m3 consignments that require express delivery

Stage I transition of the large dedicated contract commenced in July 2022, Stage II will occur from 1 November 2022



### Temperature Controlled Express

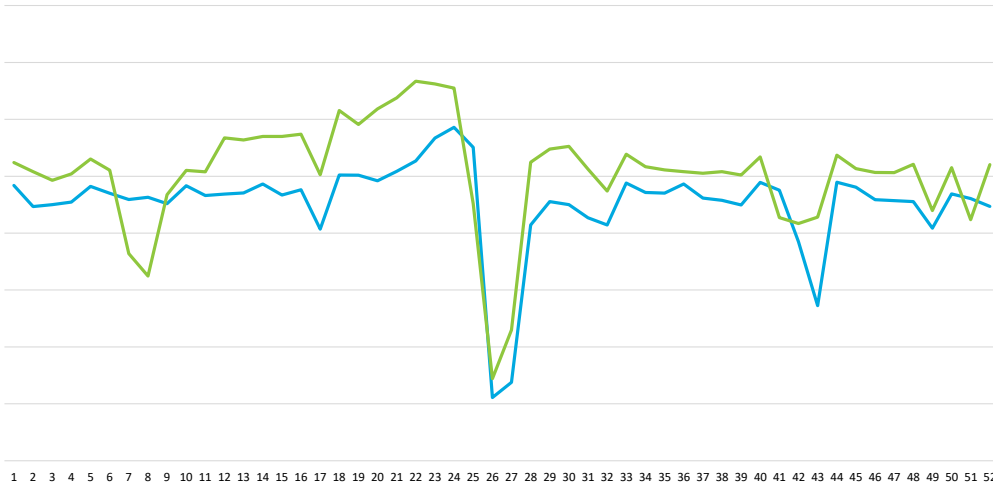
Revenue growth of 14.7% on the pcp through a combination of 3PL utilisation and transport growth.

Commissioned a second Temperature Controlled 3PL and transport hub in the Waikato. The facility will house up to 16,000 pallets of chilled and frozen goods and will also act as the key transport hub for the BOP and Waikato region.

**Express Package - Total Item Growth YoY**  
 (Network couriers only)

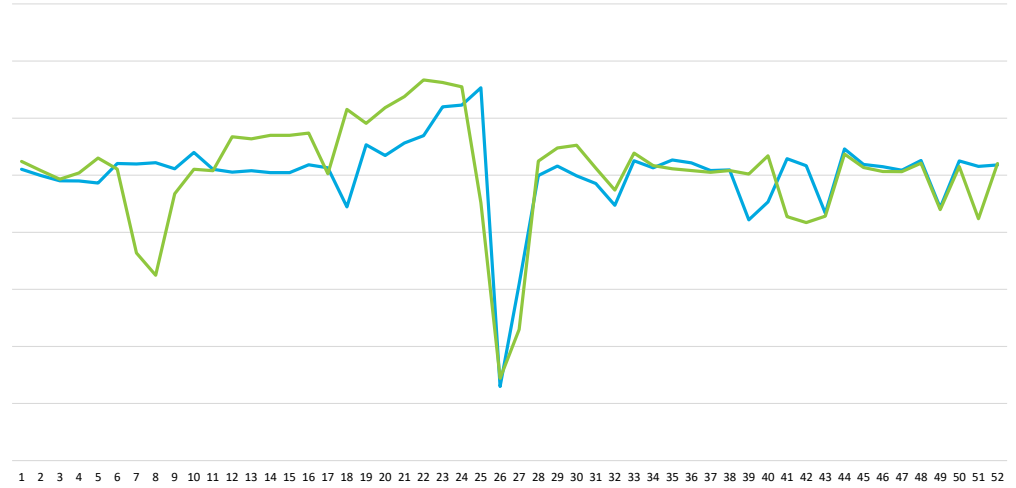
**Items FY19 v FY22**

— FY19 — FY22



**Items FY21 v FY22**

— FY21 — FY22





## Express Package – B2C

(B2C Proportion FY22, PFE Per Item)

### B2C Proportion

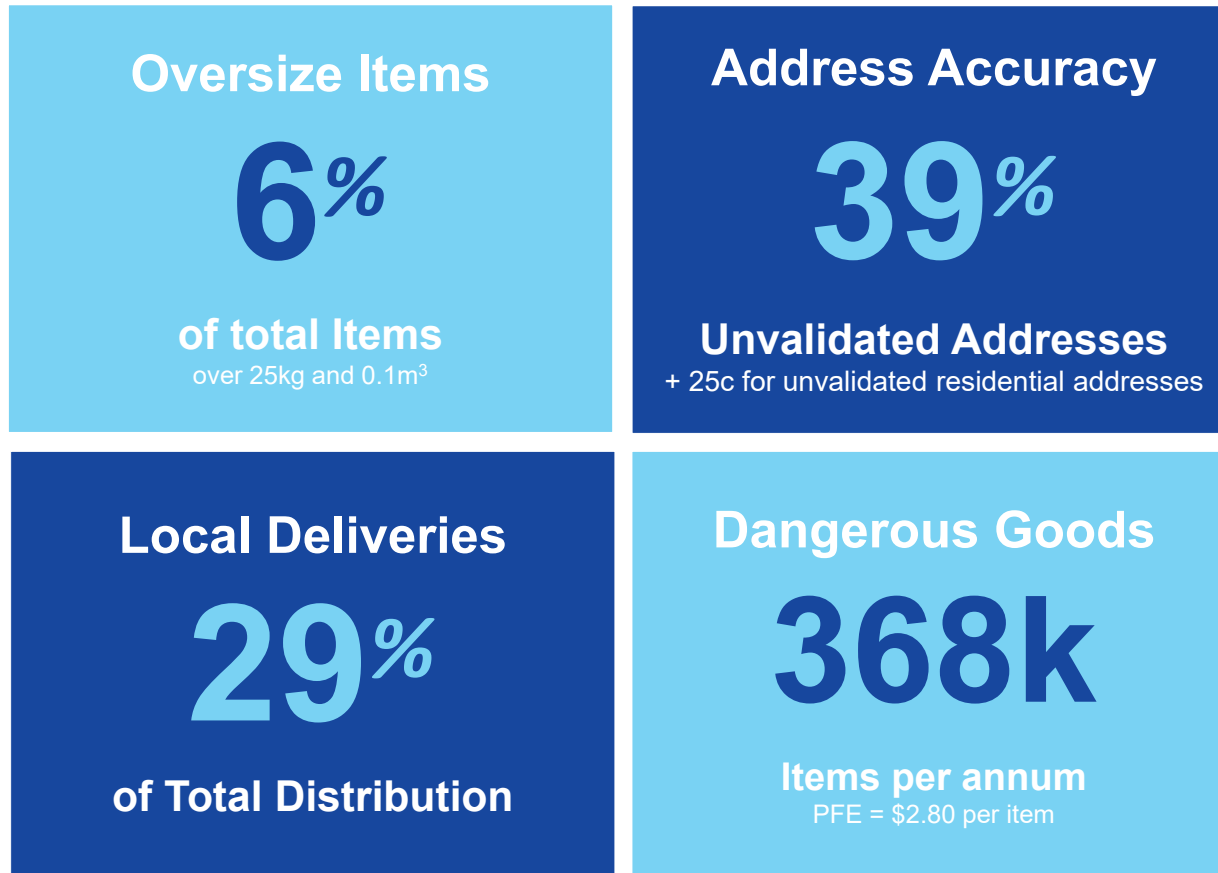
21%

of total items delivered within  
the Express Package network

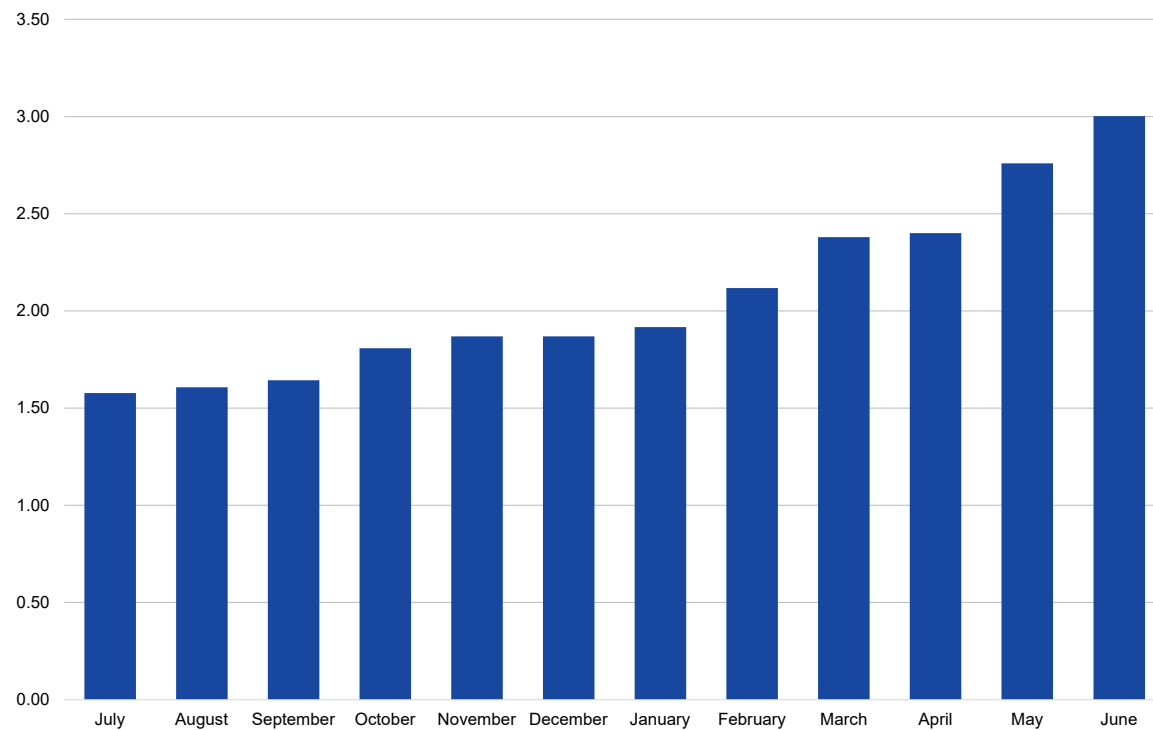
### Pricing for Effort

\$1.52

Average revenue per residential  
delivery (by end of July FY23)

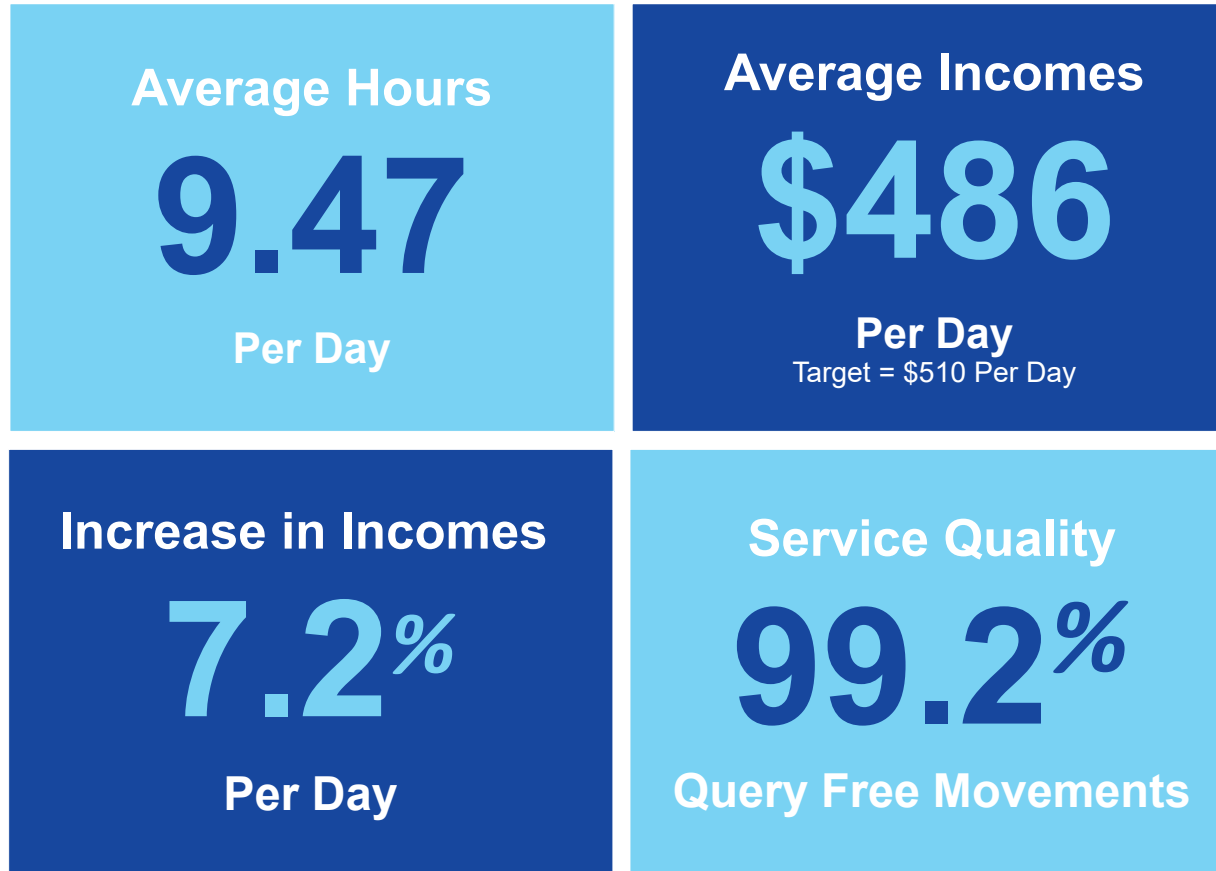


## Express Package – Fuel Surcharge and Pricing Impact



Fuel lag has impacted FY22  
EBITA by

**\$4.8m**



**3PL**  
**95%**  
Utilisation

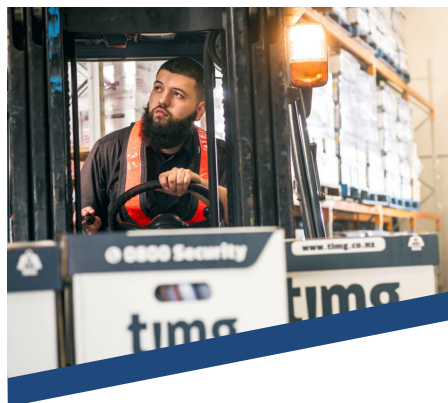
**Ruakura facility timing  
and pallet capacity:**

**16,000**  
pallet spaces as of September  
2023

## INFORMATION MANAGEMENT:



## Information Management Highlights



### Storage

68% of document and media business relates to physical storage which provides sticky annuity revenues. Physical storage revenues have not been impacted by Covid.

Australian new business gains in FY22 have improved document revenue by 4% overall.

Focus on warehouse utilisation given significant financial upside from filling footprint.

At 95% utilisation in NZ is high which delivers strong cash returns.



### Activity

Activity levels across media and documents declined 3% and 1% respectively.

Pricing improvement is being used as the key lever to offset this decline.

Many customers who used to physically retrieve boxes and media tapes have transitioned to digital solutions with TIMG.



### Digital

Continued strong demand and growth in digitalisation revenues for the FY22 year up 30% compared to the prior year. \$15m of new contracts already scheduled for completion during FY23.

Bureau print activity in AU has been impacted by WFH however trending upward (last quarter above pcp). Government / Legal print grew by 16% during FY22 and now represents 1/3 of total Litsupport revenues.

During FY22 "essential 8" cyber security standards (set by Australian Cyber Security Centre) was achieved by TIMG AU. To date TIMG are the only digitalisation provider to achieve this standard and have already secured new government contracts as a result.

### Storage Revenue

**68%**

of TIMG total core revenue

### Digital Revenues Grew

**37% AU**

**30% NZ**

### Warehouse Utilisation

**80% AU**

**95% NZ**

LitSupport Covid impacted revenue down

**7%**

last quarter FY22 trading more resilient



# WASTE RENEWAL:



[Introduction and Highlights](#)

[Financial Summary](#)

[Business Performance](#)

[Outlook/Conclusion](#)

[Appendices](#)

Freightways

**Waste Renewal Growth**  
Positioning for a sustainable future



## Medical Waste Highlights



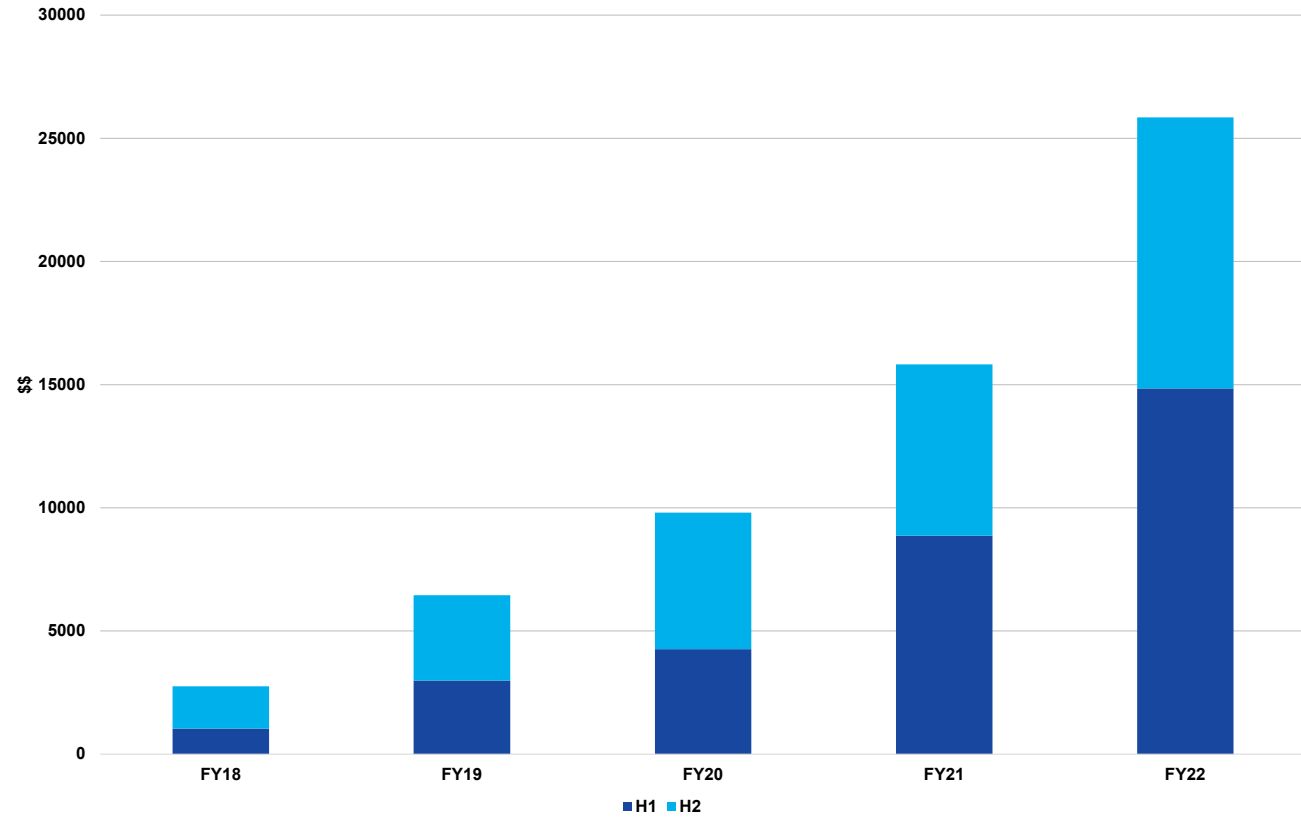
### Medical Waste

Exceptional growth in Medical Waste over FY22 driven by high service levels, new customer acquisition, higher pricing and organic growth

Additional processing capacity will be added in VIC & QLD in FY23

While post-Covid organic volumes will moderate we will continue to target market share gains

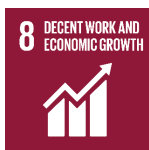
Med-X Revenue Growth FY18-FY22





**3. GOOD HEALTH AND WELLBEING**

- Health and safety in employment – injury reduction. LTIFR reduced from 12 to 11 in FY22
- Deployment of advanced in cab road safety technology in linehaul vehicles
- Employee wellness programme and mental health awareness training rolled out to all management staff



**8. DECENT WORK AND ECONOMIC GROWTH**

- Introduction of literacy and numeracy training to operational teams
- Professional development and management/leadership training implemented
- Rewarding contractors for their efforts through PFE



**9. INDUSTRY, INNOVATION AND INFRASTRUCTURE**

- Continual strengthening of reliable networks – through expanded air, road and depots networks
- Horizon 2 and 3 opportunities developed through The Startery



**13. CLIMATE ACTION**

- GHG Emissions reduction with a target to reduce scope 1, 2 & 3 emissions by 50% by 2035
- Reducing plastic usage and waste by 75% through our EP Brands



**16. PEACE, JUSTICE AND STRONG INSTITUTIONS**

- Ethics and integrity
- Transparency



# OUTLOOK:



# ALLIED EXPRESS:



## Allied Express



### Rationale

Allied Express will act as a significant entry point to the Australian market for Freightways' Express Package Division

FRE see a number of compelling organic and inorganic growth opportunities which can scale off the back of the: scalable footprint, customers and range of services Allied provide the market

Allied operates primarily in the niche of 22kg+ parcels and complements FRE expertise in *pick-up, process and delivery*. Allied will provide a platform for growth in the Oversize category of the Australian express market, as well as providing valuable lessons as FRE develops a similar niche in NZ

### 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 based on the VWAP of Freightways shares calculated over the period of 10 trading days up to and including August 18th, adjusted to exclude the cash amount of the dividend payable on October 3rd.

- Is expected to be EPS accretive to Freightways from completion
- There is no earnout or contingent payment
- A\$50m of shares to be held in Escrow for 12 months, \$25m for 24 months
- Completion expected on or after September 30, 2022

Upon settlement it is expected that Freightways pro-forma net debt to EBITDA will move up to 2.8x, 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



### **Background to Allied**

- One of the largest, independently owned courier and express freight companies in Australia.
- 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.
- Established for 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 - delivering predominantly larger express items.
- 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 McDowell family (the shareholders of Allied Express) will become substantial shareholders in the enlarged Freightways Group (with an approximately 6% shareholding on completion) and will continue to work in the business to ensure continuity of personnel for all key stakeholders and to support growth plans in Australia.

### **By the Numbers**

- 700 contractors
- 450 staff
- 1,750 clients
- Network hubs in all major state capitals
- F/C FY23 EBITA in excess of \$20m on a full year basis
- Expect A\$11m capex in FY23

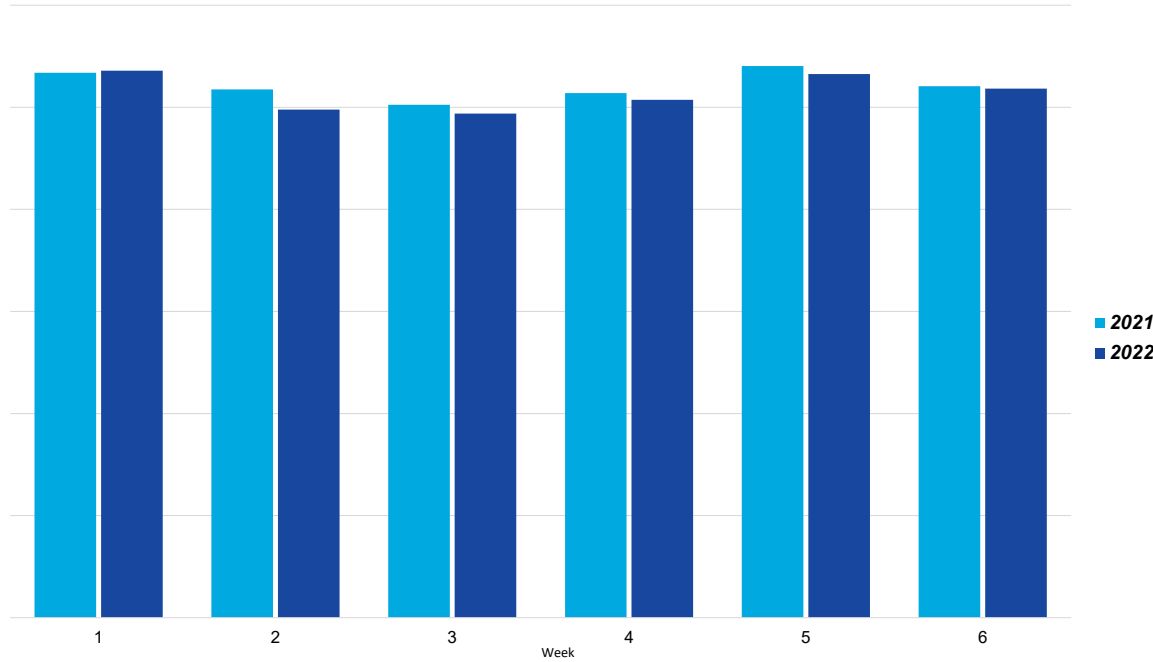
### **Integration and Fit**

- Allied's business model replicates that of FRE EP brands in NZ, with owner drivers and a relatively asset light operating model of leased facilities
- Allied will adopt similar parcel sorting technology to that adopted by FRE in CHC in 2015
- FRE in NZ and Allied in AU serve common and complementary customers
- Both businesses focus on high levels of DIFOT and customer satisfaction
- Allied will be supported by FRE's Australian corporate team



**Express Package - Total Item Performance Last 6 Weeks**  
(Network couriers only)

**Express Package Volumes - Last 6 weeks YoY**



EP volumes are  
**-1%**  
over the last 6 weeks  
compared to the pcp

## Conclusion and Outlook



- FY22 was impacted heavily by Covid. Lockdowns in H1 and Omicron in H2;
- The cost and organisational pressures from a tight labour market continues to be felt but will be mostly offset by a General Rate Increase levied implemented on July 1 2022;
- We are confident we have a proven platform for growth and profitability in FY23, both through existing businesses and new initiatives;
- The lower volumes from existing customers in the first 6 weeks of FY23 is mostly compensated by market share gains;
- We are excited to welcome Allied Express in the Freightways family. We see significant growth opportunities resulting from this on both sides of the Tasman.

**“Our people remain our greatest asset. We have a highly experienced and committed team, many of whom have been with us for decades. Our team got us through the challenges of the last two years and they will continue to be our greatest strength regardless of the economic climate. As we enter a new year their safety and well-being remains foremost in our minds”**

# ***APPENDICES***

## Appendix

Reconciliation of post-NZ IFRS16 to pre-NZ IFRS16 for the financial year ended 30 June 2022

<b>FREIGHTWAYS GROUP</b>	<b>FY22 \$m</b>	<b>FY21 \$m</b>	<b>Change %</b>
Operating Revenue	873.1	800.5	9.1
EBITDA	184.9	162.8	13.6
Add back: Change in fair value of contingent consideration – Big Chill Distribution Limited (BCD)	3.7	23.0	
Less: NZ IFRS16 adjustment	(43.8)	(42.2)	3.9
EBITDA (before NZ IFRS16 and change in fair value of contingent consideration – BCD)	144.8	143.7	0.8
EBITA	126.5	105.8	19.5
Add back: Change in fair value of contingent consideration – BCD	3.7	23.0	
Less: NZ IFRS16 adjustment	(7.2)	(7.0)	2.5
EBITA (before NZ IFRS16 and change in fair value of contingent consideration – BCD)	123.0	121.9	1.0

## Appendix

Reconciliation of post-NZ IFRS16 to pre-NZ IFRS16 for the financial year ended 30 June 2022

<b>EXPRESS PACKAGE &amp; BUSINESS MAIL</b>	<b>FY22 \$m</b>	<b>FY21 \$m</b>	<b>Change %</b>
Operating Revenue	689.0	633.0	8.8
EBITDA (after NZ IFRS16)	142.2	141.0	0.8
Less: NZ IFRS16 adjustment	(26.3)	(24.6)	7.0
EBITDA (before NZ IFRS16)	115.8	116.4	(0.5)
EBITA (after NZ IFRS16)	107.5	108.0	(0.5)
Less: NZ IFRS16 adjustment	(4.0)	(3.4)	15.7
EBITA (before NZ IFRS16)	103.5	104.6	(1.0)

## Appendix

Reconciliation of post-NZ IFRS16 to pre-NZ IFRS16 for the financial year ended 30 June 2022

<b>INFORMATION MANAGEMENT</b>	<b>FY22 \$m</b>	<b>FY21 \$m</b>	<b>Change %</b>
Operating Revenue	187.1	170.7	9.6
EBITDA (after NZ IFRS16)	55.2	50.8	8.6
Less: NZ IFRS16 adjustment	(17.3)	(17.4)	(0.9)
EBITDA (before NZ IFRS16)	38.0	33.4	13.6
EBITA (after NZ IFRS16)	33.1	29.0	14.3
Less: NZ IFRS16 adjustment	(3.2)	(3.6)	(10.8)
EBITA (before NZ IFRS16)	29.9	25.4	17.9

