

DRIVING GROWTH RESPONSIBLY:

FREIGHTWAYS ANNUAL SHAREHOLDERS MEETING 2022

27 OCTOBER 2022 | NZX FRE

Freightways

Mark Cairns

Chairman's Introduction

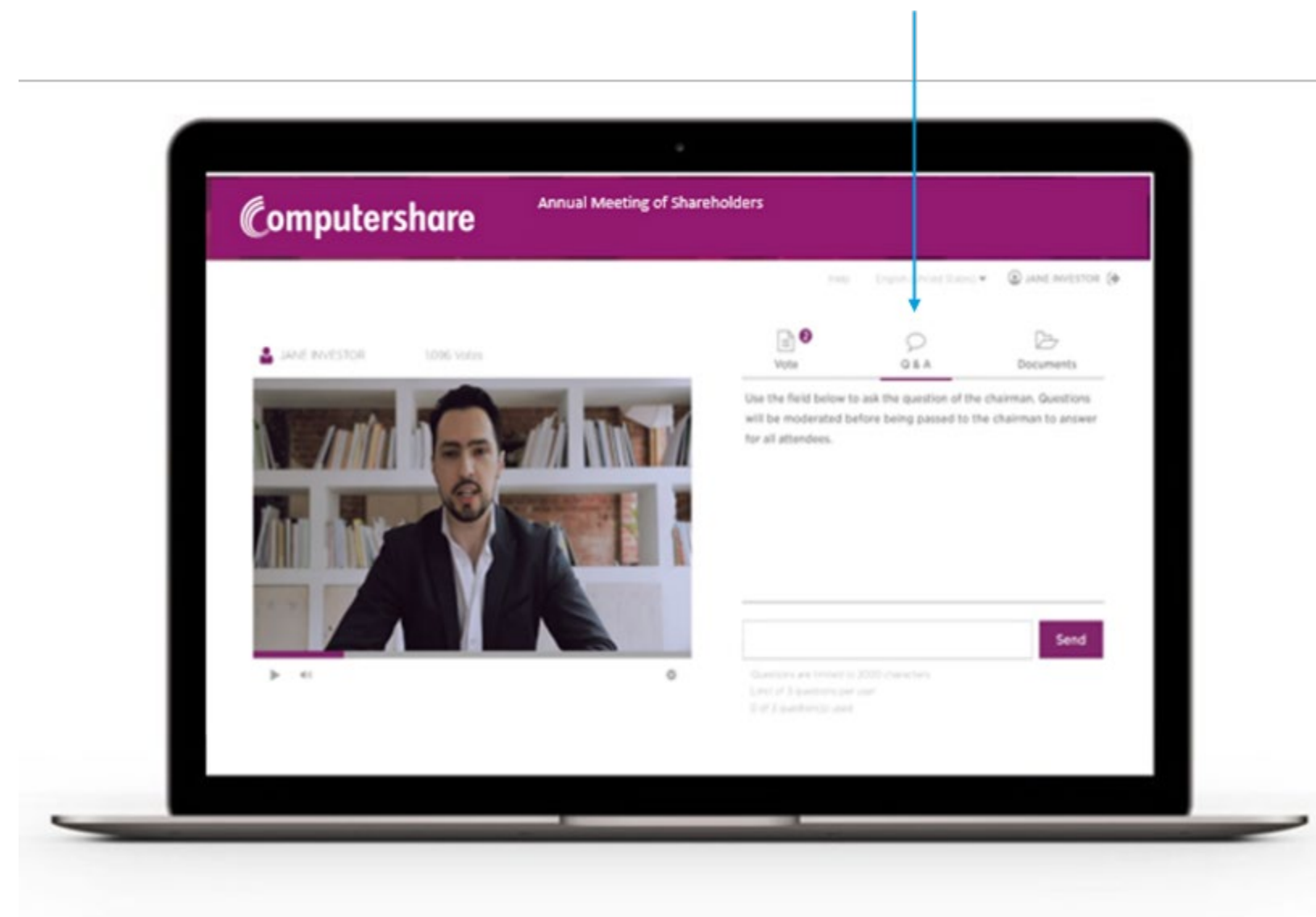


How to submit QUESTIONS

- Questions may be submitted ahead of the meeting. If you have a question to submit during the live meeting, please select the Q&A tab on the right half of your screen at anytime. Type your question into the field and press submit. Your question will be immediately submitted.

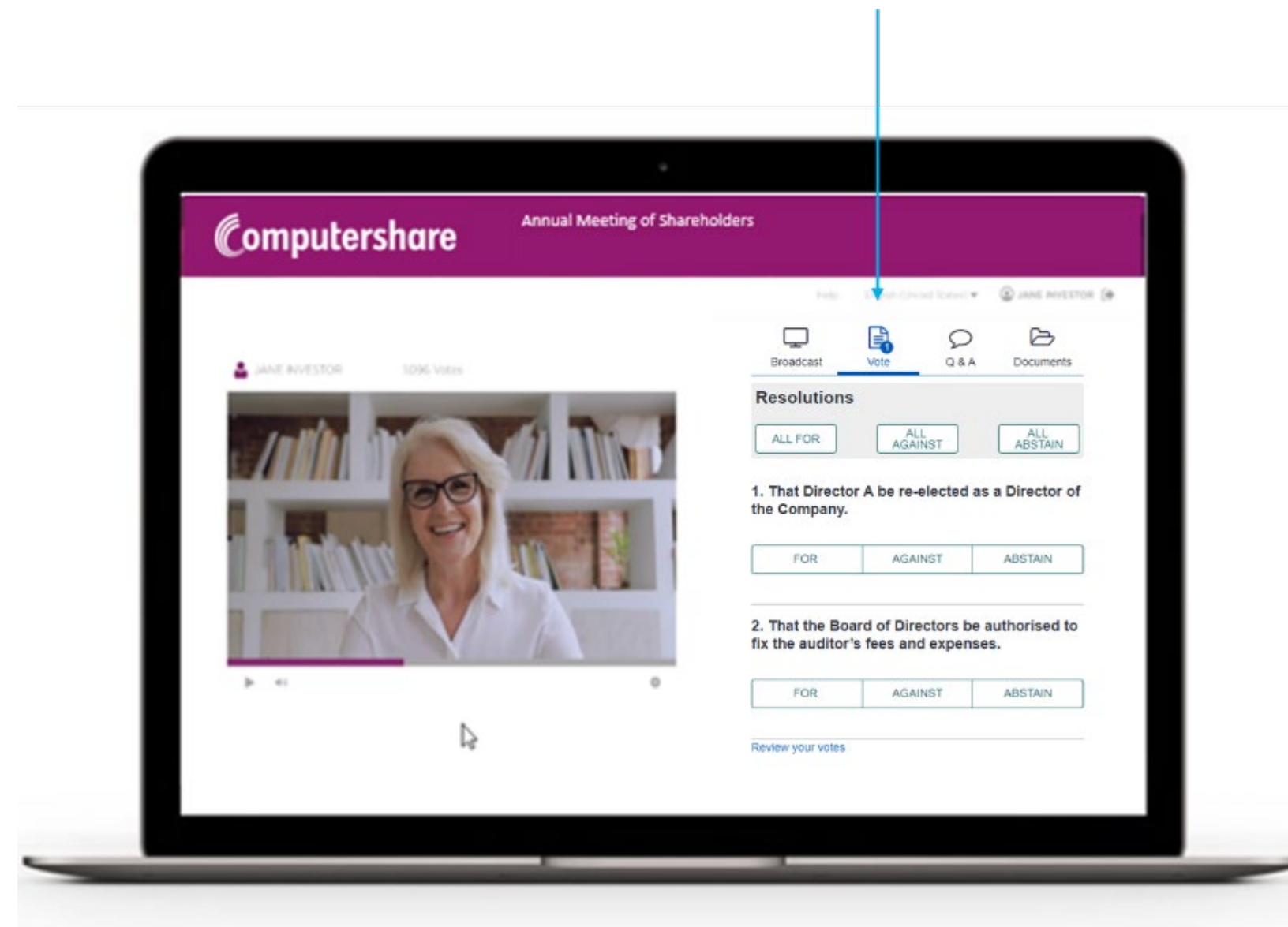
Help

- The Q&A tab can also be used for immediate help. If you need assistance, please submit your query in the same manner as typing a question and a Computershare representative will respond to you directly.



How to VOTE

- Once the voting has been opened, the resolutions and voting options will allow voting.
- To vote, simply click on the Vote tab, and select your voting direction from the options shown on the screen. You can vote for all resolutions at once or by each resolution.
- Your vote has been cast when the tick appears. To change your vote, select 'Change Your Vote'.



AGENDA

- 1. Chairman’s Introduction
- 2. CEO’s Strategy and Trading Update
- 3. Voting and Questions
- 4. Resolutions



Mark Cairns
Chairman



Abby Foote
Director



David Gibson
Director



Fiona Oliver
Director



Mark Rushworth
Director



Peter Kean
Director



Mark Troghear
CEO

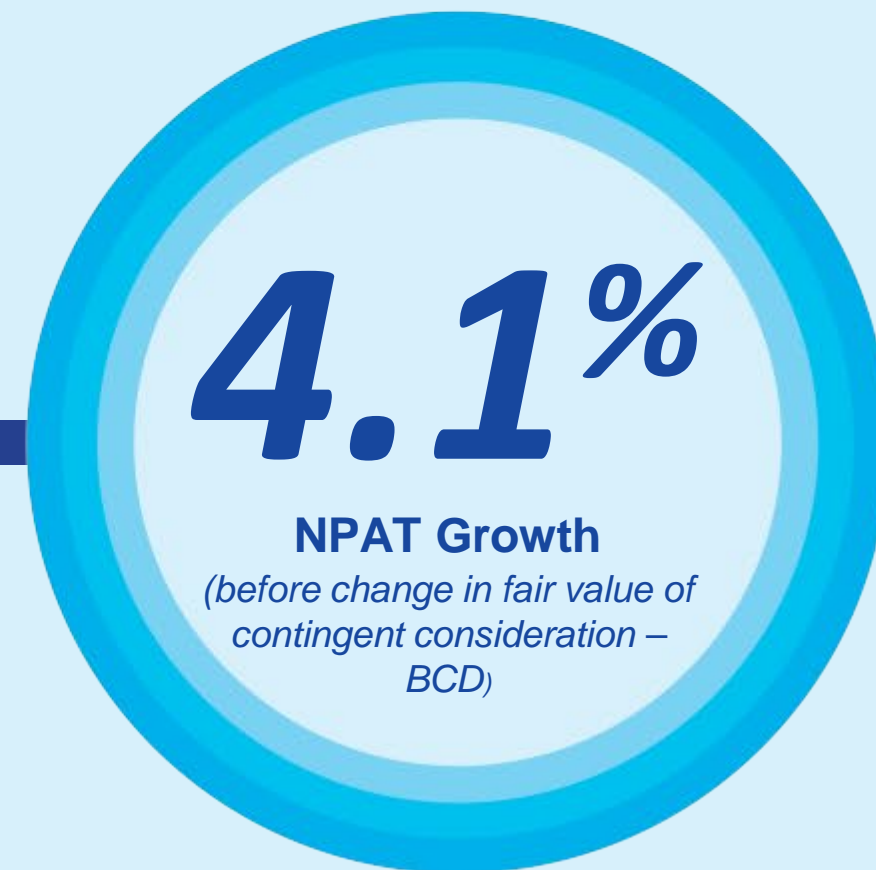


Stephan Deschamps
CFO



Nicola Silke
*General Counsel and
Company Secretary*

FY22 HIGHLIGHTS:

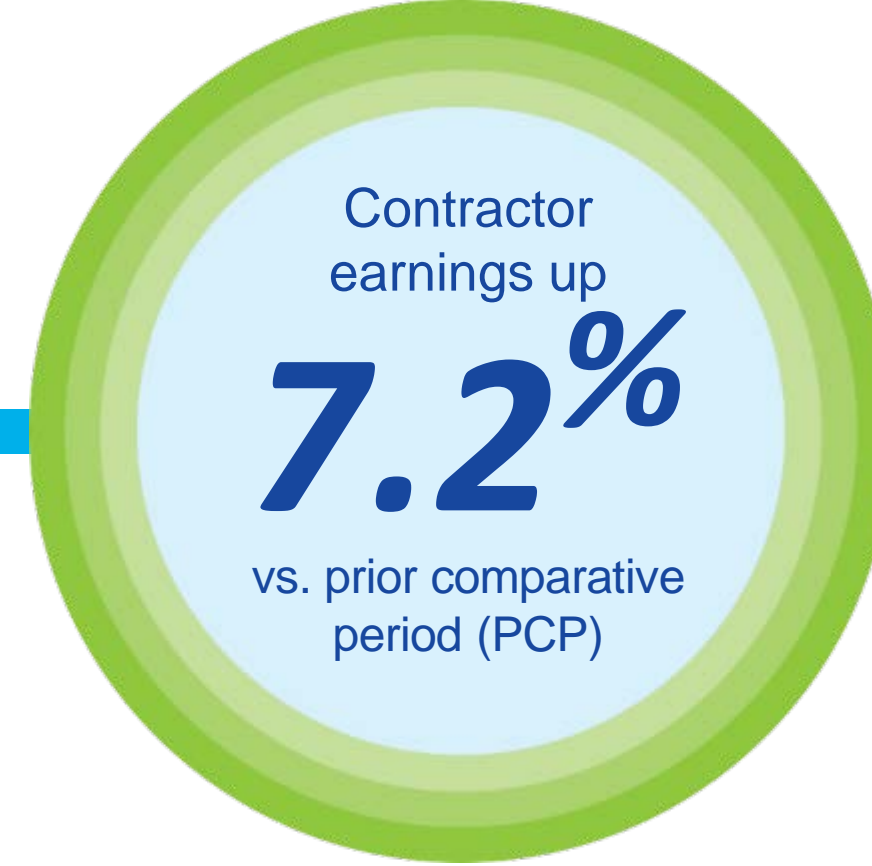


FY22 HIGHLIGHTS:

Express Package



Express Package



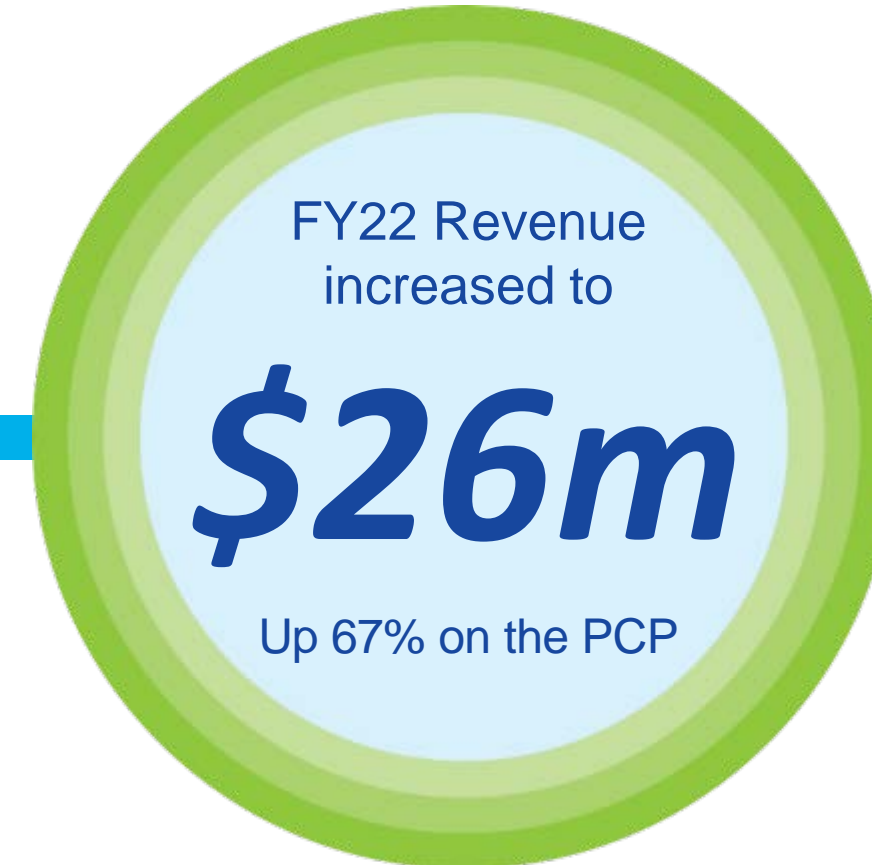
Express Package



Information Management

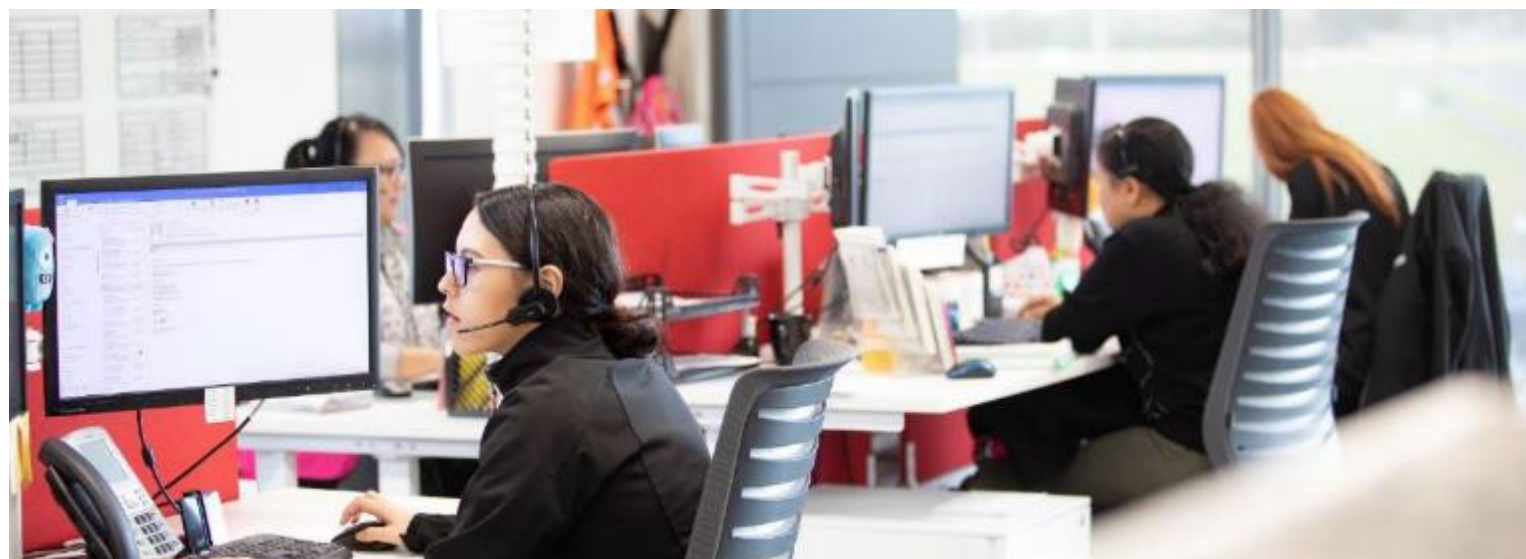


Waste Renewal



Business Mail





H1 Impact

- 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).

H2 Impact

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.

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

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

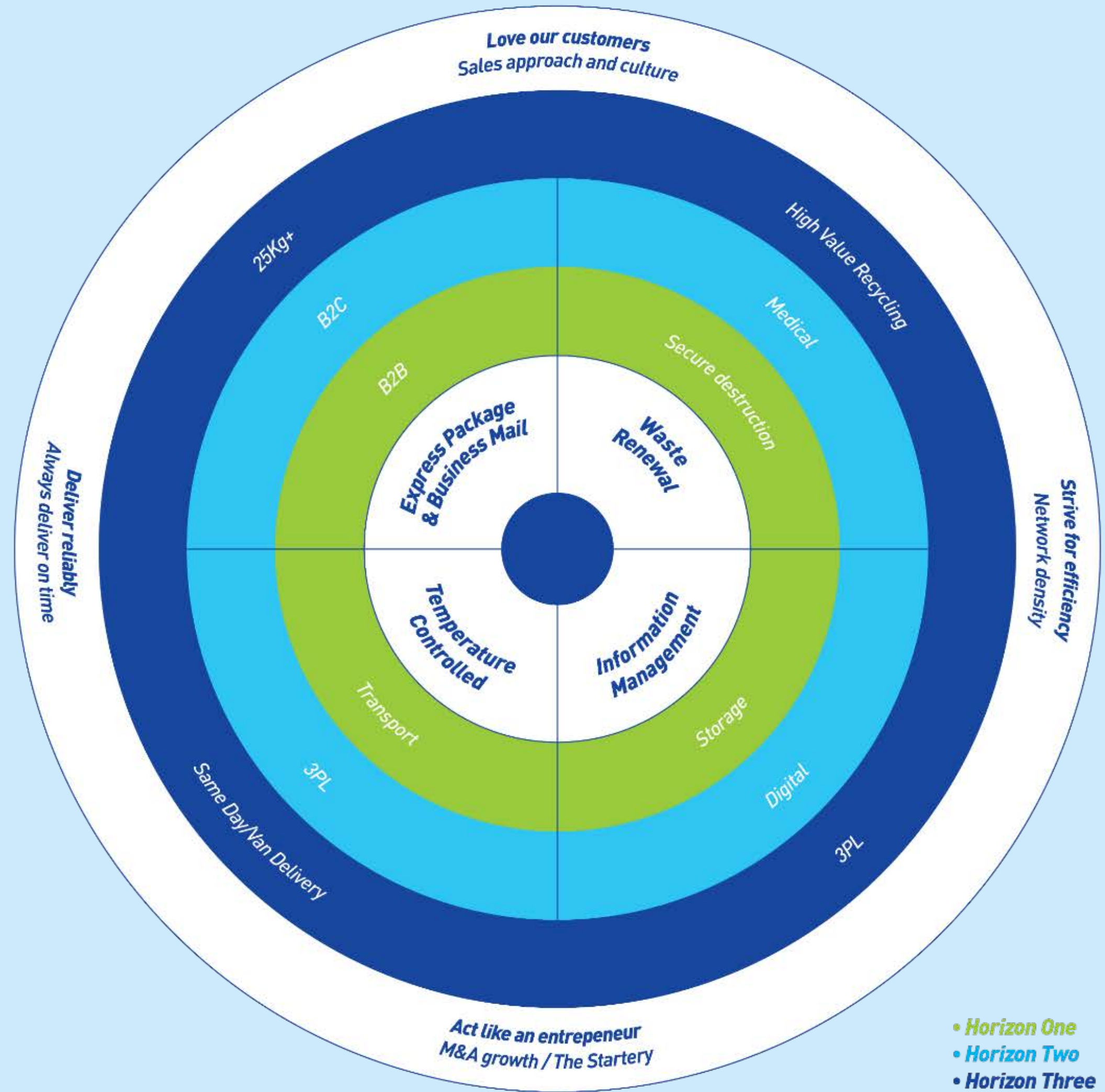
Mark Troughear

CEO's Strategy and Trading Update



GROWTH STRATEGY:

Three Horizons of Growth



Horizon 1: B2B

EXTEND AND DEFEND

- Expansion of facilities in main metro cities
- Contractor earnings up 7.2% v the prior comparative period (pcp)
- Strong service performance throughout the year despite COVID enforced absenteeism

Horizon 2: B2C

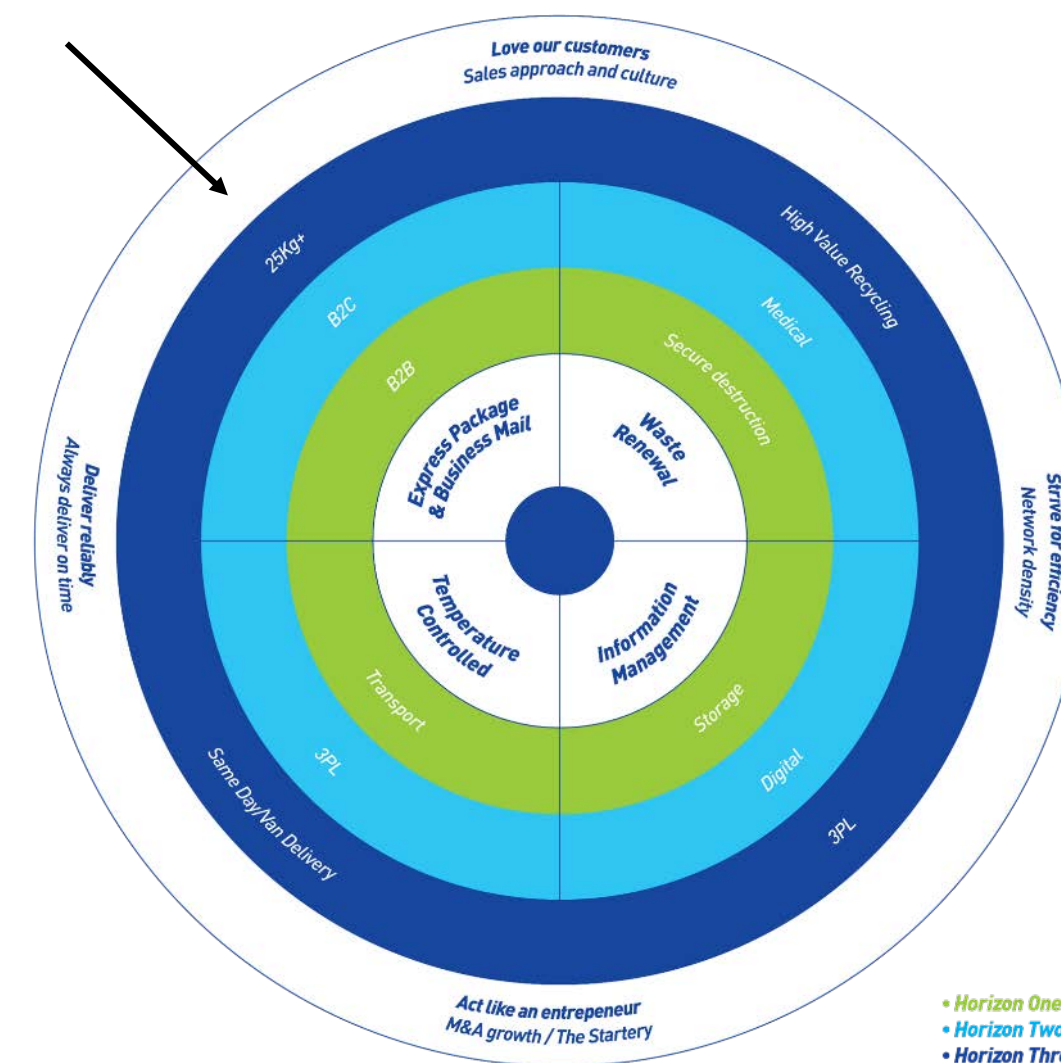
GROW SCALE

- Pricing for Effort (PFE) hit \$1.52 in July FY23
- B2C volumes are more than double 2019 due to organic growth and market share gains
- Opportunity for further gains as this market grows and as we attract niches of B2C who value a superior service proposition

Horizon 3: Oversize

ESTABLISH NEW LINES OF BUSINESS

- Launch of Kiwi Express Oversize service in 2022
- Allied Express joins FRE in October 2022 with a focus on 22kg+
- Allied moves into larger premises in NSW and WA with automated sortation commissioned for NSW in 2023



Horizon 1: National Delivery

EXTEND AND DEFEND

- Growth in core national transport through organic and market share gains
- Expansion of facilities in Wellington, Hawkes Bay

Horizon 2: 3PL

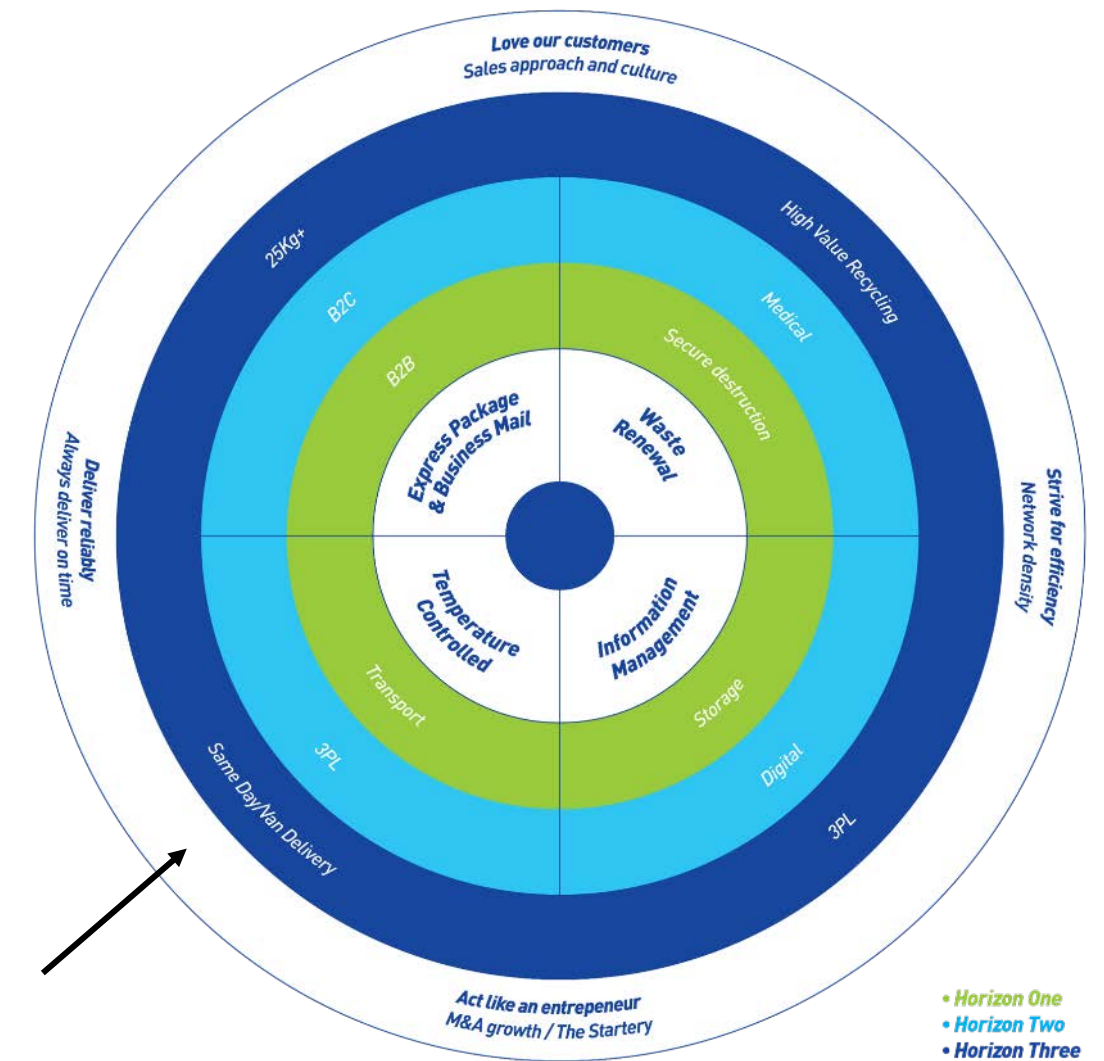
GROW SCALE

- Utilisation of 95% in Auckland
- Commissioning of new 3PL site in Ruakura, Hamilton capable of storing 16,000 pallets

Horizon 3: Same Day

ESTABLISH NEW LINES OF BUSINESS

- Acquisition of ProducePronto in 2021
- Roll out of national delivery for convenience stores
- Leverage the Big Chill Distribution network for storage, linehaul and depots



Horizon 1: Storage

EXTEND AND DEFEND

- Improvement in utilisation of existing warehouses through market share gains

Horizon 2: Digitisation

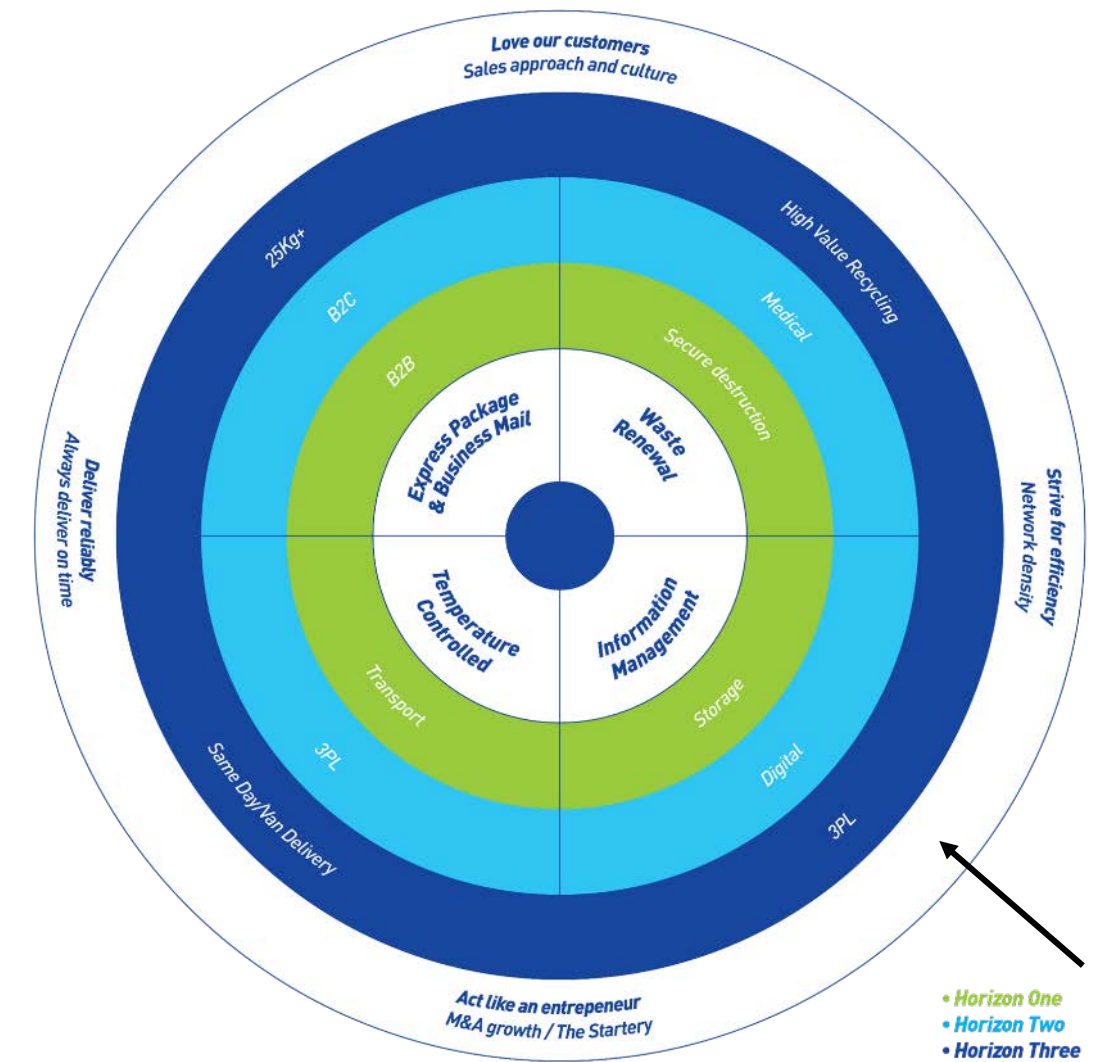
GROW SCALE

- Leverage TIMG's credibility to win new contracts in digitalisation

Horizon 3: eCommerce 3PL

ESTABLISH NEW LINES OF BUSINESS

- Establish STOCKA – an offering for SME's who require eCommerce fulfilment by leveraging existing facilities, systems and teams



Horizon 1: Secure Destruction

EXTEND AND DEFEND

- Build density using existing networks to maintain the lowest activity cost in the market
- Focus on market share gains
- Refine paper grades to optimise returns

Horizon 2: Medical Waste

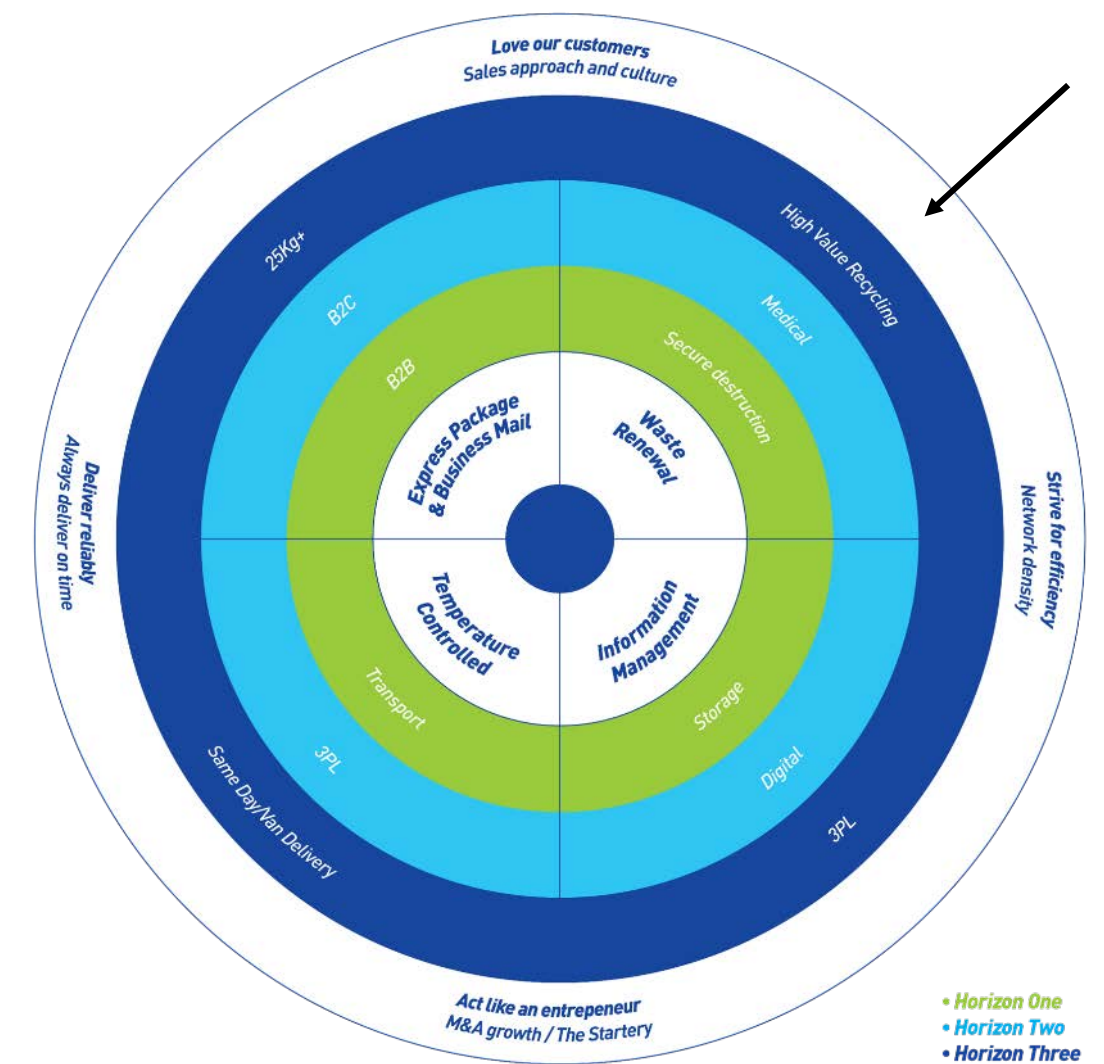
GROW SCALE

- Build out the processing footprint in VIC and QLD
- Gain new customers in Eastern-seaboard markets
- Differentiate our product offering

Horizon 3: High Value Waste

ESTABLISH NEW LINES OF BUSINESS

- Expand SaveBoard from NZ only to establish plants in Australia over the next 2 years
- Continue to grow other niche high value waste streams where our assets and capabilities support pick up, processing and delivery to final markets of recycled products





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
- Commissioned NZ's first virtual forklift simulator



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 operations through expanded network infrastructure
- 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
- Introduced our Enviro 360 pack to enable recycling of soft plastics into SaveBoard



16. PEACE, JUSTICE AND STRONG INSTITUTIONS

- Ethics and integrity
- Transparency – early disclosure of FRE TCFD report in 2021



Carbon Emissions Reduction – Progress Update

INITIATIVE	TIMELINE	COMMENT
100% of company cars are PHEV or EV	2029	Charging infrastructure and increasing supply + operating costs are currently barriers to progress. Expect this to improve by 2025.
Light commercial fleet (vans) transitions to alternate fuel cell	2028-2035	Charging infrastructure, limited-supply and high operating costs are still barriers to progress. Funding options to bridge additional cost of ownership being explored. Close monitoring of new van models to assess for time/weight/range capabilities – current available options are very limited. Contractor incomes well-aligned to be able to transition.
Metro truck fleet are EV or alternate fuel	2030	Charging infrastructure, limited-supply and high operating costs are still barriers to progress. Funding options to bridge additional cost of ownership being explored. <ul style="list-style-type: none"> Fuso E-Canter has the most suitable vehicle offering in this space currently, but cost per unit is \$294k vs \$95k for the ICE equivalent. Range is also an issue with the E-Canter struggling to achieve 100km per charge when under load and driving up hills.
Linehaul truck fleet begins to transition to alternate fuel cell	2030	Hydrogen fuelling infrastructure, limited-supply and high operating costs are still barriers to progress. Funding options to bridge additional cost of ownership being explored. Close monitoring of new technologies in terms of: capability, safety, commerciality
Rollover current aircraft fleet to new jets that achieve greater fuel efficiency	2027	Currently exploring newer jet options that are more fuel efficient. A potential hurdle is a number of late-model jets burn more fuel on take off and landing, but are very efficient when cruising, meaning fuel savings are limited in shorter routes.. A number of potential aircraft types being explored currently.
Green building specification for new buildings	2023	Discovery being completed on specification standards for all new buildings, including: <ul style="list-style-type: none"> Solar Panels EV charging stations Reticulating storm water Recycled building materials

Q1 Trading Update



Q1 Consolidated Performance

Unaudited

	Note	Q1 FY23 \$m	Q1 FY22 \$m	Change %
Operating Revenue		237.4	203.1	16.9
EBITDA (non-GAAP)	(i)	49.5	45.5	8.8
EBITA (non-GAAP)	(ii)	34.0	31.6	7.6
NPATA (non-GAAP)	(iii)	21.0	19.9	5.5
NPAT (GAAP)	(iv)	19.3	18.1	6.6

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

- GAAP – Generally Accepted Accounting Principles (IFRS-compliant)
- Results in this table are after NZ IFRS16 (Leases). Refer to appendices for reconciliation to results before NZ IFRS16.

Q1 Express Package & Business Mail
Unaudited and excludes lease accounting

	Q1 FY23 \$m	Q1 FY22 \$m	Change %
Operating Revenue	184.8	160.5	15.1
EBITDA (non-GAAP)	31.1	28.0	11.1
EBITA (non-GAAP)	27.9	25.1	11.2
EBITA Margin	15.1%	15.6%	

Results in this table are before NZ IFRS16 (Leases) and are accordingly non-GAAP. Refer to appendices for reconciliation to results after NZ IFRS16.

GAAP – Generally Accepted Accounting Principles (IFRS-compliant)

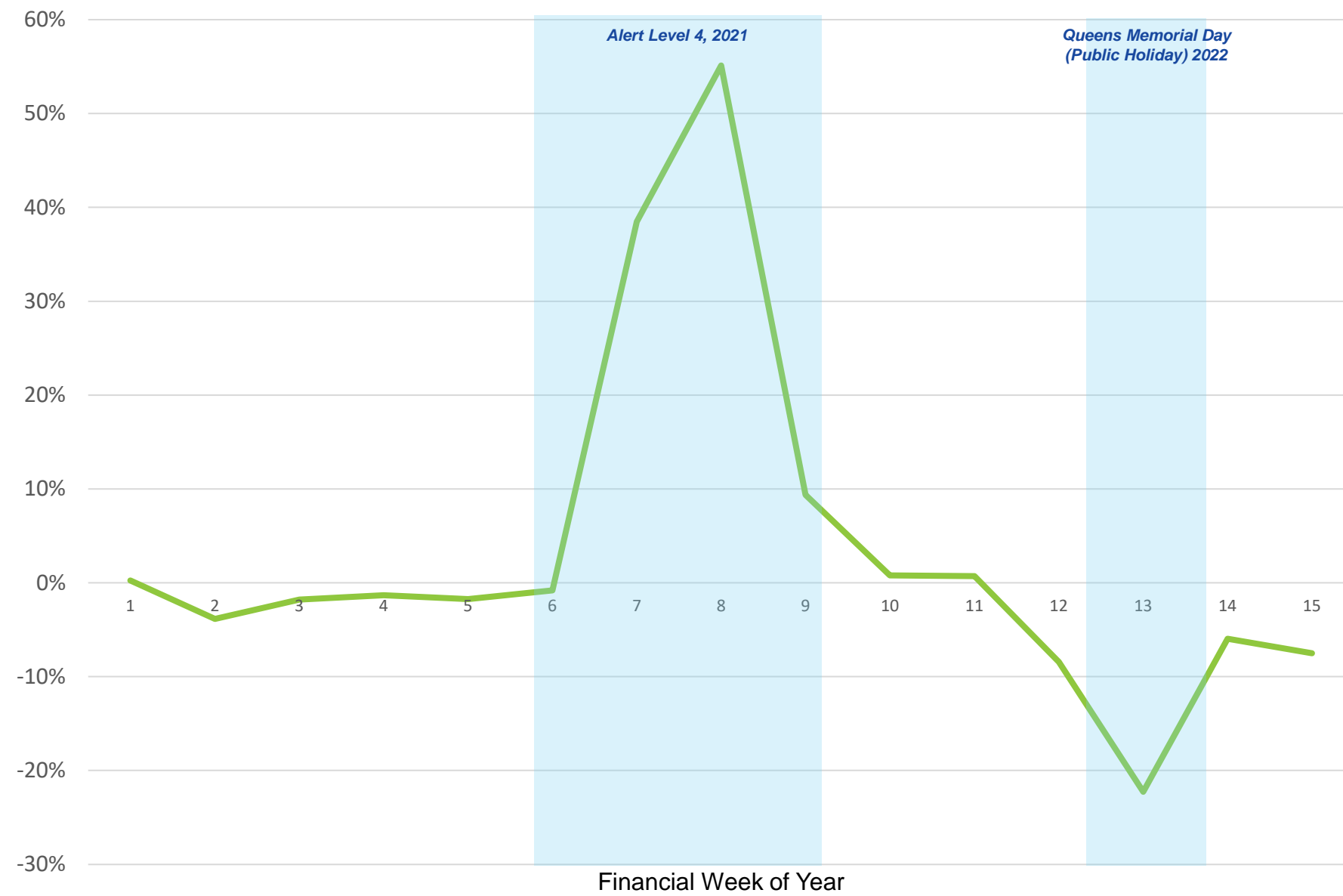
Q1 Information Management
Unaudited and excludes lease accounting

	Q1 FY23 \$m	Q1 FY22 \$m	Change %
Operating Revenue	53.6	43.0	24.7
EBITDA (non-GAAP)	9.7	9.0	7.8
EBITA (non-GAAP)	7.5	7.1	5.6
EBITA Margin	14.0%	16.5%	

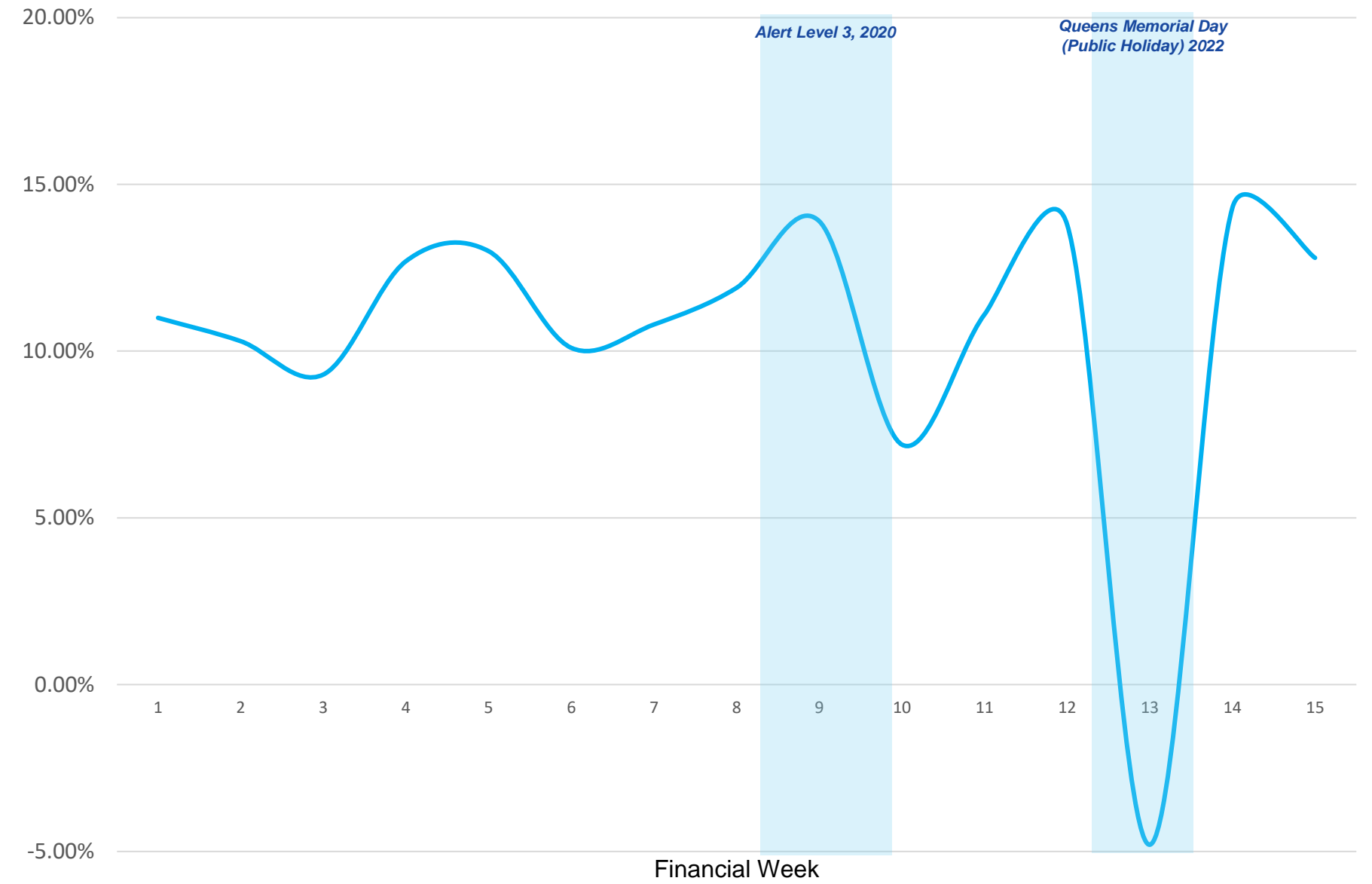
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GAAP – Generally Accepted Accounting Principles (IFRS-compliant)

Growth FY23 v FY22



Growth FY23 v FY20 (pre Covid)



Outlook





- We expect item count v the pcip for H1 to be slightly negative due to a strong comparative period in the last 15 weeks of FY22;
- While we are mindful of the economic environment and a possible recession we have yet to see any material impact on our customers;
- The labour market remains tight and the cost of labour continues to be a source of pressure;
- The General Rate Increase levied from July 1 has generated an estimated net return of 6.2% in EP;
- We have a platform for growth and profitability in FY23, both through existing businesses and new initiatives and the ability to flex our cost base if volumes decline;
- We are excited to welcome Allied Express to the Freightways family. We see 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”

Questions

Shareholders will be asked to consider, and if thought fit, pass the following ordinary **resolutions**:

- 1. That David Gibson be elected as a Director of Freightways.*
- 2. That the Directors are authorised to fix the Auditors' remuneration.*

David Gibson

*RESOLUTION ONE:
That David Gibson be elected as a
Director of Freightways.*



Resolution Two

That the Directors are authorised to fix the Auditors' remuneration.

Disclaimer

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.

No offer or investment advice

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FREE DELIVERY
ASSOCIATED COURIERS LTD
TE PUKE

ASSOCIATED COURIERS LTD

DD 7848

DD 8174

DD 8238

DF 5521

Appendices

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)

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).

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).

FREIGHTWAYS GROUP	Note	Q1 FY23	Q1 FY23	Q1 FY23	Q1 FY22	Q1 FY22	Q1 FY22
		\$m	\$m	\$m	\$m	\$m	\$m
		Post NZ IFRS16	NZ IFRS16 adjustment	Pre NZ IFRS16 (non-GAAP)	Post NZ IFRS16	NZ IFRS16 adjustment	Pre NZ IFRS16 (non-GAAP)
Operating Revenue		237.4	-	237.4	203.1	-	203.1
EBITDA (non-GAAP)	(i)	49.5	(11.7)	37.8	45.5	(10.4)	35.1
EBITA (non-GAAP)	(ii)	34.0	(2.0)	32.0	31.6	(1.7)	29.9
NPATA (non-GAAP)	(iii)	21.0	0.5	21.5	19.9	0.7	20.6
NPAT	(iv)	19.3	0.5	19.8	18.1	0.7	18.8

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

GAAP – Generally Accepted Accounting Principles

Appendix

Reconciliation of Pre-NZ IFRS16 to Post-NZ IFRS16 (Unaudited)

EXPRESS PACKAGE & BUSINESS MAIL	Q1 FY23 \$m	Q1 FY22 \$m	Change %
Operating Revenue	184.8	160.5	15.1
EBITDA (before NZ IFRS16)	31.1	28.0	11.1
Add: NZ IFRS16 adjustment	6.9	6.2	11.3
EBITDA (after NZ IFRS16)	38.0	34.2	11.1
EBITA (before NZ IFRS16)	27.9	25.1	11.2
Add: NZ IFRS16 adjustment	1.0	0.9	11.1
EBITA (after NZ IFRS16)	28.9	26.0	11.2

NOTES

EBITDA and EBITA are non-GAAP measures

Appendix

Reconciliation of Pre-NZ IFRS16 to Post-NZ IFRS16 (Unaudited)

INFORMATION MANAGEMENT	Q1 FY23 \$m	Q1 FY22 \$m	Change %
Operating Revenue	53.6	43.0	24.7
EBITDA (before NZ IFRS16)	9.7	9.0	7.8
Add: NZ IFRS16 adjustment	4.8	4.2	14.3
EBITDA (after NZ IFRS16)	14.5	13.2	9.8
EBITA (before NZ IFRS16)	7.5	7.1	5.6
Add: NZ IFRS16 adjustment	1.0	0.8	25.0
EBITA (after NZ IFRS16)	8.6	7.9	8.9

NOTES

EBITDA and EBITA are non-GAAP measures

THANK YOU

Freightways