

HY24 RESULT

# FREIGHTWAYS

A PLATFORM FOR GROWTH

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19 FEBRUARY 2024

NZX | ASX FRW



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The financial results in this presentation should be read in conjunction with the financial statements for the half year ended 31 December 2023, which can be found in the Freightways half year results announcement available on the NZX and ASX platforms.

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# Contents

	Slide
1. Introduction	4
2. Financial Summary Capital Management	6
3. Divisional Performance	10
4. Business Strategy	15
5. Outlook	19
6. Appendices	22

# Presenters



**MARK TROUGHEAR**  
Chief Executive Officer



**STEPHAN DESCHAMPS**  
Chief Financial Officer



**NEIL WILSON**  
General Manager



**STEVE WELLS**  
General Manager of Express Package

# 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



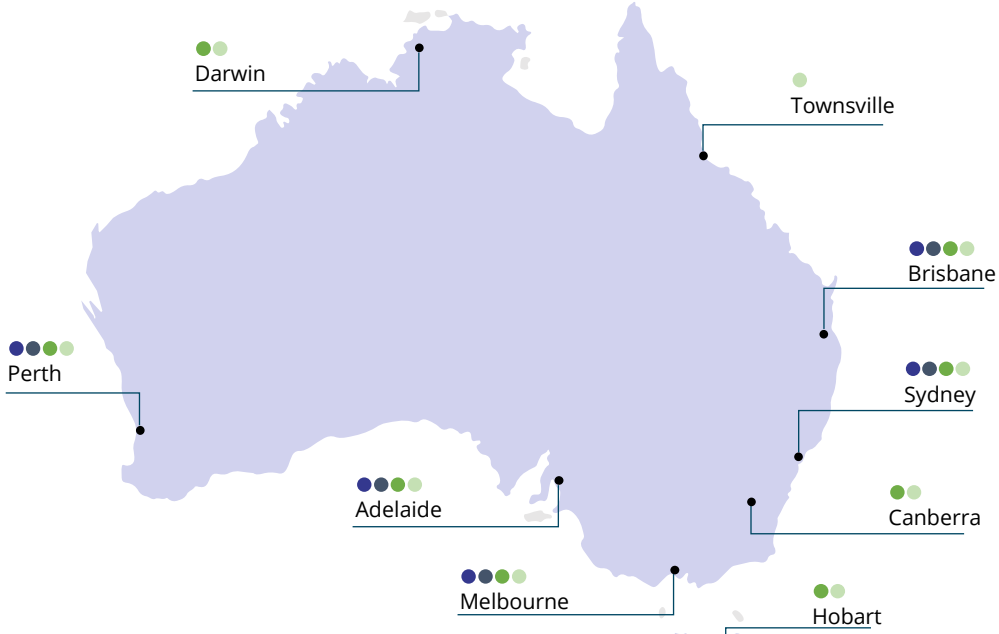
EP & BM HY24 revenue: \$515m

IM HY24 revenue: \$106m



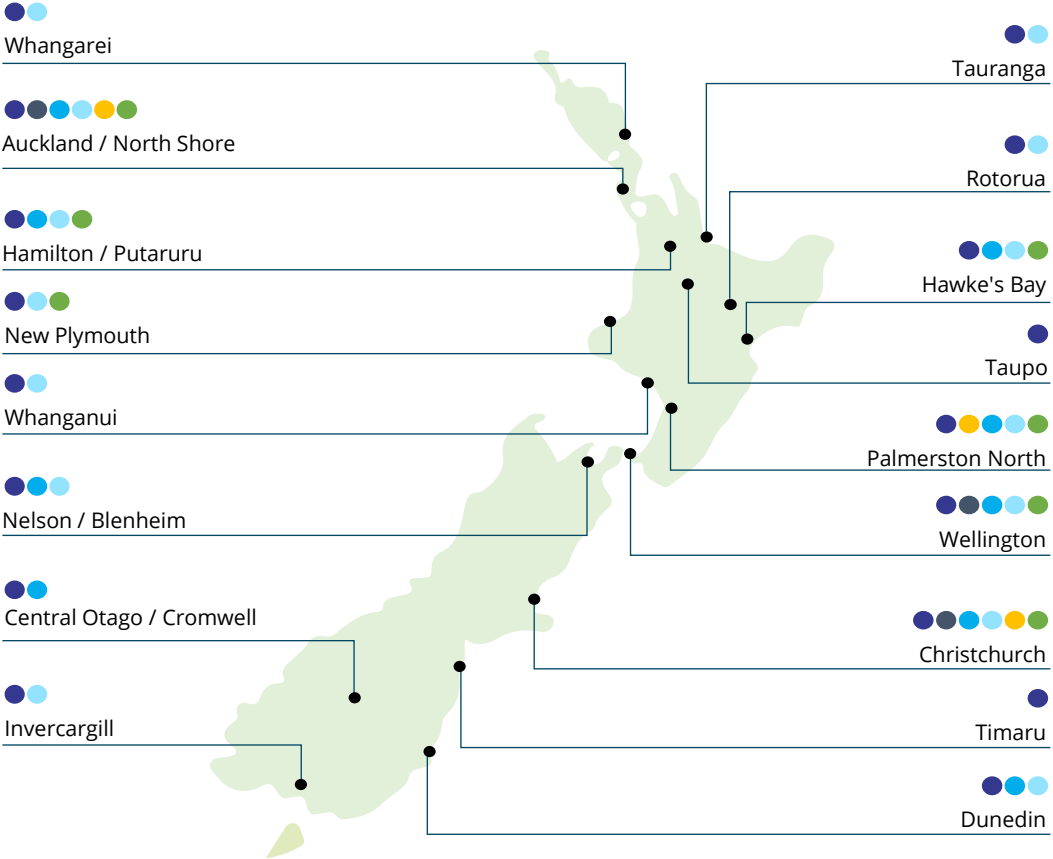
# Our Trans-Tasman Footprint

## AUSTRALIA (35% Revenue)



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

## NEW ZEALAND (65% Revenue)



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



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# Financial Summary and Capital Management

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# HY24 Group Highlights<sup>1</sup>

**12.4%**

↑ Revenue Growth  
Across Freightways

**0.5%**

↑ EBITA<sup>2</sup> Growth  
Across Freightways

**9.5%**

↓ NPAT<sup>3</sup> Growth  
Across Freightways

**18c**

Dividend (same as HY23)

## NOTES

1. Metrics shown relative to pcp
2. Non-GAAP measure
3. GAAP (Generally Accepted Accounting Practice), IFRS-compliant measure

# HY24 Consolidated Performance

## HY24 PERFORMANCE OVERVIEW

- Revenue growth of 12.4% supported by growth across both EPBM of 14.8% and IM of 2%
- Solid performances for Allied Express, Network Couriers and Information Management in HY24
  - The NZ and AU markets have remained stable in the three months since our 1Q24 update. Activity remains broadly in line with 1Q24 trends
- EBITA is flat on the pcp, with NPAT impacted by increased amortisation to \$6.4m and interest expense to \$17.2m
- Labour markets have continued to slowly ease over the quarter
- Shred-X impacted by lower paper prices and the delayed consenting of Medical Waste license in Victoria
- Big Chill has been more heavily impacted by the economic cycle and continues to experience lower same-customer volumes
  - New Ruakura facility opened in October and utilisation has been growing pleasingly

	Note	HY24 \$m	HY23 \$m	Change %
Operating Revenue		620.7	552.1	12.4
EBITDA (non-GAAP)	1	119.5	113.7	5.1
EBITA (non-GAAP)	2	80.8	80.4	0.5
NPATA (non-GAAP)	3	47.3	50.2	(5.8)
NPAT (GAAP)	4, 5	40.9	45.2	(9.5)
Basic Earnings Per Share (cents)		23	26.3	

## NOTES

- Results in this table are unaudited and after adjustments for NZ IFRS16 (Leases)
  - Refer to appendices for reconciliation to results before NZ IFRS16.
  - Pcp includes 3 months Allied contribution only
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# Capital Management and Dividend Policy

## CAPITAL MANAGEMENT PRINCIPLES

- Targeting solid Investment Grade credit profile, at a level that minimises the cost of capital
- Net Debt / EBITDA between 2.0x and 3.0x post IFRS16

## DIVIDEND POLICY

- Dividend Policy aligned with Capital Management Policy, balancing several objectives:
  - 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
  - The dividend is set at a level that the Board expects to be sustainable in the medium term
  - Subject to the first two principles, the Board will aim to pay 75% to 80% of the NPATA adjusted for significant one-offs

**INTERIM DIVIDEND | 18 CPS (= pcp)**

Imputation credits	<b>7.00 cps</b> (fully imputed in NZ at 28% tax rate)
Supplementary dividend	<b>3.176 cps</b>
Record date	<b>8 March 2024</b>
Payment date	<b>2 April 2024</b>
Dividend Reinvestment Plan	Not operating for this dividend



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# Divisional Performance

# HY24 Express Package and Business Mail

- EPBM divisional revenue up 15% on the pcp (including Allied's contribution)
- EPBM EBITA is flat on pcp
- Labour markets have loosened with no material vacancies in any business and a larger pool of candidates to select from
- Strong service performance by all EPBM businesses has continued to be a differentiator aiding market share gains
- EBITA margin impacted by Allied Express operating at a lower margin than the NZ EP businesses and the lower profitability of Big Chill

	Note	HY24 \$m	HY23 \$m	Change %
Operating Revenue		517.1	450.3	14.8
EBITDA (non-GAAP)	1	97.0	92.1	5.3
EBITA (non-GAAP)	2	71.4	71.4	0.1
EBITA Margin	3	13.9%	15.9%	
NPAT (GAAP)	4, 5	43.8	46.3	(5.3)



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# HY24 Trans-Tasman Express Package & Business Mail

## NEW ZEALAND

- NZ Network volume for HY24 was up 1.8% on the pcp (including lower priced eCommerce, equivalent to 3% of volume)
- NZ Network market share gains of 4% helped offset organic volume declines
- Countdown has now fully exited the business (from September)
- Big Chill Transport revenue is down 6% due to lower same customer activity
- Big Chill's new Ruakura facility is growing its utilisation and we expect to be achieving breakeven by Q1 FY25
- Oversize revenue now at a ~\$5m p.a. run rate

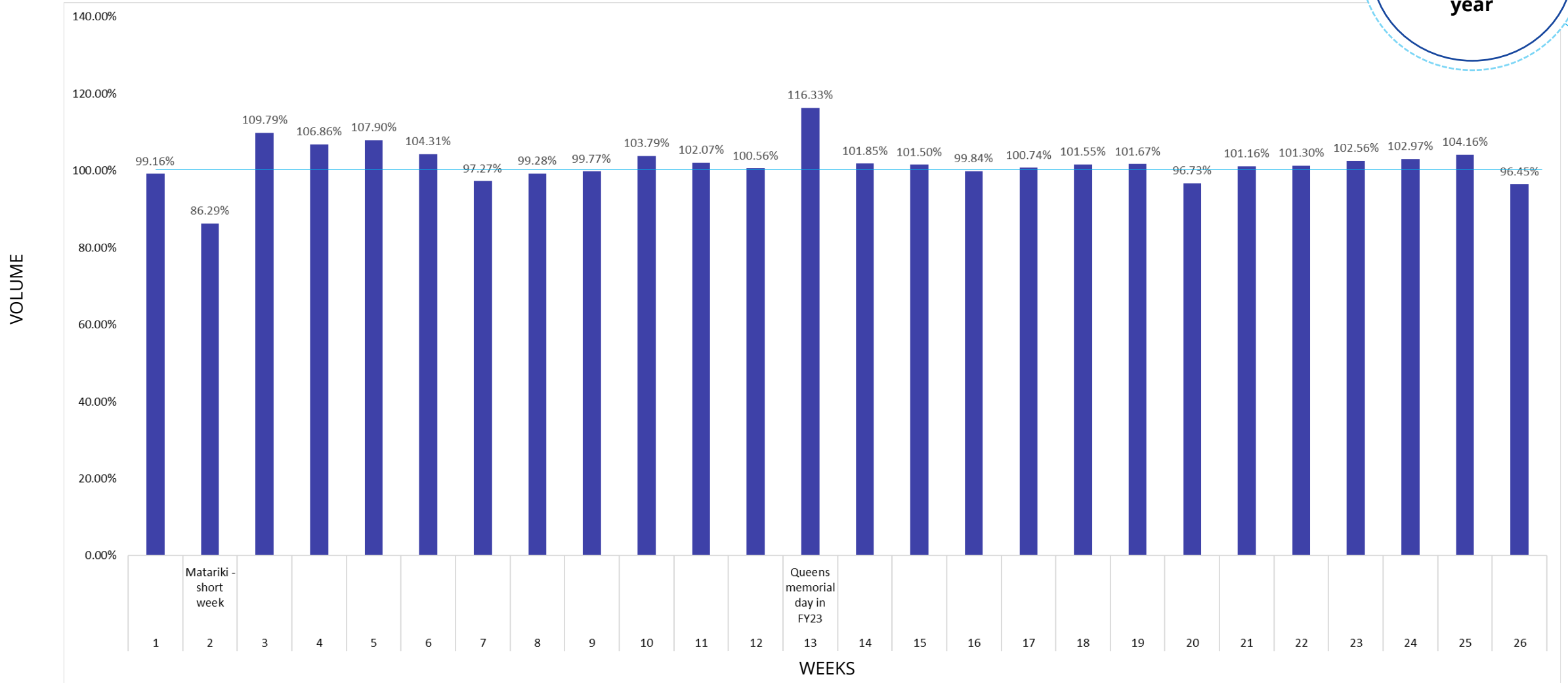
## AUSTRALIA

- Allied has performed well over the half. While same-customer volumes are down slightly, Allied has done well to win new business to grow revenue over the period
- The NSW automation facility was commissioned in Q2 and assisted over the peak November and December months to manage volumes with ease and very good service performance
- The Victorian automation project has commenced in February and is expected to be completed by the end of FY24
- New business team actively targeting market share opportunities.

# NZ Network Courier Item Trend For HY24

[As a % of HY23]

**Volume is up 1.8% for the half year**



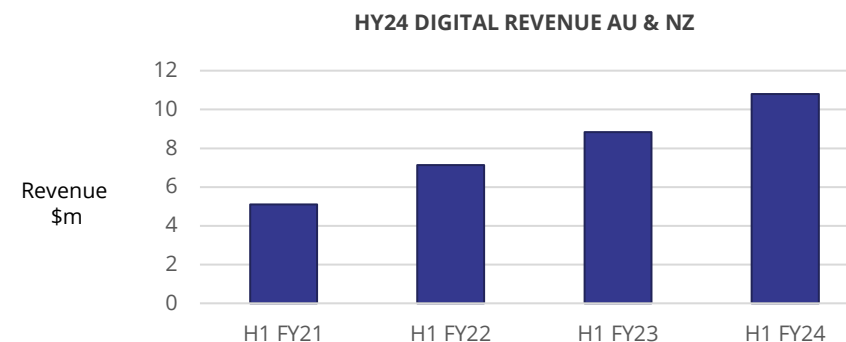
# HY24 Information Management and Waste Renewal

- TIMG (AU & NZ) revenue is up 4% overall (measured in the functional currency of the entities) – key contributors are digitalisation revenue and Stocka (new eCommerce 3PL start up) with 22% and 44% revenue growth respectively on pcp
  - TIMG AU performing well with digitalisation services growing well and organic growth in storage revenue of 5% on the pcp
- Waste Renewal revenue was up 2%
- Stronger destruction revenues in both NZ and AU reflecting our strong positioning in both geographies
- Paper prices appear at this stage to have stabilised – if paper prices stay at the current level the full year impact will be negative \$2.7m
- LitSupport revenue is now consistent and finished the half up 4% on pcp
- The Victorian facility for Med-X has been through public notification and is expected to commence operations by Q4 2024

	Note	HY24 \$m	HY23 \$m	Change %
Operating Revenue		105.7	103.6	2.0
EBITDA (non-GAAP)	1	27.9	26.3	6.2
EBITA (non-GAAP)	2	15.4	14.4	7.0
EBITA Margin	3	14.6%	14.0%	-
NPAT (GAAP)	4, 5	8.3	7.6	9.7

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# Strategy Update

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# Three Horizons of Growth

	HORIZON 1	HORIZON 2	HORIZON 3
BUSINESS DIVISION	EXTEND AND DEFEND	GROW SCALE	ESTABLISH NEW LINES OF BUSINESS
 <b>EXPRESS PACKAGE &amp; BUSINESS MAIL</b>	<b>B2B</b> <ul style="list-style-type: none"> <li>Focus on a profitable market share gains</li> <li>Improve the resilience of airfreight network</li> <li>Assess metropolitan “local” service levels, infrastructure costs and pricing</li> </ul>	<b>B2C</b> <ul style="list-style-type: none"> <li>Acquired First Global in November to provide a cross border eCommerce capability</li> <li>Maintain high levels of service to be able to command a premium for B2C deliveries</li> </ul>	<b>OVERSIZE (25KG+)</b> <ul style="list-style-type: none"> <li>Scale Oversize revenue in NZ</li> <li>New business teams to grow Allied’s market share in Oversize in AU</li> <li>Assess bolt-on M&amp;A opportunities in AU</li> </ul>
 <b>TEMPERATURE CONTROLLED LOGISTICS</b>	<b>NATIONAL DELIVERY</b> <ul style="list-style-type: none"> <li>Pursue market share opportunities as new infrastructure (trucks and depots) comes on stream</li> </ul>	<b>3PL</b> <ul style="list-style-type: none"> <li>Utilisation of 95% in Auckland</li> <li>Ruakura has now opened, and we are building utilisation</li> </ul>	<b>SAME DAY</b> <ul style="list-style-type: none"> <li>Roll out of national delivery for convenience stores</li> <li>Grow scale with new capacity brought on during calendar year 2023</li> </ul>

**STRIVE FOR EFFICIENCY**  
NETWORK DENSITY



**DELIVER RELIABLY**  
ALWAYS DELIVER ON TIME

**LOVE OUR CUSTOMERS**  
SALES APPROACH & CULTURE

**ACT LIKE AN ENTREPRENEUR**  
M&A GROWTH / INNOVATION



# Three Horizons of Growth

	HORIZON 1	HORIZON 2	HORIZON 3
BUSINESS DIVISION	EXTEND AND DEFEND	GROW SCALE	ESTABLISH NEW LINES OF BUSINESS
 <b>INFORMATION MANAGEMENT</b>	<b>STORAGE</b> <ul style="list-style-type: none"> <li>Improvement in utilisation of existing warehouses through market share gains</li> <li>AU boxes now 3.1m, strongest growth coming from medical and government sectors (close alignment to digitalisation opportunities)</li> </ul>	<b>DIGITISATION</b> <ul style="list-style-type: none"> <li>Digital revenues up 19% and 31% for TIMG AU and NZ respectively</li> <li>Existing key work streams in AU expected to continue for at least 4 years</li> <li>Strong pipeline of further opportunities in both countries</li> </ul>	<b>ECOMMERCE 3PL</b> <ul style="list-style-type: none"> <li>STOCKA eCommerce offering showing strong growth, current revenue run rate of \$2.5m p.a. exploiting unutilised warehouse space in NZ</li> </ul>
 <b>WASTE RENEWAL</b>	<b>SECURE DESTRUCTION</b> <ul style="list-style-type: none"> <li>Implementing new pricing strategies to improve margin</li> <li>Continued focus on market share gains</li> </ul>	<b>MEDICAL WASTE</b> <ul style="list-style-type: none"> <li>VIC processing plant expected to be operational by Q4</li> <li>Target market share gains in VIC, NSW, QLD</li> </ul>	<b>HIGH VALUE WASTE</b> <ul style="list-style-type: none"> <li>Build profitability in SaveBoard after establishment year</li> <li>Target product destruction market</li> <li>Continue to source circular loop solutions for hard to recycle waste</li> </ul>

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# Disciplined Approach to M&A



## Target characteristics:

Established / profitable, well-managed and growing businesses

Earnings accretive acquisitions with achievable synergies and well-understood integration costs



## Strategic rationale:

Access new customer segments that we can grow earnings from, using our core capabilities

Increase our size, capability and capacity across existing business units



**Size:** Bolt on acquisitions that complement existing business divisions through to larger opportunities



**Geography:** Australia and New Zealand



**Method:** Disciplined adherence to deriving value



- ✓ Revenue and EBITA are up under Freightways ownership
- ✓ Significant investments made in automation and new or expanded facilities in Sydney, Melbourne, Perth, Adelaide and Brisbane (new build to be completed by July 2024)
- ✓ Assisted launch of Freightways' Kiwi Express Oversize service in NZ





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# Outlook

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# Outlook

- Volumes have remained stable in Australia and New Zealand and will continue to be subject to the economic environment in both countries
- Labour markets have eased and we expect labour rate increases to normalise in FY25
- Focus will be on restoring margins for both divisions in FY25 and FY26 as those labour rates ease and modest organic growth occurs
- Our Victorian Med-X facility is expected to be operational from Q4
- We expect to continue to grow utilisation at the Ruakura facility through FY24 such that we are breakeven by Q1 FY25 and generate positive returns in FY25 onward
- Paper pricing has stabilised and has recovered slightly from the lows seen in Q1
- Full Year Capex expected to be \$35m including the second automated sortation system at Allied in Victoria
- We continue to take a disciplined approach to M&A and are leveraging our strong platform in Australia to assess acquisition opportunities

**Stable volumes likely to continue despite tough economic conditions**

**Focus on restoring margins**

**Disciplined M&A approach, with opportunities being explored**



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# Questions



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# Appendices

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# Appendix – Reconciliation of post-IFRS16 to pre-IFRS16 (unaudited)

FREIGHTWAYS GROUP	Notes	HY24 (\$m)			HY23 (\$m)		
		Post NZ IFRS16	NZ IFRS16 adjustment	Pre NZ IFRS16 (non-GAAP)	Post NZ IFRS16	NZ IFRS16 adjustment	Pre NZ IFRS16 (non-GAAP)
<b>Operating Revenue</b>		620.7	-	620.7	552.1	-	552.1
<b>EBITDA (non-GAAP)</b>	1	119.5	(31.6)	87.9	113.7	(25.6)	88.1
<b>EBITA (non-GAAP)</b>	2	80.8	(5.7)	75.0	80.4	(4.4)	76.0
<b>NPATA (non-GAAP)</b>	3	47.3	1.8	49.1	50.2	1.4	51.6
<b>NPAT (GAAP)</b>	4, 5	40.9	1.8	42.7	45.2	1.4	46.6

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# Appendix – Reconciliation of post-IFRS16 to pre-IFRS16 (unaudited)

<b>EXPRESS PACKAGE &amp; BUSINESS MAIL</b>	<b>Notes</b>	<b>HY24 (\$m)</b>	<b>HY23 (\$m)</b>	<b>Change (%)</b>
Operating Revenue		517.1	450.3	14.8
EBITDA (after NZ IFRS16)	1	97.0	92.1	5.3
Less: NZ IFRS16 adjustment		(20.9)	(16.1)	30.4
EBITDA (before NZ IFRS16)		76.0	76.1	(0.1)
EBITA (after NZ IFRS16)	2	71.4	71.4	0.1
Less: NZ IFRS16 adjustment		(3.5)	(2.4)	45.0
EBITA (before NZ IFRS16)		68.0	69.0	(1.5)

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# Appendix – Reconciliation of post-IFRS16 to pre-IFRS16 (unaudited)

<b>INFORMATION MANAGEMENT &amp; WASTE RENEWAL</b>	<b>Notes</b>	<b>HY24 (\$m)</b>	<b>HY23 (\$m)</b>	<b>Change (%)</b>
Operating Revenue		105.7	103.6	2.0
EBITDA (after NZ IFRS16)	1	27.9	26.3	6.2
Less: NZ IFRS16 adjustment		(10.6)	(9.4)	11.9
EBITDA (before NZ IFRS16)		17.3	16.8	3.0
EBITA (after NZ IFRS16)	2	15.4	14.4	7.0
Less: NZ IFRS16 adjustment		(2.2)	(1.9)	15.2
EBITA (before NZ IFRS16)		13.2	12.5	5.7

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