NZX and Media Release
23 August 2016

FLIWAY REPORTS SUBSTANTIAL EARNINGS AND DIVIDEND LIFT

FINANCIAL RESULTS FOR THE TWELVE MONTHS ENDED 30 JUNE 2016

HIGHLIGHTS

- FY16 GAAP earnings ahead of FY15 with NPAT of $5.6 million, up 156.4% from $2.2 million
- FY16 underlying NPAT increased 40.6% to $5.6 million
- Ordinary final dividend of 5.35 cents per share, up 3.45 cents per share
- Full year total dividend of 8.65 cents per share fully imputed, equates to a gross yield of 12.6% at a share price of 95 cents
- Revenue impacted by lower fuel, cyclically low shipping rates and lower freight volumes
- Net debt reduced 29.5% on FY15 to $5.8 million at 30 June 2016
- Outstanding performance from the warehousing business, with capacity management further improved
- New Christchurch site completed, delivering additional capacity and operational benefits
- Working capital management and earnings lift translated to increased cash flows

KEY NUMBERS $000's	FY16 Actual	FY15 Actual	Var %	
Sales Revenue	82,644	84,169	-1.8%	▼
EBITDA[3]	10,188	6,707	51.9%	▲
EBIT[2]	8,101	4,677	73.2%	▲
NPAT	5,616	2,190	156.4%	▲
Underlying EBIT[2]	8,602	6,830	25.9%	▲
Underlying EBITDA[1]	10,817	8,980	20.5%	▲
Underlying NPAT [3]	5,616	3,995	40.6%	▲
Earnings per Share (in cents)	12.40	5.50	125.5%	▲
Dividend (in cents)	8.65	2.80		

New Zealand freight and logistics business Fliway Group (NZX:FLI, Fliway) today reported earnings for the twelve months ended 30 June 2016 (FY16), significantly ahead of earnings reported for the same period last year (FY15) and delivering record profitability.

Group revenue of $82.6 million was 1.8% below FY15 revenue of $84.2 million as a result of a reduced fuel adjustment factor and the loss of Dick Smith Electronics in the Domestic division, and depressed shipping rates and lower freight volumes in the International business. Sound cost management resulted in Underlying EBIT[2] of $8.6 million, up 25.9% on FY15. The resulting underlying net profit after tax (NPAT) of $5.6 million was 40.6% above the prior year.

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1. EBITDA is earnings before interest, tax, depreciation and amortisation and is a non-GAAP financial measure. A reconciliation between EBITDA and Underlying EBITDA is provided in the appendix.
2. EBIT is earnings before interest and tax and is a non-GAAP financial measure. A reconciliation between EBIT and Underlying EBIT is provided in the appendix.
3. A reconciliation between Net Profit After Tax (NPAT) and Underlying Net Profit After Tax is provided in the Appendix.

The company’s Chairman, Craig Stobo, said: “The 2016 full year performance Fliway has delivered a very good result with the business extending the growth in its earnings. Despite a challenging trading environment the company has recorded strong earnings growth on the back of targeted capital expenditure and continuing improvements in capacity management in the Domestic division.”

OPERATIONAL PERFORMANCE

Domestic division:
The Transport business unit continued to improve its operating costs. Significant benefits were achieved through optimising the line haul cost base via the investment in an HPMV (High Performance Motor Vehicles) fleet. The business unit also benefited from the ongoing strategy of selling to capacity in the network, designed to boost utilisation.

An increase in Auckland warehouse space allowed Fliway to accept additional volume from existing customers and on-board new customers, resulting in both higher storage and activity revenues.

Fliway’s South Island business benefitted from several significant changes. In November 2015, the Transport business unit moved into its new Christchurch site which has a larger, more efficient transport dock. In February 2016 the Warehousing business relocated to the completed 5,000 square metre warehouse, providing an additional 2,000 square metres of warehousing capacity. The new site allows Fliway to access additional market segments by meeting existing and new customer warehousing requirements within the Christchurch and South Island markets.

International division:
Lower divisional revenue on the prior year was a result of reduced shipping rates and some customer churn. The volatile pricing on shipping rates, combined with lower volumes, meant that the International division experienced softer revenue during FY16. The recent appointment of Jon Gundy, a very experienced freight forwarder with significant experience both in New Zealand and internationally, will drive a renewed focus on winning new customers, new business and cost base optimisation.

The UPS-Fliway joint venture delivered a strong contribution to the group earnings driven by growth in export revenue.

The Group increased its investment and focus in Health & Safety, with the appointment to a new role of H&S Manager in June 2016. For FY2016 there were no fatalities, and Fliway delivered a 3.6% reduction in the LTIFR (Lost Time Injury Frequency Rate) and retained its Tertiary Accreditation Status.

NET DEBT AND CAPITAL MANAGEMENT

Operating cash flows for FY16 were $6.7 million, ahead of FY15 by $1.0 million, as a result of higher earnings.

Capital expenditure totalled $2.6 million, $2.0 million below the prior year and closer to the annual depreciation and amortisation charge of $2.1 million as forecast by the business at the time of listing. Expenditure included a mix of growth and maintenance projects including the partial implementation of the new warehouse management system (SCE10), the relocation to the new Christchurch premises and ongoing fleet replacements.

A combination of solid working capital management and increased earnings resulted in strong cashflow and a reduction in net debt to $5.8 million as at 30 June 2016 compared to last year's net debt of $8.2 million. Fliway's increased balance sheet strength provides considerable headroom on all banking covenants.

Fliway has a current bank debt facility of $18.0 million. The re-drawable facility enables efficient management of net debt without any loss of capacity or flexibility.

DIVIDEND

The Board has previously provided guidance that it intends to weight dividends to the second half of the year with 60 – 70% of the total dividend being payable for that period. In line with this guidance Directors have approved the payment of a final ordinary dividend of 5.35 cents per share taking the total dividend for the year to 8.65 cents per share. This dividend represents a gross yield of 12.6% at the current share price of 95 cents.

The dividends are payable on 20 October 2016 to shareholders recorded on the share register as at 5.00pm (New Zealand time) on 30 September 2016.

OUTLOOK

Fliway's Managing Director, Duncan Hawkesby, said: "It is satisfying that FY16 has seen significant earnings growth over the prior year. We are pleased with the growth coming from our South Island operations that is building on the new Christchurch site's increased warehouse capacity and operational flexibility. We are focused on growing the revenue line across all our divisions and building a larger more efficient business by driving harder for growth and capitalising on future opportunities."

Mr Stobo further commented: "While we continue to experience softer revenue we are aggressively managing costs to protect the profit position. At the same time we can position the business for future growth to capture the value created by the investment in facilities, vehicles and systems in recent years. We will continue to strengthen our relationships with existing customers, pursue work in new sectors and grow strategically through acquisitions. The Fliway balance sheet is robust, operating cash flows are strong and the capacity the business has to respond to opportunities remains."

-Ends-

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ABOUT FLIWAY

Listed on the NZX Main Board (NZX:FLI), Fliway is one of New Zealand's largest fully integrated logistics providers. We offer seamless global supply chain solutions – from international freight to warehousing, and domestic delivery to businesses or the home. We have a great team of over 400 people, backed by a strong network of global partners, built off an extensive New Zealand footprint. For more information visit www.fliway.co.nz.

APPENDIX: EXPLANATION OF NON-GAAP FINANCIAL INFORMATION, RECONCILIATION BETWEEN REPORTED EARNINGS AND PRO-FORMA EARNINGS

Fliway monitors its profitability using the non-GAAP financial measures of EBIT and EBITDA. Fliway uses EBIT to evaluate the operating performance over time without the impact of the capital structure, Fliway's tax position and the impact of certain non-cash items including fair value movements in financial instruments and other gains or losses on the sale of assets. EBITDA removes the effect of depreciation and amortisation.

Pro Forma EBITDA and Pro Forma EBIT are non-GAAP profit measures which reflect a number of historical adjustments that make the presented financial periods comparable and remove the one off costs of listing the business on the NZX and the ongoing costs of operating a listed entity.

EBITDA and EBIT allow for a better comparison of operating performance with that of other companies in comparison to NZ GAAP measures, although caution should be exercised as other companies may calculate EBITDA and EBIT differently. EBIT and EBITDA also include the attributed EBIT or EBITDA from Fliway's 50% interest in UPS-Fliway. As set out below the after tax 50% share of UPS-Fliways earnings is grossed up to EBIT and EBITDA to make that business unit comparable with the other business units and align it to how it is presented to the chief operating decision maker.

A reconciliation between NPAT, EBIT and EBITDA is presented below. The measures are not defined by NZ GAAP, IFRS, or any other body of accounting standards, and therefore Fliway's calculation of these measures may differ from the similarly titled measures presented by other companies. These measures are intended to supplement the NZ GAAP measures presented in Fliway's financial information. They should not be considered in isolation and are not a substitute for NZ GAAP measures.

Reconciliation to Underlying EBITDA, EBIT & NPAT	FY16	FY15		
$000's	Actual	Actual	Var %	
Net Profit per Financial Statements	5,616	2,190	156.4%	▲
Reconciling items				
UPS-Fliway NPAT to EBIT gross up	501	438		
Tax	1,684	1,215		
Financing	801	1,272		
Public Company Costs		- 320		
IPO Costs		2,035		
Depreciation (incl loss on sale)	2,215	2,150		
Underlying EBITDA	10,817	8,980	20.5%	▲
Depreciation (incl loss on sale)	2,215	2,150		
Underlying EBIT	8,602	6,830	25.9%	▲
UPS-Fliway adjust to NPAT	- 501	- 438		
Net interest cost	- 571	- 928		
Gain/(Loss) on Derivatives	- 230	- 344		
Income tax expense	- 1,684	- 1,125		
Underlying NPAT	5,616	3,995	40.6%	▲