

FLIWAY GROUP LIMITED HALF YEAR RESULTS PRESENTATION

For the six months ended 31 December 2016

8 FEBRUARY 2017



FLIWAY
DELIVERING TRANSPORT SOLUTIONS

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This presentation supplements our half year financial statements to 31 December 2016 and should be read subject to and in conjunction with the financial statements. That material is available via the Investors section on our website, www.fliway.com. All references to currency are to New Zealand dollars unless otherwise stated.

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A FLIWAY PRESENTATION AGENDA

1. 1H17 Overview
2. Financial
3. Capital Management
4. Operational Performance
5. Strategy and Outlook
6. Conclusion



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1. OVERVIEW

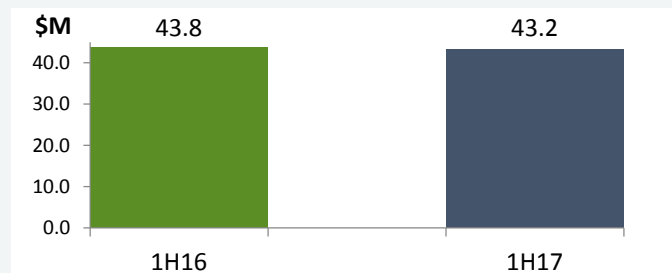
1H17 OVERVIEW – BUSINESS DEVELOPMENT SUCCESS

- Stronger performance from Business Development in both divisions delivered a strong revenue finish to the first half of FY17
- Gained additional work from the UPS relationship
- Group results impacted by:
 - Customer loss announced June 2016
 - Capacity constraints in Transport and following the Kaikoura earthquake
 - Demand exceeding network capacity in Transport
- Lowered the cost base in the UPS-Fliway joint venture, through reduced rates from Fliway and lower compensation from UPS to provide a more competitive offering and facilitate higher growth
- Interim dividend of 2.0 cents per share, based on earnings per share of 4.8 cents

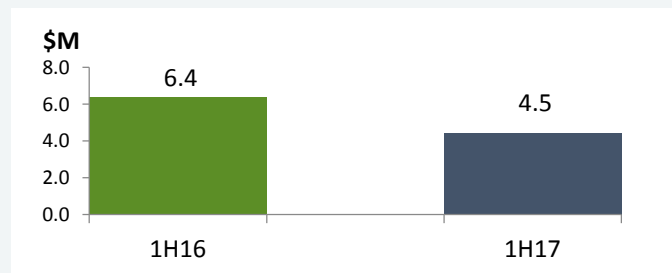
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1. HIGHLIGHTS

FLIWAY GROUP REVENUE



FLIWAY GROUP EBITDA



	1H16	1H17	Var
<u>NZ\$Million's</u>			
Revenue	43.822	43.221	-1.4% ▼
Underlying EBITDA	6.389	4.452	-30.3% ▼
Underlying EBIT	5.362	3.303	-38.4% ▼
Reported NPAT	3.580	2.195	-38.7% ▼

Note: EBITDA = Earnings before net finance expense, tax, depreciation of tangible assets and amortisation of intangibles, and includes contribution from UPS-Flway.

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2. FINANCIAL HIGHLIGHTS

Reconciliation to Underlying measures

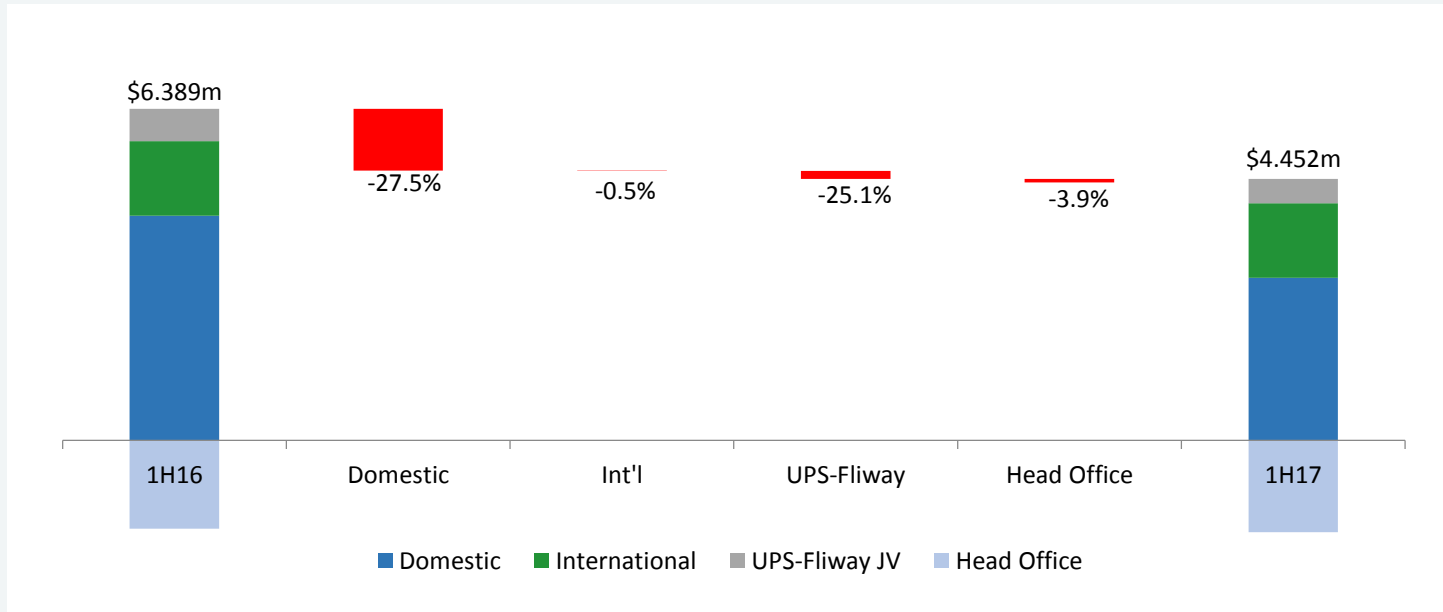
	1H16	1H17	Var
NZ\$Million's			
Reported NPAT	3.580	2.195	-38.7% ▼
Add Back:			
Income tax	1.165	0.688	-40.9% ▼
Financing expenses	0.382	0.242	-36.7% ▼
Gross up UPS-Flway to EBIT <i>(excluding depreciation)</i>	0.235	0.178	-24.3% ▼
Underlying EBIT	5.362	3.303	-38.4% ▼
Depreciation	1.009	1.152	14.2%
Loss on Sale	0.018	- 0.004	123.5%
Underlying EBITDA	6.389	4.452	-30.3% ▼

Note: EBITDA = Earnings before net finance expense, tax, depreciation of tangible assets and amortisation of intangibles, and includes contribution from UPS-Flway.

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2. FINANCIAL HIGHLIGHTS

DIVISIONAL UNDERLYING EBITDA



Note: EBITDA = Earnings before net finance expense, tax, depreciation of tangible assets and amortisation of intangibles, and includes contribution from UPS-Fliway.

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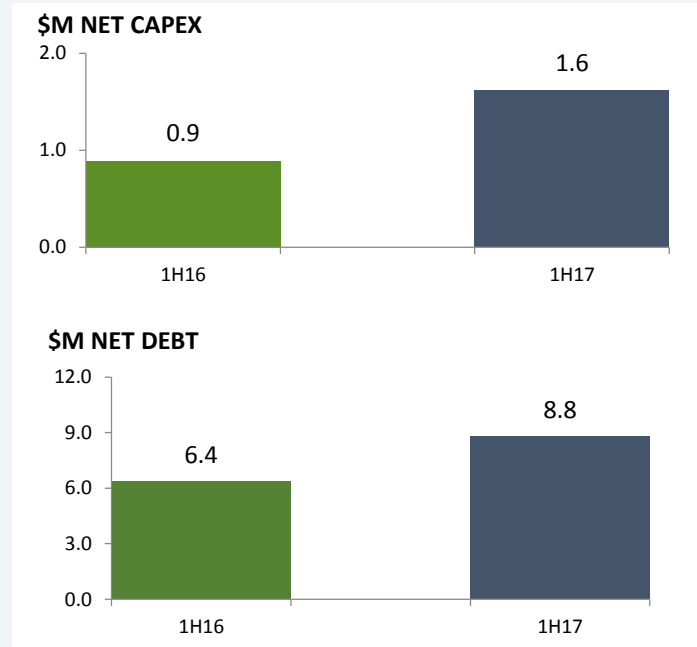
3. CAPITAL MANAGEMENT

CAPITAL EXPENDITURE

- \$0.3m IT expenditure is phasing of the roll out of the new Logistics warehouse management system
- \$1.3m in trucks vs \$0.5m prior year – returning to more normal replacement cycle

NET DEBT

- Cash profit reduced
- Working capital position pushed by debtors
- Higher capital expenditure
- Dividend payment of \$2.4m made October '16



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4. OPERATIONAL PERFORMANCE

DOMESTIC

- Transport volume levels ahead of last year
- Freight volumes outside network capacity meant higher cost delivery solutions
- Transport capacity impacted by Kaikoura earthquake, restructure (customer loss), lane mix change and linehaul equipment availability
- Warehousing revenues down on last year with good cost management delivering comparable EBITDA
- Signed on a number of new customers across Domestic, and will increase warehouse capacity in Auckland by an additional 6,000 sqm (20%) in Q3 to accommodate this growth
- New Warehouse Management System roll out progressing well

DOMESTIC	1H16	1H17	Var
NZ\$Million's			
Revenue	29.217	28.981	-0.8% ▼
Underlying EBITDA	5.894	4.271	-27.5% ▼
EBITDA %	20.2%	14.7%	

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4. OPERATIONAL PERFORMANCE

INTERNATIONAL

- EBITDA in line with last year
- Team performing well under new leadership
- Strengthened network and carrier relationships
- Revenue adversely impacted by cyclically low sea freight rates and some customer churn
- Strong customer focus and new customer wins in part offset this
- Rolling out technology enhancements for customers

INTERNATIONAL	1H16	1H17	Var
NZ\$Million's			
Revenue	14.605	14.240	-2.5% ▼
Underlying EBITDA	1.962	1.952	-0.5% ▼
EBITDA %	13.4%	13.7%	

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4. OPERATIONAL PERFORMANCE

UPS-FLIWAY JOINT VENTURE

- 1H17 Import volume up 13% on last year
- Cost base in the JV has been reset to a lower level, to drive growth
- Lower contribution from the JV vs last year driven by:
 - Growth in import volumes, but on lower compensation
 - Export volumes down on last year
- Strategic focus for UPS to grow inbound volumes

UPS-FLIWAY	1H16	1H17	Var
NZ\$Million's			
EBITDA (50%)	0.852	0.638	-25.1% ▼
NPAT (50%)	0.613	0.458	-25.3% ▼
DIVIDEND REC'D	0.000	0.000	

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4. OPERATIONAL PERFORMANCE

HEAD OFFICE

- Increased investment in H&S

OTHER

- Interest and finance charges trade off against each other for neutral cost outcome but improved flexibility
- Derivative revaluations are net zero

HEAD OFFICE	1H16	1H17	Var
NZ\$Million's			
Underlying EBITDA	(2.319)	(2.409)	-3.9% ▼
NET FINANCING COSTS			
Net Interest expense	(0.251)	(0.144)	42.6% ▼
Finance charges	(0.064)	(0.098)	-53.1% ▲
Gain/(Loss) on swaps	(0.067)	-	
Total Net Financing:	(0.382)	(0.242)	36.6% ▼

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5. STRATEGY

MOVING AHEAD THROUGH TARGETED GROWTH

- Look to sell to capacity in our network and secure new customers
- Continue to target increased relationships with existing customers
- Capacity for growth with additional new warehousing space in Auckland
- Work with UPS to deliver the import package growth initiatives planned
- Working to build an engaged, high performance culture, focused on our vision of 100% home safely



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5. OUTLOOK

- Strong revenue outlook with new customer wins in both International and Domestic
- Focused on improving capacity utilisation and cost management to improve margins
- Improved 2H17 financial performance over the prior comparable period
- Balance sheet gearing at 1.5x EBITDA allows for growth



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6. CONCLUSION

- Fliway looking to deliver improved results in 2H17 on the prior year via stronger revenue
- Initiatives undertaken in 1H17 position the business to capitalise on further revenue growth
- Margin challenged by short term capacity constraints in transport
- Continue to actively evaluate acquisition opportunities
- The Directors thank the Fliway team for their hard work and acknowledge the support of our valued customers



THANK YOU

