

FLIWAY GROUP EXCEEDS IPO EARNINGS FORECAST, INTERIM DIVIDEND DECLARED

FINANCIAL RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2015

HIGHLIGHTS:

- 1H16 earnings well ahead of 1H16 Prospective Financial Information (PFI) forecasts, NPAT of \$3.58 million, up 25.0% on PFI
- 12MDec15 Pro-Forma NPAT ahead of PFI forecast by 17%, core financial objectives achieved
- Challenging revenue environment with lower fuel and shipping rates
- Continued improvements in capacity management in the domestic business unit
- Payback validated on capital expenditure for HPMV opportunity invested prior to NZX listing
- New Christchurch site construction completed in time, adding 2,000 sqm warehousing
- Working capital management and earnings over-delivery generated strong cash flows
- Net debt of \$6.4 million at 31 December 2015, 28.5% lower than PFI forecast
- Interim ordinary dividend declared of 3.3 cents per share

New Zealand Freight and Logistics business Fliway Group Limited (NZX:FLI) today reports earnings for the six months ended 31 December 2015 (1H16) exceeded the PFI forecasts contained in its IPO prospectus.

Key financial metrics \$000's, Unaudited	1H16 Actual	1H16 PFI ¹	Var %	1H15 Actual	12MDec15 Actual	12MDec15 PFI ¹
Sales Revenue	43,822	44,749	(2.1)%	44,371	83,620	85,642
Operating Profit	4,450	3,615	23.1%	3,223	4,686	3,390
Net Profit after Tax	3,580	2,865	25.0%	2,420	3,350	2,092
Pro-Forma EBIT ²	5,316	4,329	22.8%	3,833	8,354	7,107
Pro-Forma EBITDA ³	6,325	5,541	14.1%	4,708	10,526	9,514
Pro-Forma NPAT	3,580	2,865	25.0%	2,240	5,335	4,546

¹ PFI is the prospective financial information included in the Fliway prospectus dated 6 March 2015 (as amended on 19 March 2015).

² EBIT is earnings before interest and tax and is a non-GAAP measure and is reconciled below.

³ EBITDA is earnings before interest, tax, depreciation and amortisation and is a non-GAAP measure and is reconciled below.

Group revenue of \$43.8 million for 1H16 was slightly below 1H15 by 1.2% and 2.1% below 1H16PFI, as a result of a reduced recovery of fuel costs to customers in the Transport business and lower international shipping rates. Sound cost management resulted in a pleasing Pro-forma EBIT of \$5.3 million for 1H16 which was up 38.7% on 1H15 and 22.8% ahead of 1H16 PFI. The resulting net profit after tax (NPAT) of \$3.6 million was 59.8% above the prior year and 25.0% above PFI.

For the 12 months ended 31 December 2015 (12MDec15), comparing performance against 12MDec15 PFI, pro-forma NPAT of \$5.3 million was 17.0% above the forecasted \$4.5 million. The pro-forma adjustments accounted for the cost disparity year on year of listing and being a listed company. Pro-forma EBIT for 12MDec15 of \$8.4 million was 17.5% ahead of the company's 12MDec15 PFI forecast of \$7.1 million, and pro-forma EBITDA of \$10.5 million was 10.6% ahead of the 12MDec15 PFI forecast.

Fliway Group Limited's Chairman, Craig Stobo, said: "The 2016 interim result is the second and final forecast reporting point the business was required to meet following our NZX listing in April 2015. Fliway has delivered a very good result and has exceeded on its core financial objectives at both reporting points. The company has continued to demonstrate earnings growth via payback on capital expenditure invested and continued improved capacity management in the domestic business unit, in the face of a challenging trading environment."

OPERATIONAL PERFORMANCE

Within the Domestic division, the Transport business unit continued to improve its operating costs. This was mainly through optimising the line haul cost base via the HPMV capital investment and the business unit benefited from the ongoing strategy of selling to capacity in the network.

In the Logistics business unit, the larger warehouse premises in Auckland allowed Fliway to facilitate growth from existing customers and on-board new work, resulting in both higher storage and activity revenues. In Wellington, where the Fliway warehouse was previously operating below capacity, the new customers signed up in 2H15 resulted in the warehouse being fully utilised.

In November 2015, the Transport business unit moved into its new Christchurch site, which delivers a larger, more efficient transport dock. The completed 5,000 square metre building will see the Warehousing business relocate there in February 2016, providing additional warehousing capacity of 2,000 square metres. This new site will allow Fliway to facilitate the growth in customer warehousing requirements within the Christchurch market.

The Fliway International division saw lower revenue than forecast as 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 the first half of FY16 than anticipated, and this will likely continue for the remainder of FY16. The International division remains focused on bringing in new customers and ensuring its cost base is optimised.

The UPS-Fliway joint venture delivered a strong contribution to the group result with growth in revenue ahead of forecast and the payment of the first half dividend expected in the second half of FY16.

Fliway's CIO Peter Sapiatzer has resigned, and will be replaced by Colin Burrow on March 7th 2016. Peter is continuing to work with Fliway through the transition period to ensure a smooth handover.

NET DEBT AND CAPITAL MANAGEMENT

Operating cash flows for the half year were \$3.8 million, ahead of FY15 by \$1.2 million and ahead of PFI forecast by \$0.3 million, as a result of higher earnings.

Capital expenditure totalled \$0.9 million, \$0.3 million below the PFI forecast, mainly as a result of longer than anticipated lead times on new vehicle acquisitions and timing of the warehouse management system (SCE10) project spend.

A combination of improved working capital and increased earnings resulted in Fliway having a better net debt position than forecast in the PFI, with net debt of \$6.4 million as at 31 December 2015 compared to forecast net debt of \$8.9 million. Fliway has renegotiated its banking agreement resulting in the entire bank debt capacity of \$18 million being a re-drawable facility. This will enable more efficient management of net debt without any loss of capacity or flexibility.

DIVIDEND

Consistent with the prospectus guidance with respect to the percentage of NPAT payable and the weighting between first half and second half earnings, Fliway's Directors have approved the payment of an interim ordinary dividend of 3.3 cents per share. The dividends are payable on 20 April 2016 to shareholders recorded on the share register as at 5.00pm (New Zealand time) on 31 March 2016.

OUTLOOK

Fliway Group Limited's Managing Director, Duncan Hawkesby, said: "It is satisfying that the first half of FY16 has seen significant earnings growth over the prior comparable period and we are pleased with the progress at our new Christchurch site as the building nears completion. Fliway is now very well positioned and we are focused on growing the revenue line and building a larger more efficient business by driving harder for growth and capitalising on future opportunities."

Mr Stobo further commented: "As communicated to our shareholders at the Annual General Meeting in October 2015, we continue to experience softer revenue than forecast, however, our profit position continues to strengthen, delivering improved earnings and positioning the business well for future growth. We will continue to seek to increase our relationships with existing customers, pursuing work in new sectors and looking to 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."

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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. The use of EBIT removes the effects of Fliway Group's capital structure and tax position and the impact of certain non-cash items (fair value movements in financial instruments and other gains or losses on the sale of assets). The use of EBITDA further removes the effect of depreciation and amortisation.

A reconciliation between EBIT, EBITDA and NPAT 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.

Pro Forma EBITDA and Pro Forma EBIT are non-GAAP profit measures which reflect a number of historical and prospective Pro Forma adjustments. Fliway uses EBITDA to evaluate the operating performance of the business without the impact of depreciation, amortisation, capital structure and the tax position. Fliway uses EBIT to evaluate the operating performance over time without the impact of the capital structure and Fliway's tax position.

Fliway considers that it is common practice to evaluate profitability based on both EBITDA and EBIT which 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.

In addition, EBIT and EBITDA also include the attributed EBIT or EBITDA from Fliway's 50% interest in UPS-Fliway as set out below.

\$000's	1H16 Actual	1H16 PFI	1H15 Actual	12MDec15 Actual	12MDec15 PFI
Reported Operating Profit	4,450	3,615	3,223	4,686	3,390
Adjust for:					
Listing Costs	-	-	-	2,035	2,505
Public Company Costs (Full Year Effect)	-	-	-250	-70	-70
UPS-Fliway EBIT	848	714	831	1,602	1,282
Loss on sale	18	-	29	101	-
Pro-Forma EBIT	5,316	4,329	3,833	8,354	7,107
Depreciation ¹	1,009	1,212	876	2,172	2,407
Pro-Forma EBITDA	6,325	5,541	4,708	10,526	9,514
Pro-Forma NPAT	3,580	2,865	2,240	5,335	4,546

¹ Depreciation charge includes UPS-Fliway depreciation.