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Sale of building boosts Freightways' net profit

Demand for data and document storage services supplements core package and mail operations

by Maria Slade

Courier company Freightways managed to lift net profit for the year to June — thanks to the sale of a building in Wellington.

The operator, whose brands include New Zealand Couriers, Post Haste and Sub60, announced a 7 per cent increase in net profit after tax to \$34.6 million yesterday.

But that included \$3.9 million in profit from the sale and lease-back of its property in Ngauranga Gorge.

Similarly the company's earnings before interest, tax, depreciation and amortisation (ebitda) increased 3 per cent to \$70.5 million, but without the building sale earnings were 3 per cent lower year-on-year.

Managing director Dean Bracewell said Freightways faced a difficult environment in which volumes from customers had slowed.

In its core express package and business mail operations, earnings before interest, tax and amortisation (ebita) fell 9 per cent.

The fourth quarter had been particularly quiet.

"We will need a sustained improvement in the economy for that business to turn around."

However in its information management divisions, ebita was up 15 per cent.

Freightways' Australasian document and data storage operations now accounted for 19 per cent of operating earnings.

Bracewell said storage volumes had remained relatively predictable and the company had gained from customers downsizing premises to cut costs and then outsourcing the storage of documents. The industry was 50 per cent underdeveloped, he estimated.

"It's a nice foil for the core business that has a little bit more volatility to it."

Freightways had invested in the growing sector and consequently capital expenditure

COURIER FIRM'S RESULT

	June 09	June 08
Ebitda	\$70.5m	\$68.4m
Net Profit	\$34.6m	\$32.2m
Dividend	8.5 cents	9.25 cents

Figures include one-off \$3.9 million from property sale

in 2009 was \$21 million, significantly more than in previous years. The company had also renewed its finance facilities for the next three years.

Bracewell said the cost of funds had risen significantly — where the company once paid less than 1 per cent over the base bank rate, it now had to pay close to 3 per cent. It had had "good robust discussions" with its financiers and had involved a third bank to ensure the process was as competitive as possible.

Through capital management initiatives such as its \$49 million share placement this year and a newly implemented dividend reinvestment plan, the company had reduced its debt-to-equity ratio to 55 per cent, down from 69 per cent a year ago.

Bracewell said the outlook for the next six months remained challenging.

"We're not relying on revenue growth. That will be a bonus if we get it."

NZ Funds portfolio manager Nick Dravitzki said Freightways' strength was that it had a surprising ability to control costs and was positioned for earnings growth when the economy turned.

"At current prices investors are purchasing a partially defensive stock with a good yield and strong cash earnings."

Freightways shares closed last night down 30c at \$3.10.