



## Freightways takes profit hit

By JENNY KEOWN - The Dominion Post    Last updated 05:00 16/02/2010

Courier and data management company Freightways suffered a profit fall in the December half year but expects a gradual recovery in earnings as trading conditions become more stable.

The NZX-listed firm yesterday reported a 14 per cent decline in net profit to \$14.4 million, while operating revenue was down 7 per cent to \$164.9m.

But the 2008-09 year included five extra trading days accounted for at the beginning of the reporting period. When those are taken out, the net profit fell 8 per cent from the same time last year, and revenue was 4 per cent lower.

Managing director Dean Bracewell said the company was starting to see some positive signs emerging in the business, albeit without "sustained across-the-board improvement, reflecting continued market volatility". He expected earnings recovery at the end of the second half of the financial year.

The company's core business, NZ Couriers, was showing signs of improvement, but economy brands such as Post Haste hadn't recovered as much because they were linked to the retail sector, he said.

The company would review the pricing of its units in the middle of this calendar year and pass on cost increases depending on the extent of economic recovery, Mr Bracewell said.

It expected to spend about \$13m in the full year on the development of the final stages of its information management buildings, IT development and aircraft.

The business held up in the 2009 year, but the effect of tough economic conditions was "certainly showing" in the result, Mr Bracewell said. The core express package division, which contributed most of Freightways' revenues, showed lower volumes from existing customers.

Parcel volumes fell 5 per cent, and pricing fell 1.5 per cent during the period.

Freightways would pay a half-year dividend of 7c a share, down from 8c a share in 2008.

The reduction in the dividend this year was due to the dilutionary impact of the capital reinvestment initiative in August, Mr Bracewell said.

Shares fell 15c to \$3.06 by the close of yesterday because the results were lower than analysts' forecasts.

NZ Funds equity analyst Nick Dravitzki said that despite the weaker-than-expected result, Freightways was talking positively about the future for the first time in a long time. "The central argument for owning shares still remains, as the economy recovers so will organic volumes."

Forsyth Barr analyst Rob Mercer said the result reflected the "highly stressful" economic period of recent times. He didn't expect strong material earnings growth until 2012, but hadn't changed his view that the company was a good medium-to-long-term investment.

Meanwhile, Mr Bracewell said attempts by NZ Post to change access arrangements for independent postal operators, including Freightways' business, DX Mail, were seen as an attempt to thwart competition.

Freightways has lodged a complaint with the Commerce Commission.