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MAINFREIGHT LIMITED

Financial result for the six months ended 30 September 2018 (Unaudited)

Commentary

Mainfreight is pleased to report our six monthly financial results to 30 September 2018, with comparisons to the same period last year.

Revenue	$1.43 billion	Up $205.41 million or 16.8%
EBITDA	$108.34 million	Up $19.58 million or 22.1%
Net profit (before abnormals)	$55.90 million	Up $13.12 million or 30.7%

Adjusted for foreign exchange impact, revenue is up 13.2%, and EBITDA up 19.3%.

This satisfactory performance is attributable to ongoing growth and profitability across all five regions in our global network. Our offshore divisions are now contributing 58.1% of EBITDA, totalling $62.92 million. Sales generated offshore in this first half year totalled $1.09 billion, 76.0% of our total revenue.

Within this result, our Air & Ocean division contributed significantly to both revenue and EBITDA performance, and our expectation is that this division of the business will contribute more over time.

Trading through October and into November has seen the trend of improved financial performance continue.

<u>Divisional Performance</u> (figures in local currencies)

<u>New Zealand</u> (NZ$)

Revenue	$343.12 million	Up $26.25 million or 8.3%
EBITDA	$45.43 million	Up $6.98 million or 18.2%

Strong regional freight growth and reliable rail services, compared to the long periods without South Island rail in the prior year, has assisted our Domestic operations to deliver sales growth and increase EBITDA performance. Our Air & Ocean operation has also improved their trading results compared to the same period last year, with Logistics (warehousing) remaining level with the prior year.

Domestic freight volumes were at record levels for this six-month period, with existing customer and new business increases, particularly from regional New Zealand, where we continue to invest in infrastructure to strengthen our services to those communities.

Our **Air & Ocean** division has seen a lift in revenue and EBITDA as our global network trategy bears fruit.

The **Logistics** operations are also performing well at the revenue level, and with increased levels of warehouse utilisation, will require additional commitment to new facilities, impacting EBITDA returns in the short-term but positioning for further growth.

Pre-Christmas freight volumes across all three divisions are at record levels.

<u>Australia</u> (AU$)

Revenue	AU$341.70 million	Up AU$48.79 million or 16.7%
EBITDA	AU$22.52 million	Up AU$1.69 million or 8.1%

The continuing increase in sales revenues across all three divisions has assisted an improved financial performance, albeit with slower growth at the EBITDA level as higher growth-related overhead costs impacted our Transport division through the first quarter.

Improving quality in our **Transport** division is attracting new customers and assisting in the retention of our current loyal customer base. Freight volumes continue to grow heading into the pre-Christmas period. The use of rail is assisting to ease pressure on road transport.

Our **Logistics** warehousing activity continues to find growth, necessitating further short-term warehouse leases as volume increases. The new purpose-built facility in Sydney is expected to assist early in the New Year.

Air & Ocean, like the other divisions, has achieved improved revenue and EBITDA results for the first half year as international freight volumes assist performance.

Asia (US$)

Revenue	US$40.33 million	Up US$2.72 million or 7.2%
EBITDA	US$3.17 million	Up US$1.15 million or 56.6%

Renewed energy and a clear international Air & Ocean freight strategy within our Asian operations has seen financial performance improve markedly compared to the same period last year.

Network development across Southeast Asia has also gained momentum with our first Malaysian operation opening post-result, on 15 October 2018. We also expect to have our first Japanese operation open early in 2019, with licensing and business documentation requirements completed and accepted by Japanese authorities.

The Americas (US$)

Revenue	US$237.15 million	Up US$34.10 million or 16.8%
EBITDA	US$10.99 million	Up US$2.55 million or 30.2%

A pleasing result from our North American operations, with performance improvement largely driven by our **Domestic Transport** operations, where new customer gains have lifted revenue and EBITDA.

Our **Logistics** division has also secured new business, improving warehouse utilisation across all five locations. Further gains are expected as the year progresses, likely necessitating new facilities.

Our Air & Ocean operations saw revenues increase but we were unable to convert this to positive returns as gross margins declined. Improvements in margin are evident during October and November, providing confidence for an improved EBITDA result from Air & Ocean at year end.

Trading within the **CaroTrans** wholesale business has been steadily improving during the year, with an increase in revenue and EBITDA.

All our USA divisions have seen trading conditions in October and November remain positive, and it is our expectation for this current level of improvement to continue.

<u>Europe</u> (Euro €)

Revenue	EU€182.33 million	Up EU€19.82 million or 12.2%
EBITDA	EU€10.40 million	Up EU€2.00 million or 23.8%

We continue to find further financial and operational improvement in our European business, with sales growth across all divisions.

Our **Domestic forwarding** operations contributed significantly to this improvement, providing improved EBITDA results through better line-haul and pick-up-and-delivery management. Whilst our Belgian forwarding operations are yet to be profitable, the infrastructure investment in two new cross-docks is assisting.

Our **Logistics** operation grew sales revenue, but saw EBITDA at similar levels to the prior period, as new warehouse leases and new customer implementations increased overhead costs.

Similarly to our global Air & Ocean development, our European **Air & Ocean** division achieved improved revenues and EBITDA contributions.

Trading through October and November sees current trends continue and expectations are for a satisfactory year end result.

Group Operating Cash Flows

Operating cash flows were NZ$71.00 million compared to the prior year's half year figure of NZ$57.15 million.

During the half year, net capital expenditure totalled $40.19 million of which $21.14 million related to property development.

Dividend

The Directors of Mainfreight have approved an interim dividend of 22.0 cents per share, up 3.0 cents on last year's interim dividend level, reflecting current profit levels and ongoing confidence for further improvement at the year end result.

This dividend will be fully imputed and will be paid on 14 December 2018, with books closing on 7 December 2018. A supplementary dividend will be paid to non-resident shareholders.

Outlook

This first half result is satisfactory, compared with a somewhat muted result in the prior year, and provides us with a good platform for further improvement over the longer term.

To have all regions contributing improved financial and operational results is pleasing. Therefore it is our expectation that financial performance will continue to be better for the full year, delivering another improved full year profit.

Our land and building projects are generally progressing well. Capital expenditure for land and buildings for the full year is likely to be in line with our projections.

Importantly, these new and refurbished land and building projects will bring improved facilities complementing the development of our network and providing our people with the resources to develop further growth over the long term.

Mainfreight will release its financial results for the full 2019 financial year to the market on 28 May 2019.

For further information, please contact Don Braid, Group Managing Director, telephone +64 9 259 5503, +64 274 961 637 or email don@mainfreight.com.