MAINFREIGHT LIMITED
FULL YEAR RESULT
TO 31 MARCH 2019

MAINFREIGHT

Result Summary

REVENUE

Revenue up 12.9% to $2.95 billion (excluding FX up 10.8%)
An increase of $337.39 million
Offshore revenues now exceed $2.24 billion

EBITDA

EBITDA at $257.05 million, up 19.5% or $41.94 million
Excluding FX up 18.0%

NET SURPLUS

Net surplus after tax before abnormal items up 26.0%
to $141.08 million

Dividend / Net Debt / Discretionary Bonus

DIVIDEND

Final dividend of 34.0 cents per share

Books close 12 July 2019; payment on 19 July 2019

Total dividend for year 56.0 cents per share, increase of 11.0 cents or 24.4% over the previous year

NET DEBT

Gearing ratio improved from 21.7% to 13.5%

Net debt reduction of $66.37 million to $130.48 million

BONUS

Payable at Board's discretion to qualifying team members

Up 31.6% to $27.2 million

Capital Management

NZ$ MILLION	THIS YEAR	LAST YEAR
Operating cash flow	197.4	140.2

- Capital expenditure totalled $89.2 million, with Land & Buildings $30.8 million, Plant & Equipment $42.8 million, and Information Technology $15.6 million

  Major items of Land & Buildings include:

  - West Auckland, NZ – land $17.6 million
  - Sundry New Zealand property $8.4 million
  - Sundry other property $ 4.8 million

- Estimated F20 depreciation: $54.0 million

Capital Management …

Capital Expenditure Expectations FY20	NZ$ million
Property	
New Zealand	54
Australia	108
Europe	3
Total Property	**165**
Other	**48**
Total Capital	**213**

Full Year Analysis: Revenue

$000	THIS YEAR	LAST YEAR	VARIANCE	
New Zealand: NZ$	718,791	666,039	7.9%	↑
Australia: AU$	710,172	623,268	13.9%	↑
USA: US$	493,861	435,264	13.5%	↑
Asia*: US$	74,448	83,863	(11.2)%	↓
Europe: EU€	376,279	336,110	12.0%	↑
Total Group: NZ$	**2,954,087**	**2,616,700**	**12.9%**	↑
			(excl FX) 10.8%	↑

* Inter-company totalled US$52.72 million for Asia, up from US$45.81 million
Revenue including inter-company for Asia is down 1.9%

Full Year Analysis: EBITDA

$000	THIS YEAR	LAST YEAR	VARIANCE	
New Zealand: NZ$	110,556	98,531	12.2%	↑
Australia: AU$	55,372	49,887	11.0%	↑
USA: US$	26,111	19,031	37.2%	↑
Asia: US$	6,308	4,921	28.2%	↑
Europe: EU€	23,264	17,775	30.9%	↑
Total Group: NZ$*	257,049	215,114	19.5%	↑
			(excl FX) 18.0%	↑

* Of the NZ$42 million increase in EBITDA, NZ$30 million is generated "offshore"

Second Half Comparison: Revenue

$000	2nd HALF THIS YEAR	2nd HALF LAST YEAR	VARIANCE	
New Zealand: NZ$	375,671	349,172	7.6%	↑
Australia: AU$	368,469	330,355	11.5%	↑
USA: US$	256,707	232,206	10.6%	↑
Asia: US$	34,115	46,252	(26.2)%	↓
Europe: EU€	193,951	173,599	11.7%	↑
Total Group: NZ$	**1,523,093**	**1,391,117**	**9.5%**	↑
			(excl FX) 8.6%	↑

Second Half Comparison: EBITDA

$000	2nd HALF THIS YEAR	2nd HALF LAST YEAR	VARIANCE	
New Zealand: NZ$	65,130	60,085	8.4%	↑
Australia: AU$	32,854	29,058	13.1%	↑
USA: US$	15,121	10,589	42.8%	↑
Asia: US$	3,136	2,895	8.3%	↑
Europe: EU€	12,859	9,372	37.2%	↑
Total Group: NZ$	**148,707**	**126,348**	**17.7%**	↑
			(excl FX) 17.1%	↑

Product Performance

NZ$000		THIS YEAR	LAST YEAR	VARIANCE		VAR ex FX	
Group	Revenue	2,954,087	2,616,700	12.9%	↑	10.8%	↑
	EBITDA	257,049	215,114	19.5%	↑	18.0%	↑
Transport	Revenue	1,450,942	1,297,013	11.9%	↑	10.2%	↑
	EBITDA	156,681	128,382	22.0%	↑	21.2%	↑
Warehousing	Revenue	346,567	289,080	19.9%	↑	17.5%	↑
	EBITDA	37,282	33,142	12.5%	↑	10.9%	↑
Air & Ocean	Revenue	1,156,578	1,030,607	12.2%	↑	9.6%	↑
	EBITDA	63,086	53,590	17.7%	↑	14.9%	↑

MAINFREIGHT

New Zealand

Revenue: $719m 7.9%
EBITDA: $111m 12.2%

- Network contribution
- Transport
  - Network intensification continues; reaching smaller regional areas
  - Mt Maunganui, South and West Auckland projects underway
  - Continuing to take market share
- Logistics
  - Opened in Cromwell
  - Construction underway for leased Hamilton site
  - Planning for Mt Maunganui
  - Ninth warehouse for Auckland opened – post-result
  - Large solar installation to assist chilled warehouse in Auckland

New Zealand

- Air & Ocean
  - Continuing to take inbound market share
  - Perishables capability improved with investment in Auckland
  - Regional branches contributing

- New Zealand Outlook
  - Sales pipeline reasonably full
  - Increased overheads likely a drag in first half
    - Increased salaries again at lower end of pay scale
    - Ongoing capital investment
  - Expect improved results year on year

Australia

Revenue: AU$710m 13.9%
EBITDA: AU$55m 11.0%

- Slower start; improved finish
- Transport
  - Implementation of Mainstreet (software platform) – without issue, slower start
  - Network growth, remains a priority
  - Sydney's second cross-dock advancing; rail capable
- Logistics
  - New business opportunities necessitating more warehouses
  - Consolidation of 3 temporary sites into 1; 26,000 m2 Sydney
  - Beverage sector exposure increasing
  - Dangerous goods; retail sector opportunities to complement Chemcouriers' competency

Australia

- Air & Ocean
  - Stronger push for more export growth vs import
  - LCL focus/capability required to grow this sector
  - Perishable market capability to feature medium-term

- Australia Outlook
  - Transport network to continue its expansion
  - Sales pipeline requires more effort / supply chain initiatives
  - Increased salaries again at lower end of pay scale
  - Conscious of a slowing economy; slower revenue growth last quarter

The Americas

Revenue: US$494m 13.5%
EBITDA: US$26m 37.2%

- Improvement across all three Mainfreight divisions
- Transport
  - Improving sales (particularly in first half) and more direct line-haul assisting profit
  - Still a large volume of freight with third parties – requires change
  - More direct line-haul committed between our major hubs

The Americas

- Logistics/Warehousing
  - Improving performance and utilisation from Los Angeles and Newark warehouses assisting profitability
  - Sales pipeline relatively strong for Dallas and Los Angeles
  - New warehouse for Atlanta and expansion to Seattle
- Air & Ocean
  - Opened in Salt Lake City and Santiago (Chile) – total branches now number 16
  - Establishing sales desks in other Transport locations
  - Strong emphasis on LCL consolidation for global network

The Americas

- CaroTrans
  - Improved processes and freight utilisation – further improvement needed
  - Better alignment of overseas agencies
  - Stronger sales focus/management appointments
  - Margin improvement – more expected

- Americas Outlook
  - Sales / Sales / Sales – still a weakness
  - Conscious of China/USA trade lane volatility

Europe

Revenue: €376m 12.0%
EBITDA: €23m 30.9%

- Transport performance key to overall improvement
- Transport
  - Improving line-haul utilisation, cross-dock management and deliveries in Netherlands provided much-improved results
  - Partnership relationships for “other” European country deliveries enhanced
  - Belgium and France improving – Romania developing
- Logistics
  - 2 new warehouses commissioned; utilisation and profitability improving
  - Increasing supply chain opportunities with warehouse customers
  - Profit per m^2 requires improvement

MAINFREIGHT

Europe

- Air & Ocean
  - Opened in Hamburg, Germany – sea freight focus (air freight for Frankfurt)
  - Pleasing progress in the UK and Italy
  - Air & Ocean network within Europe now 12 branches
  - Work to do in Belgium and France
- Europe Outlook
  - More sales effectiveness needed
  - Increasing sales personnel numbers
  - Defer warehousing development until full utilization and margins achieved
  - Brand awareness improving /assisting
  - More supply chain initiatives with customers required

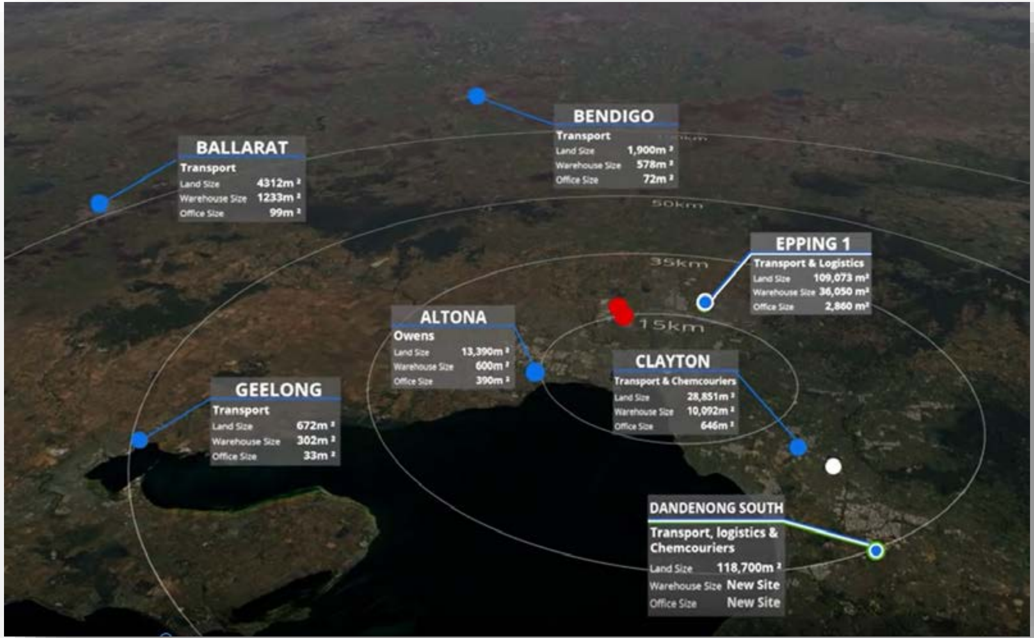
Asia

Revenue: US$74m (11.2)%
EBITDA: US$6m 28.2%

- Exited poor performing air freight revenue
- Air & Ocean
  - Focus on improving margins – exiting of wholesale air freight
  - Sales desks to assist in-country growth – 2^{nd} tier cities
  - Expect USA/China trade-lane issues to impact trade volumes – unpredictable
  - Intra-Asia trade volumes increasing
- Asia Outlook
  - Diversification of network into ASEAN region will assist to offset USA trade-lane issues and provide more regional growth to Mainfreight network globally
  - Airlines/shipping lines withdrawing capacity on trans-Pacific

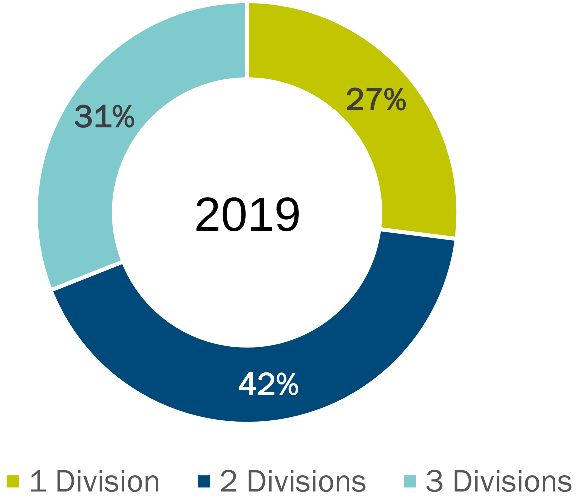
Strategic Initiatives

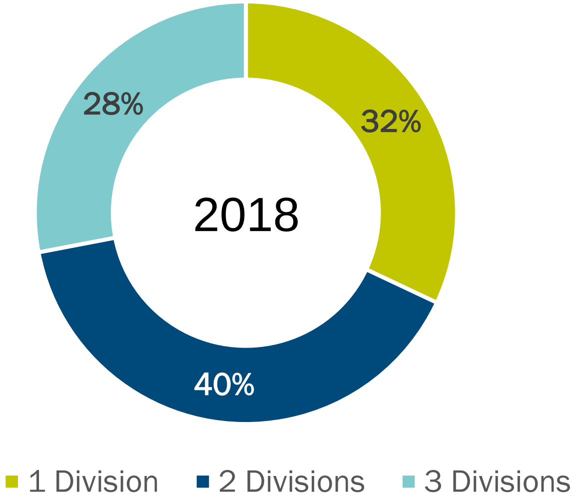
- Network intensity - ongoing
  - Within cities
  - Within countries
  - Globally



Strategic Initiatives - continued

- Top 500 Customers = 56% of total revenue
- Top 500 Customers: Use of Mainfreight Divisions (Transport/Warehousing/Air & Ocean)





- Increasing regional trading opportunities across country locations where possible

Group Outlook

SHORT-TERM

Expect ongoing improvement, although reduced trading days in April has had an impact

IFRS 16 Lease Capitalisation – estimated impact for 2020 Year

- Increased Assets and Liabilities $579 million
- Increased EBITDA $105 million
- Reduced PBT $8 million

MEDIUM TO LONG-TERM

Supply chain sales initiatives across total network, delivering better than average growth

Network to develop further

CAPITAL

Investment in property requires ~$350 million in F20 and F21

Therefore estimated net debt F20 of $200 million; F21 $264 million

Financial Calendar F20

	DATE
Annual Meeting of Shareholders	30 July 2019
F20 – 6 months ended 30 September 2019	13 November 2019
F20 – 12 months ended 31 March 2020	27 May 2020

Smile – it will warm their hearts or piss them off – either way you win !