



# MAINFREIGHT: INVESTOR DAY, TAURANGA

14 OCTOBER 2020

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# Agenda

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- 9.00am Welcome Don Braid
- 9.15am New Zealand Craig Evans
- 9.30am Europe Ben Fitts
- 9.45am Australia Rodd Morgan
- 10.00am Americas John Hepworth
- 10.15am Asia Cary Chung
- 10.30am Group Update | Q&A Don Braid
- 11.00am Site Tour
- 12.00pm *Lunch with Team*



# New Zealand

Craig Evans



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## Trading Conditions – New Zealand

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- Market actively challenging existing supply chains – flight to quality and efficiency
- Increase in outsourcing
- Our suite of services and network continues to improve quality

### Variance (YTD September Est)

- Revenue 4.4%
- PBT 8.9%

# Covid Impact – New Zealand

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- Loss in traditional international tourism offset by increased domestic tourism and returning New Zealanders
- Overall volumes are on the increase
- Mainfreight well-positioned to convert outsourcing and supply chain enquiry

# Segment Overview – New Zealand

## **Transport**

- Gaining market share
- Network expansion has assisted market share
- Margins holding up
- Levin branch opened during COVID-19; Tauranga new build completed; 3 others in design/construction in Gore, Spring Creek & Whakatane

## **Warehousing**

- Increased levels of outsourcing enquiry
- Good gains, especially in larger customer groups
- Three new warehouses opened since March – 2 in Auckland, 1 in Hamilton

# Segment Overview – New Zealand

## **Air & Ocean**

- Courageous effort during COVID-19 coordinating PPE imports – air charters
- Converted new business as competitors went missing during the height of the pandemic
- Localized customer relationships proved invaluable; regional development continues

## In Summary – New Zealand

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- Ongoing trading improvements from established customers, and increasing market share sees all three divisions busy
- Seasonal increases in trading (pre-Christmas) are expected / new customer activity
- Remain cautiously optimistic



# Europe

Ben Fitts



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## Trading Conditions – Europe

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- Steady. Large customers recovered well & optimistic
- High sales / low inventory, impacting warehouse utilisation
- Normal inventory levels expected by end of calendar year
- Sales team winning new business in a challenging sales environment
- Increasing number of Brexit-related enquiries

### Variance (YTD September Est)

- Revenue 0.2%
- PBT (11.2)%

# Covid Impact – Europe

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## Effects

- Impact of short-term illness
- Inventory rollercoaster as customers balance supply chains in uncertain times
- Capacity constraints for air and ocean freight
- Covid measures constantly changing (regions/countries)

## Opportunities

- Increased focus on efficiency, doing more with less has assisted margin performance
- Regular, useful communication appreciated by customers
- More hustle, particularly airfreight
- Mainfreight culture further embedded – No job descriptions

# Segment Overview – Europe

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## Transport

- Continues to strengthen
- Network development – Netherlands, Romania, Italy
- Sales growth a high priority, focus on freight that feeds the network
- Synchronised approach toward measurement of quality and efficiency

## Warehousing

- Zaltbommel (NL) 2nd phase opened in March – 26,000sqm (total site = 52,000sqm)
- First UK warehouse will be operational December 2020, in time for Brexit
- Temporary inventory lull due to delayed or cancelled replenishment orders
- Focus on pushing more freight into the Mainfreight network and improving utilisation

# Segment Overview – Europe

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## **Air & Ocean**

- New branches in Manchester and Barcelona. Nordics on the radar
- Focus on consolidation growth for air/ocean
- Improved profit necessary to enable move network development
- Sales growth top priority

## In Summary – Europe

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- A healthy amount of new business trialling or committed for early 2021
- Expect revenue performance to improve through the second half of this year
- Sales culture developing, plenty of energy, improved in-country cross-selling
- Network expansion and intensification to continue
  
- Covid-related uncertainty. Overhead control remains critical
  
- ***The ball is bouncing now, it just needs to bounce higher!***

# Australia

Rodd Morgan



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## Trading Conditions – Australia

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- Strong. Nice mix of customers, trading well
- AU economy resilient – targeted Government support and pent up consumer demand diverted to local goods and services
- Good new business acquired – increased customer enquiry
- Warehouse utilisation steady overall
- Overheads and cash collection managed well
- Domestic margin improvements

### Variance (YTD September Est)

- Revenue 11.8%
- PBT 99.1%



# Covid Impact – Australia

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- Constantly changing Covid requirements across states – Victoria an outlier
- Better business discipline & focus – more hustle & intensity
- Branch Manager is king – gives us great agility & local decision making/knowledge
- No travel has led to increased internal communication
- Deeper more regular communications with customers

# Segment Overview – Australia

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## Transport

- Strong profit performance through pleasing sales, margin growth & overhead cost control
- Big branches going well & regional branches showing significant improvement
- Network growth is key: 3 new branches opened recently with 6 more planned by mid next year
- Owens (wharf operator) showing good profit progress in a tough environment. New IT platform will help service quality/efficiency
- New facilities in design phase for owned land in Adelaide & SE Melbourne

## Warehousing

- Good profit & revenue growth continuing; average 90% utilization over last 6 months
- New 20,000m<sup>2</sup> purpose built warehouse at Epping. Third 15,000m<sup>2</sup> Sydney warehouse imminent
- Continued focus on customers with high value, complex needs that feed our broader networks
- Mainfreight “Mobile” started in Sydney to handle container devanning and broader needs

# Segment Overview continued ...

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## **Air & Ocean**

- Good revenue growth but we are working hard to improve margins
- Focused on global LCL air/ocean growth opportunities
- Improvement required in the growth of export air and sea freight
- Adding Air & Ocean sales team to our regional locations is important
- Good sales growth progress in Perishable airfreight branches

## In Summary – Australia

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- New business performance and sales pipeline pleasing
- We are a better business in all areas than a year ago
- Heading into a period of network growth
- Cautiously optimistic about the trading environment next year. Big business seem confident but small business will struggle – especially Victoria
  
- ***We have good business momentum***

# Americas

## John Hepworth



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## Trading Conditions – Americas

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- After slow 1<sup>st</sup> quarter, business has improved
- Asian imports increasing; sea and air carrier allocation at a premium
- Port congestion and chassis shortages becoming a serious issue

	<b>Variance (YTD August)</b>	<b>Mainfreight Var</b>	<b>CaroTrans Var</b>
• Revenue	1.4%	4.1%	(6.9)%
• PBT	(13.1)%	11.1%	(55.6)%

# Covid Impact – Americas

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## Effects

- While effects of Covid and racial tension have divided the nation, business is returning to “new normal”
- Transport sector struggling to find drivers

## Opportunities

- e-Commerce continues to increase and is assisting growth, particularly in Warehousing and Air & Ocean

# Segment Overview – Americas

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## Transport

- Larger players struggling with driver shortage
- Mainfreight still managing to attract Owner Drivers to service our 8 key line-haul hubs
- Our LTL network in US/Canada growing – 145 moves both inbound/outbound weekly – with increased volumes improving truck utilization
- Strong focus on service quality and on-time performance

## Warehousing

- Currently 7 Warehouses – 110,000 sqm capacity – at 81.5% utilisation
- 64% of freight moving through our Transport network
- Expansion likely in Chicago (2<sup>nd</sup> site), Atlanta, Toronto, Miami, Philadelphia/New Jersey, Dallas (2<sup>nd</sup> site) due to strong enquiry levels



## Segment Overview – continued ...

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### **Air & Ocean**

- Asia/USA remains key trade route; ocean rates increasing, lifting revenue
- Separating Air Freight out at 4 main branches has seen strong growth in product
- Increasing ocean consolidations – export/import – improving gross margin
- Customs brokerage division continues to expand; 4 new sites brings total to 16
- Capacity constraints ex Asia

### **CaroTrans**

- Wholesale LCL trade impacted globally as freight forwarders protect volume
- Strengthening sales team numbers and offering more direct services for export LCL
- Key customer focus – small to medium sized forwarders

# Growth Initiatives & Expectations

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Our focus in the Americas remains on:

- Every day freight – high value, fast moving, essential freight profiles
- Core products and services: LCL/LTL, Mainfreight-to-Mainfreight consolidations
- Intensified efforts to win group customers to feed the Mainfreight network
- Leveraging global customer relationships
- Continuing to grow our sales team

## In Summary – Americas

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- Difficult first 6 months in the USA
- Recovery underway, business returning to “new normal” activity levels
- Expect second half to reflect improvement and growth
- Wholesale market will remain difficult for CaroTrans

# Asia

Cary Chung

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- A map of Asia with red dots marking various cities and countries. The cities marked are Beijing, Tianjin, Qingdao, Shanghai, Ningbo, Xiamen, Taipei, Shenzen, Guangzhou, Hong Kong, Khaosung, Thailand, Vietnam, Malaysia, and Singapore. The country marked is Japan.
- Beijing
  - Tianjin
  - Qingdao
  - Shanghai
  - Ningbo
  - Xiamen
  - Taipei
  - Shenzen
  - Guangzhou
  - Hong Kong
  - Khaosung
  - Thailand
  - Vietnam
  - Malaysia
  - Singapore
  - Japan
  - Seoul

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## Trading Conditions – Asia

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- Good improvement overall, led by
  - Charter flights
  - Stronger Europe trade-lane volumes
  - Growth of “in-country” sales

### Variance (YTD September Est)

- Revenue 21.1%\*
- PBT 61.4%

\* Including inter-company revenues – increase of 44.0%

# Covid Impact – Asia

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## Effects

- 9 Asian countries where Mainfreight is based still have 14-day quarantine
- Japan, Hong Kong, Singapore and Thailand in discussions to allow essential business travel (conditional on clear Covid test)

## Opportunities

- Expect to expand further in China, with branches in Chongqing and Dalian; will defer opening in India and Indonesia

# Sales & Growth Initiatives – Asia

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## **Airfreight**

- Additional BSA or fixed consolidation services to/from European and Intra-Asia main airports
- Japan, Malaysia, South Korea, Thailand and Vietnam now IATA certified

## **LCL**

- Mainfreight and CaroTrans to increase consolidation services
- Buyers and Sellers consolidations

## **Sales**

- Focus on every-day freight for airfreight and LCL customers across all branches
- Continue to expand in-country sales branches in:
  - South Korea: Pusan
  - China: Suzhou, Hangzhou and Zhongshan
- Target verticals with high Asia demand: Food & Beverage, Healthcare, Hi-Tech

## In Summary – Asia

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- Ongoing in-country development assisting growth
- Airfreight growth as a consequence of:
  - Covid opportunities
  - Branch separation bring focus to Air vs Ocean
- Expect current growth and profit trends to continue





# Mainfreight Group

Don Braid

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# Trading Update: Estimated Revenue

August actuals plus September “weeklies”  
26 weeks of trading (1 Apr to 30 Sep)

NZ\$000		THIS YEAR	LAST YEAR	VAR %	
New Zealand	NZ\$	378,655	362,571	4.4%	↑
Australia	AU\$	403,032	360,423	11.8%	↑
Asia	US\$	43,586	35,991	21.1%	↑
Europe	EU€	194,097	193,766	0.2%	↑
Americas	US\$	247,466	244,039	1.4%	↑
<b>Group</b>	<b>NZ\$</b>	<b>1,609,143</b>	<b>1,500,466</b>	<b>7.2%*</b>	<b>↑</b>

\* Excluding FX: 5.2% over last year

## Trading Update: Estimated PBT\*

August actuals plus September “weeklies”  
26 weeks of trading (1 Apr to 30 Sep)

NZ\$000		THIS YEAR	LAST YEAR	VAR %	
New Zealand	NZ\$	37,330	34,266	8.9%	↑
Australia	AU\$	30,482	15,307	99.1%	↑
Asia	US\$	4,030	2,497	61.4%	↑
Europe	EU€	7,146	8,046	(11.2)%	↓
Americas	US\$	8,487	9,769	(13.1)%	↓
<b>Group</b>	<b>NZ\$</b>	<b>102,212</b>	<b>82,848</b>	<b>23.4%</b>	<b>↑</b>

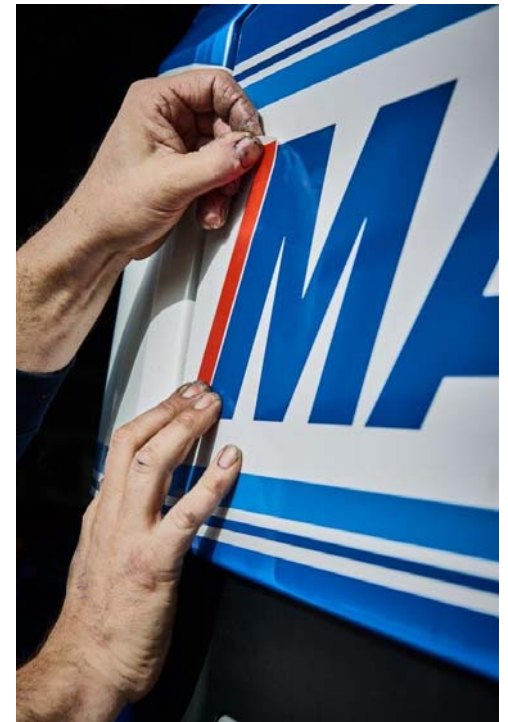
\* Post-NZ IFRS 16

# Excluding FX: 21.7% over last year

# Trading Update: Total Company

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- Outlook remains positive with:
  - Increasing domestic Transport volumes
  - Improving customer sales and demand, increasing pressure across sea and air freight capabilities
  - Increased enquiry for Warehousing solutions
  - Customer expectations for quality/efficiency
- However:
  - Remain cautious on pre-Christmas volumes
  - The effects of secondary Covid infection rates impacting economies further



# Capital Expenditure

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- Continue to be conservative
  - Necessity vs “nice to have”
  - However, land opportunities in Auckland and Nelson being explored
- Leased warehouse facilities as required
  - New Zealand / Australia / USA
- Tauranga site an example of continued investment in network and high quality facilities – helps attract customers
- Likely to increase capital spend in F22

# Current Net Debt

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**NET DEBT**

Net debt of \$115 million  
Undrawn facilities of \$250 million



# Global Supply Chain Status

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- Air freight:
  - Improvement in space availability as flights increase
  - Rate structures more consistent but still high
- Sea freight
  - Delays as space allocations tighten / equipment shortages
  - Freight rates increasing as a consequence
- Warehousing
  - Enquiry continues to strengthen
  - Inventory levels impacted due to stronger sales, uncertainty, shipping and manufacturing issues
- Transport
  - Domestic freight volumes strong in New Zealand / Australia
  - Improving in Europe / USA

# Priorities and Actions

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- Continuation of strong sales focus
- High standards of quality services; flight to quality remains
- Volume improvement brings greater certainty
  - Confidence to further intensify domestic networks
  - Increased capital expenditure in F22
- Emphasis remains on managing overheads
- Cash flows / cash collection / cost and margin management
- European wage/salary review applied from 1 October
- Directors' fees and Managing Director salary restored to full levels from 1 October



## To Close ...

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- Satisfactory half year result (to be reported 11 November)
- Remain cautiously optimistic that trading conditions will continue to improve



A close-up photograph of a person's hands holding three ripe, red apples. The person is wearing a dark blue shirt and a green safety vest. The background is slightly blurred, showing a dark surface and a wheel. The text "THANK YOU" is overlaid in the center of the image.

THANK YOU

**MAINFREIGHT**

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