



MAINFREIGHT LIMITED

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MAINFREIGHT LIMITED

SCRIPTED ADDRESS AND PRESENTATION

23rd Annual Meeting of Shareholders

4.00 pm, Thursday 26 July 2018

**MAINFREIGHT - GLOBAL
LOGISTICS**

Supporters of



CHAIRMAN'S ADDRESS

E Te Whanau o Mainfreight, E Te Koro Ma, Et Te Kuia Ma, E Nga Tamariki Ma, Naumai, Haere Mai, Whakataumai.

Ladies & Gentlemen, welcome to our 23rd Annual General Meeting - since our beginnings 40 years ago in 1978, and our 22nd anniversary since floating on the New Zealand Stock Exchange in 1996.

The year ended March 2018 produced the continuation of eight consecutive years of records.

1. Record profits up \$9M to \$112M before abnormals
2. Global sales up \$285M to \$2.62 Billion – that represents sales in excess of \$50M per week.
3. We paid \$45M in Income Tax.
4. We paid a Discretionary Bonus to our worldwide team of \$21M.
5. Our annual Dividend paid to shareholders was \$43M.
6. Since listing in 1996 our Compound Annual Growth Rate to date has been 21.7%

Mainfreight is now 40 years old, and it seems appropriate to mention a couple of the more memorable times.

Two of us were there on day one – 6th March 1978. Howard Menzie Smith, and myself, in a rented building at 133 Morrin Road, Panmure. The landlord, Peter Baker, had offered us ½ rent for 6 months to help us survive.

Howard had put in a leased water blaster as his 16% shareholding, and Taurus Fork Hire (now Auckland Forklift) had loaned us a fork hoist for a year for their 16% shareholding, and I had 52% of the company by putting in \$7200 cash. The J1 Bedford you see was our first truck, and was for towing the water blaster in case we failed with the freight business!

What a different country New Zealand was then. All freight moving within the country over 150 km had to travel by Rail (up until October 1977 the distance had been only 40 miles).

There were four major freight forwarders, mostly Australian controlled, which were allowed to move freight on the N.Z. Railway at concessional rates. They

operated a price cartel between themselves with written rules. No one else was allowed in.

The Transport unions were running at full strength, with disruptions on an almost daily basis.

Into this scene stepped Mainfreight, who had recognised that a weekly shipping service run by the now defunct N.Z. Shipping Corporation was exempt from the 150km transport restriction. Graham Eddington, Operations Manager of the Shipping Corporation, had promised us an allocation of 10 seafreighters (a type of container) per weekly sailing.

We made a profit in our fifth week of operation; the rest is history.

With a massive, massive commitment from our people, with unyielding loyalty from many customers, with unbelievable help from working men at the wharves and Railways, and some sympathy from the Unions, we progressively smashed the cartel, and either took over the individual companies, or sent them limping back to Australia.

The removal of Rail protection in 1983, followed by the freeing up of the New Zealand economy by the 1984 Labour Government, levelled the playing field to begin the modernisation of New Zealand business which continues today.

What were the really big lessons of the past 40 years?

1. We have huge respect and appreciation for the commitment of our people, teams, leaders, suppliers and customers over our lifetime.
2. New Zealand's geography is easily upset with national disasters. We must have a national transport system which includes Rail, Road, and Sea.
3. Our ethical standards are extremely important to the wellbeing of our company and our people. We are not one of those companies in New Zealand, or overseas corporations, seeking and demanding credit terms of 60, 90 and 120 days. Where on earth are their ethics?
4. We need to become better at looking ahead in our freight businesses. 10% growth per annum means we double our volume in 7 years. With 25% growth we double our freight volume in 3 years. Growth catches up fast.

How do we see the year ahead?

We are enthusiastic about the period ahead.

In New Zealand our sales pipelines are as full as they have ever been. Consumers are consuming and confident, building of infrastructure is evident everywhere, and the movement of people to areas outside of the main centres is exhilarating to see. Our roads and cities are more well-kept than ever – everyone is caring more, and trying to do business.

2019 will be our 30th year in Australia. The last two years have seen us come of age in this country – earning A\$50M EBITDA in the March 2018 year. With our talented hardworking teams, the opportunities to pursue are significant – in the development of a more intense internal network, international perishable freight and greater interaction with our own Global network, and the expansion of Chemcouriers as in New Zealand.

We have the same confidence with Europe, USA, and Asia – which together are responsible for 29% of our Global EBITDA, but we are yet to be the market leaders in these markets, and our name is less well known than in the Southern hemisphere. However, be assured, our Northern hemisphere competitors know our name, as do the shipping lines and airlines. As shareholders it is important to realise how vital these areas are to the profits and possibilities of our businesses in New Zealand and Australia.

Some of our largest New Zealand and Australian customers were gained because of our Northern hemisphere presence.

We will continue to develop in these areas and other countries, but we need to understand that they will take years to develop.

Make no mistake, Mainfreight is bustling globally with good leadership, enthusiastic energetic people, and future leaders, with excellent facilities, excellent systems, and world class information technology.

In closing, I would like to acknowledge our shareholders. Many of our larger investors have been faithful supporters, and we have come to recognise quite a number of long-term smaller shareholders. We appreciate your loyalty, and emphasise that we have a total commitment to remaining a New Zealand listed and domiciled business.

Group Managing Director's Presentation

Please refer to separate PowerPoint slide presentation.

*For further information, please contact Don Braid, Group Managing Director,
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