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NZX MARKET RELEASE

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MAINFREIGHT LIMITED – TRADING UPDATE

Mainfreight Limited (NZX: MFT) provides this trading update as the effects of COVID-19 lockdowns, across the five regions of the world where Mainfreight is located, begin to impact current trading patterns.

Mainfreight is deemed an essential service provider across all our global operations, however differences in COVID-19 response levels, and in customer profiles, are providing varying financial results by region.

Financial Year Ended 31 March 2020

As noted in our last release dated 17 March 2020, we expect to complete the full financial year to 31 March 2020 ahead of the prior year at revenue and profit levels.

Trading from our regions remained consistent into the year end, with just New Zealand experiencing a downturn in the last week due to the full lockdown implemented from 25th March 2020.

April 2020 Trading

Having just completed our first full week of trading for April, we have experienced a mix of trading results across our five regions.

Total sales revenues for the week declined globally by 7% year on year (12% excluding foreign exchange), with New Zealand substantially impacted by a 40% reduction. This provided a positive global PBT (profit before tax) figure for the week. However, short trading weeks due to the Easter and ANZAC holidays, together with deteriorating trading conditions expected in all regions, will likely see the April month results significantly impacted.

Regional Overview

New Zealand

Lockdown 25th March 2020 | Essential product delivery only

While freight volumes and trading were strong ahead of the lockdown restrictions, the limitations in place for the movement of essential goods only, has impacted New Zealand trading substantially during the first week of April.

Transport sales revenues declined significantly as non-essential freight was no longer available for distribution. As the definition of “essential products” broadens, we expect to see volumes improve.

Warehouse storage revenue continues, however pick activity has decreased to essential products only. Food and food-related product activity remains consistent with prior weeks.

In our **Air & Ocean** operations, normal air freight volume has been replaced with air charter opportunities. The majority of these are committed, with important export volume into China, and with returns of PPE supplies. Australian air charters are currently under negotiation. Sea freight imports are variable in volume, with only essential supplies able to be delivered. This may pose medium-term equipment supply issues for the shipping industry for important exports.

Our **New Zealand** operations expect a difficult month of trading through April, however are well positioned for post-lockdown developments.

Australia

Partial lockdown: developing | Essential and non-essential supplies moving

Freight volumes remain reasonable across all of our divisions within Australia, with a number of new customer gains assisting.

Inter-State distribution continues for our **Transport** operations, and with a high level of exposure to supermarket and hardware retail sectors, volumes are ahead of the year prior.

In our **Warehousing** operations, products related to the retail and restaurant sectors are slowing, however food and food-related products continue to trade at regular levels of activity.

For **Air & Ocean**, our import sea freight volumes have risen as Chinese exports commence again. How long this demand will continue is uncertain. Air freight volume is consistent, however charter activity disappoints.

Performance from **Australia** through late March and into April has surprised, and while Easter trading may see a decline, if Australia's state of partial lockdown remains in place, we expect similar trading levels to continue after Easter. The first week of April trading saw sales revenues up 9%.

Asia

China lockdown easing / Southeast Asia lockdowns more substantial with tight border restrictions

Our China air freight volumes are improving as demand for air charters increases, particularly to USA and Europe for PPE supplies. Air freight pricing is increasing ex China, but normalising ex Hong Kong.

Sea freight volumes ex China have increased, although forward orders now appear to be cancelling due to delivery difficulties in the country of destination.

Southeast Asian operations vary from country to country, dependent on the severity of lockdown restrictions in place.

While the April outlook for **Asia** is reasonably positive, with blank sailings rising and shipping orders declining for May shipments, we expect an impact in our May financials. Asian revenues were in line this week with the prior year.

Europe

Lockdowns differ by country: some partial, some full (eg Italy, Spain, UK) Borders remain open for freight

Financial performance has remained relatively consistent through March and now into April. However declining freight tonnage for Italy, Spain and now the UK is having some impact.

Our **Transport** volumes have continued strongly through the Netherlands and Germany, with just high-end retail product declining. Various industries remain open and able to export and receive imported supplies.



Our **Warehousing** operations have seen a similar decline in “High Street” retail volume, but continue to receive storage revenue. Pick activity remains consistent for supermarket-supplied product.

In **Air & Ocean**, sea freight volumes have been impacted by the earlier Asian shutdown, but are slowly re-emerging. Air freight enquiry levels are improving with charter activity from Asia underway.

Our outlook for **Europe** remains positive, with some manufacturers expecting to increase production through April. The first week of April saw revenues decline just 7.8%.

Americas

Lockdown restrictions differ by State: moving to full “stay at home” status

Freight volumes were strongly consistent through March, only slowing as State lockdowns have come into effect in the last two weeks.

Transport volumes have declined about 20%, with health care and home use products still relatively strong.

In our **Warehousing** division, new customer implementation has continued, and activity levels are reasonably consistent.

In the **Air & Ocean** sector, sea freight import volume has improved, however it is expected to decline through April and May as the impact of lockdowns increases. Air freight charters are underway, dominated by PPE supplies from Asia.

In our **CaroTrans** sea freight business, demand for LCL capacity has increased.

Revenue has held stronger than expected, and our outlook for April and May for the **Americas** is not as bad as expected. The first week of April saw revenues decline 8%.

Operating Expenditure

A number of initiatives have been put in place to reduce and/or eliminate unnecessary operating expenditure:

- Our usual annual wage and salary review has been deferred, and a hiring freeze is in place. Elimination of the use of casual labour has also been implemented globally.
- Holiday leave is being utilised where appropriate, and in discussion with team members.
- Managing Director's salary and other Directors' fees reduction of 50% in effect for the foreseeable future.
- Government employment subsidies are under review with likely application in New Zealand and some European countries.
- All unnecessary discretionary expense reductions have also been actioned.
- Assistance to owner operators with both financial lease and government wage relief negotiations has been ongoing.

Our People

- The safety of our people while operating as an essential business is our highest priority.
- New Zealand Government COVID-19 health measures have been implemented and used as a blue-print for our operations in other regions.
- Also a priority is the retention of employment for our people, as we implement team rotation, combined with working at home where possible.

Debt / Capital Expenditure

Debt facilities are satisfactory and well supported by our six banking partners. Current debt facilities total \$500 million, of which \$230 million remained undrawn at 31 March 2020. An amount of \$415 million matures in April 2024, the balance of \$85 million in April 2022. Net debt at 31 March 2020 is approximately \$160 million.

Capital expenditure of \$120 million has been deferred. Committed capital expenditure amounts to \$78 million for current construction projects in the 2021 financial year.



Outlook

Trading through April is expected to be significantly reduced from the prior year, albeit shielded somewhat as our global locations provide a measure of sanctuary from a single country exposure.

Additional financial leverage remains available to us if needed. Our balance sheet and debt facilities provide sufficiently strong coverage at this time. We remain well positioned for economic recovery.

Further updates will be provided when appropriate.

Ends

Don Braid
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