MAINFREIGHT LIMITED
FULL YEAR RESULT
TO 31 MARCH 2018

Result Summary

REVENUE

Revenue up 12.2% to $2.62 billion (excluding FX up 10.6%)
An increase of $285.3 million
Offshore revenues now exceed $1.95 billion

EBITDA

EBITDA at $215.4 million, up 9.0%
Excluding FX up 7.9%

NET SURPLUS

Net surplus after tax before abnormal items up 8.8% to $112.2 million

OUTLOOK

Confident of performance continuing
Significant investment being made for land & building infrastructure to satisfy customer growth and demand

Business Highlights

- Satisfactory financial performance
  - Our best ever result for Australia
  - Strong contribution from New Zealand
- Gearing ratio reduction from 24.8% to 21.6%
  - Net debt reduction of $16.09 million to $196.85 million
- Largest ever discretionary bonus of $20.70 million to be paid to team members globally
- Larger than usual salary increases at the low end of pay range for team members in Australia and New Zealand (post year end)
- Completion of software upgrade for Australian Domestic freight business (subsequent to year end)
- 38 Land & Building projects initiated across the Group

Dividend

DIVIDEND

Final dividend of 26.0 cents per share
Books close 13 July 2018; payment on 20 July 2018
Total dividend for year 45.0 cents per share, increase of 4.0 cents (9.8%) over the previous year

Capital Management

NZ$ MILLION	THIS YEAR	LAST YEAR
Operating cash flow	140.2	131.2

- Working capital increased by $12.8 million
- Capital expenditure totalled $64.7 million, with Land & Buildings $20.1 million, Plant & Equipment $26.9 million, and Information Technology $17.7 million

  Major items of Land & Buildings include:

  - Sundry New Zealand property $9.2 million
  - Sundry European property $5.6 million
  - Sundry Australian property $4.5 million
- Estimated F19 depreciation: $50.85 million

Capital Management ...

Capital Expenditure Expectations FY19		NZ$ million	NZ$ million	
Property				
Auckland	Land	17.2		
Whangarei	Buildings	5.5		
Blenheim	Land/Buildings	5.0		
Mount Maunganui	Buildings	3.0		
Other sundry	Buildings	4.5	Total NZ	35.2
Melbourne (x2)	Land	40.1		
Adelaide	Land	8.7		
Melbourne	Buildings	4.4		
Other sundry	Buildings	4.2	Total AU	57.4
Netherlands (x2)	Alterations	10.2		
Belgium	Alterations	2.5	Total EU	12.7
Total Property				**105.3**
Other				**45.0**
Total Capital				**150.3**

Committed New Leases

	New Zealand	Australia	Europe	Americas
New sites	4	7	4	3
Locations	Auckland, Mt Maunganui Wellington Blenheim	Sydney Melbourne Brisbane Perth Newcastle Toowoomba Wollongong	<u>Netherlands</u> Born Zaltbommel 's-Heerenberg <u>Belgium</u> Ghent	Chicago Newark Toronto
Total rent pa	NZ$1.45m	AU$9.67m	€4.28m	US$2.40m
Additional rent in F19 (approx/ timing)	NZ$0.42m	AU$6.59m	€3.19m	US$1.91m

Full Year Analysis: Revenue

$000	THIS YEAR	LAST YEAR	VARIANCE	
New Zealand: NZ$	666,156	609,238	9.3%	↑
Australia: AU$	623,765	534,995	16.6%	↑
USA: US$	436,742	436,357	0.1%	↑
Asia*: US$	83,861	63,351	32.4%	↑
Europe: EU€	335,769	291,927	15.0%	↑
Total Group: NZ$	**2,618,860**	**2,333,591**	**12.2%**	↑
			(excl FX) 10.6%	↑

* Inter-company totalled US$45.81 million for Asia, down from US$52.35 million
Revenue including inter-company for Asia is up 12.1%

Full Year Analysis: EBITDA

$000	THIS YEAR	LAST YEAR	VARIANCE	
New Zealand: NZ$	98,633	91,021	8.4%	↑
Australia: AU$	49,922	42,315	18.0%	↑
USA: US$	19,235	18,585	3.5%	↑
Asia: US$	4,905	6,245	(21.5)%	↓
Europe: EU€	17,713	17,179	3.1%	↑
Total Group: NZ$	**215,416**	**197,542**	**9.0%**	↑
			(excl FX) 7.9%	↑

Second Half Comparison: Revenue

$000	2nd HALF THIS YEAR	2nd HALF LAST YEAR	VARIANCE	
New Zealand: NZ$	349,289	321,692	8.6%	↑
Australia: AU$	330,852	277,345	19.3%	↑
USA: US$	233,684	210,259	11.1%	↑
Asia*: US$	46,249	31,903	45.0%	↑
Europe: EU€	173,258	155,451	11.5%	↑
Total Group: NZ$	**1,393,277**	**1,191,154**	**17.0%**	↑
			(excl FX) 13.8%	↑

* Inter-company totalled US$26.71 million for Asia, up from US$18.81 million
Revenue including inter-company for Asia is up 43.9%

Second Half Comparison: EBITDA

$000	2nd HALF THIS YEAR	2nd HALF LAST YEAR	VARIANCE	
New Zealand: NZ$	60,187	53,858	8.6%	↑
Australia: AU$	29,093	26,223	10.9%	↑
USA: US$	10,793	8,773	23.0%	↑
Asia: US$	2,880	1,966	46.4%	↑
Europe*: EU€	9,310	9,529	(2.3)%	↓
Total Group: NZ$	**126,650**	**111,194**	**13.9%**	↑
			(excl FX) 11.8%	↑

* Refer European commentary

Domestic vs Air & Ocean Performance

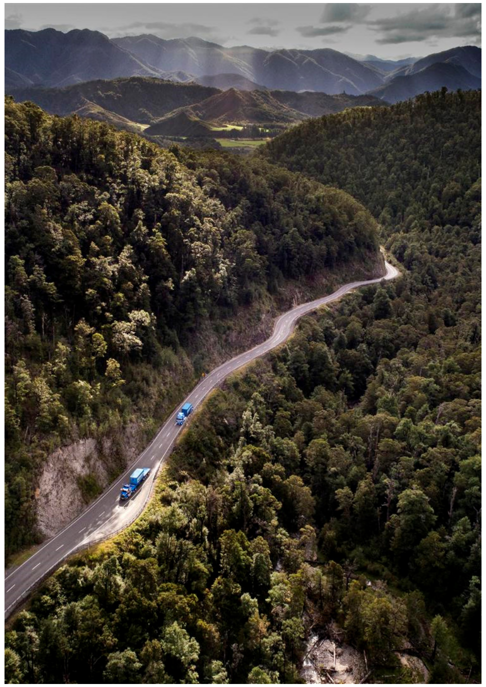
NZ$000		THIS YEAR	LAST YEAR	VARIANCE		VAR ex FX	
Group	Revenue	2,618,860	2,333,591	12.2%	↑	10.6%	↑
	EBITDA	215,416	197,542	9.0%	↑	7.9%	↑
Domestic	Revenue	1,586,881	1,367,510	16.0%	↑	13.8%	↑
	EBITDA	161,744	141,797	14.1%	↑	12.5%	↑
Air & Ocean	Revenue	1,031,979	966,081	6.8%	↑	6.1%	↑
	EBITDA	53,672	55,745	(3.7)%	↓	(4.0)%	↓

- Air & Ocean EBITDA decrease attributable to Asia, MF USA, CaroTrans

New Zealand

Revenue: $666m 9.3%
EBITDA: $99m 8.4%

- Strong contributions from all three divisions
  - Customers confident in utilising all products as they look for supply chain efficiencies
- Kaikoura earthquake repairs still disrupting road and rail services
  - Longer road journeys and more coastal shipping to cover
- Logistics
  - Momentum requiring extension to warehousing footprint
  - Now at 145,000m^2
  - Additional sites being considered for Auckland, Tauranga, Hamilton



New Zealand

- Transport
  - Sites under pressure as volumes outgrow capacity
  - New sites identified for Auckland (2), Mount Maunganui, Wellington, Nelson, Rotorua, Blenheim and Dunedin
  - Additional regional sites under consideration for Whakatane and Levin
- Air & Ocean
  - Activity steady and climbing
  - Perishable volumes increasing
  - Airfreight volumes improving
  - Imports exceeding exports as network assists
  - Building development at Auckland site to cater for perishable and airfreight growth

New Zealand

- Mainfreight 2Home
  - Volumes steadily improving
  - eCommerce / fragile freight delivery to home/business
- New Zealand Outlook
  - Confident of current momentum continuing
  - Auckland and regional fuel taxes under review
  - Stronger development and promotion of all 3 core products to customer base
  - Network intensity continues with more regional development
    - More warehouses
    - More Air & Ocean sites
    - More regional Transport operations for quicker/easier delivery

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Australia

Revenue: $624m 16.6%
EBITDA: $50m 18.0%

- Best ever result from Australian business; best improvement across Group results
- Sales growth from all 3 divisions
- EBITDA improved in Transport and Logistics; Air & Ocean marginally behind year prior
- Logistics
  - Volumes and customer base continue to increase
  - New sites under construction and/or consideration: Sydney, Melbourne x 2, Adelaide (Brisbane and Perth complete)
  - Increase of 52,000m^2 bringing total pallet spaces to 187,100

Australia

- Transport
  - Network intensified with opening of Bendigo and Toowoomba; Wollongong to follow shortly
  - Tasmania and Far North Queensland under consideration
  - Investigating other modes; rail and coastal shipping to reduce dependency on road
  - Chemcouriers business finding growth
  - Owens wharf cartage in positive territory
- Air & Ocean
  - Revenue improvement as global network assists
  - Gross margins disappointed
  - Perishable development continuing
  - Concentration on LCL freight consolidation

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Australia

- Outlook
  - Current revenue momentum expected to continue
  - Network and facility development may lower short-term EBITDA growth expectations as sites become operational
  - Implementation of new Domestic Transport software platform successful (Mainstreet)

The Americas

Revenue: $437m 0.1%
EBITDA: $19m 3.5%

- Overall result still disappoints, but progress has occurred
  - Transport improving
  - Air & Ocean behind prior year; excluding last year's one-off airfreight project, revenue improving
  - Logistics, whilst still to find profit, is improving
  - CaroTrans revenues in line with prior year, EBITDA down 9%, recovery seen in the last three months
- Transport
  - Building expedited LCL freight network
  - Six key cities continue to be the focus

The Americas

- Warehousing
  - Customer gains across all sites; customer enquiry strong
  - Warehousing footprint increase of 10,000m^2
  - Small to medium-sized businesses preferred to big box retail
- Air & Ocean
  - Concentration on Mainfreight global trade-lanes
  - European trade development pleasing
  - LCL air and seafreight consolidation developing to offset FCL Ocean margins
  - Customer opportunities strongest on record

The Americas

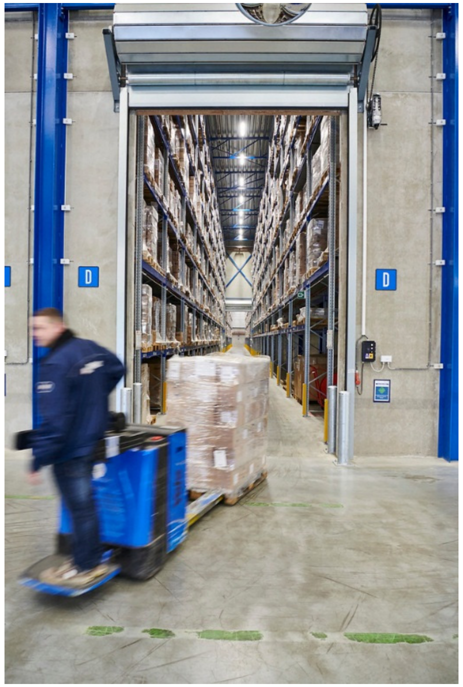
- CaroTrans
  - New leadership brings welcome change
  - Well-defined strategy to improve quality and customer focus
  - Improving sales activities
  - Decentralised approach at branch level
  - Procurement strategy alongside Mainfreight Air & Ocean assisting
  - Global agency relationships improved and refined
- Outlook
  - Improving second half results give confidence to ongoing improvement across all divisions, albeit slow

Chris Wilson, CaroTrans

Europe

Revenue: €336m 15.0%
EBITDA: €18m 3.1%

- Sales growth from all three divisions, however EBITDA performance better from Air & Ocean and Logistics
- Logistics
  - Core sites remain well-utilised and profitable
  - New 's-Heerenberg NL facility (Meiland) yet to produce acceptable returns; focus is on utilisation and efficiencies (transition & implementation costs affected second half EBITDA trend)
  - Ghent BE site completed and at 97% utilisation
  - Geleen site replaced with new Born NL warehouse of 26,000m^2; occupation currently underway
  - New FMCG account gained requiring new warehouse of 26,000m^2 at Zaltbommel NL



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Europe

- Forwarding/Transport
  - Two new cross-docks in Belgium
    Genk – operational and reducing pressure on ‘s-Heerenberg
    Ghent – under construction, occupation June 2018, to replace Ostend (outdated and poorly located)
  - Utilisation improving, but distribution margins are a work in progress
  - Expect Genk & Ghent to improve returns from Belgium
  - French volumes and profitability improving
  - Eastern European branches in Romania and Poland still require improvement and stronger growth

Europe

- Air & Ocean
  - Satisfactory returns from developing network
    - USA strongest trade-lane
    - Developing airfreight capability
  - Network intensification on target
    - Italy completed
    - Germany: Hamburg and Stuttgart to come
  - Stronger Asian trade-lane development required
  - Procurement and shipping line relationships assisting
  - Control of freight volume routings assisting network development

Europe

- Outlook
  - Expect short-term Logistics EBITDA returns to plateau as new sites are developed
    - Born – from August 2018 onwards
    - Zaltbommel – from December 2018 onwards
  - Air & Ocean encouraging
  - Forwarding/Transport volumes and margins are key to stronger profit improvement

Asia

Revenue: US$84m 32.4%
EBITDA: US$5m (21.5)%

- Inclusion of inter-company revenue adjusts revenue increase to 12.1%
- EBITDA result poor as gross margins decline
- Senior leadership change effective mid-year: Cary Chung, Hong Kong national, US-educated
- Core strategy – sole focus on Air & Ocean for near term
- HK warehouse – elimination from P&L from June 2018; loss making
- Strong sales focus
- Second half improvement providing confidence
- Southeast Asia and Japan are target areas for further expansion where Mainfreight control of freight routing high

Cary Chung, Asia

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Asia

- Outlook
  - Expect first half to improve over year prior
  - Greater level of accountability and energy within Asian operations

Strategic Initiatives

- Network intensity
  - Locally
  - Globally
- People
  - Culture
  - Ownership / disciplines
- Products are freight focused
  - Domestic transportation
  - Air & Ocean
  - Warehousing (Logistics)
  - Supply chain management – combination of all

Strategic Initiatives

- Technology
  - Constant development of our customer-facing technology
    - Mainchain Ultra (visibility tool)
    - Order Management System (OMS)
    - Shipment Centre
  - In-house managed/developed
  - Uncomplicated
- Long-term management fundamentals/philosophy
  - Decentralised
  - Responsibility
  - Decision making
  - Investment – people / infrastructure
- Growth
  - Organic preferred vs acquisition

Group Outlook

SHORT-TERM

Expect continuing revenue and EBITDA improvement in all regions
Growth initiatives to continue
Expect network development globally, and by country, to increase

MEDIUM TO LONG-TERM

Benefits from growth/infrastructure initiatives include stronger sales and earnings profile (short term impact)
Continuing confidence for customer growth across supply chain initiatives – all countries

CAPITAL

2019: Capex of $150m
2020: Capex of $150m to $170m
New accounting treatment of leases will see significant capital structure change in FY20 (NZ IFRS 16)

Financial Calendar F19

	DATE
Europe Investor Day	20 June 2018
Annual Meeting of Shareholders	26 July 2018
F19 – 6 months ended 30 September 2018	14 November 2018
F19 – 12 months ended 31 March 2019	28 May 2019


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