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MAINFREIGHT LIMITED

Financial result for the twelve months ended 31 March 2022 (Unaudited)

Commentary

Mainfreight is pleased to confirm our full-year financial results to 31 March 2022; another record result and a more than satisfactory improvement on the prior year. These results should not come as a surprise to our shareholders and the market following our regular updates as a consequence of a highly disrupted year in the world of logistics.

Revenue	$5.22 billion	Up $1.67 billion or 47.2%
Profit before tax	$489.4 million	Up $227.0 million or 86.5%
Net profit	$355.4 million	Up $167.3 million or 88.9%

- Adjusted for foreign exchange impact, Group revenue is up 50.8%, and profit before tax is up 90.5%.
- There are no abnormal items in the current year. Costs associated with the closure of our Russian business have been included in the result.
- A final dividend of 87.0 cents per share has been authorised by the Board of Directors, payable on 22 July 2022.

We are pleased with this result, particularly in light of ongoing supply chain disruptions and pandemic-enforced lockdowns.

While the result includes a significant increase in contribution from our **Air & Ocean** division across the world, we have also seen increased contributions to profitability and growth in domestic **Warehousing** and **Transport** across our global network.

All five regions saw increased sales growth and profitability. Net profit after tax from our businesses outside of New Zealand now exceeds 72% of the Group total.

This financial performance reflects:

- the extraordinary economic conditions in all five regions where we are located, with consumer spending markedly increased, particularly across the key customer verticals where we excel;
- supply chain congestion with inflated shipping and air freight costs, which are reflected in our revenues;
- the number of new customers attracted to Mainfreight as a consequence of our attitude to the delivery of high-quality logistic services; and, not least
- the wonderful efforts of our people, whose hard work and entrepreneurial spirit found solutions for our customers in the face of unprecedented disruption.

Group Operating Cash Flows

Operating cash flows were $503.8 million, up from $376.3 million in the prior year, reflecting increased profitability and satisfactory cash collection across all regions.

Current debt facilities total $494.3 million, of which $318.7 million remains undrawn. Net debt at 31 March 2022, was a cheeky $1.1 million, down from $102.2 million at 31 March 2021. Gearing ratios continued to improve, at 0.1% compared to 8.4% at 31 March 2021.

During the year, net capital expenditure totalled $189.1 million, with expenditure for land and buildings accounting for $109.4 million, warehousing racking and fit-out costs of $35.3 million, plant and equipment of $27.4 million, and information technology of $17.0 million.

Our expected capital expenditure across the next two years is $540 million, of which property will be $450 million. In conjunction with this, a further 54 leased opportunities will be completed in this period. These are dominated by warehouses in New Zealand and Australia, and Warehousing and Transport facilities in the Americas, Europe and Asia.

Dividend

The Directors have approved a final dividend of 87.0 cents per share fully imputed at the 28% company tax rate. With the record date on 15 July 2022, payment will be made on 22 July 2022. This brings the full dividend for the year to 142.0 cents per share, an increase of 89.3% over the prior year, and is a reflection of improved trading results and our confidence in ongoing trading resilience.

Discretionary Bonus

Sharing our profits with those who have earned them is part of who we are. In line with the profit improvement achieved, our discretionary profit bonus has increased to $94.2 million, up 114.7% from $43.9 million for the year prior.

Our people have achieved much in the past year – for our customers, shareholders, and for themselves. We are proud to share our profits with them.

Divisional Performance (figures in local currencies)

New Zealand (NZ$)

Revenue	NZ$1.13 billion	Up NZ$284.6 million or 33.7%
Profit Before Tax	NZ$136.5 million	Up NZ$38.7 million or 39.5%

Our New Zealand business has performed well and we continue to find opportunities for more growth.

Our domestic **Transport** network handled record volumes, and at the height of New Zealand's pandemic response, delivered more freight direct into homes across the motu than ever before. These volume increases, and a shortage of road and rail equipment, impacted service levels through the later part of the 2021 calendar year. Pleasingly, our quality measures have now returned to their usual levels.

Likewise, increased stock holding requirements of our customers squeezed our **Warehousing** business to over-utilisation, reinforcing the decisions taken to invest in larger facilities going forward.

For our **Air & Ocean** operations, a lack of international shipping and air capacity, has proved frustrating to say the least, when trying to secure service and space for our export and import customers.

Regardless of external issues, we remain confident the New Zealand business will see improvements domestically, and we expect international trade capacity to improve as the year progresses.

Expansion across our **Transport** and **Warehousing** networks continues to cater for the increased freight tonnage. Planned capital investment in New Zealand for land and buildings currently exceeds $195 million over the next two years. An order for a further ten electric pickup and delivery vehicles has also been made.

Trading post year-end has been satisfactory.

Australia (AU$)

Revenue	AU$1.18 billion	Up AU$297.9 million or 34.0%
Profit Before Tax	AU$107.5 million	Up AU$36.0 million or 50.3%

Our growth, development and investment in Australia continues.

We continue to gain market share and see improved volume growth across all three core products.

Four new branches have been opened, with another six planned for 2023 ranging from Mackay in the north to Tasmania in the south. It is our expectation, in the short- to medium-term, that Sydney, Melbourne and Brisbane will have up to three **Transport** facilities each, alongside multiple **Warehousing** sites.

Our South Dandenong, Melbourne **Transport** and **Warehousing** site will be completed by year-end 2022, and construction of our largest leased warehouse at Moorebank, Sydney has already begun with completion due April 2023. This is half the building time of an equivalent site in New Zealand. The new (and larger) Adelaide and Perth facilities remain under construction for completion in late 2022 and early 2023.

Air & Ocean customer volumes have been managed well under current capacity constraints. More space availability is required across both ocean and air categories to support our growing customer base. Negotiations to secure this growth continue with air and sea freight carriers. New airfreight facilities for dry and perishable cargo in Queensland are under construction and will be completed in 2023.

Trading post year-end continues to provide improvements on the year prior.

Europe (Euro €)

Revenue	€567.9 million	Up €140.4 million or 32.8%
Profit Before Tax	€31.7 million	Up €9.3 million or 41.7%

We are now located across ten countries in Europe; with a total of 47 branches and 3,138 people. As we intensify our network throughout these countries, we are developing opportunities for further growth in **Transport**, **Warehousing** and **Air & Ocean** categories.

Financial performance in our **Transport** division, while improving, has been impacted by a number of team members having to isolate during the peak of the pandemic.

Warehousing volumes and utilisation have continued to improve with additional warehouse space now being sought, particularly across the Netherlands. Our UK warehouse has increased in capacity, with transport pickup and delivery services now being added as a consequence of this growth.

The Russia/Ukraine crisis has seen the closure of our Russian operations. An amount of EU€1.5 million has been allocated to the P&L to facilitate this. Our Ukraine operation is being managed remotely.

We remain pleased with our progress in Europe, particularly post year-end, and expect further growth opportunities in the short- to medium-term.

<u>Asia</u> (US$)

Revenue	US$231.0 million	Up US$126.7 million or 121.5%
Profit Before Tax	US$28.9 million	Up US$21.8 million or 309.4%

Our best-ever performance across the Asia region was assisted by strong volumes of export cargo from most Asian countries into the USA, closely followed by Trans-Atlantic movements.

This was despite congestion and shortages of both shipping and air space, and container equipment.

We are now well established across Asia and all nine countries are contributing significantly to our overall financial performance in the region.

We will extend the network into Indonesia, opening in Jakarta mid-2022. As borders re-open, we will look for further opportunities to expand to other countries.

Warehousing operations have commenced in a number of countries, albeit small in comparison to the balance of our global network. Developing imports remains key to increasing our **Warehousing** footprint.

The city-wide closure of Shanghai due to the pandemic is affecting both air and sea freight volumes post year-end, however we remain confident these will return in the near future.

<u>The Americas</u> (US$)

Revenue	US$1.09 billion	Up US$512.5 million or 88.8%
Profit Before Tax	US$100.8 million	Up US$74.9 million or 289.0%

The performance from our **Air & Ocean** division has driven a significant lift in overall profitability and performance. The volume surge and opportunities presented, particularly in sea freight from Asia, has enabled our team to develop a significant presence in this market segment. The flow-on into **Transport** and **Warehousing** has been pleasing.

Warehousing has extended its footprint, opening three new warehouses in Pennsylvania, Texas, and Illinois.

Our **Transport** division is firmly focused on the LTL (less than truck load) freight market across the USA/Canada and from Mexico. Growth has been satisfactory with 80% of our volumes now handled within our own line-haul network.

Purpose-built **Transport** cross-dock facilities in the USA will be constructed and leased over the next two years to deliver further efficiencies.

CaroTrans has improved its performance in the wholesale sea freight market, experiencing larger LCL (less than container load) import volumes during the year.

Outlook

This result is our best ever. It was achieved in a difficult environment by our people who have continued to exhibit passion and energy to deliver on behalf of our customers.

Much has been said about the artificial impact on our revenues of inflated air and sea freight rates, and we accept this is a contributing factor. However the performance from our **Air & Ocean** division also reflects growth achieved in our customer base, with our ability to secure tightly-contested space allocations. Our **Transport** and **Warehousing** divisions across all five regions have also improved their financial performance.

Supply Chain Congestion

It is our view that we will continue to see supply chain congestion across the world for the immediate future. Ongoing lockdowns in Shanghai are restricting the movement of freight to and from ports and airports, resulting in limited manufacturing capability.

The Russia/Ukraine crisis has resulted in restricted airfreight capability and the loss of production from the region. These product shortages will have an impact on supply for some time to come.

Shipping lines continue to manage space allocations tightly, container equipment shortages remain, along with port congestion (particularly in the USA). Ocean freight rates, while reducing from their peaks mid-2021, are expected to remain elevated in the near future; similarly for air freight rates.

Irrespective of external factors, opportunities continue to present themselves for Mainfreight as we invest in more infrastructure, our people, technology, and network. We certainly believe that having our own global network is assisting our customers.

Trading in the seven weeks since the financial year-end has continued this trend of improvement. However, we do not expect the quantum of profit improvement of this past year to reoccur in the short term; rather we anticipate we will revert to our normal levels of revenue and profit growth.

Mainfreight will release its financial results for the first half of the 2023 financial year to the market on 10 November 2022.

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