MAINFREIGHT LIMITED
FULL YEAR RESULT
TO MARCH 2017

Result Summary

NET SURPLUS

Net surplus after tax and before abnormal items up 17.0% to $103.2 million

REVENUE

Revenue up 2.1% to $2.33 billion (excluding FX up 5.1%)
An increase of $48.8 million
Offshore revenues now exceed $1.72 billion

EBITDA

Another record EBITDA: $197.5 million; up 13.0%
Excluding FX up 15.3%

OUTLOOK

Confident of current performance continuing into the new financial year

Business Highlights

- Financial milestone – exceeding $100 million net profit for the first time
  - Strong contributions from New Zealand
  - Marked improvement from our Australian operations
  - Ongoing improvement and contribution from Europe
- Gearing ratio reduction from 31.2% to 24.8%
  - Net debt reduction of $52.3 million
- Our largest ever bonus of $19.3 million to be paid to team members globally
  - 18.7% increase on prior year
  - European team participation
- Mainfreight branding initiated in our European business
- Success for our largest owned site at Epping, Melbourne
  - Profitable in its first year
- Completion of software upgrade for New Zealand Domestic freight business

Dividend

DIVIDEND

Final dividend of 24.0 cents per share
Books close 14 July 2017; payment on 21 July 2017
Total dividend for year 41.0 cents per share, increase of 4.0 cents (10.8%) over the previous year

Capital Management

NZ$ MILLION	THIS YEAR	LAST YEAR
Operating cash flow	131.2	130.3

- Working capital increased by $10.9 million
- Capital expenditure totalled $61.4 million

  Land & Buildings: $24.9 million, including:

▪ Christchurch Air & Ocean facility	$12.0 million
▪ Sundry New Zealand property	$3.5 million
▪ European property	$4.7 million
▪ Sundry Australian property	$3.0 million

Capital Management …

Capital Expenditure Expectations FY18		NZ$ million
Total Capital		**112.1**
Property		
Tauranga	Land	15.0
Other sundry (Sth Island x2)	Land	5.9
Other sundry	Buildings	5.5
Total New Zealand		**26.4**
Melbourne (x2)	Land	37.0
Adelaide	Land	11.7
Total Australia		**48.7**
Total Property		**75.1**
Other		**37.0**

Mainfreight Air & Ocean Christchurch

Full Year Analysis: Revenue

$000	THIS YEAR	LAST YEAR	VARIANCE	
New Zealand: NZ$	609,238	563,245	8.2%	↑
Australia: AU$	534,995	503,256	6.3%	↑
USA: US$	436,357	457,760	(4.7)%	↓
Asia: US$	63,352	47,058	34.6%	↑
Europe: EU€	291,927	264,585	10.3%	↑
Total Group: NZ$	**2,333,591**	**2,284,807**	**2.1%**	↑
			(excl FX) 5.1%	↑

Second Half Comparison: Revenue

$000	2ND HALF THIS YEAR	2ND HALF LAST YEAR	VARIANCE	
New Zealand: NZ$	321,692	292,288	10.1%	↑
Australia: AU$	277,345	254,672	8.9%	↑
USA: US$	210,259	229,588	(8.4)%	↓
Asia: US$	31,903	25,408	25.6%	↑
Europe: EU€	155,451	133,815	16.2%	↑
Total Group: NZ$	**1,191,154**	**1,170,666**	**1.8%**	↑
			(excl FX) 6.0%	↑

Full Year Analysis: EBITDA

$000	THIS YEAR	LAST YEAR	VARIANCE	
New Zealand: NZ$	91,021	77,642	17.2%	↑
Australia: AU$	42,315	34,199	23.7%	↑
USA: US$	18,585	18,688	(0.6)%	↓
Asia: US$	6,245	6,349	(1.6)%	↓
Europe: EU€	17,179	14,223	20.8%	↑
Total Group: NZ$	**197,542**	**174,847**	**13.0%**	↑
			(excl FX) 15.3%	↑

Second Half Comparison: EBITDA

$000	2ND HALF THIS YEAR	2ND HALF LAST YEAR	VARIANCE	
New Zealand: NZ$	53,858	48,653	10.7%	↑
Australia: AU$	26,223	21,015	24.8%	↑
USA: US$	8,773	9,302	(5.7)%	↓
Asia: US$	1,966	2,804	(29.9)%	↓
Europe: EU€	9,529	8,323	14.5%	↑
Total Group: NZ$	**111,194**	**103,265**	**7.7%**	↑
			(excl FX) 10.5%	↑

Domestic vs Air & Ocean Performance

NZ$000		THIS YEAR	LAST YEAR	VARIANCE		VAR ex FX	
Group	Revenue	2,333,591	2,284,807	2.1%	↑	5.1%	↑
	EBITDA	197,542	174,847	13.0%	↑	15.3%	↑
Domestic	Revenue	1,387,693	1,315,550	5.5%	↑	8.4%	↑
	EBITDA	141,797	119,949	18.2%	↑	20.1%	↑
Air & Ocean	Revenue	945,898	969,257	(2.4)%	↓	0.5%	↑
	EBITDA	55,745	54,898	1.5%	↑	4.7%	↑

New Zealand

Revenue: $609m 8.2% ↑
EBITDA: $91m 17.2% ↑

- Domestic and Logistics volume increased
- Despite earthquake disruption, Domestic freight performance strong
- Logistics warehousing utilisation much improved; new site required for Christchurch
- Air & Ocean activity positive in sea and air; occupation of new Christchurch facility post year end
- Capex: growth expectations require investment. Land and buildings required for:
  - Auckland, Tauranga, Taupo, Wellington
  - Nelson and Dunedin

New Zealand …

- Technology
  - Upgraded Domestic software – implemented 8 May
    - Disruption minimal
    - Improved screen technology, speed, visibility and freight management
  - Improved scanner technology deployed to Owner Drivers
  - Hardware upgrade and disaster recover facility moved
- Expect main trunk rail line Picton/Christchurch to be operational late 2017
- Likelihood of some long-term supply chain changes for customers
  - More warehousing in Christchurch
  - Direct imports into Christchurch
  - Adjusted Auckland/Christchurch to weekly despatch

New Zealand …

OUTLOOK

- Customer gains continue
- Re-opening of Picton/Christchurch rail line will be welcomed, reducing need for high cost road and coastal shipping services
- April trading less than year prior due to timing of Easter and ANZAC holidays

Australia

Revenue: AU$535m 6.3% ↑
EBITDA: AU$42m 23.7% ↑

- Strong performance from Domestic Transport and Logistics operations
- Steady and improving performance from Air & Ocean
- Domestic
  - Improving gross margins and better management of costs in second half
  - New regional branches planned to further intensify network
  - Improving quality assisting customer retention
  - Land and buildings to assist growth planned in Melbourne and Adelaide

Australia …

- Logistics
  - All warehouses at maximum utilisation
  - New leased facilities under construction in Sydney
  - Land under offer in Melbourne to assist growth expectations
  - Additional capacity required in Brisbane
  - Strong beverage customer gains
- Air & Ocean
  - Focused on developing Mainfreight trade lane activity particularly European imports
  - Perishable freight competency developing across Melbourne, Sydney and Brisbane

Australia …

OUTLOOK

- Expect our Domestic and Logistics momentum to continue
- Customer gains and revenue levels improving
- April trading less than year prior due to timing of Easter and ANZAC holidays

The Americas

Revenue: US$436m (4.7)% ↓
EBITDA: US$19m (0.6)% ↓

- Overall result disappoints
- CaroTrans: Revenue down 13.0%
  EBITDA down 8.4%
- CaroTrans leadership change initiated
- Renewed focus on sales and operational excellence

The Americas

Mainfreight USA

- Revenues down 1.2%; EBITDA up 5.7%
  - Airfreight volume declined
  - Poor onboarding quality of domestic freight
- Domestically:
  - Road line-hauls gaining traction and improving utilisation; we continue to target every day LCL freight volume
  - New customers being secured as quality improves
- Air & Ocean
  - Development focus on increasing range of trading customers
  - Trade lane focus heavily skewed to Europe and Asia
- Logistics
  - Increasing customer gains
  - Utilisation not yet at optimal levels

The Americas …

OUTLOOK MAINFREIGHT

- Domestic quality and on-boarding of customers improving and expect results to reflect this
- Air & Ocean growth continues

OUTLOOK CAROTRANS

- Improvement will take time
- CaroTrans remains an important part of our US presence

Europe

Revenue: EU€292m 10.3% ↑
EBITDA: EU€17m 20.8% ↑

- Growth has come from all three divisions
  - Sales development/pipeline continues to be strong
  - Gross margins improving via better warehouse and truck utilisation
- Logistics
  - Warehousing utilisation at optimal levels with overflow in short-term sites
  - Completed construction of new leased site in ‘s-Heerenberg, 22,600m^2 to provide for growth expectations
  - Two new warehouses under contract for Geelen (NL) and Ghent/Zwijnaarde (BE)

Europe …

- Forwarding & Transport
  - Improving quality and sales gains assisting across network
  - New cross-dock facilities for Genk and Ghent/ Zwijnaarde (BE) in 2018 financial year
    - Will assist growth and efficiencies
  - Planning underway for a further cross-dock to service The Netherlands
    - Ignore borders; proximity to customers
    - Efficiencies
  - German freight volumes much improved
  - Road line-haul improvements to link operations in Eastern Europe to Benelux branches
  - Upgrade of European domestic freight software almost complete

Europe ...

- Air & Ocean
  - Steady sales growth across all branches
  - UK and German locations profitable and requiring in-country branch development
    - Manchester / Hamburg / Munich / Stuttgart / Dusseldorf
  - Trade lane focus strong for USA and Asia
  - Likely to open in Italy in the near future

Europe …

OUTLOOK

- Expect current financial improvements to continue
- Breakeven expectations for new Netherlands warehouse
- Business confidence improving in the region
- Expect Mainfreight branding to bring consistency across the full network

Asia

Revenue: US$63m 34.6% ↑
EBITDA: US$6m (1.6)% ↓

- Disappointing EBITDA result
  - Air export volume deteriorated over prior period
  - Additional costs incurred to develop HK warehouse opportunity
- Prior to inter-company revenue eliminations, total revenue increases 7.3%
- Inter-company revenue reduced 14% year on year reflecting airfreight reduction to USA
- Hong Kong warehouse to close mid-2017
  - Unable to develop profitably

Asia …

OUTLOOK

- Expecting first half results to be below those of the prior year
- Expect small EBITDA improvement by year end

Group Outlook

SHORT-TERM

- Sales growth continues to be a key focus for all business units in all regions
- Confident of the improvements we are seeing in Australia and Europe

MEDIUM TO LONG-TERM

- Where we have confidence in regions, more capital will be invested in network enhancement
- Larger multi-national customers are increasingly becoming a part of our supply chain initiatives

CAPITAL

- Capital spend on property likely to return to normalised levels for next 12-36 months – $100+ million per annum

Governance

- Board now numbers eight Directors, with the 1 January 2017 addition of Kate Parsons and Sue Tindal
  - Kate: broad financial, analytical and IT skills; international and local commercial experience; high-tech industry knowledge; M&A/change management
  - Sue: senior roles in financial services, energy and IT; proficiency in banking, finance and technology; strong international and local experience
- Provides welcome refresh of Board; offers new skill-sets, fresh vision and energy
- Both will stand for election at our Annual Meeting on Thursday 27 July 2017
- Shareholder approval will be sought to increase the quantum of annual Directors' fees to cover the expanded Board (last increase in 2011 to $680,000, current increase to $904,000)

Financial Calendar F18

	RELEASE DATE
Annual Meeting of Shareholders	27 July 2017
F18 – 6 months ended 30 September 2017	15 November 2017
F18 – 12 months ended 31 March 2018	29 May 2018