

PRELIMINARY HALF YEAR REPORT ANNOUNCEMENT

Mainfreight Limited For Half Year Ended 30 September 2020

Preliminary half year report on consolidated results (including the results for the previous corresponding half year).
Interim Financial Reporting and fairly presents the matters to which the report relates and is based on unaudited financial statements.
The Listed Issuer has a formally constituted Audit Committee of the Board of Directors.

Income Statement for the Six Months Ended 30 September 2020

	Note	30 Sept 2020 \$000	30 Sept 2019 \$000	31 March 2020 \$000
Operating Revenue		1,608,861	1,500,466	3,094,736
Interest Income		-	-	658
Total Revenue		1,608,861	1,500,466	3,095,394
Transport Costs		(953,205)	(883,029)	(1,803,460)
Labour Expenses		(350,132)	(342,792)	(670,103)
Other Expenses		(100,772)	(98,188)	(222,502)
Depreciation of Right of Use Assets		(60,749)	(53,435)	(111,877)
Finance Costs Relating to Lease Liabilities		(8,394)	(8,226)	(17,021)
Other Depreciation and Amortisation Expenses		(30,602)	(28,542)	(57,852)
Other Finance Costs		(2,742)	(3,406)	(6,326)
Profit Before Abnormal Items and Taxation for the Year		102,265	82,848	206,253
Income Tax on Profit Before Abnormal Items		(29,348)	(23,719)	(58,278)
Net Profit Before Abnormal Items for the Year		72,917	59,129	147,975
Abnormal Items	4	-	-	(4,783)
Income Tax on Abnormal Items	4	-	-	1,309
Abnormal Tax Item - Reversal of deferred tax liability on buildings	4	-	-	14,700
Abnormal Items After Taxation	4	-	-	11,226
Profit Before Taxation for the Year		102,265	82,848	201,470
Income Tax Expense		(29,348)	(23,719)	(42,269)
Net Profit for the Year		72,917	59,129	159,201

Earnings per share for profit attributable to the ordinary equity holders of the company are:

	Cents	Cents	Cents
Basic and Diluted Earnings Per Share: Total Operations	72.41	58.72	158.10

Statement of Comprehensive Income for the Six Months Ended 30 September 2020

Net Profit for the Year	72,917	59,129	159,201
Other Comprehensive Income			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Exchange Differences on Translation of Foreign Operations	(8,555)	17,827	23,850
Income Tax effect	(1,078)	1,487	3,323
Net Other comprehensive income to be reclassified to profit (loss) in subsequent periods	(9,633)	19,314	27,173
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>			
Revaluation of Land including Foreign Exchange Movements	109	663	1,233
Income Tax effect	-	-	-
Net Other comprehensive income not to be reclassified to profit (loss) in subsequent periods	109	663	1,233
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>			
Defined Benefit Pension Provision	15	(15)	(228)
Income Tax effect	-	-	57
Net Other comprehensive income not to be reclassified to profit (loss) in subsequent periods	15	(15)	(171)
Other Comprehensive Income for the Year, Net of Tax	(9,509)	19,962	28,235
Total Comprehensive Income for the Year, Net of Tax	63,408	79,091	187,436

Balance Sheet as at 30 September 2020

	Note	30 Sept 2020 \$000	30 Sept 2019 \$000	31 March 2020 \$000
Current Assets				
Bank		128,206	102,334	116,140
Trade Debtors		388,783	420,659	420,839
Income Tax Receivable		1,594	-	2,937
Other Debtors		62,665	64,511	73,129
		581,248	587,504	613,045
Non-current Assets				
Property, Plant & Equipment		808,353	741,549	776,575
Right of Use Assets	2	577,060	587,593	615,250
Software		52,507	51,988	53,542
Goodwill		217,580	218,545	226,566
Brand Names		-	3,991	-
Other Intangible Assets		3,012	5,656	4,578
Deferred Tax Asset		15,389	6,405	15,038
		1,673,901	1,615,727	1,691,549
TOTAL ASSETS	2	\$ 2,255,149	\$ 2,203,231	\$ 2,304,594
Current Liabilities				
Bank		-	-	6
Trade Creditors & Accruals		341,318	347,125	339,562
Employee Entitlements		66,902	65,168	69,565
Provision for Taxation		4,782	3,964	19,207
Lease Liability for Right of Use Assets	2	123,221	110,166	124,128
Finance Lease Liability		2,056	2,266	2,732
		538,279	528,689	555,200
Non-current Liabilities				
Bank Term Loan		239,475	283,648	267,698
Employee Entitlements		3,288	3,122	2,887
Deferred Tax Liability		6,589	18,600	6,654
Lease Liability for Right of Use Assets	2	469,856	481,853	502,734
Finance Lease Liability		2,152	4,150	3,082
		721,360	791,373	783,055
Shareholders' Equity				
Share Capital	3	85,821	85,821	85,821
Accumulated Surplus		812,400	698,823	773,720
Revaluation Reserve		90,713	90,034	90,604
Foreign Currency Translation Reserve		7,034	8,808	16,667
Defined Benefit Pension Reserve		(458)	(317)	(473)
TOTAL EQUITY	2	995,510	883,169	966,339
TOTAL LIABILITIES AND EQUITY	2	\$ 2,255,149	\$ 2,203,231	\$ 2,304,594

The accompanying notes form an integral part of these financial statements.

Statement of Changes in Equity for the Six Months Ended 30 September 2020

Six Months to 30 September 2020

	Ordinary Shares	Asset Revaluation Reserve	Foreign Currency Translation Reserve	Defined Benefit Pension Reserve	Retained Earnings	TOTAL \$000
Balance at 1 April 2020	85,821	90,604	16,667	(473)	773,720	966,339
Profit for the Period					72,917	72,917
Other Comprehensive Income		109	(9,633)	15		(9,509)
Total Comprehensive Income for the Period	-	109	(9,633)	15	72,917	63,408
Transactions with Owners in Their Capacity as Owners:						
Supplementary Dividends					(1,140)	(1,140)
Dividends Paid					(34,237)	(34,237)
Foreign Investor Tax Credit					1,140	1,140
Balance at 30 September 2020	85,821	90,713	7,034	(458)	812,400	995,510

Six Months to 30 September 2019

	Ordinary Shares	Asset Revaluation Reserve	Foreign Currency Translation Reserve	Defined Benefit Pension Reserve	Retained Earnings	TOTAL \$000
Balance at 1 April 2019	85,821	89,371	(10,506)	(302)	673,931	838,315
Profit for the Period					59,129	59,129
Other Comprehensive Income		663	19,314	(15)		19,962
Total Comprehensive Income for the Period	-	663	19,314	(15)	59,129	79,091
Transactions with Owners in Their Capacity as Owners:						
Supplementary Dividends					(1,394)	(1,394)
Dividends Paid					(34,237)	(34,237)
Foreign Investor Tax Credit					1,394	1,394
Balance at 30 September 2019	85,821	90,034	8,808	(317)	698,823	883,169

Twelve Months to 31 March 2020

	Ordinary Shares	Asset Revaluation Reserve	Foreign Currency Translation Reserve	Defined Benefit Pension Reserve	Retained Earnings	TOTAL \$000
Balance at 1 April 2019	85,821	89,371	(10,506)	(302)	673,931	838,315
Profit for the Period					159,201	159,201
Other Comprehensive Income		1,233	27,173	(171)		28,235
Total Comprehensive Income for the Period	-	1,233	27,173	(171)	159,201	187,436
Transactions with Owners in Their Capacity as Owners:						
Supplementary Dividends					(2,413)	(2,413)
Dividends Paid					(59,412)	(59,412)
Foreign Investor Tax Credit					2,413	2,413
Balance at 31 March 2020	85,821	90,604	16,667	(473)	773,720	966,339

Cash Flow Statement for the Six Months Ended 30 September 2020

Note	30 Sept 2020 \$000	30 Sept 2019 \$000	31 March 2020 \$000
Cash Flows From Operating Activities			
Receipts from Customers	1,890,812	1,710,462	3,092,861
Interest Received	-	-	658
Payments to Suppliers and Team Members	(1,648,586)	(1,535,622)	(2,705,526)
Notional Finance Charge on NZ IFRS 16 Leases	(8,394)	(8,226)	(17,021)
Interest Paid	(2,743)	(3,406)	(6,326)
Income Taxes Paid	(42,580)	(40,132)	(63,846)
NET CASH FLOWS FROM OPERATING ACTIVITIES	188,509	123,076	300,800
Cash Flows From Investing Activities			
Proceeds from Sale of Property, Plant & Equipment	2,386	1,202	4,930
Proceeds from Sale of Software	-	38	52
Repayments by Team Members	2	6	-
Purchase of Property, Plant & Equipment	(49,719)	(84,624)	(143,286)
Purchase of Software	(7,502)	(7,147)	(16,728)
Advances to Team Members	-	-	-
NET CASH FLOWS FROM INVESTING ACTIVITIES	(54,833)	(90,525)	(155,032)
Cash Flows From Financing Activities			
Proceeds of Long Term Loans	30,000	42,391	40,554
Dividend Paid to Shareholders	(34,237)	(34,237)	(59,412)
Repayment of Loans	(58,462)	(9,213)	(32,421)
Lease Payments NZ IFRS16	(55,978)	(49,117)	(100,644)
NET CASH FLOWS FROM FINANCING ACTIVITIES	(118,677)	(50,176)	(151,923)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	14,999	(17,625)	(6,155)
Net Foreign Exchange Differences	(2,927)	4,779	7,109
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	116,134	115,180	115,180
CASH AND CASH EQUIVALENTS AT END OF PERIOD	128,206	102,334	116,134
Comprised			
Bank and Short Term Deposits	128,206	102,334	116,140
Bank Overdraft	-	-	(6)
	128,206	102,334	116,134

The accompanying notes form an integral part of these financial statements.

1 Corporate Information

The preliminary half year report announcement of Mainfreight Limited ("the parent") and its subsidiaries ("the Group") for the six months ended 30 September 2020 were authorised for issue in accordance with a resolution of the Directors.

Mainfreight Limited is a company limited by shares incorporated in New Zealand whose shares are publicly traded on the NZX Main Board (New Zealand Stock Exchange).

2 Accounting Policies

Accounting policies remain consistent with the prior year ended 31 March 2020 financial statements.

3 Required NZX Disclosures

Movements in Ordinary Shares on Issue	<u>Parent</u>		31 March 2020 Shares
	30 Sept 2020 Shares	30 Sept 2019 Shares	
Closing Balance	100,698,548	100,698,548	100,698,548
Net Tangible Assets (\$000s)	707,022	596,584	666,615
Net Tangible Assets per Security (cps)	702.12	592.45	661.99

Note : Intangibles now include software and deferred tax assets.

Dividends Paid and Proposed

Recognised Amounts	<u>Group</u>	
	30 Sept 2020 \$000	30 Sept 2019 \$000
Declared and Paid During the Year to Parent Shareholders		
Final Fully Imputed Dividend for 2020: 34.0 cents (2019: 34.0 cents)	34,237	34,237
	<hr/>	<hr/>
	34,237	34,237
 Unrecognised Amounts		
Interim Fully Imputed Dividend for 2021: 30.0 cents (2020: 25.0 cents)	30,210	25,175

After the balance date, the above unrecognised dividends were approved by directors' resolution dated 11 November 2020. These amounts have not been recognised as a liability as at 30 September 2020 but will be brought to account in the full year to 31 March 2021.

4 Abnormal Items

During the six months the Group had no abnormal expenses (September 2019 nil). The related after tax expense was nil (September 2019 nil).

These items comprised of:

<u>September 2020 Six Months</u>	<u>Pre-Tax</u> <u>\$000</u>	<u>Tax</u> <u>\$000</u>	<u>Group</u> <u>After Tax</u> <u>\$000</u>
Redundancies	-	-	-
	<hr/>	<hr/>	<hr/>
	-	-	-
	<hr/>	<hr/>	<hr/>
 <u>September 2019 Six Months</u>			
Redundancies	-	-	-
	<hr/>	<hr/>	<hr/>
	-	-	-
	<hr/>	<hr/>	<hr/>

5 Segmental Reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses whose operating results are regularly reviewed by the entity's chief operating decision maker and for which discrete financial information is available.

The Group operates in the domestic supply chain (i.e. moving and storing freight within countries) and air and ocean freight industries (i.e. moving freight between countries).

New Zealand, Australia, The Americas and Europe are each reported to management as one segment as the businesses there perform both domestic and air and ocean services.

The accounting policies of the operating segments are the same as those described in the notes in note 2 with the exception of deferred tax and the fair value of derivative financial instruments which are not reported on a monthly basis.

The segmental results from operations are disclosed below.

Geographical Segments

The following table represents revenue, margin and certain asset information regarding geographical segments for the six months ended 30 September 2020 and 30 September 2019. Inter segment transactions are entered into on a fully commercial basis.

With the introduction of NZ IFRS 16 it was determined that EBITDA (adjusted) was no longer appropriate to use as a segment measure and to replace it with Profit Before Tax and Abnormals (PBT).

	New Zealand	Australia	The Americas	Asia	Europe	Inter-Segment	2020 \$000
Operating Revenue							
- Sales to customers outside the group	378,895	432,211	387,041	67,013	343,701	-	1,608,861
- Inter-segment sales	750	11,677	22,964	58,821	21,421	(115,633)	-
Total Revenue	379,645	443,888	410,005	125,834	365,122	(115,633)	1,608,861
PBT	37,500	32,757	13,264	6,205	12,539	-	102,265
Net Interest Expense	2,099	4,627	2,559	72	1,779	-	11,136
Depreciation & Amortisation	23,770	22,899	13,639	1,604	29,439	-	91,351
Capital Expenditure	29,546	13,324	4,646	911	6,408	-	54,835
Trade Receivables	82,757	93,778	105,216	34,629	96,226	(23,823)	388,783
Non-current Assets	578,318	467,232	213,923	18,652	395,776	-	1,673,901
Total Assets	661,776	603,154	364,719	78,914	570,409	(23,823)	2,255,149
Total Liabilities	281,511	358,822	238,456	46,035	358,638	(23,823)	1,259,639

	New Zealand	Australia	The Americas	Asia	Europe	Inter-Segment	2019 \$000
Operating Revenue							
- Sales to customers outside the group	362,571	380,635	372,068	54,872	330,320	-	1,500,466
- Inter-segment sales	(108)	9,364	24,441	33,695	18,645	(86,037)	-
Total Revenue	362,463	389,999	396,509	88,567	348,965	(86,037)	1,500,466
PBT	34,266	16,165	14,894	3,807	13,716	-	82,848
Net Interest Expense	1,713	5,289	2,420	50	2,160	-	11,632
Depreciation & Amortisation	22,402	22,148	11,353	1,545	24,529	-	81,977
Capital Expenditure	24,566	54,905	2,846	288	7,926	-	90,531
Trade Receivables	92,004	115,219	118,512	26,116	91,008	(22,200)	420,659
Non-current Assets	540,643	466,396	198,161	17,245	393,282	-	1,615,727
Total Assets	636,459	614,936	350,370	68,142	555,524	(22,200)	2,203,231
Total Liabilities	318,269	391,409	235,840	37,859	358,885	(22,200)	1,320,062

Product Segments

The following table represents Revenue and PBT regarding the three main types of services for the six months ended 30 September 2020 and 30 September 2019.

	Domestic Transport	Warehousing	Air & Ocean Forwarding	2020 \$000
Revenue	746,578	214,503	647,780	1,608,861
PBT	57,446	16,124	28,695	102,265
	Domestic Transport	Warehousing	Air & Ocean Forwarding	2019 \$000
Revenue	746,241	192,457	561,768	1,500,466
PBT	45,673	12,692	24,483	82,848

Reconciliation between non-GAAP and the Income Statement	2020 \$000	2019 \$000
Profit Before Taxation for the Year	102,265	82,848
Abnormal Items	-	-
Profit Before Abnormal Items and Taxation for the Year	<u>102,265</u>	<u>82,848</u>
Interest Income	-	-
Finance Costs Relating to Lease Liabilities	8,394	8,226
Other Finance Costs	2,742	3,406
EBITA	<u>113,401</u>	<u>94,480</u>
Depreciation of Right of Use Assets	60,749	53,435
Other Depreciation and Amortisation Expenses	30,602	28,542
EBITDA (adjusted)	<u>204,752</u>	<u>176,457</u>

EBITDA (adjusted) is defined as earnings before net interest expense, tax, depreciation, amortisation and abnormal items.

There are no customers in any segment that comprise more than 10% of that segment's revenue.

Bank term loan is allocated based on segment net assets excluding bank term loan.

The geographical segments are determined based on the location of the Group's assets.