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
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

<table>
<thead>
<tr>
<th>NZ$ MILLION</th>
<th>THIS YEAR</th>
<th>LAST YEAR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating cash flow</td>
<td>131.2</td>
<td>130.3</td>
</tr>
</tbody>
</table>

- 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 Expenditure Expectations FY18

<table>
<thead>
<tr>
<th></th>
<th>NZ$ million</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Capital</strong></td>
<td>112.1</td>
</tr>
<tr>
<td><strong>Property</strong></td>
<td></td>
</tr>
<tr>
<td>Tauranga</td>
<td></td>
</tr>
<tr>
<td>Other sundry (Sth Island x2)</td>
<td></td>
</tr>
<tr>
<td>Other sundry</td>
<td></td>
</tr>
<tr>
<td><strong>Total New Zealand</strong></td>
<td>26.4</td>
</tr>
<tr>
<td>Melbourne (x2)</td>
<td></td>
</tr>
<tr>
<td>Adelaide</td>
<td></td>
</tr>
<tr>
<td><strong>Total Australia</strong></td>
<td>48.7</td>
</tr>
<tr>
<td><strong>Total Property</strong></td>
<td>75.1</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td>37.0</td>
</tr>
</tbody>
</table>
## Full Year Analysis: Revenue

<table>
<thead>
<tr>
<th>Region</th>
<th>THIS YEAR</th>
<th>LAST YEAR</th>
<th>VARIANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Zealand: NZ$</td>
<td>609,238</td>
<td>563,245</td>
<td>8.2%</td>
</tr>
<tr>
<td>Australia: AU$</td>
<td>534,995</td>
<td>503,256</td>
<td>6.3%</td>
</tr>
<tr>
<td>USA: US$</td>
<td>436,357</td>
<td>457,760</td>
<td>(4.7)%</td>
</tr>
<tr>
<td>Asia: US$</td>
<td>63,352</td>
<td>47,058</td>
<td>34.6%</td>
</tr>
<tr>
<td>Europe: EU€</td>
<td>291,927</td>
<td>264,585</td>
<td>10.3%</td>
</tr>
<tr>
<td><strong>Total Group: NZ$</strong></td>
<td><strong>2,333,591</strong></td>
<td><strong>2,284,807</strong></td>
<td><strong>2.1%</strong></td>
</tr>
</tbody>
</table>

(excl FX) 5.1%
## Second Half Comparison: Revenue

<table>
<thead>
<tr>
<th>$000</th>
<th>2(^{\text{ND}}) HALF THIS YEAR</th>
<th>2(^{\text{ND}}) HALF LAST YEAR</th>
<th>VARIANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Zealand: NZ$</td>
<td>321,692</td>
<td>292,288</td>
<td>10.1%</td>
</tr>
<tr>
<td>Australia: AU$</td>
<td>277,345</td>
<td>254,672</td>
<td>8.9%</td>
</tr>
<tr>
<td>USA: US$</td>
<td>210,259</td>
<td>229,588</td>
<td>(8.4)%</td>
</tr>
<tr>
<td>Asia: US$</td>
<td>31,903</td>
<td>25,408</td>
<td>25.6%</td>
</tr>
<tr>
<td>Europe: EU€</td>
<td>155,451</td>
<td>133,815</td>
<td>16.2%</td>
</tr>
<tr>
<td><strong>Total Group: NZ$</strong></td>
<td><strong>1,191,154</strong></td>
<td><strong>1,170,666</strong></td>
<td><strong>1.8%</strong></td>
</tr>
</tbody>
</table>

(excl FX) 6.0%
## Full Year Analysis: EBITDA

<table>
<thead>
<tr>
<th>$000</th>
<th>THIS YEAR</th>
<th>LAST YEAR</th>
<th>VARIANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Zealand: NZ$</td>
<td>91,021</td>
<td>77,642</td>
<td>17.2% ↑</td>
</tr>
<tr>
<td>Australia: AU$</td>
<td>42,315</td>
<td>34,199</td>
<td>23.7% ↑</td>
</tr>
<tr>
<td>USA: US$</td>
<td>18,585</td>
<td>18,688</td>
<td>(0.6)% ↓</td>
</tr>
<tr>
<td>Asia: US$</td>
<td>6,245</td>
<td>6,349</td>
<td>(1.6)% ↓</td>
</tr>
<tr>
<td>Europe: EU€</td>
<td>17,179</td>
<td>14,223</td>
<td>20.8% ↑</td>
</tr>
<tr>
<td><strong>Total Group: NZ$</strong></td>
<td><strong>197,542</strong></td>
<td><strong>174,847</strong></td>
<td><strong>13.0% ↑</strong></td>
</tr>
</tbody>
</table>

(excl FX) 15.3% ↑
# Second Half Comparison: EBITDA

<table>
<thead>
<tr>
<th></th>
<th>2(^{nd}) Half This Year</th>
<th>2(^{nd}) Half Last Year</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Zealand: NZ$</td>
<td>53,858</td>
<td>48,653</td>
<td>10.7%</td>
</tr>
<tr>
<td>Australia: AU$</td>
<td>26,223</td>
<td>21,015</td>
<td>24.8%</td>
</tr>
<tr>
<td>USA: US$</td>
<td>8,773</td>
<td>9,302</td>
<td>(5.7)%</td>
</tr>
<tr>
<td>Asia: US$</td>
<td>1,966</td>
<td>2,804</td>
<td>(29.9)%</td>
</tr>
<tr>
<td>Europe: EU€</td>
<td>9,529</td>
<td>8,323</td>
<td>14.5%</td>
</tr>
<tr>
<td>Total Group: NZ$</td>
<td><strong>111,194</strong></td>
<td><strong>103,265</strong></td>
<td><strong>7.7%</strong></td>
</tr>
</tbody>
</table>

(excl FX) **10.5%**

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**Note:** The table above compares the EBITDA for the second half of the current year to the second half of the previous year for different regions, along with their respective variances. Positive variance values indicate an increase, while negative values indicate a decrease.
# Domestic vs Air & Ocean Performance

<table>
<thead>
<tr>
<th>NZ$000</th>
<th>THIS YEAR</th>
<th>LAST YEAR</th>
<th>VARIANCE</th>
<th>VAR ex FX</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group</td>
<td>Revenue</td>
<td>2,333,591</td>
<td>2,284,807</td>
<td>2.1% ↑</td>
</tr>
<tr>
<td></td>
<td>EBITDA</td>
<td>197,542</td>
<td>174,847</td>
<td>13.0% ↑</td>
</tr>
<tr>
<td>Domestic</td>
<td>Revenue</td>
<td>1,387,693</td>
<td>1,315,550</td>
<td>5.5% ↑</td>
</tr>
<tr>
<td></td>
<td>EBITDA</td>
<td>141,797</td>
<td>119,949</td>
<td>18.2% ↑</td>
</tr>
<tr>
<td>Air &amp; Ocean</td>
<td>Revenue</td>
<td>945,898</td>
<td>969,257</td>
<td>(2.4)% ↓</td>
</tr>
<tr>
<td></td>
<td>EBITDA</td>
<td>55,745</td>
<td>54,898</td>
<td>1.5% ↑</td>
</tr>
</tbody>
</table>
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 ...

- 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

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

Revenue: US$436m (4.7%) ↓
EBITDA: US$19m (0.6%) ↓
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, 22,600m² 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 ...

- 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 ...

- 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

Annual Meeting of Shareholders
F18 – 6 months ended 30 September 2017
F18 – 12 months ended 31 March 2018

RELEASE DATE
27 July 2017
15 November 2017
29 May 2018