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
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

<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>140.2</td>
<td>131.2</td>
</tr>
</tbody>
</table>

- 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 Expenditure Expectations FY19

<table>
<thead>
<tr>
<th>Property</th>
<th>NZ$ million</th>
<th>NZ$ million</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Property</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Auckland</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>17.2</td>
<td></td>
</tr>
<tr>
<td>Buildings</td>
<td>5.5</td>
<td></td>
</tr>
<tr>
<td>Whangarei</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>5.0</td>
<td></td>
</tr>
<tr>
<td>Buildings</td>
<td>3.0</td>
<td></td>
</tr>
<tr>
<td>Blenheim</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land/Buildings</td>
<td>5.0</td>
<td></td>
</tr>
<tr>
<td>Mount Maunganui</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buildings</td>
<td>3.0</td>
<td></td>
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<tr>
<td>Other sundry</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buildings</td>
<td>4.5</td>
<td>Total NZ</td>
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<tr>
<td></td>
<td></td>
<td>35.2</td>
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<tr>
<td>Melbourne (x2)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>40.1</td>
<td></td>
</tr>
<tr>
<td>Buildings</td>
<td>4.4</td>
<td></td>
</tr>
<tr>
<td>Adelaide</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>8.7</td>
<td></td>
</tr>
<tr>
<td>Melbourne</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buildings</td>
<td>4.2</td>
<td>Total AU</td>
</tr>
<tr>
<td>Other sundry</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buildings</td>
<td>4.2</td>
<td>Total EU</td>
</tr>
<tr>
<td></td>
<td></td>
<td>12.7</td>
</tr>
<tr>
<td>Netherlands (x2)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Alterations</td>
<td>10.2</td>
<td></td>
</tr>
<tr>
<td>Belgium</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Alterations</td>
<td>2.5</td>
<td></td>
</tr>
<tr>
<td><strong>Total Property</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>105.3</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>45.0</td>
</tr>
<tr>
<td><strong>Total Capital</strong></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>150.3</td>
</tr>
</tbody>
</table>
## Committed New Leases

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

<table>
<thead>
<tr>
<th></th>
<th>THIS YEAR</th>
<th>LAST YEAR</th>
<th>VARIANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Zealand: NZ$</td>
<td>666,156</td>
<td>609,238</td>
<td>9.3% ↑</td>
</tr>
<tr>
<td>Australia: AU$</td>
<td>623,765</td>
<td>534,995</td>
<td>16.6% ↑</td>
</tr>
<tr>
<td>USA: US$</td>
<td>436,742</td>
<td>436,357</td>
<td>0.1% ↑</td>
</tr>
<tr>
<td>Asia*: US$</td>
<td>83,861</td>
<td>63,351</td>
<td>32.4% ↑</td>
</tr>
<tr>
<td>Europe: EU€</td>
<td>335,769</td>
<td>291,927</td>
<td>15.0% ↑</td>
</tr>
<tr>
<td><strong>Total Group: NZ$</strong></td>
<td><strong>2,618,860</strong></td>
<td><strong>2,333,591</strong></td>
<td><strong>12.2% ↑</strong></td>
</tr>
</tbody>
</table>

(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

<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>98,633</td>
<td>91,021</td>
<td>8.4%</td>
</tr>
<tr>
<td>Australia: AU$</td>
<td>49,922</td>
<td>42,315</td>
<td>18.0%</td>
</tr>
<tr>
<td>USA: US$</td>
<td>19,235</td>
<td>18,585</td>
<td>3.5%</td>
</tr>
<tr>
<td>Asia: US$</td>
<td>4,905</td>
<td>6,245</td>
<td>(21.5)%</td>
</tr>
<tr>
<td>Europe: EU€</td>
<td>17,713</td>
<td>17,179</td>
<td>3.1%</td>
</tr>
<tr>
<td><strong>Total Group: NZ$</strong></td>
<td>215,416</td>
<td>197,542</td>
<td>9.0%</td>
</tr>
</tbody>
</table>
## Second Half Comparison: Revenue

<table>
<thead>
<tr>
<th></th>
<th>2nd HALF THIS YEAR</th>
<th>2nd HALF LAST YEAR</th>
<th>VARIANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Zealand: NZ$</td>
<td>349,289</td>
<td>321,692</td>
<td>8.6%</td>
</tr>
<tr>
<td>Australia: AU$</td>
<td>330,852</td>
<td>277,345</td>
<td>19.3%</td>
</tr>
<tr>
<td>USA: US$</td>
<td>233,684</td>
<td>210,259</td>
<td>11.1%</td>
</tr>
<tr>
<td>Asia*: US$</td>
<td>46,249</td>
<td>31,903</td>
<td>45.0%</td>
</tr>
<tr>
<td>Europe: EU€</td>
<td>173,258</td>
<td>155,451</td>
<td>11.5%</td>
</tr>
<tr>
<td><strong>Total Group: NZ$</strong></td>
<td><strong>1,393,277</strong></td>
<td><strong>1,191,154</strong></td>
<td><strong>17.0%</strong></td>
</tr>
</tbody>
</table>

(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

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

(excl FX) 11.8% ↑

* Refer European commentary
### 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><strong>Group</strong></td>
<td>Revenue</td>
<td>2,618,860</td>
<td>2,333,591</td>
<td>12.2% ↑</td>
</tr>
<tr>
<td></td>
<td>EBITDA</td>
<td>215,416</td>
<td>197,542</td>
<td>9.0% ↑</td>
</tr>
<tr>
<td><strong>Domestic</strong></td>
<td>Revenue</td>
<td>1,586,881</td>
<td>1,367,510</td>
<td>16.0% ↑</td>
</tr>
<tr>
<td></td>
<td>EBITDA</td>
<td>161,744</td>
<td>141,797</td>
<td>14.1% ↑</td>
</tr>
<tr>
<td><strong>Air &amp; Ocean</strong></td>
<td>Revenue</td>
<td>1,031,979</td>
<td>966,081</td>
<td>6.8% ↑</td>
</tr>
<tr>
<td></td>
<td>EBITDA</td>
<td>53,672</td>
<td>55,745</td>
<td>(3.7)% ↓</td>
</tr>
</tbody>
</table>

- 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 145,000m²
  - 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
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 52,000m² 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
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 10,000m²
  - 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 26,000m²; occupation currently underway
  - New FMCG account gained requiring new warehouse of 26,000m² at Zaltbommel NL
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
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

<table>
<thead>
<tr>
<th>Event</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe Investor Day</td>
<td>20 June 2018</td>
</tr>
<tr>
<td>Annual Meeting of Shareholders</td>
<td>26 July 2018</td>
</tr>
<tr>
<td>F19 – 6 months ended 30 September 2018</td>
<td>14 November 2018</td>
</tr>
<tr>
<td>F19 – 12 months ended 31 March 2019</td>
<td>28 May 2019</td>
</tr>
</tbody>
</table>