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MAINFREIGHT LIMITED

Financial result for the six months ended 30 September 2020 (Unaudited)

Commentary

Mainfreight is pleased to announce our half-year financial results to 30 September 2020 which are in line with the guidance issued in October, and a satisfactory improvement on the same period in the prior year.

Revenue	$1.609 billion	Up $108.39 million or 7.2%
Profit before tax	$102.26 million	Up $19.42 million or 23.4%

This result reflects the strong improvement in performance in our Australian and New Zealand operations, supported by ongoing progress in our Asian business.

Profitability in the Americas continues to improve month by month, closing in on the prior year's first half, and while our European operations are also trading behind the year prior at this point, we have seen improved trading subsequent to 30 September 2020. This supports an optimistic view of ongoing improvement in both regions, notwithstanding the reintroduction of Covid-19 related lockdowns/restrictions.

<u>Divisional Performance</u> (figures in local currencies)

<u>New Zealand</u> (NZ$)

Revenue	$378.90 million	Up $16.32 million or 4.5%
Profit before tax	$37.50 million	Up $2.87 million or 8.3%

Strong domestic and international volumes continue to benefit our New Zealand business units, particularly in the last three months, which has seen the impact of the Covid-19 level 4 restrictions in April and May redressed.

Ongoing customer gains and strong consumer growth trends are providing record tonnage across our **Transport** networks.

Warehousing activity is pleasing, albeit inventory levels are low due to congested shipping and air supply chains.

Our **Air & Ocean** business continues to see good results in both import and export trade. Space constraints are frustrating, but we have seen revenue levels improve, in part by increased freight rates from shipping and air lines.

Trading in October and now into November continues this improvement, with pre-Christmas volumes expected to increase further and the benefit of new customers assisting.

<u>Australia</u> (AU$)

Revenue	AU$403.21 million	Up AU$42.79 million or 11.9%
Profit before tax	AU$30.56 million	Up AU$15.60 million or 104.3%

A very pleasing result from our Australian operations led by strong domestic transport performance.

In our **Transport** business, the combination of ongoing market share growth and enhanced network efficiency has seen sales revenues increase alongside improving net margins. Three branches have been opened in this half-year, with a further six planned.

Warehousing growth continues, with utilisation at 90% despite international supply chain congestion.

While profitability continues to improve in our **Air & Ocean** division, margins have been impacted as shipping and air freight rates increase.

Expectations are for a further increase in freight volumes pre-Christmas, and as a consequence of Victoria reopening after 112 days of lockdown.

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

Revenue	US$42.94 million	Up US$6.95 million or 19.3%
Profit before tax	US$3.98 million	Up US$1.48 million or 59.2%

A pleasing result from our Asian business. Demand for both shipping and air space is assisting our sales growth, albeit space availability and equipment are difficult to find. We have also seen better performance from our Southeast Asian branches, particularly as some manufacturing has moved to this region from China.

Air freight growth has been assisted by Covid-19 related tonnage, and the establishment of specialised air freight branches within the network.

Freight revenues leading into Christmas remain elevated, and we expect the current profit and revenue trends to continue.

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

Revenue	US$248.02 million	Up US$3.98 million or 1.6%
Profit before tax	US$8.50 million	Down US$(1.27) million or (13.0)%

A disappointing overall result from our American businesses, particularly in our domestic **Transport** operations and in **CaroTrans** (our NVOCC wholesale sea freight business).

Improved performance in our **Warehousing** business has resulted in good revenue growth and increased warehouse utilisation. Additional Warehousing sites are currently being planned for Chicago and Dallas, on increased customer enquiry.

Air & Ocean revenues continue to increase, with trading in the last month exceeding expectations. Air freight in particular has shown pleasing progress.

Transport volumes were impacted during the half year, but we have seen good signs of improvement in the past month as more customers open manufacturing and warehousing activities. Customer gains have been satisfactory, and we expect sales revenues to improve with Christmas trading.

CaroTrans has been our most disappointing performer, with both revenue and profitability much reduced compared with the same period in the prior year. While trading has seen small improvements in the last month, CaroTrans' year-end result will be behind the year prior.

A difficult first half for our American operations, however better results in October, and now into November, indicate an improved second six months.

<u>Europe</u> (Euro €)

Revenue	€193.78 million	In line with prior year
Profit before tax	€7.07 million	Down €(0.97) million or (12.1)%

A poorer than expected result, as our European operations continue to struggle from the economic effects of Covid-19.

Low inventory levels brought about by high consumer demand, and constrained supply chains have impacted our **Warehousing** profitability.

While intra-European **Transport** volumes have been steady, increased short-term illness has had a negative impact on efficiency levels and margins.

Air & Ocean revenues have improved, however capacity constraints across sea and air carriers have reduced margins.

Revenue growth will be aided by an amount of new business gained, and we expect improved performance through the balance of the financial year. While several European countries have recently enforced further lockdowns, activity remains consistent at pre-lockdown levels.

Group Operating Cash Flows

Operating cash flows were $188.51 million, up from $123.08 million in the prior year, reflecting increased profitability and strong cash collection.

Net debt is $115.48 million, down from $157.38 million at 31 March 2020, a decrease of $41.90 million.

Gearing ratios decreased from 14.0% at 31 March 2020 to 10.4%.

During the half-year, net capital expenditure totalled $54.83 million, with expenditure for land and buildings accounting for $31.32 million, plant and equipment of $16.01 million, and information technology of $7.50 million.

Our expectations are for capital expenditure for the full financial year ending 31 March 2021 to be in the range of $103 million. A further $114 million is estimated for capital expenditure in the 2022 financial year.

Network development remains a key strategy; a land acquisition opportunity in Auckland is likely to settle in this current financial year.

Dividend

The Directors have approved an interim dividend of 30.0 cents per share fully imputed at the 28% company tax rate, with the books closing on 11 December 2020; payment will be made on 18 December 2020. This is a 20.0% increase on the prior year's interim dividend.

Senior Executive Retirement

Kevin Drinkwater, Mainfreight's Global Technology Manager, has announced his intention to retire at the end of 2020. His successor will be appointed from within the business, and will be announced shortly.

Kevin's 34-year tenure with the business has spanned a variety of roles, however his most significant contribution has been the oversight of all aspects of our Technology for the last 19 years. Thanks to Kevin and his team, we have a global business running on integrated technology platforms, providing our people with the tools and information to support our quality services, and our customers with visibility across their supply chains.

Outlook

A pleasing half-year result considering the slow start to the year through the Covid-19 lockdowns in the various countries and regions.

We are extremely proud of our people, across our global network, who have worked tirelessly to produce these results, navigating the hurdles and fallout from the Covid-19 pandemic and finding solutions for our customers.

We expect to see ongoing improvement across all of our regions as we continue to grow market share and adjust our businesses to the fluctuating economic climate. In Australasia, the normal pre-Christmas volume increase is expected, and is likely to be level or ahead of trading experienced last year.

Strong consumer demand and congested international supply chains are proving to be challenging for our customers and people alike. The current conditions are however providing opportunities for more growth and attracting new customers, as they look for improved service and more certainty in their freight and inventory management.

This confidence provides us with greater certainty to further invest in our network, with more regional expansion underway, and to increase our commitment to more land and buildings where appropriate.

Mainfreight will release its full-year results for the 2021 financial year to the market on 26 May 2021. It is our expectation that this full-year result will be much improved on the year prior.

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