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MAINFREIGHT LIMITED

<u>Financial result for the twelve months ended 31 March 2021 (Unaudited)</u>

<u>Commentary</u>

Mainfreight is pleased to announce our full-year financial results to 31 March 2021, a record result and a satisfactory improvement on the year prior. Sales revenues for the year increased 14.5% to $3.54 billion, and net profit before abnormals by 27.1% to $188.11 million. Profit before tax was $262.41 million, increasing by 27.2%.

Revenue	$3,544 billion	Up $448.44 million or 14.5%
Profit before tax	$262.41 million	Up $56.15 million or 27.2%
Net profit before abnormals	$188.11 million	Up $40.14 million or 27.1%

- The impact of foreign exchange on Group revenue and profits was negligible in the F21 year.
- There are no abnormal items in the current year; the prior year's abnormal items were a net gain of $11.23 million.
- A dividend of 45 cents per share has been set by the Board, payable on 16 July 2021.

We are pleased with this result, particularly in light of initial supply chain disruptions in the early part of the financial year, where lockdowns in response to the global pandemic saw revenues decline. New Zealand was the worst affected, with April 2020 weekly revenues reduced by some 40%.

We prepared at the outset of the pandemic for the likelihood of very difficult trading conditions and a tough economic environment. Our response was unequivocal; look after our people, look after our customers, guard our cash, and embrace the opportunities that may arise.

We had strength in our balance sheet, good cash flows and our decentralised leadership structure, which allowed our people the freedom to respond and adjust to the pandemic restrictions.

The effectiveness of our approach, with the spirit and support shown by the Mainfreight team and our customers, can be seen in this record financial result.

All five regions experienced improved sales growth through a mix of organic and market share increases, as customers, both new and existing, experienced strong consumer demand.

Group Operating Cash Flows

Operating cash flows were $376.28 million, up from $300.80 million in the prior year, reflecting increased profitability and acceptable cash collection.

Current debt facilities total $477 million, of which $269 million remained undrawn. Net debt at 31 March 2021, was $102.21 million, down from $157.38 million at 31 March 2020, a decrease of $55.17 million. Gearing ratios continued to improve, at 8.4% compared to 14.0% at 31 March 2020.

Cash collection remains satisfactory across all regions.

During the year, net capital expenditure totalled $118.55 million, with expenditure for land and buildings accounting for $58.93 million, property racking and fit-out costs of $15.59 million, plant and equipment of $26.0 million, and information technology of $18.03 million.

We deferred capital expenditure early in the last year, however as confidence and economic activity increased, we recommenced our land and building projects. Nevertheless, the interruption created capacity pressures within the network, particularly in New Zealand.

Our expected capital expenditure for property across the next two years is $338 million, which includes $156 million for land and buildings in the new financial year.

Dividend

After consideration, the Directors have approved a final dividend of 45.0 cents per share fully imputed at the 28% company tax rate. With the record date on 9 July 2021; payment will be made on 16 July 2021. This brings the full dividend for the year to 75.0 cents per share, an increase of 27.1% over the prior year, and reflects improved trading results and confidence looking forward.

Discretionary Bonus

In light of exceptional performance by our people in difficult operating conditions around the world, and in line with the profit improvement achieved, our discretionary profit bonus has increased to $43.88 million, up 60.8% from $27.29 million for the year prior. We also increased our team Christmas bonus for 2020, up from $5.35 million to $11.02 million.

We remain proud of our team's achievements and are pleased to share our profits with those who contributed to them.

Divisional Performance (figures in local currencies)

New Zealand (NZ$)

Revenue	$845.55 million	Up $92.64 million or 12.3%
Profit Before Tax	$97.81 million	Up $10.12 million or 11.5%

This is a pleasing result from our New Zealand team, particularly when sales revenues declined by as much as 40% during April 2020, as New Zealand faced Level 4 pandemic lockdowns.

The ensuing strong consumer demand across our main customer verticals saw an uplift in supply chain activity.

Our **Transport** network came under increasing pressure as the demand for freight grew; pre-Christmas volumes reached record levels.

As capacity within our Transport network became constrained, the completion of projects that were already underway for new facilities in Gore, Levin and Tauranga brought some much-welcomed relief, but more is required. Planning and construction is now underway for the new facility in West Auckland, with extensions for our Kaitaia and Whangarei sites.

Land has been purchased in Auckland for increased warehousing capacity, and an agreement is in place for a new facility for Owens Transport in Penrose, Auckland. Additional land purchases and leases will be completed later this year for Nelson, Hastings, Cambridge and Wellington.

Our **Warehouse** business has seen increased utilisation, as our customers hold more inventory, and as we have continued to attract new customers. The new land and lease commitments, together exceeding 70,000m^2, will allow for consolidation of several smaller sites as well as capacity for growth.

Our **Air & Ocean** business was engaged early in the pandemic in finding much-needed air freight capacity. In excess of 40 air freight charters were completed, all round trips, many carrying critical supplies of PPE gear and medical supplies in-bound, and providing valuable out-bound services for our perishable export community.

Sea freight capacity has tightened with freight rates at record levels. The initiative to charter our first full vessel, from Shanghai to Auckland, was bold and has proved a success. This ship arrived in early May, and further charters are under negotiation.

Supply chain capacity into and from New Zealand, and internally, remains congested. We are frustrated with the international shipping lines, and working hard to secure more space and improve services for our customers. We expect the international congestion and increased rate levels to last for some time to come.

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

Revenue	AU$877.16 million	Up AU$120.36 million or 15.9%
Profit Before Tax	AU$71.50 million	Up AU$22.72 million or 46.6%

A remarkable performance from our Australian team. Our growth and development across the Australian freight and logistics sector has contributed to this very satisfactory financial performance, which is our best year-on-year improvement that we have achieved in Australia.

The push by our **Transport** business into regional centres has provided better on-time freight delivery, and developed a larger customer base. We have extended our network further into the regions, and expect to open in another five centres in the next 12 months.

Building consents are underway for our two biggest cross-dock facilities, in South Melbourne and Adelaide, which we expect to be completed mid-2022.

Our **Warehouse** footprint also increased during the year with the opening of an owned site in Melbourne, and another leased site in Sydney. Further temporary sites are an interim measure which will see us at 203,000m^2 by the end of July 2021, up over 40,000m^2 since March 2020.

Our two new-build warehouses are scheduled for completion by late 2022: South Melbourne at 30,000m^2 and a leased facility in Sydney of 50,000m^2, and are likely to bring us a net gain of 59,000m^2 once interim and smaller warehouses are consolidated. The strategy to control freight flow into and out of our warehouses will also benefit our Transport and Air & Ocean divisions.

Automation is currently being tested at our Epping, Melbourne site, as a trial for wider application globally.

Air & Ocean growth mirrors that of our global network. A well-executed focus on air freight capability and LCL freight growth were highlights of the year. Increasing trade volumes (particularly exports to Europe) will deliver additional growth in the coming year.

<u>Europe</u> (Euro €)

Revenue	EU€427.52 million	Up EU€26.13 million or 6.5%
Profit Before Tax	EU€22.35 million	Up EU€4.24 million or 23.4%

Despite extensive lockdowns across Europe, many of which are still in force, our volumes have been consistent in our Transport and Air & Ocean divisions. However, customer stock holdings in our warehouses reduced in the first six months of the year, leading to lower Warehouse utilisation.

Building network intensity is a key initiative across Europe, particularly for **Transport** as we wish to run more direct point-to-point line-haul, and pick up and deliver closer to our customers. We opened new branches in Romania and Italy, and expect to add additional new sites in The Netherlands, Italy, Russia and Germany in the coming year.

Brexit issues between the United Kingdom and Europe have been a cause of frustration since January 2021. There have been considerable delays to freight, as complicated Customs formalities are completed.

Our **Warehouse** footprint now totals over 330,000m^2 across Europe including now being located in the UK, and freight from these warehouses into our Transport network increased from 42% to 57% of all warehouse volume.

Our **Air & Ocean** business continued to find growth, both from across our global network and from European customers already utilising our other services. Several air charters were completed, and a strong focus on LCL consolidation has assisted. New branches in Manchester (UK) and Barcelona (Spain) are profitable. We also saw trading increase for our Russian operations. Shipping space shortages continue to affect and frustrate our customers in Europe, as with the balance of our global network.

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

Revenue	US$576.91 million	Up US$83.62 million or 17.0%
Profit Before Tax	US$25.93 million	Up US$5.93 million or 29.7%

A very pleasing performance from our **Air & Ocean** division has bolstered our result in the region, despite the United States being the country that was most disrupted by the pandemic out of all our geographic locations. Strong demand from customers and market share gains provided good growth in this sector for us. The separation of our larger branches into distinct Air freight and Ocean freight operations has seen significant air freight growth as we focus on this speciality sector.

Warehousing capacity and utilisation increased during the year. Unfortunately, an amount of inventory despatched required delivery to homes rather than business locations, thus excluding our Transport network.

Post-year end, a number of new customer gains will require the leasing of three additional warehouses, including a 45,000m^2 facility in Dallas, Texas.

Our **Transport** business saw sales revenues and profit before tax decline during the 12-month period. Extended business closures during pandemic lockdowns had an impact on domestic freight volumes. However, post-year end and with a stronger focus on LTL in every-day freight verticals, we are achieving improved performance. We have established more key line-haul routes giving us greater control of our road network.

We continue to see significant growth opportunity in the North American transport market, including Mexico and Canada, however it will take time to achieve relevancy relative to the market scale.

CaroTrans, our wholesale sea freight consolidation business, has found improved financial performance during the year as customers ship more part-loads (LCL) due to the shortage of full container space on international trade-lanes. Agency network changes by CaroTrans in South America, Italy and Spain have also provided improvement in freight volumes.

Asia (US$)

Revenue	US$104.28 million	Up US$42.92 million or 69.9%
Profit Before Tax	US$7.05 million	Up US$3.66 million or 107.9%

Growth in our Asian business has assisted us to a satisfactory result, with both profit and sales revenues increasing significantly, by 108% and 70% respectively. Rate increases from both air and sea freight carriers have had an influence on this revenue increase, however we have also improved our market share.

We are seeing revenue improvement across our wider Asian branch network, with the knowledge that there is ample opportunity to develop further. We are particularly focused on increasing imports into the region from the balance of our global network, which will also support our efforts to develop warehousing services in Asia.

Building on the key customer verticals we have elsewhere in the network is our top priority, including improving our capabilities to move pharmaceutical, and looking for growth in the movement of perishable products.

Outlook

This is a significant result for the Mainfreight family. Not only have we achieved a record profit before tax of $262 million, grown revenues to exceed $3.5 billion, and net profit before abnormals of $188 million – all during a tumultuous time in the world's history – we have achieved this with success in every one of the five regions where we are located. Our business model has been resilient and effective.

Our businesses outside New Zealand now contribute over 76% of our sales revenues and over 63% of net profit. We are creating a global business capable of providing supply chain logistics services for our customers around the world, competing with significantly larger global competitors.

Our people can be very proud of the way they stood up to be counted, and were able to deliver ahead of many others.

Uncertainty remains; we are by no means satisfied with where we have landed at the end of this past year. Service levels need to improve, and with heavily congested supply chains affecting the world's freight lanes, we have much to achieve on behalf of our customers. It is our view that the heavily inflated shipping and air cargo rates will continue to be a feature of global trade while freight demand is exceeding air and sea capacity.

In the first seven weeks of trading into the 2022 financial year, we have seen similar activity levels as those of the past six months. This gives us confidence that we will deliver further improved results in the near term.

We continue to be optimistic and, it has to be said, we are bloody proud of our people who have delivered this record result.

Mainfreight will release its financial results for the first half of the 2022 financial year to the market on 11 November 2021.

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