
# MAINFREIGHT LIMITED
# HALF YEAR RESULT
# TO SEPTEMBER 2016

# Result Summary

**REVENUE**

Revenue up 2.5% to $1.14 billion
Excluding foreign exchange effects, 4.2% increase
An increase of $28.3 million

**EBITDA**

EBITDA at $86.35 million; increase of 20.6%
Excluding foreign exchange effects, 22.1% increase

**NET SURPLUS**

Net surplus after tax before abnormal items up 27.7% to $42.33 million

**OUTLOOK**

Trading through October reflects similar financial improvements and we expect this to continue with strong pre-Christmas volumes

# Dividend

**DIVIDEND**

Final dividend of 17.0 cents per share
Books close 9 December 2016; payment on 16 December 2016
3.0 cent increase reflects increased profitability

# Capital Management

| NZ$ MILLION | THIS YEAR | LAST YEAR |
| --- | --- | --- |
| Operating cash flow | 52.03 | 45.93 |

- Net capital expenditure totalled $27.91 million; of which $11.78 million was property development
- Expected full year capital expenditure ~$50 million

# Half Year Analysis: Revenue

| $000 | THIS YEAR | LAST YEAR | VARIANCE | |
|---|---|---|---|---|
| New Zealand: NZ$ | 287,546 | 270,957 | 6.1% | ↑ |
| Australia: AU$ | 257,650 | 248,584 | 3.6% | ↑ |
| USA: US$ | 226,097 | 228,172 | (0.9) | ↓ |
| Asia*: US$ | 31,448 | 21,650 | 45.3% | ↑ |
| Europe: EU€ | 136,475 | 130,771 | 4.4% | ↑ |
| **Total Group: NZ$** | **1,142,437** | **1,114,141** | **2.5%** | ↑ |
| | | | **(excl FX) 4.2%** | ↑ |

* Inter-company totalled US$33.54 million for Asia
Revenue including inter-company for Asia up 32.9%

# Half Year Analysis: EBITDA

| $000 | THIS YEAR | LAST YEAR | VARIANCE | |
|---|---|---|---|---|
| New Zealand: NZ$ | 37,163 | 28,989 | 28.2% | ↑ |
| Australia: AU$ | 16,092 | 13,184 | 22.1% | ↑ |
| USA: US$ | 9,812 | 9,385 | 4.5% | ↑ |
| Asia: US$ | 4,729 | 3,546 | 20.7% | ↑ |
| Europe: EU€ | 7,650 | 5,900 | 29.7% | ↑ |
| **Total Group: NZ$** | **86,348** | **71,582** | **20.6%** | ↑ |
| | | | **(excl FX) 22.1%** | ↑ |

# Domestic vs Air & Ocean Performance

| NZ$000 | | THIS YEAR | LAST YEAR | VARIANCE | VAR EX FX |
|---|---|---|---|---|---|
| Group | Revenue | 1,142,437 | 1,114,141 | 2.5% | 4.2% |
| | EBITDA | 86,348 | 71,582 | 20.6% | 22.1% |
| Domestic | Revenue | 669,998 | 639,444 | 4.8% | 6.2% |
| | EBITDA | 60,562 | 47,448 | 27.6% | 28.8% |
| Air & Ocean | Revenue | 472,439 | 474,697 | (0.5)% | 1.5% |
| | EBITDA | 25,786 | 24,134 | 6.8% | 9.1% |

- Ocean shipping rate reduction of approximately $27 million
- Actual volumes increased:
  - Airfreight up 21%
  - Seafreight up 5%

# New Zealand

- Revenue growth dominated by Domestic Transport and Logistics
- EBITDA improvement across all divisions
  - Better gross margins
  - Improved warehouse utilisation
  - Tighter control of overhead costs
- Transport
  - Freight volumes continue to be strong
  - Market share gains
  - Increased trading across “our” categories
  - Rail capacity issues currently, and expected to increase towards year end
    - More road and coastal shipping movements to offset

# New Zealand

- Logistics
  - Utilisation much improved
  - Development costs in prior year assist
  - New customer gains continuing

- Air & Ocean
  - Revenue increases minimal – ocean freight rate effect
  - Import volumes stronger than exports
    - Currency
    - Network effects

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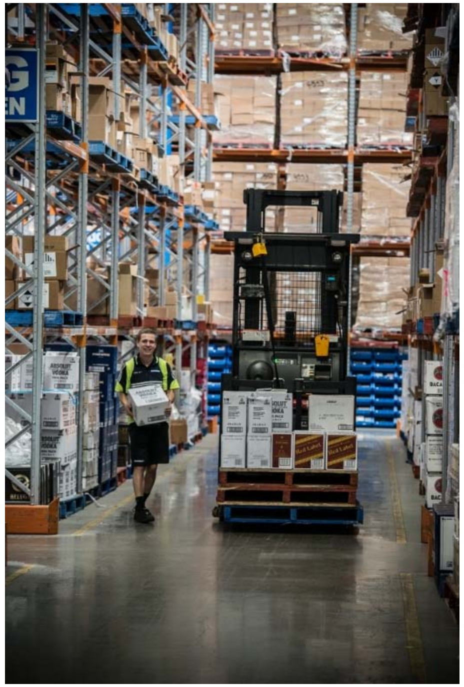
# Australia

- Revenue growth dominated by Domestic and Logistics operations
- EBITDA improvements across all divisions
  - However dominated by Logistics through efficiency and utilisation improvements
- Transport
  - Sales growth
  - Gross margin improvement
  - Overhead costs still require better management
    - New facilities (Epping) contributing
  - Sydney financial performance much improved
  - Chemcouriers development and profitability much enhanced


*Epping*

# Australia

- Logistics
  - Utilisation of facilities at all time high
  - Efficiencies improving margins
  - Customer demand and new customer gains requiring expansion into new facilities (Sydney)
    - Additional 25,000$m^2$ – early 2018 (temporary premises leased until then)
- Air & Ocean
  - Gross margin improvements assisting profitability
  - Import revenues affected by ocean freight rates
  - Emerging signs of Perishable export growth



*Logistics Australia*

# The Americas

- Regional revenue growth impacted by a decline in revenue from CaroTrans
- EBITDA growth driven by a strong performance in Air & Ocean and improvement from Domestic Transport
- Domestic Transport
  - Better overhead cost management and improving sales assisting net margins
  - Line-haul utilisation improving with sales growth
  - Use of third-party carriers declining
    - 30% decrease in this period

# The Americas

- Air & Ocean
  - Strong profit performance added by airfreight volume from Asia in first three months
  - Market share gains continuing
    - Emphasis on development of European and Asian trade lanes
- Logistics
  - Still not yet profitable regionally, but utilisation improving – Los Angeles best performer to date
  - Pending gains will assist New Jersey warehouse development and profitability

*Logistics Newark*

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# The Americas

- CaroTrans
  - Revenue decline
    - Shipping rate deterioration and loss of LCL TEU volumes
    - Shippers loading more FCL than LCL freight due to ocean rate levels
  - Gross margin increase as loading efficiencies improve
  - October and November booking statistics improving

# Asia

- Air export volumes and revenues significant part of regional revenue growth
  - EBITDA improvement driven by air export volume during first three months of period, however air export volumes declined in second three-month period as customer requirements changed to seafreight
- Hong Kong warehouse yet to be profitable
- Focus on sales development across USA and European trade lanes


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# Europe

- Revenue improvement across all three divisions – dominated by Logistics performance
- EBITDA performance aided by improving margins (particularly in Logistics) and improved cost management

- Forwarding/Transport
  - Better margins, and improvements in Belgian operations, are assisting
  - Sales development still not strong enough across network

# Europe

- Logistics
  - Excellent utilisation and customer gains have supported increased profitability
  - Construction of additional leased warehousing in Netherlands underway, expect completion mid-2017
    - 12,000m$^2$ already committed
- Air & Ocean
  - Network coverage remains high priority
  - London profitable
  - German agency arrangements to be replaced for New Zealand/Australia with our own capability


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# Group Outlook

- October trading mirrors that of the previous six months; expecting this to continue into the second half
- Pre-Christmas volumes already strong within Domestic operations in New Zealand and Australia
- Likely rail capacity issues for New Zealand
- Network sales activities
  - Supply chain activity within regions and across global network continues to strengthen
- Confident of an improved full year

# Financial Calendar F17

| | DATE |
|---|---|
| F17 – 12 months ended 31 March 2017 | 30 May 2017 |
| Annual Meeting of Shareholders | 27 July 2017 |
| F18 – 6 months ended 30 September 2017 | 15 November 2017 |