Mainfreight is pleased to announce a record full year net profit after tax and before abnormal items, for the year ended 31 March 2015, of $83.48 million; an increase of 7.7% over the previous year.

Sales revenue also increased; up 6.8% to $2.05 billion (excluding foreign exchange effects the increase is 8.7%).

The EBITDA result also set a new record at $162.20 million. This exceeded the prior year’s result by 8.7% (excluding foreign exchange effects the increase is 10.4%).

Across all geographical segments EBITDA was improved on the prior year’s results. This includes European operations, which report EBITDA up 33.5% on prior year performance. In contrast to the total Group, Europe’s second half EBITDA improved over the first half.

In total, our second six-month performance disappointed at the EBITDA level, slowing to an 8.4% increase from the half-year improvement of 13.1%. The two areas that saw the biggest slow-down were the United States (where a poorer second half from Mainfreight USA added to a disappointing performance from CaroTrans) and Australia (where Domestic performance was impacted by increased cost structures and compressed margins).

Consistent performance from New Zealand, and the ongoing improvements from Asia and Europe complete the year end result.
**Divisional Performance** (figures in local currencies)

**New Zealand (NZ$)**

Once again, the strength of our New Zealand presence saw all divisions increase profitability and achieve revenue growth.

Total revenues for the New Zealand group of businesses increased 7.4% to $542.67 million. EBITDA improved 9.2% to NZ$73.61 million.

Our New Zealand **Transport** operations gained a large number of new customers, and increased the number of consignments transported through our network by 150,000. This builds on similar levels of growth in the year prior.

We continue to improve capability across most product categories of the supply chain and expect to see growth continue.

In our **Logistics** operations, EBITDA was not as strong as the year prior as a result of additional costs from investment in specialised facilities, and disruption during their construction.

The **Air & Ocean** division increased revenues and profit performance through strengthening their regional network, and improving import volumes alongside a greater share of dry airfreight export tonnage.

As our global network continues to develop and intensify, our New Zealand operations are attracting tonnage from these multi-national customers. Such are the benefits derived from a strengthening global network.

The building of our new facilities in Christchurch, Hamilton and Auckland is complete, with occupation of all three due by the end of this month. With the continued growth experienced by our New Zealand operations, consideration is being given to three more new builds over the short to medium-term.
Australia (AU$)

Despite a relatively strong start to the year, our overall result for Australia disappoints.

Australian revenues increased 7.0% over the previous year to AU$490.65 million. EBITDA improved 5.8% to AU$37.24 million.

Whilst these improvements may seem satisfactory, when compared to New Zealand’s level of growth and the relative size of the Australian market, we would have expected more in order to achieve our own aspirations and expectations. Nevertheless, we continue to make progress in what is a difficult and competitive market. Australia’s current economic environment has not made this any easier.

Our Domestic Transport and Logistics operations continue to attract new customers, and our image and the quality of our freight services continue to improve. The commissioning of new purpose-built facilities in Brisbane, Sydney and Adelaide has assisted. New distribution and warehousing facilities are also underway for Melbourne and Perth.

Our Air & Ocean business has continued to find growth and profit improvement, leveraging off our expansion in the Perishables market and, again, benefiting from our expanding global network.

The last six months saw reduced growth over the prior period, and this has continued into the new financial year. We expect a tougher than usual time across our Australian divisions in the short-term.
The Americas (US$)
A strong start to the year helped an improved performance overall, albeit well below our expectations due to the impact of a poor second half from Mainfreight USA and equally a disappointing full year result from CaroTrans.

Total region sales increased 16.1% to US$422.16 million, and EBITDA improved 1.4% to US$19.11 million.

The Mainfreight Domestic business performed better than in previous years, as volumes increased across our road network, and as we slowly replicate similar freight profiles to those of our businesses elsewhere in the world. A concentrated effort to increase sales of LCL freight across the food, beverage and DIY markets is assisting.

Fixed road linehaul coverage has improved between major cities. By the end of the US summer season, we expect to have over 100 linehaul routes per week.

The separation of our 3PL warehousing function into a distinct Logistics division has been implemented. Standalone warehouses in Los Angeles, Dallas and Newark are our first three dedicated facilities.

Mainfreight Air & Ocean improved revenue levels during the year. Profit levels however were static as margins were compressed in what was a difficult and highly competitive market.

CaroTrans’ profitability declined throughout the year as operational performance and extended west coast port disruptions affected revenue growth and margin management.

Imports continued to grow as a percentage of total sales, and this provides a good base for greater European trade lane development over time.

We are disappointed with our performance in this division and will look to find improvement in the short-term.
Europe (Euro €)
Significant effort has been applied to finding improvement across all our divisions in Europe.

Total sales for the region improved 3.6% over the prior year to €259.71 million. Of more interest was the improvement in EBITDA, up 33.5% to €11.91 million.

These improvements have been coming for some time as the business moves to rectify and improve particular sectors in its network. Whilst the European economy remains turbulent, our own improved performance is providing confidence for the future.

We have been able to raise profitability in our Logistics division through improved utilisation in all our facilities across the region.

Our Air & Ocean business expanded its branch network with the addition of Lyon, France and Warsaw, Poland.

Management and operational changes in conjunction with new sales contracts, have us more optimistic about our future in Belgium.

Our sales team numbers have increased by 30% across the supply chain, and will assist sales growth over time.

Trading into the new financial year continues the trends seen in this reporting period.
Asia (US$)

Sales revenues continued to show improvement as our Asian operations find momentum, up 17.3% to US$44.23 million, with EBITDA correspondingly increased by 41.6% to US$4.99 million.

As they did last year, all branches throughout Asia improved their financial performance during the year.

We have opened branches in Beijing, China and Khaosiung, Taiwan – bringing the number of branches to 15 across five countries in the Asia region. We expect to open in Ho Chi Minh City, Vietnam during 2015.

Development of our Asia business continues, and we are likely to see several of our branches move to locations near ports and airports as they extend their operational services.

Strong airfreight volume growth has assisted performance, particularly from our branches in southern China and Hong Kong as the American west coast port disputes saw customers looking for alternative transport methods for their supply chains.

Our sales team and structure have been strengthened, producing improved performance; development of more “in-country” sales remains a priority.

USA and European trade-lane growth is top of mind as we connect our Asian Air & Ocean branches with our global network across these large trade lanes.
**Group Operating Cash Flows**

Operating cash flows were NZ$113.65 million, down from NZ$120.37 million, largely a reflection of the abnormal gain of $12.15 million in last year’s numbers.

During the year net capital expenditure totalled NZ$130.90 million. Property development accounted for NZ$100.28 million of this. A facility in Hamilton remains for sale.

Land investment decisions are continuing to be made on an as-required basis. Current owned facilities with a limited future due to size and/or design, will be sold and leased back with funds being invested in land designated for future development.

**Dividend**

The Directors have approved a final dividend of 20.0 cents per share fully imputed at the 28% company tax rate, with the books closing on 10 July 2015; payment will be made on 17 July 2015. This takes the full dividend for the year to 34.0 cents per share; a 6.25% increase year on year.

**Outlook**

The financial result achieved for this past year is satisfactory, setting new records for the Group, including breaking the $2.0 billion mark in revenues. We had expected a stronger result, however a slow-down in Australia, and a less than satisfactory final result from the United States disappointed.

We are not a company which views performance through the rear vision mirror. It is the future that we are interested in.

There is no doubt in our minds that we have the people, the ability, the attitude, energy and desire to become a significant Logistics business on the world stage.
Our progress in developing our own style of operations across the larger continents of Asia, North America and Europe, is taking time; we are however well progressed. Our people have embraced our culture and our sales teams are aggressively selling our services across the world.

A number of large multi-nationals can now be counted as loyal customers, and we are underway with attracting more. Their relative logistics spend is considerably larger than we have experienced before in the smaller markets of New Zealand and Australia. The potential these customers bring to our global business is exciting.

Those shareholders and analysts only interested in this coming year’s results should expect to see further improvement on the results reported today. That said, current trading in Australia is tougher than expected. It is our expectation that the benefit of the worldwide network will offset any negativity that we see in Australia as it recovers economically.

And for those of you whose interest lies beyond the next financial marker, you can be sure that we also look to the far horizon. We are committed to improving our results year-on-year, but are more determined to build a significant business that shareholders, customers and our people can justifiably be proud of for years to come.

Mainfreight will release its financial results for the first half of the 2016 financial year to the market on 10 November 2015.

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