Financial result for the twelve months ended 31 March 2018 (Unaudited)

Commentary
Mainfreight is pleased to announce our full year financial results to 31 March 2018. These results are once again at levels never before achieved by the business; another record year if you like.

Sales revenue for the year improved 12.2% to $2.62 billion (excluding foreign exchange effects the increase is 10.6%), an increase of $285.27 million. Our EBITDA improved 9.0% to $215.42 million (excluding foreign exchange effects the increase is 7.9%), and net profit before abnormals is $112.22 million.

Abnormal items after tax totalled $4.33 million, incorporating redundancies for people in Asia, Europe and the United States, and a part write-down of the Wim Bosman brand in our Europe business, amounting to one-third of that brand’s value.

In all five regions where we operate, sales revenues were increased and only in Asia did EBITDA not meet our expectations. A satisfactory performance, and a strong indication of our continuing success in growing a global logistics business.

Importantly this growth provides us with the confidence to keep investing in our network and our expansion to more countries. Thirty-eight land and building projects, leased and owned, have been committed to, across all our geographic regions bringing improved facilities and intensification of our network as we dedicate resources to accommodate increasing demand from our customers.

We continue to be confident that this level of growth and profitability will continue.
**Divisional Performance** (figures in local currencies)

**New Zealand (NZ$)**

Our New Zealand operations continue to surprise us with their exceptional energy, enthusiasm and commitment to find growth and increased profitability.

New Zealand sales revenues improved by 9.3% to $666.16 million. EBITDA performance improved 8.4% to a record $98.63 million. This despite the ongoing effects of the Kaikoura earthquakes of November 2016, where inter-Island freight links to and from the South Island were restricted to limited rail services and demanded more road and coastal shipping options.

Our **Logistics** business increased its warehouse footprint to 145,000m² providing capacity for 150,000 pallets. Additional sites in Auckland, Tauranga and Hamilton have been identified to cater for further growth.

Our **Transport** division is under the greatest pressure. Congestion, with increased freight tonnage at our sites in Auckland, Tauranga, Rotorua, Palmerston North, Wellington, Nelson and Dunedin is proving those facilities inadequate to cope. Additional growth from existing customers and volumes from new customers has required land to be sourced in all these areas to enable the construction of new facilities to offset the congestion issues. In addition, we expect to intensify our New Zealand branch network with further regional development.

Our **Air & Ocean** division has recorded increased airfreight and seafreight tonnage across both imports and exports, including perishable airfreight exports. Capacity through our new Christchurch operation and improvements being made to our Auckland facilities will see further capability and commitment for the expected growth. Regional development alongside our Domestic freight operations extends our Air & Ocean capability for exporters and importers throughout New Zealand.
Australia (AU$)
This is the best ever financial result for our Australian operations, with all three divisions recording improved sales growth. It is the best performance improvement of any country in our global network.

Sales revenues increased by 16.6%, up $88.77 million to $623.77 million. EBITDA improved 18.0% to $49.92 million.

Our commitment to quality, the investment in substantial facilities throughout the region, and our motivated team of people have generated these very satisfactory returns.

It is our expectation that these current levels of growth are sustainable, therefore our capital investment in new land and buildings across Queensland, New South Wales, Victoria, South Australia and Western Australia will continue in an effort to provide appropriately-sized facilities to cope with the logistics and distribution tasks that our customers are asking of us.

New Transport branches in place for Bendigo and Toowoomba (with Wollongong to follow), will expand our reach into regional Australia, with total branch locations throughout Australia now numbering 53. Tasmania and Far North Queensland, as branch locations, remain of high interest.

New Logistics facilities in Melbourne, Sydney and Perth will add a further 52,000m² to our warehousing footprint, increasing pallet capacity to 187,100 pallets. In addition, dedicated hazardous goods facilities are amongst the new sites, complementing the growth of our Chemcouriers (specialist hazardous goods transport) brand around Australia.

In our Air & Ocean division, sales growth has been satisfactory, yet below our requirements. Higher levels of growth are expected as we leverage the benefits of our international network, particularly from Europe. As with the balance of our network there is a focus on developing our LCL air and seafreight consolidations, assisting our smaller to medium-sized customers with their import and export requirements.
Asia (US$)
While our improving sales focus in this region saw revenues improve 32.4% to $83.86 million, our EBITDA performance disappointed, declining 21.5% to $4.91 million.

Much of the sales revenue increase came from external trading; when inter-company revenue is included, overall sales improved 12.1%.

Senior management changes mid-year and a back-to-basics approach to our business in the region has seen this decline reduced during the final quarter, and importantly we are seeing an improvement as we head into the new financial year.

This back-to-basics approach will focus on the development of our Air & Ocean product throughout Asia for the short to medium-term, allowing capability to develop before entering third-party logistics, warehousing and domestic transportation.

Asia is a key component in our global trade-lane network, with all our regions having substantial freight volumes into and out of the region. Southeast Asia and Japan, where our current footprint is minimal, are high on our agenda for future expansion.

Europe (Euro €)
Improvement from our Logistics and Air & Ocean divisions has seen sales revenues improve, up 15.9% to €335.77 million, with EBITDA level marginally improving to €17.71 million, up 3.1%.

In light of previous years’ performance in Europe, this is good progress and provides confidence as we develop and expand our presence in the region.

Investment has been made in the past 12 months, and will continue for the next 12 months, to improve Logistics warehousing capacity from 329,000 pallets to 387,200 pallets, and two additional cross-docks to provide the infrastructure to meet the demands of new customer contracts and to support a greater level of efficiency in our Forwarding division.
It is likely that EBITDA growth will be subdued in the next 12 months, particularly in Logistics, while additional warehousing costs are absorbed and utilisation is improved as customer contracts are realised.

In our **Air & Ocean** division, we have taken advantage of our global network, benefiting from increased trade with our American interests. Asian freight volumes have been slower to develop, however the management and strategy changes made in Asia will see a renewed focus across these trades.

Rebranding of our European interests is well underway and is expected to be completed by 2019.

**The Americas** (US$)
The Americas region continues to offer some of our biggest opportunities, and to date we have yet to realise all that is available to us.

Nevertheless, EBITDA performance has improved 3.5% to $19.24 million, while revenue levels were consistent with the year prior at $436.74 million. This performance includes a better than expected turnaround in revenue levels from **CaroTrans** (our wholesale seafreight business) and an improving **Domestic Transport** contribution.

Our **Logistics** operations have extended their warehouse footprint from 49,000m² to 59,000m² to accommodate a growing portfolio of new customers.

The **Transport** operation is developing its expedited LCL freight network across 22 branches, but particularly concentrating on its dedicated road and rail line-haul and PUD (pick-up & delivery) services to the largest six branches of the network, all the largest cities of their respective states.

Our **Air & Ocean** business has extended its presence across the region and has improved normal trading revenues when excluding large one-off airfreight projects that were a feature of the prior year.
CaroTrans has progressed well through its transition to new leadership, and has a well-defined strategy to improve quality, be more customer focused, and lift sales performance. Profitability is not back at the peak levels of 2014, but our expectations are high that we have a restructured business, better focused and capable of achieving our expectations.

We remain confident of the momentum we have in the USA, albeit requiring a great deal of patience while we establish a stronger foothold across all four divisions.

**Group Operating Cash Flows**

Operating cash flows were $140.24 million, up from $131.23 million last year, reflecting increased profitability.

Net debt is $196.85 million, down from $212.94 million, a reduction of $16.09 million. Gearing ratios improved from 24.8% to 21.70%.

During the year net capital expenditure totalled $64.68 million, with expenditure for land and buildings accounting for $20.19 million, plant and equipment of $26.81 million, and information technology of $17.68 million.

It is our expectation that capital expenditure required for the 2019 financial year for property development will likely be in the vicinity of $105 million, as indicated in early commentary. Non-property related expenditure, including software development, will be approximately $45 million.

**Dividend**

The Directors have approved a final dividend of 26.0 cents per share fully imputed at the 28% company tax rate, with the books closing on 13 July 2018; payment will be made on 20 July 2018. This takes the full dividend for the year to 45.0 cents per share; a 9.8% increase year on year.
Outlook
This result, yet another record, is a highlight in our journey to create a global logistics business. A fitting tribute as we celebrate our 40th year in business.

The decisions we have taken through the year to invest considerably in the intensification of our network, and to develop facilities and infrastructure to cope with ongoing growth aspirations, are significant and a reflection of the confidence we have in our people and strategies.

These investments will ensure our people have the resources to provide the high quality logistics services our customers require.

In recognition of the commitment and performance of our people, this result allows us to pay our largest ever discretionary bonus to our team, up 7.4% to $20.70 million. In New Zealand and Australia, we have always paid above the minimum and living wage levels, however we have chosen to further lift salaries for those at the lower end of our pay range, with an additional boost over and above our usual annual salary increase this year.

Such investments in infrastructure and remuneration do not come without risk, and associated increases in overhead costs. We have full confidence in the ability of our team of people across the world to counter those increases by improving sales, finding efficiencies and by delighting our customers.

We expect to continue to extend our global footprint, and where openings arise we will take the opportunity to establish ourselves in more countries.

We are confident of our development and growth for the future – the next 100 years.

Mainfreight will release its financial results for the first half of the 2019 financial year to the market on 14 November 2018.

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