Commentary
Mainfreight is pleased to report our six monthly results to 30 September 2016. This result continues our trend of producing better financial performance year on year.

- Total revenue (sales) increased 2.5% over the same period last year, to $1.14 billion (excluding foreign exchange effects, the increase is 4.2%).
- EBITDA improved 20.6% to $86.35 million (excluding foreign exchange effects, an increase of 22.1%).
- Net profit (before abnormals) improved accordingly, up $9.18 million to $42.33 million; an improvement of 27.7%. Abnormal costs of $0.48 million after tax were incurred in respect of labour restructuring.

These financial results are in line with the trading update presented to the market on 12 October 2016.

EBITDA performance in the first half year has improved across all regions, with only the Americas disappointing with single digit growth. Results from New Zealand were particularly pleasing. Trading in October has continued the improvement trend shown in this result.

Overall revenue levels were affected by the decrease in ocean freight rates internationally. The impact, by our estimation, is in the vicinity of $27 million, and applies to the freight portion only. Actual trading volumes have increased across our international Air & Ocean markets.
Divisional Performance (figures in local currencies)

New Zealand (NZ$)
All New Zealand operations continued to show improved financial performance and gains in market share. Gross margins were increased and strong management of overhead costs contributed to this excellent result.

Total revenue for the New Zealand division was up 6.1% at $287.55 million, while EBITDA improved 28.2% to $37.16 million, an increase of $8.17 million compared to the same period last year.

Domestic Transport freight volume growth continues as we secure additional market share. It is expected that pre-Christmas volumes will be at record levels for the business, necessitating additional road and coastal shipping resource to offset a lack of rail capacity.

In the Logistics business, warehousing utilisation is much improved, and our Air & Ocean business maintained steady progress with increased volumes and gross margins. Import growth currently exceeds exports, with the focus on growing our own international network providing volume and sales impetus. It is expected that this trend will continue as the network continues to develop, particularly in Europe and the United Kingdom.

Australia (AU$)
Whilst sales revenues have not grown as aggressively as we would have liked, margin improvement and better cost control have seen pleasing financial performance from our Australian division.

Sales revenues were up 3.6% to AU$257.65 million, and EBITDA levels improved 22.1% to AU$16.09 million. Margin levels were better in all three businesses, particularly in our Logistics operations where current customer demand requires us to expand into additional facilities.

Trading through October for the Australian business is acceptable, with all three divisions ahead of the prior period.
Asia (US$)
Our Asian operations continue to perform satisfactorily, particularly during the first three months of the half year. Changes in airfreight demand saw performance decline during the last three months.

Sales revenues (after eliminating inter-company revenue) increased 45.3% to US$31.45 million. When the inter-company revenue is included, sales growth improved 32.9% over the same period in the prior year. EBITDA levels improved 20.7% to US$4.73 million.

Trading for October reflects similar levels to the previous three months and is satisfactory. Growth activity remains focused on further Air & Ocean development across the USA and European trade lanes.

The Americas (US$)
Our American interests have not seen the levels of growth and profitability that the rest of our network has experienced.

Due to the large exposure to international shipping through the Mainfreight Air & Ocean business and the NVOCC operations of CaroTrans, sales revenues declined 0.9% to US$226.10 million.

Results were better at the EBITDA level, improving 4.5% to US$9.81 million.

Improving margins in our Domestic transport operations, with a small increase in sales, has assisted the business to better profitability from the same period last year. An increased focus on new sales gains is imperative to complement our investments in the domestic freight and logistics markets of the USA.

In the Logistics business, warehousing utilisation has improved with a number of customer gains assisting the development of our facilities in New Jersey.

The Air & Ocean business continues to take market share and is focused on further development of the Asian and European trade routes.
The management restructure for CaroTrans has placed a strong emphasis on revenue growth and improving branch management performance. A lift in customer booking statistics through October and into November is encouraging.

**Europe (Euro €)**
Our European operations continue to provide better financial performance.

Sales revenues improved 4.4% over the same period last year to €136.47 million, and EBITDA totalled €7.65 million, up 29.7%.

Strong improvements in our **Logistics** operations has assisted this result. Continuing sales success and further inquiry from prospective logistics supply chain customers has seen the need to further develop warehousing capacity with two new sites under development.

**Domestic** forwarding also shows progress, with incremental (albeit small) gains in our Belgian operations.

In the **Air & Ocean** business, financial performance remains stable as we intensify our network in the United Kingdom and Germany, continuing our strategy of replacing agents with our own operations.

Trading in October remains in line with the current financial improvements and we expect this to continue for the remainder of the year.

**Group Operating Cash Flows**
Operating cash flows were NZ$52.03 million compared to the prior year’s half year figure of NZ$45.93 million.

During the half year, net capital expenditure totalled NZ$27.91 million, of which NZ$11.78 million related to property development.
Dividend
The Directors of Mainfreight have approved an interim dividend of 17.0 cents per share, up 3.0 cents on last year’s interim dividend level, reflecting the increase in profitability in this result.

This dividend will be fully imputed and will be paid on 16 December 2016, with books closing on 9 December 2016. A supplementary dividend will be paid to non-resident shareholders.

Outlook
This strong first half result reflects improving margins and satisfactory cost management across most business units.

Sales growth remains a priority for the Group, with programmes underway to develop our regional sales teams, and a focus on driving network activity.

While the impact of decreasing ocean freight rates has an effect on our Air & Ocean divisions, our international trade volumes are on the increase. In our Domestic Transport and Logistics (warehousing) operations, margins and revenues are improving. Developing our customers’ requirements across our full supply chain offering is having some success, particularly where we are providing high quality warehousing services.

Trading across the Group in October has seen a continuation of the performance improvements made over the first six months.

Pre-Christmas volumes are strong and it is our expectation that current momentum will be continued, giving us confidence that we will deliver an improved full year 2017 result.

Mainfreight will release its financial results for the full 2017 financial year to the market on 30 May 2017.

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