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MAINFREIGHT LIMITED

Financial result for the twelve months ended 31 March 2024 (Unaudited)

Commentary

Mainfreight is pleased to confirm our full-year financial results to 31 March 2024; a result broadly in line with our expectations and as signalled during our half-year release. Trading has improved during our second half, particularly across our Australasian businesses. Weakness in trading has continued in Asia, Europe, and the USA.

Result Summary:

Revenue	$4.72 billion	Down 17%
Profit before tax	$395.4 million	Down 33%
Net profit before abnormals	$277.9 million	Down 35%

- Adjusted for foreign exchange impact, group revenue is down 18%, and profit before tax is down 33%.
- An abnormal accounting (non-cash) adjustment of NZ$69 million relating to the tax treatment of depreciation on New Zealand owned property.
- Operating cash flows declined from $757 million to $505 million and reflects the reduction in profitability for the period.
- A final dividend of 87.0 cents per share has been authorised by the Board of Directors, payable on 19 July 2024.

This result is in line with our expectations as freight volumes and international sea and air freight rates normalise from the peaks experienced during 2022/2023. We are satisfied with the momentum and progress in New Zealand and Australia, but remain disappointed with our performances in Asia, USA and Europe, where our market share remains small.

Freight Volume Analysis – FY24 v FY23

	Full year
Total Air freight kilos	up 4.5%
Total Sea freight TEUS	up 4.7%
Total domestic Transport tonnes	down 6.2%
Total Warehouse orders picked	up 12.3%

We have grown a larger business, attracted more customers and increased our operational capacity. However, our ability to convert this to more meaningful long term profitability during this past year has been disappointing. No matter the prior year's record performance, we should have performed better.

Group Operating Cash Flows

Operating cash flows were $505 million, down from $757 million in the prior year, reflecting decreased profitability, and working capital movements. Cash collection remained at satisfactory levels.

Current debt facilities total $501 million, of which $148 million was drawn. Net funds at 31 March 2024 was $22 million compared to net funds of $123 million last year. Gearing ratios continue to remain satisfactory.

Net capital expenditure totalled $254 million, with expenditure for property accounting for $128 million, warehousing racking and fit-out costs of $59 million, and plant, equipment, and software of $67 million.

We continue to invest in our network and the infrastructure associated with it. We expect capital expenditure through to the end of 2026 will total $509 million, of which $390 million relates to property, racking and fit-out costs.

This is allocated between regions as:

NZ	$159 million
Australia	$104 million
Americas	$ 83 million
Europe and Asia	$ 44 million

Property settlement delays in Europe and building/construction delays will see some capital expenditure investments continue into 2026 and 2027. Additional leased facilities are added to the network where suitable.

During this current year, the branch network has increased by 6 to 337 branches. We opened in Mumbai, India during September 2023, taking the number of country locations to 27.

Dividend

The Directors have approved a final dividend of 87.0 cents per share fully imputed at the 28% company tax rate. With the record date on 12 July 2024, payment will be made on 19 July 2024. This brings the full dividend for the year to 172.00 cents per share, in line with the prior year.

Discretionary Bonus

The payment of discretionary bonuses based on satisfactory profit results remain a key part of who we are. We wish to reward those who help create profit. Unfortunately, this year's results see many branches across our network contributing less profit than the year prior. Therefore, only $25 million will be shared with the team members of branches that qualify. A decrease of 68%, or $55 million from the year prior.

Divisional Performance (figures in local currencies)

New Zealand (NZ$)

Revenue	NZ$1.12 billion	Down 12.5%
Profit Before Tax	NZ$148.7 million	Down 12.2%

We continue to have a resilient business in New Zealand. Whilst some customer freight volumes declined post their peak, we continued to grow market share and further extend our capability across New Zealand.

New **Warehousing** capacity has been filled with four new sites currently in plan and for construction, providing capacity for growth.

Three new **Transport** sites under construction in Auckland will improve our capability and efficiency, two will be operational mid-2024. Our new Auckland rail-served inland port and international container cross-dock operation has opened post year-end.

Our **Transport** business is a significant user of rail across the length and breadth of New Zealand. The current fiasco surrounding the future of both the rail ferry services across the Cook Strait and rail services south of the Waikato are unsettling. The loss of rail services between the North and South Island would see Mainfreight add 5,700 additional truck and trailer journeys per annum on the road, putting significant pressure on the already fragile roading network. New Zealand's roading infrastructure will not cope in the absence of rail.

Air & Ocean revenues, while reduced, have been boosted by market share gains. This has seen increased volumes across air and sea freight.

Current trading across all New Zealand businesses is satisfactory and is in line with the prior year.

Australia (AU$)

Revenue	AU$1.29 billion	Down 8.7%
Profit Before Tax	AU$128.5 million	Down 6.1%

Our development across Australia has been significant, despite the normalising of freight volume and freight revenues during the year.

Our **Transport** network is considerable and has the reach and capability to provide meaningful growth. Some regional branches are yet to provide profitability, but such is the consequence of network development. We continue to gain LCL freight market share and are now providing services across rail, full truck, and wharf cartage services. Construction is expected to commence on our new Brisbane cross-dock mid-2024, with completion early 2026.

Warehousing capacity has increased to 355,000 pallets across Australia, an 18% increase. Our newly commissioned site at Moorebank, Sydney is setting the example of size, capacity, automation, and sustainability initiatives.
Our **Air & Ocean** capability continues to increase. Performance in this past year has been satisfactory with profitability improving. The growth of perishable airfreight continues to strengthen and complement what our New Zealand perishable network produces.

Current trading across Australia is satisfactory and ahead of the prior year.

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

Revenue	US$639.1 million	Down 33.4%
Profit Before Tax	US$21.8 million	Down 75.6%

We continue to have disappointing results across our USA businesses.

Transport remains our poorest performer. While attracting more customers and freight tonnage, we have yet to find acceptable margins due to poor linehaul utilisation and lack of long-distance freight tonnage. We have much to do to improve the efficiencies with our USA **Transport** network.

Warehousing operations performed in line with the year prior. Larger warehouses have provided scale with increased capacity being secured for further growth. We are yet to convert enough transport opportunities from our warehousing customers.

Air & Ocean benefited considerably during the increase in Trans Pacific trade activity (China to USA). As this decreased, so too our revenue and profitability performance. Increasing our diversity of trade lanes, more Trans Atlantic volume, less reliance on FCL volume from China, and continuing to grow LCL freight consolidations, remain important to our growth aspirations.

Our new airfreight perishable branch in Los Angeles is operational and attracting customers.

CaroTrans LCL volumes have declined as low FCL container rates attract customers to ship smaller volumes in full containers. This is normal cyclic ocean freight rate behaviour that we have experienced in the past. CaroTrans sales activities have increased to counter this downturn. Renewing and improving our CaroTrans agent network internationally has been completed. This provides a more stable and productive network for the future.

Our Canadian, Mexican, and Chilean markets have had disappointing levels of growth. Stronger sales activities across the network are underway to attract customers in each of these countries.

Trading remains disappointing into the new financial year. The Americas remains important to our international expansion strategies, and we continue to be committed to the region.

<u>Europe</u> (Euro €)

Revenue	€557.2 million	Down 11.6%
Profit Before Tax	€27.9 million	Down 40.5%

Sluggish domestic and international freight tonnage have contributed to a disappointing profit performance from our European operations.

Warehousing activity has grown marginally, albeit profitability declined as additional overheads were incurred from new warehousing developments.

Transport volumes declined from their peaks the year prior, particularly in and out of Germany, France, and Poland. We have increased our branch network within the Netherlands for greater efficiency. We are focused on a stronger sales effort to improve market share and vehicle utilisation.

Air & Ocean activity has been modest in comparison to the peaks of the prior year. Airfreight volumes are on the increase, and we are seeing increased sea freight activity from Asia. Our network is located across eight European countries. Sales opportunities remain strong in each country.

Europe continues to be a key component of our international network development. A stronger sales focus from our team will provide improved returns over time.

Current trading continues to disappoint.

<u>Asia</u> (US$)

Revenue	US$96.5 million	Down 36.8%
Profit Before Tax	US$13.9 million	Down 52.2%

Our Asian operations are **Air & Ocean** focused. We are developing a number of warehouses but have much to do to establish a credible and sizable **Warehousing** operation.

The reliance on China to USA exports, particularly FCL commodities, is changing as we develop stronger capabilities across South East Asia and India, developing air and ocean services into and from Europe, USA and Australasia.

CaroTrans has now opened a number of branches within China to complement CaroTrans USA agency requirements.

Airfreight tonnage is growing, complementing our well-established sea freight capability. We now are “on airport” across a number of our locations. This assists the development of our airfreight capability.

We remain pleased with development in Japan, Thailand, and Malaysia.

Asia remains an important location and connection for our international network. We now reside in 11 countries within the region. Whilst “near shoring” for manufacturing, and production for the US market is creating uncertainty for trade on the Trans Pacific, there remains significant tonnage and logistical requirements from our customers to provide plenty of incremental growth.

Current trading is satisfactory.

Tim Williams retirement

Tim Williams, our CFO for the past thirty years, retires at the end of June. Tim has been our CFO since shortly after the acquisition of Daily Freightways in 1994, and prior to that held various finance roles since 1984. His integrity, honesty, and attention to detail has been exemplary. He played an important role in the public listing of Mainfreight in 1996, a significant milestone in our company’s history. Each step of the way, Tim has adeptly handled diverse and complex accounting jurisdictions in different countries, and his expertise has been crucial in our expansion across 27 countries.

As Tim approaches his well-deserved retirement, we reflect on his tremendous contributions to Mainfreight. We salute Tim and are very grateful for his role in our journey.

Graeme Illing, our New Zealand Financial Controller, is appointed to the role of CFO. Graeme, who started with Mainfreight in May 2000, has been transitioning to the role over these past few months.

Investor Day

It is our intention to hold an “Investor Day” for our investment community in Dallas, Texas, USA on Monday 7 October. Site visits and management presentations will be provided.

Registration of interest should be made to Sharon Walshe at sharon@mainfreight.com by the end of August 2024.

Outlook

As was well signalled, we embarked on this financial year well-aware of the challenges and the expected deterioration in international freight rates and domestic freight tonnage. It has been and remains a demanding operating environment when compared to the prior two years. We expected to do better.

Despite these challenges, the peak freight congestion of 2022/2023 has provided a period of significant growth, new customers, and improvements for our business. The results of 2024 surpass the results of 2021 by a significant quantum.

Supply chain management has emerged as a critical strategic decision among our customers. They now seek greater resilience and are diversifying their supply chains. Our established network across 27 countries offers good capability across the varying supply chain requirements. We continue to attract new customers across our network and are confident of ongoing growth.

We continue to invest in land and buildings, including leased facilities where required. The total capital expenditure is NZ$255 million through to the end of 2025.

Our network expansion will continue to be carefully managed as we look to improving returns rather than expansion for the sake of it.

Trading post results is satisfactory, and we remain confident of our medium to long term growth opportunities.

Mainfreight will release its financial results for the first half of the 2025 financial year to the market on 13 November 2024.

For further information, please contact Don Braid, Group Managing Director,
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