

ANNUAL REPORT 2014

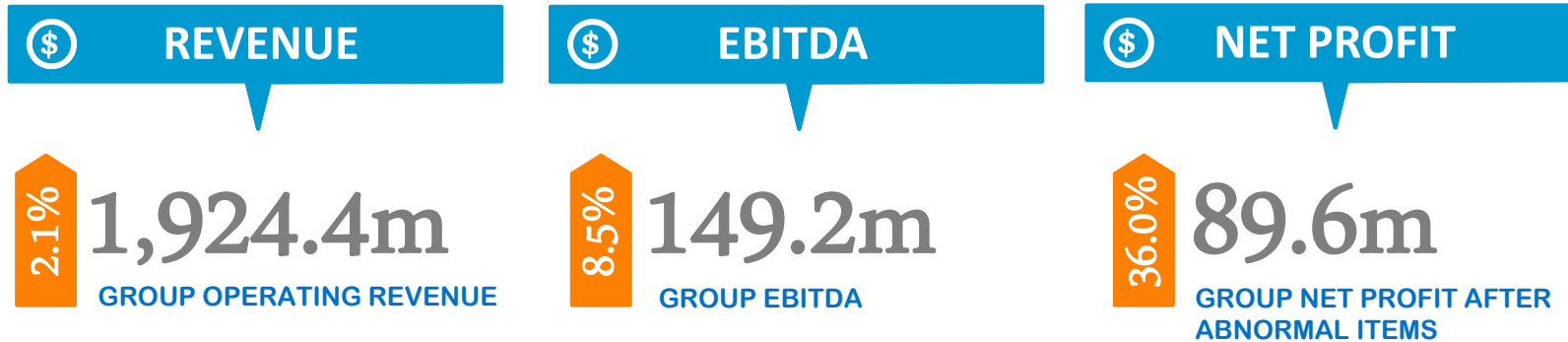
MAINFREIGHT LIMITED  
ANNUAL MEETING OF  
SHAREHOLDERS

30 JULY 2014

**MAINFREIGHT**



# Result Summary



# Full Year Analysis: Revenue

\$000	THIS YEAR	LAST YEAR	VARIANCE	
New Zealand: NZ\$	505,189	473,870	6.6%	↑
Australia: AU\$	458,473	433,229	5.8%	↑
USA: US\$	363,565	357,487	1.7%	↑
Asia: US\$	37,704	29,900	26.1%	↑
Europe: EU€	250,721	244,740	2.4%	↑
<b>Total Group: NZ\$</b>	<b>1,924,407</b>	<b>1,885,672</b>	<b>2.1%</b>	<b>↑</b>
			<b>(excl FX) 4.8%</b>	<b>↑</b>

# Full Year Analysis: EBITDA

\$000	THIS YEAR	LAST YEAR	VARIANCE	
New Zealand: NZ\$	67,375	59,924	12.4%	↑
Australia: AU\$	35,191	30,458	15.5%	↑
USA: US\$	18,853	16,920	11.4%	↑
Asia: US\$	3,523	2,603	35.3%	↑
Europe: EU€	8,922	9,456	(5.6)%	↓
<b>Total Group: NZ\$</b>	<b>149,187</b>	<b>137,454</b>	<b>8.5%</b>	<b>↑</b>
			<b>(excl FX) 11.7%</b>	<b>↑</b>

**Note** – Europe saw significant improvement in EBITDA in the second half, of 18%

# Balance Sheet Summary

\$000	THIS YEAR	LAST YEAR
Total Assets	975,827	942,960
Shareholders Equity	442,220	389,232
Property, Plant & Equipment	403,591	368,607
... of which Property is	352,000	315,000
Net Debt	208,594	237,247
Gearing Ratio (Debt to Debt + Equity)	32.1%	37.9%

Total dividend per share increased from 27 cents to 32 cents

# Capital Management ...

Capital Expenditure Expectations FY15		NZ\$ million
<b>Total Capital</b>		<b>\$128</b>
<b>Property</b>		
- Christchurch	Completion	\$12
- Auckland (Westney Rd)	Extension	\$16
- Hamilton	Land & Building	\$28
- Dunedin	Building	\$10
- Hamilton	Disposal	\$(7)
- Palmerston North	Disposal	\$(2)
<b>New Zealand</b>		<b>\$57</b>
<hr/>		
- Brisbane	Completion	\$5
- Melbourne	Land(2) & Building	<u>\$41</u>
<b>Australia</b>		<b>\$46</b>
<b>Total Property</b>		<b>\$103</b>
<b>Other</b>		<b>\$25</b>



Larapinta QLD



# Capital Management ...

## FUNDING

### Debt Restructure and Refinancing

- Four banks vs two:
  - CBA
  - Westpac
  - HSBC
  - BTMU (Bank of Tokyo-Mitsubishi)
- Debt facilities to \$450m from \$390m
- Five year term (evergreen)
- Interest cover 17 x



# New Zealand



## REVENUE

2014: \$505.2m  
2013: \$473.9m

## EBITDA

2014: \$67.4m  
2013: \$60.0m

- Domestic Transport volumes up, despite rail/ferry disruptions
- FMCG sector, hardware and building-related tonnage
- Logistics division improved warehouse utilisation
  - New warehouses in Auckland and Christchurch to assist growth
  - Ambient/Chilled – food products
- Air & Ocean increased revenues across all modes
  - Increased market share on Asian inbound trades



# New Zealand Building Projects



***Christchurch Rebuild – Freight site due for completion September 2014;  
full site May 2015***



# New Zealand Building Projects



***Westney Road – New Warehouse – due for completion April 2015  
providing Ambient/Chilled food-grade capability***



# New Zealand Building Projects



*Hamilton New Build – due for completion May 2015*



# New Zealand Outlook



- Expect improving performance
- Entry into new grocery supply chain for chilled/ambient food groups
- Logistics will face increased costs of new facilities
- Air & Ocean growth, particularly inbound from Asia



# Australia (AU\$)



## REVENUE

2014: \$458.5m  
2013: \$433.2m

## EBITDA

2014: \$35.2m  
2013: \$30.5m

- Reasonable performance across all divisions
- Domestic Transport removed parcel freight
  - Parcels created inefficiencies for network and margins
- Chemcouriers business is growing – a key differentiator
- Logistics division produced pleasing revenue and profit growth
- Air & Ocean strengthened via Perishable airfreight product offering

# Australia Building Projects



***Prestons, Sydney – Extension – Complete***



# Australia Building Projects



***Larapinta, Brisbane – New Build – Complete May 2014***









# Australia Building Projects



**Melbourne – Land purchase in Epping; a second site required**



# Australia Outlook



- Increased sales activity
- Building costs will impact first half results for Logistics and Transport
- Stronger emphasis on quality throughout the business
- Air & Ocean growth; market share improving, Perishable capability
- Expecting strong long-term growth; infrastructure investments assisting



# The Americas (US\$)



## REVENUE

2014: \$363.6m  
2013: \$357.5m

## EBITDA

2014: \$18.9m  
2013: \$16.9m

- Sales revenue increase disappointed
  - Ocean freight rate fluctuations
  - Domestic sales performance poor
- CaroTrans improved margins
  - Better container utilisation
  - Improved linehaul negotiation
  - Growth of imports
- CaroTrans increased groupage services
  - From China, Korea and France
  - Initiated services into the Caribbean

# The Americas ... continued



- Western Europe a priority for CaroTrans
  - Capability to drive growth from EU
- Mainfreight Domestic performance less than satisfactory
  - Improved in the last quarter of FY14
  - Introducing greater volumes of LTL (everyday freight)
  - Commitment to more direct linehaul
- 3PL warehousing services requiring development
  - Purpose-built facilities
  - Removal of warehousing from freight facilities over time

# The Americas – Capital Expenditure



- No property expenditure planned for 2015 financial year
  - All premises are currently leased
  - As growth continues, our “owned” property strategy will become clearer

# America – Operations





# America – Operations



# America – Operations



# The Americas Outlook



## MAINFREIGHT

- Mainfreight USA sales growth improving
- Entry into 3PL warehousing to bolster supply chain activity and opportunity
- Expect Air & Ocean business to grow substantially targeting European and Asian trade lanes

## CAROTRANS

- CaroTrans expect similar year on year returns
  - Network development in Western Europe a priority
  - Import growth is a key strategic initiative

# Europe (EU€ )



## REVENUE

2014: €250.7m  
2013: €244.7m

## EBITDA

2014: €8.9m  
2013: €9.5m

- Full year sales revenue up 2.4%; EBITDA disappointed
- Second half of the financial year better; EBITDA up 17.9% year on year
- Domestic Forwarding growth inhibited by Belgian performance; closure of Antwerp branch will assist
- Logistics and Air & Ocean both improving performance
- Pan-European Forwarding improving
  - Customer gains – food sector
  - Last round status in large multi-national tenders

# Europe – Capital



€51.8m

Total Europe Land & Buildings (Owned)











# Europe Outlook



- Improvement from Europe in the medium to long term
- Belgium cost-out initiatives improving Forwarding results
- Pan-European sales activity already showing in early FY15 results
- Air & Ocean growth, and expect profitability this year
  - Opened in Germany for USA and Asia trade
- Logistics continuing to see better margin and sales
- Sales opportunities remain strong
- New technology commitments for Transport



# Asia (US\$)



## REVENUE

2014: \$37.7m  
2013: \$29.9m

## EBITDA

2014: \$3.5m  
2013: \$2.6m

- Network expansion: first branch opened in Thailand, and development in Taiwan
- Trade lane growth to and from USA
- Primarily Air & Ocean focused
  - No direct domestic or warehousing (third-party relationships)
- Focus to grow very strong Air & Ocean capability

# Asia Outlook



- Expect strong growth to continue
- Asia / Europe trade lane growth a key focus
- Southeast Asia network development a priority
  - Regional management structure
  - Vietnam, Malaysia and Philippines under consideration



# Global Trade Network



# Global Network Growth Strategy

- Air & Ocean business offers greatest potential for growth
- Preference is given to trading within the Group rather than through agencies
  - Strengthens network
  - Improves ability to negotiate
  - Profit retained within the Group
- Developing our Perishable airfreight network

# Technology

- Continuing investment in Technology
  - Delivers ongoing efficiency and productivity gains
  - Provides customers with transparency across the full supply chain
  - Ensures competitive advantage
- Spend in 2014 year of \$11.5m included
  - All Air & Ocean divisions on common database platform
  - Mainfreight USA – new fully integrated Domestic software
  - Customer portal upgrade (Mainchain) completed
- Planned projects in the near-term
  - Transport management system for Europe
  - Update New Zealand & Australia Domestic software

# Our People

- Our greatest asset; our culture recognises this, ensuring leaders for the future
  - Targeted recruitment
  - Training
  - Promotion from within
- Our team of 5,771 people in 233 branches around the world are expected to take on as much responsibility as possible



# Leadership Team

## Experience, Passion, Dedication



Craig Evans & Carl George  
New Zealand

NZ = 1,864 People



Rodd Morgan, Australia

AU = 1,247 People



Mark Newman, Europe

EU = 1,823 People





# Leadership Team

## Experience, Passion, Dedication



Michael Lofaro, Asia

AS = 242 People

Greg Howard, CaroTrans



US = 595 People



John Hepworth, USA



# Leadership Team

## Experience, Passion, Dedication



Kevin Drinkwater, IT

IT team: 74



Martin Devereux, Team

Training team: 33



Tim Williams, CFO

Smallest accounting team ever!



# A Little Bit of Culture

## “The Way we Do Things Around Here”

- We aspire to be a 100-year Company, and this drives our decisions
- We seek to delight our customers
  - Under-promise and over-deliver
  - Quality focus and measurement, set high standards and beat them
  - “Easy to Do Business With”



# A Little Bit of Culture ...

- Our people are key
  - Training and development
  - Promotion from within to maintain our culture and key to retaining our people
  - Profit sharing; profit comes from hard work, not talk
  - Bureaucracy, hierarchy and superiority not tolerated
  - Morale is the catalyst for our culture
- Branch P&L accountability and responsibility
  - Weekly profits, margin and revenue focus
  - No cross-subsidization between branches or divisions
  - Long-term profit focus builds a business that will endure
- Keep re-inventing ourselves with time and growth
- We have created a Mainfreight Aussie culture, and one for Asia, and one for the USA ... and now, one in Europe



# Group Outlook

## SHORT-TERM

- Expect all regions to out-perform last year
  - Trading in first 3 months – good improvement on prior year's low base
  - All regions EBITDA up on prior year; 10+% overall
  - Our challenge is to carry this improvement across the full year
- Capex for New Zealand/Australia of \$100+ million to complete infrastructure required for growth

# Group Outlook

## MEDIUM TO LONG-TERM

- Expect Asia, USA and Europe to provide significant growth
- Air & Ocean to play a bigger role
- Australia will exceed New Zealand earnings

# To Close

- We have ambitions to be in every major trading nation of the world
- New Zealand, and now Australia, providing useful profit capability to assist our off-shore growth
- High quality freight services delivered by a team of passionate, energetic, intelligent people who forge long-term careers with us
- Acquisitions may well help our growth
  - Must fit the Mainfreight jig-saw
  - Organic growth preferred
- Asia, USA, Europe
  - High expectations of all three
  - Air & Ocean growth important to our aspirations

WE WILL CONTINUE TO SEEK  
GROWTH AND EXCELLENCE;  
AND PROFIT WILL COME

**BRUCE PLESTED,**  
Executive Chairman