



MAINFREIGHT LIMITED
HALF YEAR RESULT
TO SEPTEMBER 2013



Result Summary

- Revenue up 1.7% to \$952.70 million (excluding FX, up 4.0%)
 - Steady growth in New Zealand, Australia and Asia
 - Disappointing result from USA and Europe
- EBITDA \$63.30 million, up 3.7% (excluding FX, up 6.1%)
- Net surplus before abnormal items \$29.87 million, up 7.7%
 - Abnormals total \$11.96 million after tax
- European results:
 - Revenue in line with previous year
 - EBITDA down 24.5%; low-margin accounts and level of fixed cost within the business
- Interim dividend of 13 cents per share
 - Books close 6 December 2013; payment on 13 December 2013

Cash Flow

| NZ\$ million | This Year | Last Year |
|---------------------|------------------|------------------|
| Operating cash flow | 42.67 | 31.28 |

- Total capex \$29.17 million, of which property development accounted for \$20.37 million

Half Year Analysis: Revenue

| \$000 | This Year | Last Year | Variance | |
|--------------------------|------------------|------------------|-----------------|----------|
| New Zealand: NZ\$ | 243,147 | 228,289 | 6.5% | ↑ |
| Australia: AU\$ | 224,246 | 209,418 | 7.1% | ↑ |
| Asia: US\$ | 18,532 | 14,749 | 25.6% | ↑ |
| USA: US\$ | 178,119 | 182,044 | 2.2% | ↓ |
| Europe: EU€ | 124,748 | 122,356 | 2.0% | ↑ |
| Total Group: NZ\$ | 952,699 | 936,371 | 1.7% | ↑ |

Excluding FX, Group Revenue up 4.0%



Half Year Analysis: EBITDA

| \$000 | This Year | Last Year | Variance | |
|--------------------------|------------------|------------------|-----------------|----------|
| New Zealand: NZ\$ | 27,655 | 24,186 | 14.3% | ↑ |
| Australia: AU\$ | 14,081 | 13,023 | 8.1% | ↑ |
| Asia: US\$ | 1,820 | 1,373 | 32.6% | ↑ |
| USA: US\$ | 8,403 | 8,123 | 3.5% | ↑ |
| Europe: EU€ | 3,968 | 5,255 | 24.5% | ↓ |
| Total Group: NZ\$ | 63,302 | 61,061 | 3.7% | ↑ |

Excluding FX, Group EBITDA up 6.1%

New Zealand

- EBITDA and Revenue improvement across all divisions
- Domestic freight volumes continue to strengthen
 - Expect strong Christmas volume increases
 - Rate review successful
 - Interislander ferry disruption; expecting KiwiRail to assist via other modes although slower transit times expected
- Logistics/warehousing at maximum capacity
 - Additional facilities in planning process (Auckland)
 - Stage one of Christchurch facility reconstruction assisting

New Zealand ...

- Air & Ocean continuing to gain market share
 - FCL volumes down
 - Growth in LCL, Air-freight and Import volumes in particular
 - October/November trading up 9.6% EBITDA

Australia

- EBITDA and Revenue improvement dominated by Air & Ocean and Logistics
- Domestic Transport revenue and EBITDA at prior comparable period levels, as effects of parcel freight were addressed
 - Parcel removal saw loss of annualised revenues of AU\$10 million (from June 2013 onwards)
 - Improvement in gross margin: 2+ points
 - Improvement in cost management (PUD)
 - Growth of Chemcouriers business pleasing

Australia ...

- Logistics business – additional costs in September due to new customers and warehousing changes
 - Profitability continuing to improve
 - New warehouse sites in Brisbane and Sydney will assist growth aspirations/requirements
- Air & Ocean – growth as Asian seafreight rates hold steady
 - Gross margins on par with prior year
 - Airfreight growth across Export and Import trades
 - Strong Seafreight Import growth
- Trading across all divisions further improved in October, and now into November

Asia

- Better than expected result from Asia
 - Good growth in both Air and Sea Imports
 - Gross margins much improved
 - Taiwan contributing satisfactorily
 - All branches ahead of prior year
- Expect more growth from in-country sales as new sales teams become effective
- European trade lanes are a key focus for growth
- Asia/Australasia seafreight rates holding steady
- Asia/US airfreight space limited (Technology)

Americas

- CaroTrans contributing to EBITDA performance
 - Low Export FCL volume affecting revenue
 - Strong margins for LCL container utilisation assisting profitability
 - Import volumes up in both FCL and LCL; now at 14% of total revenue

Americas ...

- Mainfreight
 - Domestic and Air & Ocean revenues flat
 - Gross margins improved in both products
 - Overhead cost structures increased, new branch development
 - Initiatives in place to better manage cost structures
 - Stronger sales focus required for both Domestic and Air & Ocean
 - Sales team dedicated to each division
 - Expect stronger performance from the 6 key branches
 - New Domestic operating software up and running, with limited disruption

Europe

- Disappointing result as competitive landscape and economic slowdown inhibit growth/recovery
- Retention of customers is key
- Revenue growth has occurred in Logistics and Air & Ocean; up 14.8% and 8.6% respectively. Forwarding down 3.5%
- Overhead cost structures up in Logistics as new customers introduced
- Gross margins flat in Forwarding and Air & Ocean; down 1.5% in Logistics (food & beverage)
- Restructured sales teams – new management for Forwarding and Air & Ocean

Europe ...

- New Forwarding technology implementation in F15
- Will intensify Dutch domestic network for more efficiencies
- Belgium restructure seeing improved returns
 - Less people from April 2014
 - One less facility (Wommelgem)
 - Consolidation of Ostend site from two facilities to one
- Consolidation of our current position is key; management team focused on business improvement and sales growth

Outlook

- October and November (one week) sees EBITDA and revenue growth for New Zealand, Australia, Asia and CaroTrans USA
- Europe and Mainfreight USA still flat performance
- Expect Mainfreight USA to have stronger fourth quarter
- European initiatives will take longer to positively impact the P&L
- Stronger second half expected for Group results
- Earnings for full year expected to be an improvement on the prior year

Financial Calendar F14/F15

F14 – 12 months ended 31 March 2014

Annual Meeting of Shareholders

F15 – 6 months ended 30 September 2014

Release Date

28 May 2014

30 July 2014

11 November 2014