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MAINFREIGHT LIMITED
9 November 2023

Financial result for the six months ended 30 September 2023 (Unaudited)

Commentary

Mainfreight is pleased to confirm our half-year financial results to 30 September 2023. This result, whilst significantly reduced from the prior comparative period, reflects a more "normalised" trading environment from that experienced in the prior year, where exceptionally high freight volumes and rate structures overly inflated our trading results.

This return to a more normalised trading environment has seen results across our Air & Ocean and domestic Transportation categories decline. Our operations across the USA, Europe and Asia are the most affected.

Result Summary

Revenue	$ 2.36 billion	Down 21.6%
Profit before tax	$174.8 million	Down 42.1%
Net profit	$124.55 million	Down 42.6%

- Adjusted for foreign exchange impact, Group Revenue is down 23.0%, Profit before tax is down 42.5%, and Net profit is down 43.0%.
- Operating cash flows declined from $291.4 million to $186.8 million and reflects the reduction in profitability for the period.
- An interim dividend of 85 cents per share has been set by the Board of Directors, payable on 15 December 2023.

Supporters of Duffy BOOKS IN HOMES

This result reflects a well signalled downturn in freight demand and the subsequent reduction in Airfreight and Ocean freight rate levels.

Inflationary pressures have increased our cost to service, and net margins have reduced as a consequence. During the month of September, we have experienced small improvements in trading, particularly across our domestic freight networks in New Zealand and Australia. However, our American and European Transport operations continue to lag.

Group Operating Cash Flows

Operating cash flows were $186.8 million, down from $291.4 million in the prior comparative period. This reflects the profitability reduction. We continue to have satisfactory cash collection.

Net funds (debt) reduction has reduced to $20.9 million in funds, down from $122.8 million at 31 March 2023. Net debt of $26.3 million at September 2022.

Debt facilities total $499 million, of which $317 million remain undrawn. Current bank facilities have been extended to April 2028.

Net capital expenditure totalled $127 million for the half-year period to September 2023. Expenditure for land and buildings accounting for $55 million, warehousing racking and fit out costs of $39 million, plant and equipment of $20 million. Information technology had a spend of $13 million.

Dividend

The Directors have approved a final dividend of 85 cents per share, fully imputed at the 28% company tax rate. With the record date on 8 December 2023, payment will be made 15 December 2023.

Product Performance (NZ$)

Transport	Revenue:	$1,087.68 million	down 2%
	PBT:	$ 73.44 million	down 33%
Warehousing	Revenue:	$ 393.30 million	up 11%
	PBT:	$ 27.16 million	down 6%
Air & Ocean	Revenue:	$ 874.06 million	down 43%
	PBT:	$ 74.24 million	down 54%

Divisional Performance (figures in local currencies)

New Zealand

Revenue	NZ$557 million	Down 13.6%
Profit before tax	NZ$61.1 million	Down 18%

Transport volumes have marginally increased through the first half with September profitability exceeding the September month in the prior year. A sign of improvement.
Warehousing continues to trade ahead of the prior year with significant new customer gains underway, particularly for our new Favona, South Auckland site.
Air & Ocean trading has been satisfactory, relative to the decline in global trading.
Customer gains across the New Zealand business has been encouraging with a number of additional contracts pending.

Australia

Revenue	AU$633 million	Down 9.2%
Profit before tax	AU$ 56.5 million	Down 10.6%

Trading for the September month saw improved profitability in our domestic **Transport** and **Air & Ocean** operations with **Warehousing** marginally behind as new facilities are opened.
Whilst Australia has been our best performing region during the first half, we do expect a tougher lead into Christmas, as retail trading softens and industrial action at Ports by the MUA Union disrupts shipping and replenishment of retail warehouses.
November has seen the much-anticipated opening of our new Moorebank Warehousing site, which incorporates rail services ex the Port of Sydney and negates the need for a number of overflow warehouses.

The Americas

Revenue	US$325 million	Down 42.3%
Profit before tax	US$12.0 million	Down 79.7%

Our poorest performing division, with particularly disappointing performances from our **Air & Ocean** division and that of our **Transport** operations. **Warehousing** has performed satisfactorily.

The dramatic decline in **Air & Ocean** freight rates particularly on the Trans-Pacific East Bound trade from China has a marked impact on our results. Whilst restocking has seen forward orders improve gradually through until Christmas, we do not expect to see the levels of profitability obtained in the prior period in the near future.

As we reposition our domestic **Transport** operations, our margin performance has deteriorated, albeit freight volumes have increased. The quality margin of these volume increases is our challenge. Leadership in our **Transport** division has changed – Mitch Gregor, who has previously been in New Zealand Transport and Warehousing leadership roles has relocated to Chicago to find improvement and growth in our domestic **Transport** operations.

Warehousing activity and profitability has been satisfactory, including the consolidation of our Dallas warehouses to one 46,500 sqm site. Utilisation across the balance of warehousing sites provides opportunity for further development.

CaroTrans has seen a decline in LCL (Less than Container Load) freight tonnage. As Ocean freight rates decline, more LCL volume is being shipped in FCL (Full Container Load) form.

Strong sales activity continues across all four divisions, and we remain confident of the long-term opportunities across the region.

Europe

Revenue	€282 million	Down 13.7%
Profit before tax	€ 12.5 million	Down 46.6%

Improved trading across our **Warehousing** locations has been pleasing, with profitability improved on the prior period.

Unfortunately, this has been offset by disappointing results from our **Transport** network where driver overhead cost increases and reduced volumes have reduced profitability.

Air & Ocean performance has been impacted by reduced international volumes and rate decline, consistent with the other regions and the decline in global trading.
Sales activity, particularly for **Warehousing** inquiries has increased, requiring additional Warehousing sites in the medium term. Domestic Freight Rate increases are planned for January implementation.

Asia

Revenue	US$49 million	Down 51.3%
Profit before tax	US$6.6 million	Down 58.8%

Ongoing slowing freight demand continues to impact our financial performance in Asia – particularly due to the reliance on Transpacific freight volume from China to the USA.
Development across Southeast Asia continues, and our sales activities have been satisfactory. Refocussing our trade lane development to and from Europe and Australasia, is reducing our reliance on China and the Transpacific.
Post the half-year, our operations in Mumbai, India, have opened with a number of sales opportunities presenting themselves.

Outlook

This half-year result to September is one of our toughest, when compared to the prior period. Whilst this has been well signalled, we now see a more “normalised” trading environment in front of us.

Whilst the macro trading environment continues to be slow, our level of sales activities and opportunities provide confidence, as does the domestic trade improvements in Australasia.

Our strong customer verticals, particularly Food, Beverage, DIY, Perishable and Retail sectors, alongside our high-quality logistics global network services, are providing further opportunities. We remain committed to our prudent investment in our network facilities and technology developments. Strong management of margin and overhead costs remains key.

Recruitment of people has been closely managed and through natural attrition, our people numbers have declined by 500 post March 31, 2023.

Capital expenditure for the 2024 and 2025 financial years will reduce from $676 million to $563 million, a decline of $113 million from previous estimates, because of building delays and re-evaluation of development projects.

We expect our second six months of trading to improve, albeit marginally, and remain confident of our medium to long-term growth prospects.

Mainfreight will release its financial results for the full 2024 financial year on 29 May 2024.

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