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MAINFREIGHT LIMITED

10 November 2022

Financial result for the six months ended 30 September 2022 (Unaudited)

Commentary

Mainfreight is pleased to announce our half-year financial results to 30 September 2022. These are in line with our expectations and with the guidance provided to the market during our Investor Day on Friday 21 October 2022. Contributions from all five regions across our global network are positive and continue to provide confidence.

Revenue	$3 billion	Up $729 million or 32%
Profit before tax	$301.71 million	Up $120 million or 66%
Net profit	$217.02 million	Up $ 86 million or 66%

- Adjusted for foreign exchange impact, Group Revenue is up 26.3%, Profit before tax is 57.8%, and Net profit is 57.7%.
- An interim dividend of 85.0 cents per share has been set by the Board of Directors, payable on 16 December 2022; an increase of 54.5%.

This, in our view, is a satisfactory result that has carried our momentum from the previous year's performance. All three products; Air & Ocean, Transport and Warehousing from the five regions have contributed significantly.

We do expect a moderation in our Air & Ocean performance as international Seafreight rates decline, albeit we continue to develop our capability including added value services and growth across a variety of trade lanes around our network.

Investment in our network expansion and intensification continues which will see a further increase in capital expenditure and lease commitments over the next 18 months – such is our confidence in the potential growth opportunities available.

Divisional Performance (figures in local currencies)

New Zealand (NZ$)

Revenue	$644.60 million	Up $146.15 million or 29%
Profit before tax	$ 74.46 million	Up $26.39 million or 55%

Consistent trading and growth from all three divisions has contributed to this satisfactory result.

Our **Transport** network has increased its footprint with two new branches – Hobsonville and Whakatane. Service levels continue to improve as covid restrictions and supply chain congestion decreases.

Warehousing utilisation remains high. Activity levels are improving and the increased capacity in 2023 will bring welcomed relief and further growth expectations.

Air & Ocean growth has continued and while ocean freight rate reductions are evident new customer activity has remained strong.

Satisfactory trading across all three divisions has continued post-September with expectations of this continuing well into December.

<u>Australia</u> (AU$)

Revenue	AU$697.37 million	Up AU$172.33 million or 33%
Profit before tax	AU$ 63.22 million	Up AU$18.70 million or 42%

Ongoing strong **Transport** and **Air & Ocean** performance has contributed to this performance. **Warehousing** growth has continued but profitability has been constrained through a lack of capacity as over utilised Warehouses contribute to inefficiencies.

New **Transport** facilities for Adelaide and South Melbourne are nearing completion bringing welcome relief to congested sites in both cities.

New **Warehousing** facilities will open in Adelaide and completion for our new **Moorebank** site in Sydney is expected mid-2023. Significant development for more regional **Transport** and **Warehousing** sites is underway.

Air & Ocean growth continues, particularly developing long-haul trade routes to and from the USA and Europe.

Trading post-September continues to strengthen, particularly in domestic **Transport**.

<u>Europe</u> (Euro €)

Revenue	€326.99 million	Up €66.56 million or 26%
Profit before tax	€ 23.47 million	Up €10.91 million or 87%

Good contributions from all three divisions have assisted in this result.

Satisfactory **Transport** growth has increased revenues alongside improved margin performance. Improved financial results from our Belgium and France business units has been pleasing. Network intensification in the Netherlands is underway which will include land ownership in the medium term.

Warehousing volumes remain elevated with additional new leased sites under negotiation to provide additional capacity for our customer growth aspirations.

Air & Ocean continues to find growth across our global network, particularly in air and sea freight consolidations. Whilst Asia to Europe has seen reduced ocean freight rates, Europe to the USA (Trans Atlantic) freight rates remain elevated.

Trading post-September remains ahead of the prior year.

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

Revenue	US$562.84 million	Up US$121.45 million or 28%
Profit before tax	US$ 59.09 million	Up US$24.26 million or 70%

Another improving result from our Americas region dominated by our **Air & Ocean** and CaroTrans divisions. Whilst international ocean freight rates are reducing, we have maintained acceptable growth through a combination of ongoing new business improvement and further LCL freight consolidations - particularly in our wholesale sea freight division of CaroTrans. While airfreight volumes have reduced as sea to air conversions settle back into normal sea freight routines, our development of dedicated airfreight continues.

Domestic LTL freight growth in our **Transport** division is improving but has yet to reach our expected level of growth. Our status change from domestic freight forwarder to LTL carrier is now complete. This, alongside the development of purpose-built LTL cross-docks will further our market opportunities. We expect to acquire land in this current year to assist this development.

Warehousing improvement and growth continues. Like elsewhere in our network, over utilisation of facilities is creating some inefficiency. Additional leased sites are under negotiation to satisfy new customer growth expectations.

Trading post-September has seen **Air & Ocean** returns moderate from the peaks of the prior period.

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

Revenue	US$100.49 million	Down US$9.87 million or 9%
Profit before tax	US$15.91 million	Up US$4.41 million or 38%

Ocean freight rate decline has contributed to an overall revenue reduction for our Asian operations. However, increased "in-country" customer growth and an increase in pre and post shipment services for our customers has seen margins and profitability improve. Ongoing development of our Southeast Asian, Korean and Japanese network has been pleasing.

The opening of our first Indonesian branch in Jakarta was completed during this first half – adding our 10^{th} country to our Asian regional network.

Trading post-September has been acceptable, albeit with profit slightly below the prior year as ocean freight rate levels and volumes decline.

<u>Group Operating Cash Flows</u>

Operating cash flows were $291.4 million, up from $178.4 million in the prior year, reflecting increased profitability. Net debt is $26.3 million, up from $1.1 million at 31 March 2022.

<u>Capital Expenditure</u>

During the half year, net capital expenditure totalled $178.1 million.

- Expenditure for land and buildings, including fit out, $145.6 million;
- Plant and equipment of $24.5 million; and
- Information Technology $8.0 million.

Our expectations for capital expenditure for the full financial year ending 31 March 2023 is $360 million. This includes $314 million on land and buildings across New Zealand, Australia and the Americas.

A further $347 million is estimated for capital expenditure in 2024. It is expected $301 million of this will be allocated to the purchase and build of facilities across the network in New Zealand, Australia, the Americas and Europe as we look to further expand and intensify our network.

This capital expenditure increase in the 2024 year from our previous estimates of $193 million is an increase of a further $154 million. This increase includes further land purchases, racking and warehouse fitout, solar and energy management systems and foreign exchange impact.

<u>Outlook</u>

We are satisfied with this financial performance for the first six months of our financial year.

Trading post half-year, through the five weeks of October and into November, has seen revenue levels increase by 2% over the prior year and profit before tax up 11%.

We continue to be confident of trading conditions for the remainder of the financial year, albeit cognisant of economic headwinds and declining sea freight rates and volumes leading into the New Year. We remain focused on increased growth, with all divisions continuing to see new customer opportunities.

Accordingly, we continue to invest in our network infrastructure for the long term across all regions.

Mainfreight will release its financial results for the full 2023 financial year on 25 May 2023. In light of current interest in trading trends, we will provide a trading update at the beginning of February 2023.

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