THE UNIVERSITY OF AUCKLAND
Te Whare Wānanga o Tāmaki Makaurau
NEW ZEALAND

BUSINESS SCHOOL

CHAMPIONS TROPHY
Case Competition

MAINFREIGHT

Case Study: Mainfreight

Friday 31 January 2020

Case prepared by Benjamin Seto under the supervision of Louis Christie. This case has been prepared solely for the Champions Trophy Case Competition. All data in this case has been obtained from publically available sources and Mainfreight. This case is not intended to serve as an endorsement, a source of primary data, or an illustration of effective or ineffective management.

From: Champions Trophy Teams

To: Champions Trophy Teams

CC: Benjamin Business, Sarah Strategy, Frank Financials

Subject: Mainfreight Strategy Presentation

Dear team,

Our client is Mainfreight, one of the largest logistics and transportation companies in New Zealand.

Founded in 1978, Mainfreight has gone from local carrier to a global supply chain logistics provider with revenues of almost NZ$3 billion and operations in Asia, Europe, America, Australia and New Zealand. Its target for the foreseeable future is to reach $4 billion revenue by 2021 and strengthen their positioning in the new markets they have entered including Europe, Southeast Asia and South America.

Mainfreight have asked us how they can continue to maintain sustainable business growth over the next five years. Their goal is to continue to meet stakeholder expectations around growth, expansion and sustainability. Mainfreight's global sales were just under $3 billion in 2019, growing from $1 billion in 2009. With this growth track record, Mainfreight have asked us how they can continue to post strong growth into the foreseeable future.

Specifically, Mainfreight want clarity on the strategic and operational impacts of 7% per annum revenue growth on: people, network infrastructure and quality, and how it will affect customer service and satisfaction?

In providing this advice, you may wish to consider some or all of the following questions:

- How can Mainfreight achieve growth without sacrificing the culture of their business?
- How can Mainfreight recruit and retain the right people?
- What customers should Mainfreight be targeting to ensure they achieve enough revenue to expand their operations?
- Which key trends will have the most impact on the freight industry in the future?

Mainfreight' Group Managing Director Don Braid is interested in your team's thoughts on the firm's current strategy, as well as any other initiatives that can be put in place to aid its future growth.

You will have ten minutes to present your recommendations, which will be followed by a ten-minute question and answer session to clarify any issues that may arise from the presentation. Our research team has compiled some relevant information, which is attached to this email.

Kind regards,

Claire Consultant
Mainfreight Project Leader

Mainfreight's History

Mainfreight Limited (Mainfreight) was formed in 1978 in Auckland. By focusing on excellent customer service and leveraging the resulting word of mouth marketing, Mainfreight quickly grew to a prominent position within the industry. Mainfreight started building its offshore business with a move into the Australian market in 1989. Since that time it has grown into a global business, operating in 25 countries, with 268 branches and a combined team of 8,497 people.

Mainfreight has succeeded by creating strong local relationships with customers and businesses at their early stages and consistently nurturing and supporting these customers as they have grown. Mainfreight operates a decentralised model, delegating the relationships and decision-making to local branch managers. This allows Mainfreight employees to provide the quick, quality experiences that customers need and expect of their freight providers.

"The Mainfreight Way"

Mainfreight has a "face-to-face" mentality when it comes to client relationships. Relationships with their customers are one of the cornerstone values that they hold. They focus on being on-the-ground and creating face-to-face relationships, building rapport and investing in New Zealand businesses. Because of this, Mainfreight needs to establish sales offices in many different cities, regions and areas in order to continuously provide those experiences.

Bruce Plested acts as the executive chairman and founding owner of Mainfreight. He has been at Mainfreight for over 40 years and serves a multitude of governance roles for the company. Bruce's focus on quality and culture has permeated the company, and shaped the way Mainfreight operates around the world.

Industry Overview

Logistics Industry

The global logistics market is valued at over 4 trillion in 2018, and is expected to grow to 12 trillion by 2025 through improvements in technology, additional value-added services and the rising popularity of e-commerce. Asia-Pacific has continued to post the strongest performance out of all the regions with Eastern Europe performing the worst. The performance of the market is forecast to follow a similar pattern, with an anticipated Compound Annual Growth Rate (CAGR) of 6% for the period of 2020-2025. Retail and wholesale logistics are expected to be less promising and increasingly challenging. Following growth of e-commerce, logistics companies will have to adopt innovative delivery solutions and integrate delivery systems to stay competitive. Additionally, geopolitical issues will continue to act as one of the main factors impacting future growth in the global logistics industry. Examples of this are the US/China trade war and other protectionist policies by various countries.

The Truck Driving Industry

A core component of the truck driving industry is the cost of labour. The major trend worldwide is that the truck driving industry is an aging population. The harsh lifestyle choices of inter-city freight deliveries and being absent from home every week has resulted in less people being attracted to the industry. With respect to trucking, capital expenditure investment are now higher than ever with commercial truck prices on the rise. The industry has considered self-driving trucks to resolve this labour shortage, however Mainfreight's stance on this is to adopt technology once it is viable and efficient. In its current state, the self-driving truck technology is not at a viable mass-market level. Some businesses, including Mainfreight, run an Owner Driver model, where entrepreneurial drivers own and operate their own vehicles contracted to Mainfreight. The current state of the market, along with Mainfreight's values of Family and People, deters them from utilising self-driving trucks.

Competition

A key issue for Mainfreight is the highly competitive nature of the global logistics industry, leading to the majority of freight becoming largely commoditised. The scale of operations from the large established players can lead to a significant battle on price, eating away at profit margins. Mainfreight has therefore considered competing with these competitors through different channels. Compared to some of its very well established competitors in the US, Europe and Asia, Mainfreight is immature in its current state. Mainfreight does not sell its services based on price, rather they sell the quality of service, their advanced customer facing technology, full supply chain capabilities, amongst other things. This allows Mainfreight to avoid price wars with competitors, and provides a point of differentiation in consumer's minds.

Ports

The nature of the ports amongst major cities all around the world are changing. Traditionally, cities were built around a port to utilise space, maximise efficiency and reduce transport costs. Now, with the rapid urbanisation of major cities, ports create significant congestion and occupy precious prime development land. Excluding the impact of land holdings & capital gains, ports are becoming significantly less profitable than they have been in the past.

Congestion

The bigger the city, the more likely that congestion becomes a problem. Mainfreight send intercity freight overnight (from the period of 6pm to 6am) via key motorway routes which works with pick-up and delivery schedules and subsequently avoids congestion.

However, with the rise in population of major city centres, congestion in urban areas can cause delays and impact pick-up and delivery times throughout normal business operating hours. With customers expecting their shipments faster than ever before, Mainfreight's key challenge is meeting their customer's fierce expectations. Similar issues are being experienced in other industries such as e-commerce.

When navigating through urban areas, Mainfreight's trucks have issues navigating narrow streets. Whilst bigger trucks are more efficient and can carry more freight, the routes that trucks can take are limited due to the difficulty to get through certain key areas such as Auckland CBD.

Congestion can cause a backlog of trucks to delay deliveries, and the trucks will end up piling up in traffic. At the end of the freight delivery cycle, these trucks will all "crash" back to the depot at the same times. This can create significant backlogs when more trucks arrive than can be processed. The depots are more effective at processing the trucks if the trucks arrive at different times, rather than all at once.

These delivery cycles become more and more of an issue as congestion grows and can potentially result in days of lost transit. This means that the initially small direct delays from congestion cause compounding effects that run across future deliveries.

Solutions that have been put forward include alternative ways to move the freight faster, further investment in assets or changing consumer's expectations.

Mainfreight's Operations

Transport

Mainfreight's founding operation is the transport division, which focuses on transporting freight across countries in the most efficient, effective way possible. Mainfreight dominates in this space through rapid intensification of their transport networks to maximise utilisation and activity. Mainfreight run transport operations in all key regions, except Asia.

In New Zealand, Mainfreight operates:

- Less than Container Load (LCL) services;
- Full Truck Load (FTL) services;
- Chemical specialists; and
- Mainfreight 2Home (residential deliveries) ; and
- Metropolitan deliveries (intra-city pick-up and deliveries).

Their Australian operations offer similar services, except for Mainfreight 2Home.

In America, Mainfreight focuses on specialised freight deliveries in a variety of consignments. Mainfreight provide transborder freight between the US and Canada or Mexico, as well as specialist deliveries such as precision or fragile freight orders.

In Europe, Mainfreight focuses on localised distribution, where consignments are dispatched through various European countries and organised from end to end. Mainfreight handle a variety of volumes and sizes, from individual boxes to full pallets and full truck loads. Mainfreight also offer express deliveries to all European countries through its Premium European distribution network SystemPlus.

Across all regions, LCL is one of the key sources of revenue.

Mainfreight's facilities are placed as close to their customers as possible. This decentralised model increases the reach of the physical network and boosts Mainfreight's ability to provide a faster, more efficient service both locally and internationally.

Warehousing

Mainfreight own and lease out warehousing facilities, equating to 679,255 square metres of space across all regions. With high quality facilities, pick & pack activities that take individual goods and package them to individual customers, and optimising storage efficiency using in-house warehouse management technology, Mainfreight are able to continuously provide quality services and run a lean warehousing operation. Warehousing operations are strong in all regions except Asia. Warehousing provides a wide variety of customers to Mainfreight from a diverse range of industries. Examples here are whiteware, brownware, hazardous substances, food grade, agriculture and DIY. The number of storage spaces per customer can vary dramatically within the warehouse depending on the differing customers. Mainfreight has quality control processes that give customers insight into stock levels and forecasts, allowing for better inventory management. In certain instances, Mainfreight also provide value-added services within the warehousing operations that customers can utilise. Examples include, packing, relabelling, and even in-house engineers that can customise products to the end-consumers' needs where an order is placed at their local retailer.

Air and Ocean (A&O)

Mainfreight globally offers customers expertise in:

- Air freight bulk project work e.g. concert stage equipment on freighter planes;
- Air freight LCL consolidation services;
- sea freight full container;
- sea freight less-than-container (LCL);
- export/import documentation; and
- Customs clearance.

In doing this, Mainfreight provide customers with a global trading platform. In international shipping, freight can be controlled by either the exporter or the importer of the goods. This is determined based on the International Chamber of Commerce INCO Terms. Mainfreight want to work with importers that control the freight via FOB or EXW (Free On Board or Exworks INCO Terms) or with exporters that control the freight via DDP or DAP (Delivered at Place INCO Terms). These terms are beneficial for these customers because they control the freight and allows them to choose what mode (air or sea) the shipping or airline it moves on, and the timeframes of those trade lanes, rather than the other party choosing this.

The A&O operations are Mainfreight's international expansion tool. The A&O operations require relatively low capital expenditure in establishing and running its operations, making it the lower risk and preferred method to enter new markets and establish Mainfreight's brand. A&O operations are strong in all regions. Global network growth can be done efficiently though the Air and Ocean product,

Mainfreight prefers to do business with small to medium enterprises (SMEs) as larger conglomerates attempt to dictate terms and agreements with Mainfreight. With Mainfreight's diversified customer base, losing a large client no longer has the sting that it once did when they were smaller, so Mainfreight is now able to divert emphasis away from large conglomerate suppliers.

PERFORMANCE Key Achievements: 2019

FINANCIAL

Group Operating Revenue

$2.95b

↑ 12.9%

Group EBITDA

$257.1m

↑ 19.5%

Group Net Profit Before Abnormals

$141.1m

↑ 26.0%

Total Assets

$1.50b

BUSINESS AND PEOPLE

Team Members

8079 ↑506

Branches

260 ↑13

Countries

24 ↑2

Discretionary Bonus Paid to Team Members ($m)

27.2 ↑6.5

Top 500 customers using multiple divisions*

* Transport / Warehousing / Air & Ocean

Mainfreight's Expansion

In their current stage of development, Mainfreight would prefer organic growth as opposed to acquisition of existing businesses. Mainfreight adopts a three-staged strategy when expanding to new regions and cities: Establish operations; Intensify volumes and then Expand elsewhere. Expansion into new countries and markets comes with its own set of challenges.

General Expansion Process

Mainfreight expands by identifying a new A&O opportunity, find the right person to take on the opportunity, then lease a site and implement the technology. With a relatively simple and easy set-up process & low capex requirements for an A&O branch, Mainfreight is able to easily expand to new locations that they deem a strong location for freight volumes and revenue growth.

Domestic Growing Operations

Mainfreight's existing markets have seen strong growth over the last 10 years. Mainfreight's choice in location is extremely important, as it has significant long term ramifications. For domestic transport networks, a depot becomes an anchor location and will operate indefinitely unless they invest in a bigger site. Mainfreight customers are charged based on their relative location to these depots. However, once a hub has been established, it is very difficult to move locations as customers become accustomed to the location of the depot and associated pricing of the service. Mainfreight would like to know how they grow and expand their footprint but continue to operate and maintain existing depots effectively.

Overseas Go-To-Market Strategy

Mainfreight adopts a slightly nuanced three-fold strategy to the typical expansion process:

• Historically Mainfreight has acquired existing businesses that have likeminded values and strategies. As an established company they prefer to grow organically and open branches where they see the next viable opportunity based on trading volumes especially LCL;

• Ensure the Mainfreight culture is taken on board by the new branch and establish the key relationships through existing trading in this region; and

• Build a sufficient customer base to sustain profitability and growth, then expand again.

LCL

LCL consignments involve taking freight from multiple senders to different receivers. Some customers do not have sufficient volumes to utilise FCL (full container load) services, which is where one container is sent from one sender to one receiver only. LCL freight operates both internationally and across multiple warehouses. LCL provides key advantages such as allowing Mainfreight to work with higher-margin producing customers without spending additional capital expenditure.

Benefits of LCL freight movements to the customer:

- rather than the customer waiting to fill a container, which can take time and put pressure on stock volumes, they can move their products through the LCL network ensuring consistent stock levels in warehouses in regions;
- LCL can truncate shipping times allowing for orders to be accepted on demand
- Can be more cost effective; and
- More timely options on shipping lines and airlines due to space.

Benefits for Mainfreight:

- Mainfreight can physically look at current LCL shipments in their depot and identify the best configuration of these shipments in a sea, air or road unit to utilise the unit space and create the best return for margin;
- Different shipments will have a different weight and volumetric size. When charging the customer it will be calculated based on which of these is greater. However, for Mainfreight they will be charge by the unit. Therefore this allows Mainfreight to be smart about the combination of shipments they put in these units. By being smart this allows them to maximise the margin of the unit.
- This can be very beneficial in terms of margin, however if Mainfreight does not have the right combination of freight or are not smart about how they configure the unit this can be detrimental to the bottom line.

Network Intensity

The three core products that Mainfreight offers (Transport, Warehousing and Air & Ocean) are key to network, service and supply chain efficiency growth for customers. The larger the network, the faster, more efficient and optimised their supply chain can become. Getting critical mass of freight volume is the key driver to Mainfreight's success.

In order to intensify the Mainfreight network, they need to continue to open branches in all regions to be close to the end user. Mainfreight do this once they have identified regions with good trading volumes that are currently being serviced by an agent. Mainfreight A&O work with agents from the World Air Cargo Agency (WACO). Generally, Mainfreight will have enough controlled freight into this region allowing them to do the business themselves rather than the agent. The goal then is for the new Mainfreight branch to find new business in this region.

It is likely that the companies that Mainfreight is targeting in these new regions will already have a long-standing relationship with an agent that they partner with for freight movements. The first step for Mainfreight is to convince the respective company to replace their current freight agent with Mainfreight. This could be on a branch basis or on a company-wide basis. Mainfreight would like some recommendations on how to best convince external companies to switch from their existing freight agent to Mainfreight. When volumes increase sufficiently, Mainfreight will commit more resources to growing the practise in the respective area they choose to expand to.

Mainfreight would like recommendations around which cities they should expand in and how they should implement doing this. A key consideration to note is the relative level of competition in those cities, the total addressable market for freight volume and the likely market share Mainfreight will be able to obtain. What other challenges are Mainfreight likely to face in intensifying their network?

Current Global Network

Australian Operations

Mainfreight's presence in the capital cities in Australia are well-established and experiencing strong growth. Mainfreight are currently providing value-added services as well as freight, and focus on each state individually to grown their network. Currently the strength is along the eastern seaboard, there is opportunity in WA and NT where agents have strong presence. Mainfreight are constantly trying to improve transit times for customers, as they have found this to be the most important driver in the Australian Markets.

American Operations

Mainfreight's approach to America has different challenges to how it operates in New Zealand. Even though the number of branches is not significantly different to that of New Zealand, America does not perform to the same level in terms of profit yet for the level of opportunity available. This is due to a number of factors such as existing competition and land mass. Mainfreight currently focus on the larger metropolitan cities they operate in (such as New York, Los Angeles and Chicago) with plans to expand into other cities, provided they can reach a certain volume of freight (intensity). Only once the intensity reaches a threshold level, Mainfreight considers expanding into other cities.

European Operations

Mainfreight acquired the Wim Bosman group (Europe) in 2011 and had a full brand change to Mainfreight in 2016. The existing Wim Bosman employees had very strong ties to the Wim Bosman brand, so Mainfreight gave them time to deal with the change and gave the company autonomy to decide when they wanted to rebrand. As the European operations have only been running since 2011, the culture is still developing. New Zealand and Europe are very different historical and cultural backgrounds which means that sometimes Mainfreight's culture is counteracted by these differing backgrounds, therefore in some cases these two can be difficult to integrate together. Getting the culture right is essential to Mainfreight. Whilst European employee count is similar to New Zealand, the relative performance of the European region is different due to factors like strength of the warehousing divisions which has lower margins due to higher capital investment and a strong agent networks. Mainfreight are opening another branch in Spain in January 2020.

Asia Operations

Mainfreight's Asian division has seen a change in senior management over the last few years. In 2018, Mainfreight Asia's focus was getting back to basics and building the A&O business. Mainfreight were not taking full advantage of the opportunities in the substantial freight volumes in and out of the region. The focus now is to capitalise on these freight volumes that Mainfreight can control in and out of the region, not just be the recipients of freight coming from elsewhere in the Mainfreight network. In 2019 Mainfreight opened in Japan and are focused on intensifying the wider Asia-Pacific. Once Mainfreight control more freight, they have the ability to provide additional value-added services.

Mainfreight's Culture

Mainfreight prides itself on the authentically Kiwi culture that influences their slogan of "the way we do things around here". Culture acts at the heart of how Mainfreight operates, and is one of the main reasons why so many of Mainfreight's employees have such long tenures with the company.

Getting the right people is Mainfreight's biggest challenge when moving offshore and it is constantly front of mind. Mainfreight prefers to organically grow and develop team from within each region. Mainfreight's preference is to have locals running their countries' operations and the Mainfreight style and culture. The challenge here is that they have not been exposed to Mainfreight's culture prior to starting with them. Therefore, how do Mainfreight ensure all teams live and breathe the same culture globally?

Generational Mindset Shifts

Millennials and Generation Z are increasingly more likely to work at multiple jobs throughout their lifetime. Their expected timelines for how long they stay at certain companies is shortening. The expectation of promotion, learning and progression is much faster. Mainfreight's traditional culture on this issue has been to train talent and keep them, specifically with a focus on creating a "family" culture.

With Mainfreight exceeding growth expectations, they need more great people, including graduates, than ever, especially given the disparity between Mainfreight's hiring culture and the graduate mindset of fast growth and shortened tenure at companies.

Graduates are now more connected than ever and are increasingly looking for new growth opportunities, travel and experiences.

Some Mainfreight employees work for a few years with Mainfreight then to go on an overseas experience (OE) for a few years. Mainfreight branch managers understand this and provide them with development opportunities whilst they can, then welcome them back when and if they return to New Zealand, given that the employee shows value, builds relationships and alignment with Mainfreight values.

Mainfreight's key challenge will be to identify what the new generations' value, how to adapt to this while staying true to their values and what learning and development Mainfreight can provide to retain their great people.

Culture Transfer

A key problem that Mainfreight faces is the transfer of its inherent grass-roots New Zealand culture, especially amongst international offices.

A key question on Mainfreight's mind is how significant the cultural differences between regions are, and if so, how they can replicate the culture they have in New Zealand and translate that into their overseas operations.

Growth Opportunities

Expansion into more specialised industries.

Mainfreight has the opportunity to expand within specialised industries, such as the high specification pharmaceutical sector. These sectors are compelling expansion markets as they are expected to provide strong, steady growth over the next few years. However, a key risk for Mainfreight is the regulation and high levels of compliance required which are ever changing. Regulation and compliance requirements will vary for each region.

International Residential Deliveries

In its quest to exceed historic growth rates, and with the rise in e-commerce and B2C deliveries, Mainfreight has pondered the question of whether to enter the residential delivery market in other regions. Currently, Mainfreight New Zealand has a division that specialises in residential deliveries (Mainfreight 2Home). However, Mainfreight questions this opportunity for growth in overseas markets.

There are many challenges in this area, for example:

- the specialisation of competitors in this area overseas;
- focusing on the quality of the current network and volumes; and
- on a smaller scale, once deliveries are made to customers, a situation is created where the trucks are not picking up any freight from the customer's destination, and effectively driving a "dead leg" where they are not carrying any freight.

Freight is an industry built on efficiency and maximising volume. However, the key driver for customers and businesses now is delivery time. Consumers want their products faster, in small quantities and with no hassle. All this must come from the suppliers or the distributors. This demand for "next day delivery", coupled with growing congesting in major urban and suburban areas where consumers live leaves Mainfreight with barriers to profitability and difficulty satisfying consumer's needs. The risk to enter the B2C market overseas is high for Mainfreight, and with growth expectations rising, Mainfreight is considering whether this is the right move now, and what alternatives they have open to them.

International Chemical Warehousing and Transport

In New Zealand and Australia, Mainfreight have specialised Hazardous Goods warehousing and transport brands. There is potential for Mainfreight to start providing this product offering in international markets, but similarly to specialised industries, Mainfreight will face high levels of regulation, compliance and capex.

Technology Developments

Mainfreight's strategy around technology in their operations is to create their own technologies utilising experience and knowledge from the team in their branches to ensure systems and operations are aligned to operate efficiently and effectively. Mainfreight are monitoring developments in their industry and their customer's industry so they can quickly adapt to changes in the market. Mainfreight take the second mover advantage rather than innovate early and incur the cost of moving first.

Mainfreight takes a relatively defensive position on the adoption of new technologies such as driverless trucks, 3D printing and drone deliveries. Instead of choosing to innovate and invest in R&D, they aim to react to changes in technology in the industry and adopt when economically appropriate.

Key Challenges

Driver Shortage

There is a global shortage of drivers and owner-drivers. Owner-drivers are defined as drivers who own the trucks that they carry freight in, as opposed to drivers who simply drive the Mainfreight-owned trucks. Mainfreight prefer owner-drivers as they are more entrepreneurially focused people who take pride in the quality of their businesses. Mainfreight's core business is not to own and operate vehicles. It has become increasingly harder in New Zealand to become a heavy vehicle licenced truck driver. In prior generations, it was common for the skills and knowledge of truck drivers to be passed down through the generations. This provided Mainfreight with a steady pool of drivers that they were able to rely upon once Owner Drivers retired. Now, this knowledge and skill transfer has diminished. The key issue for Mainfreight is finding a viable source of skilled drivers.

This problem permeates across all of New Zealand. The driver lifestyle requires a relatively significant level of travel, whether delivering inter-city or inter-region. Mainfreight has encountered a difficulty attracting talent as the majority of the workforce today are reluctant to be away from home. Work life balance is now one of the most important factors rated by the modern workforce. As a result of this, it is becoming more difficult to convince people to travel inter-city for extended periods of time.

Mainfreight is going to be piloting a programme in 2020 with the goal of developing future owner-drivers. It is a 2-3 year training apprenticeship to help Mainfreight team realise their dreams of running their own Mainfreight business. Although this is a good start, it comes with high investment in only a few team members. With the growth of the Mainfreight business this may not be sufficient numbers to sustain this growth. The question Mainfreight poses is how they can find more people who want to become Mainfreight owner-drivers and how they can retain these Owner Drivers in the longer term.

The Future of the Fleet

Mainfreight have traditionally chosen to run freight trucks that can run heavier, longer haul freight trips. These larger trucks are better at optimising capacity and maximising freight volumes, which have led to improved profitability.

This trucking fleet has a useful life of between 7-10 years, after which the vehicles are replaced. Since this truck lifecycle is relatively short in comparison to its peers, this allows Mainfreight to take on the latest technology as it becomes available in the market.

Mainfreight have been considering a hybrid truck, and have done preliminary research into developing this. Mainfreight sees a hybrid truck being a suitable vehicle to deliver lighter payload objects, especially around urban and suburban areas. However, hybrid engine trucks have a significantly lower weight capacity which reduces their economic viability. Coupled with New Zealand's rocky landscape and terrain, Mainfreight is unsure if adopting hybrid trucks in New Zealand is the right decision.

The key question for Mainfreight is what type of trucking fleet they want to run for the foreseeable future, and when they should transition to this fleet.

International Opportunities

Another challenge faced by Mainfreight is around the repatriation of team who have taken up opportunities in other countries. The challenge here is that with Mainfreight's growth the bigger or more challenging opportunities are likely to be overseas, not necessarily in their home country.

Regulation

Regulation and foreign ownership can be a potential roadblock to Mainfreight's expansion strategy. Certain legislation prevents majority shareholding or foreign ownership.

Future Direction

With an incredible history of success and sustainable growth, Mainfreight are in the most crucial stage of their business lifecycle. In order to continue to shine on a global stage, Mainfreight need to address the key challenges they face both internally and externally, as well as adapt to new trends and technologies in the logistics Industry.

Don has the utmost confidence that his team of global professionals, dedicated to giving the highest possible service to their clients, are able to continue to shine and make a mark on the logistics industry.

However, key questions around exceeding the historic growth Mainfreight have experienced are at the front of Don's mind. In particular, how can Mainfreight grow and expand whilst ensuring the continued strength of their culture, people and quality service. As the saying goes, "The future is not some place we are going to, but one we are creating".


Special people
Special company
Subzero
40038
LPA940

Appendix 1: Financial Statements

Income Statement

FOR THE YEAR ENDED 31 MARCH 2019

	Note	2019 $000	2018 $000
OPERATING REVENUE		2,953,414	2,616,189
Interest Income		673	511
TOTAL REVENUE		**2,954,087**	**2,616,700**
Transport Costs		(1,791,573)	(1,605,459)
Labour Expenses Excluding Share Based Payments		(612,641)	(538,483)
Occupancy Expenses		(83,850)	(73,192)
Depreciation and Amortisation Expenses	14, 15	(53,107)	(47,788)
Other Expenses		(208,301)	(183,941)
Finance Costs		(7,541)	(7,567)
Profit Before Abnormal Items and Taxation for the Year		197,074	160,270
Income Tax on Profit Before Abnormal Items		(55,990)	(48,266)
NET PROFIT BEFORE ABNORMAL ITEMS FOR THE YEAR		**141,084**	**112,004**
Abnormal Items	27	(4,965)	(7,224)
Income Tax on Abnormal Items	27	1,505	2,898
ABNORMAL ITEMS AFTER TAXATION		(3,460)	(4,326)
Profit Before Taxation for the Year		192,109	153,046
Income Tax Expense	7	(54,485)	(45,368)
NET PROFIT FOR THE YEAR		**137,624**	**107,678**
Earnings per share for profit attributable to the ordinary equity holders of the company are:			
		Cents	Cents
Basic Earnings Per Share: Total Operations	9	136.67	106.93
Diluted Earnings Per Share: Total Operations	9	136.67	106.93

Statement of Comprehensive Income

FOR THE YEAR ENDED 31 MARCH 2019

	2019 $000	2018 $000
Net Profit for the Year	137,624	107,678
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange Differences on Translation of Foreign Operations	1,144	(1,978)
Income Tax Effect	(1,006)	3,371
Net Other comprehensive income to be reclassified to profit or loss in subsequent periods	138	1,393
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Revaluation of Land including Foreign Exchange Movements	43,506	638
Income Tax Effect	(4,106)	-
Net Other comprehensive income not to be reclassified to profit or loss in subsequent periods	39,400	638
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Defined Benefit Pension Provision	(93)	325
Income Tax Effect	23	(137)
Net Other comprehensive income not to be reclassified to profit or loss in subsequent periods	(70)	188
Other Comprehensive Income for the Year, Net of Tax	39,468	2,219
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**177,092**	**109,897**

The accompanying notes form an integral part of these financial statements.

Appendix 1: Financial Statements

Balance Sheet

AS AT 31 MARCH 2019

	Note	2019 $000	2018 $000
CURRENT ASSETS			
Bank	10	115,184	80,521
Trade Debtors	11	389,376	361,737
Income Tax Receivable		200	270
Properties Held for Sale	14	-	7,852
Other Receivables	12	55,304	60,811
		560,064	511,191
NON-CURRENT ASSETS			
Property	14	547,641	483,488
Plant & Equipment	14	118,988	98,822
Software	15	51,052	49,374
Goodwill	15	208,522	207,919
Brand Names	15	3,807	7,863
Other Intangible Assets	15	6,581	9,164
Deferred Tax Asset	7	6,234	8,882
		942,825	865,512
TOTAL ASSETS		**1,502,889**	**1,376,703**
CURRENT LIABILITIES			
Bank	10	4	36
Trade Creditors & Accruals	18	314,925	298,916
Employee Entitlements	16	62,832	53,373
Provision for Taxation		18,868	12,323
Finance Lease Liability	20	2,246	2,077
		398,875	366,725
NON-CURRENT LIABILITIES			
Bank Term Loan	19	238,653	270,753
Employee Entitlements	16	2,815	3,634
Deferred Tax Liability	7	19,473	21,526
Finance Lease Liability	20	4,758	4,507
		265,699	300,420
SHAREHOLDERS' EQUITY			
Share Capital	21	85,821	85,821
Retained Earnings		673,931	583,359
Revaluation Reserve		89,371	51,254
Foreign Currency Translation Reserve		(10,506)	(10,644)
Defined Benefit Pension Reserve		(302)	(232)
TOTAL EQUITY		**838,315**	**709,558**
TOTAL LIABILITIES AND EQUITY		**1,502,889**	**1,376,703**

For and on behalf of the Board who authorised the issue of these financial statements on 26 June 2019

Bruce Plested, Chairman

Simon Cotter, Director

The accompanying notes form an integral part of these financial statements

Appendix 1: Financial Statements

Statement of Changes in Equity

FOR THE YEAR ENDED 31 MARCH 2019

2019 $000	Note	Ordinary Shares	Asset Revaluation Reserve	Foreign Currency Translation Reserve	Defined Benefit Pension Reserve	Retained Earnings	Total
Balance at 1 April 2018		85,821	51,254	(10,644)	(232)	583,359	709,558
Profit for the Year		-	-	-	-	137,624	137,624
Transfer of Revaluation Reserve for Land Sold		-	(1,283)	-	-	1,283	-
Other Comprehensive Income		-	39,400	138	(70)	-	39,468
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**-**	**38,117**	**138**	**(70)**	**138,907**	**177,092**
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS:							
Supplementary Dividends		-	-	-	-	(1,879)	(1,879)
Dividends Paid	8	-	-	-	-	(48,335)	(48,335)
Foreign Investor Tax Credit		-	-	-	-	1,879	1,879
BALANCE AT 31 MARCH 2019		**85,821**	**89,371**	**(10,506)**	**(302)**	**673,931**	**838,315**

2018 $000		Ordinary Shares	Asset Revaluation Reserve	Foreign Currency Translation Reserve	Defined Benefit Pension Reserve	Retained Earnings	Total
Balance at 1 April 2017		85,821	50,616	(12,037)	(420)	518,982	642,962
Profit for the Year		-	-	-	-	107,678	107,678
Other Comprehensive Income		-	638	1,393	188	-	2,219
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**-**	**638**	**1,393**	**188**	**107,678**	**109,897**
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS:							
Supplementary Dividends		-	-	-	-	(1,497)	(1,497)
Dividends Paid	8	-	-	-	-	(43,301)	(43,301)
Foreign Investor Tax Credit		-	-	-	-	1,497	1,497
BALANCE AT 31 MARCH 2018		**85,821**	**51,254**	**(10,644)**	**(232)**	**583,359**	**709,558**

Appendix 1: Financial Statements

Cash Flow Statement

FOR THE YEAR ENDED 31 MARCH 2019

	Note	2019 $000	2018 $000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers		2,931,037	2,580,429
Interest Received		673	511
Payments to Suppliers and Team Members		(2,674,532)	(2,388,030)
Interest Paid		(7,541)	(7,567)
Income Taxes Paid		(52,214)	(45,107)
NET CASH FLOWS FROM OPERATING ACTIVITIES	22	**197,423**	**140,236**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from Sale of Property, Plant & Equipment		14,048	4,507
Proceeds from Sale of Software		50	46
Repayments by Team Members		8	213
Purchase of Property, Plant & Equipment		(87,673)	(51,509)
Purchase of Software		(15,603)	(17,726)
Advances to Team Members		(3)	(10)
Establishment of Franchises and Acquisition of Subsidiaries		-	(250)
NET CASH FLOWS FROM INVESTING ACTIVITIES		**(89,173)**	**(64,729)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds of Long Term Loans		320	1,974
Proceeds of Share Issues		-	-
Dividend Paid to Shareholders		(48,335)	(43,300)
Repayment of Loans		(26,755)	(28,441)
NET CASH FLOWS FROM FINANCING ACTIVITIES		**(74,770)**	**(69,767)**
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		33,480	5,740
Net Foreign Exchange Differences		1,215	380
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		80,485	74,365
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**115,180**	**80,485**
COMPRISED			
Bank and Short Term Deposits	10	115,184	80,521
Bank Overdraft		(4)	(36)
		115,180	**80,485**

Appendix 2: Operating Statistics

OUR BUSINESS Operating Statistics

Transport Statistics

New Zealand

	2019	2018
Total Tonnes	2,447,918	2,346,179
Total Cubic Metres	7,110,496	6,863,638
Total Consignments	4,302,449	3,921,983
Delivery Performance*	92.5%	86.3%

* Delivery performance impacted by earthquake disruption in prior year

Australia

	2019	2018
Total Tonnes	1,142,128	1,096,989
Total Cubic Metres	4,068,088	3,919,361
Total Consignments	1,499,516	1,638,320
Delivery Performance*	90.2%	92.4%

Americas

	2019	2018
Total Tonnes	210,085	211,796
Total Consignments	210,035	209,800
Delivery Performance*	93.6%	93.0%

Europe

	2019	2018
Total Tonnes	3,349,198	3,211,902
Total Cubic Metres	10,001,080	8,579,438
Total Consignments	1,387,876	1,303,673
Delivery Performance*	93.7%	91.5%

*The need to standardise our Domestic freight quality statistics is a key priority for our USA and European business units.

Transport Loading Errors

LOADING ERRORS PER 100 CONSIGNMENTS

	New Zealand	Australia	Europe
2014	1.83	3.24	-
2015	2.64	2.91	-
2016	2.41	4.37	-
2017	3.74	3.93	-
2018	3.84	5.99	-
2019	4.93	4.07	1.94

Information Technology

	This Year	Last Year
Information Technology Spend	$56.99 million	$52.19 million
As a % of Revenue	1.93%	1.99%

Percentage of consignment notes received electronically

	This Year	Last Year
New Zealand	90.4%	89.3%
Australia	95.8%	95.9%
Americas	41.9%	43.7%
Europe	90.9%	90.1%

Percentage of Logistics orders received electronically

	This Year	Last Year
New Zealand	99.7%	98.7%
Australia	99.0%	99.4%
Americas	99.9%	99.8%
Europe	98.6%	99.3%

Transport Claims

CONSIGNMENTS FOR 1 CLAIM

Claims New Zealand

2015	471 consignments
2016	461 consignments
2017	529 consignments
2018*	498 consignments
2019	528 consignments

The way our claims are measured was changed in the 2016 year, to include all small claims settled by direct credit.

* Figures for 2018 are inclusive of significant inter-island tonnages being trans-shipped via our pop-up Spring Creek operation due to earthquake.

Claims Australia

2016	9,414 consignments
2017	4,725 consignments
2018	2,952 consignments
2019	2,943 consignments

2016 was our first year of calculating Claims statistics for Australia with the introduction of our Quality Assurance Programme (QAP). The reduction in the measure in the following years reflects a greater understanding of the benefits of the QAP by our Australian customers. We expect to see the figure trend down as it becomes more widely accepted, before increasing with ongoing quality improvement initiatives.

Claims Americas

2017	1,000 consignments
2018	408 consignments
2019	404 consignments

2017 was our first year reporting for USA, subsequent improvement in measuring our claims KPI has provided greater accuracy.

Claims Europe

2019	1,013 consignments

2019 is our first year of calculating claims statistics in Europe.

Air & Ocean Statistics

	This Year	Last Year
Airfreight Inbound and Outbound (kilos)	127,417,585	127,173,601
Seafreight Inbound and Outbound (TEU's)	342,741	311,586
Customs Clearances	188,155	199,596

IATA Ranking

	This Year	Last Year
NZ	1st	1st
AU	8th	7th
US	29th	29th

Appendix 2: Operating Statistics

Warehousing Statistics

New Zealand (NZ$)

	This Year	Last Year
Inventory Record Accuracy (IRA)	98.0%	98.0%
Facility Utilisation	90.0%	85.0%
Warehousing Footprint	150,500m²	145,000m²
Domestic Consignments Generated	403,846	421,956
Value of Domestic Consignments Generated	$38.9 million	$38.8 million
Percentage of Domestic Freight	8.5%	9.2%

Australia (AU$)

	This Year	Last Year
Inventory Record Accuracy (IRA)	98.4%	98.6%
Facility Utilisation	86.0%	96.0%
Warehousing Footprint	146,700m²	113,071m²
Domestic Consignments Generated*	369,772	314,340
Value of Domestic Consignments Generated	$62.3 million	$46.4 million
Percentage of Domestic Freight	20.3%	18.6%

Americas (US$)

	This Year	Last Year
Inventory Record Accuracy (IRA)	92.9%	91.9%
Facility Utilisation	74.0%	72.0%
Warehousing Footprint	59,500m²	59,500m²
Domestic Consignments Generated	8,296	6,552
Value of Domestic Consignments Generated	$3,567,404	$2,338,477
Percentage of Domestic Freight	2.1%	1.5%

Europe (EU€)

	This Year	Last Year
Inventory Record Accuracy (IRA)	99.96%	99.94%
Facility Utilisation	95.1%	97.0%
Warehousing Footprint	322,525 m²	296,466 m²
Domestic Consignments Generated	1,137,468	918,954
Value of Domestic Consignments Generated	€42.1 million	€ 33.1 million
Percentage of Domestic Freight	20.4%	17.8%
Outbound Accuracy	99.88%	99.93%

Mainfreight's level of IRA measures location count, inventory condition, systems alignment to inventory count, product integrity, total inventory count.

People

TRAINING AND HR SPEND

	This Year	Last Year
Training and HR Spend	$11.88 million	$10.23 million
As a % of Revenue	0.40%	0.39%

TEAM NUMBERS

	This Year	Last Year
New Zealand	2,362	2,272
Australia	1,789	1,741
Asia	384	347
Americas	896	805
Europe	2,648	2,408
Total Group	8,079	7,573

GENDER RATIOS

	Male	Female
New Zealand	71%	29%
Australia	62%	38%
Asia	41%	59%
Americas	60%	40%
Europe	74%	26%
Total Group	67%	33%

If we remove Owner Drivers and EU Drivers from the calculation, gender ratios are 59% Male and 41% Female.

FEMALE BRANCH MANAGERS GLOBALLY

Debtors Days Outstanding

	This Year	Last Year
Debtors Days Outstanding	38.34	37.52

Appendix 2: Operating Statistics

OUR BUSINESS Our Global Network

Each new branch we open, exponentially increases the number of points we can ship between. This enhances our ability to attract and service global customers, who trade across our geographical network.

Europe 41 BRANCHES

2648 TEAM MEMBERS

EU€23.3m EBITDA

EU€376.3m REVENUE

Australia 55 BRANCHES

1,789 TEAM MEMBERS

AU$55.4m EBITDA

AU$710.2m REVENUE

Our Network Model

- Decentralised. Provide services where our customers need them
- Offer fully integrated, end-to-end service
- Retain freight in our network
- Control quality, consistency and service

How We Add Value

- Flexibility to tailor business solutions
- Quick decisionmaking on the ground, close to customer
- Real-time visibility to customer
- Use most efficicient combination of modes
- Pro-actively optimise customers' supply chain

Appendix 2: Operating Statistics

Appendix 3: Various IBISWorld New Zealand Industry Reports

NEW ZEALAND INDUSTRY (ANZSIC) REPORT I5300NZ

Warehousing and Storage Services in New Zealand

Report by: James Philip Caldwell | September 2019

Executive Summary

The Warehousing and Storage Services industry plays an integral role in the supply-chain process of raw materials, inputs for production, and finished goods.

Industry operators primarily provide warehousing and storage services to industries in the wholesale trade, manufacturing and transport sectors. Industry operators have traditionally provided storage solutions for materials and products. However, rising demand for value-added services and a shift towards greater supply-chain management have created new revenue growth opportunities for industry operators. Industry revenue is expected to increase at an annualised 2.3% over the five years through 2019-20, to $1.2 billion. This includes an expected increase of 0.6% in the current year.

2.3%

Growth in Industry Revenue 2015-2020

Positive consumer sentiment and income growth have boosted retail spending over the past five years, increasing wholesale activity. This trend has increased the volume of products requiring storage before being delivered to retailers and other end markets, boosting demand for industry services. Growth in online shopping has further increased demand for industry services over the past five years. More bricks-and-mortar retailers have started online stores and new online-only retailers have commenced operations, increasing the potential pool of clients requiring warehouse storage over the period.

0.2%

Growth in industry employees by 2025

Industry revenue is forecast to grow at an annualised 2.0% over the five years through 2024-25, to $1.3 billion. Growth in total merchandise imports and exports is projected to support industry revenue over the period. Rising demand from wholesalers and retailers, particularly online retailers, is projected to further boost industry revenue. However, rising price-based competition is anticipated to drive profitability lower over the period. Improvements in warehouse automation are forecast to limit growth in labour demand and reduce wage costs as a share of industry revenue over the next five years.

$1.3bn

Anticipated industry revenue in 2025

Appendix 3: Various IBISWorld New Zealand Industry Reports

NEW ZEALAND INDUSTRY (ANZSIC) REPORT I4610NZ

Road Freight Transport in New Zealand

Report by: James Philip Caldwell | February 2019

Executive Summary

The Road Freight Transport industry plays a crucial role in the supply chain of numerous industries.

Its major markets span construction, wholesale and retail trade, as well as the agricultural sector. The diversity of these markets helps to keep industry revenue growth stable, as a decline in one major market is typically offset by growth in another. Road freight operators provide door-to-door delivery nationwide, setting them apart from external competitors in the coastal and rail freight transport industries. Industry operators have benefited from rising freight volumes over the past five years. Industry revenue is expected to grow at an annualised 1.2% over the five years through 2018-19, to $7.5 billion. This includes a rise of 2.6% in the current year, reflecting strong growth in total merchandise imports and exports.

1.2%
Growth in Industry Revenue 2014-2019

Fuel is a significant cost for road freight services, therefore movements in the world price of crude oil and domestic fuel price affect the industry's revenue and profitability. The world price of crude oil dropped sharply in 2014-15 and 2015-16, leading to lower domestic fuel prices and supporting greater industry profitability early in the period. However, overall growth in profitability has been limited as players have been forced to pass on some cost savings to downstream markets to remain competitive with rival firms. The world price of crude oil is expected to rise in the current year, while remaining significantly below its historic highs.

1.6%
Growth in Industry employees by 2024

The industry will likely increase investment in new technologies to improve efficiency and productivity over the next five years. Industry revenue is forecast to grow at an annualised 2.0% over the five years through 2023-24, to $8.3 billion, supported by expanding freight volumes. However, the world price of crude oil is expected to continue to recover, constraining any profitability growth. Furthermore, with increasing freight volumes, the industry is anticipated to face a growing skills shortage as its ageing workforce retires. Road freight service operators will likely have to lift average wages to attract young, skilled, reliable truck drivers over the next five years.

$8.3bn
Anticipated industry revenue in 2024

Appendix 3: Various IBISWorld New Zealand Industry Reports

NEW ZEALAND INDUSTRY (ANZSIC) REPORT I5291NZ

Customs Agency and Freight Forwarding Services in New Zealand

Report by: James Philip Caldwell | July 2019

Executive Summary

Operators in the Customs Agency and Freight Forwarding Services industry provide services to entities that need to transport goods around New Zealand or across its borders.

Customs agents help their clients satisfy legal requirements and ensure that they have the appropriate export and import documentation. Freight forwarders purchase transport space from freight transport operators to move goods (nationally or internationally) on behalf of their clients. Demand for industry services has grown over the past five years, largely due to a rise in New Zealand's international trade activity. Industry revenue is expected to increase at an annualised 3.1% over the five years through 2019-20, to reach $910.4 million. This includes anticipated growth of 0.4% in the current year.

3.1%

Growth in Industry Revenue 2015-2020

Export volumes have risen over the past five years due to increased demand for New Zealand produce from overseas markets, particularly China. New free trade agreements, along with countries such as Malaysia and Thailand lowering tariffs on goods from New Zealand, have also boosted demand for industry services over the period. Industry profitability has risen over the past five years, mainly due to a decline in transportation costs. The rise in New Zealand's international trade activity has attracted new operators to the market, boosting industry participation and employment over the past five years.

1.8%

Growth in industry employees by 2025

Industry revenue is forecast to continue growing over the next five years, due to increased demand as a result of stronger international trade activity. Despite the projected rise in revenue, industry profit margins are likely to contract over the period, due to an anticipated rise in wages and purchase costs. Technology is projected to play an increasingly integral role in the industry, with more freight operators investing in automation software and stronger cybersecurity solutions. Overall, industry revenue is forecast to grow at an annualised 1.9% over the five years through 2024-5, to reach $1.0 billion.

$1.0bn

Anticipated industry revenue in 2025

Appendix 4: News Articles

BUSINESS

Mainfreight forecasts stronger second half, rules out growth by acquisition

31 Jul, 2019 9:06am

3 minutes to read

Group MD Don Braid said Australia "like their cricket and rugby teams, could do a bit better." Photo / Natalie Slade

BusinessDesk
By: Victoria Young

Mainfreight is forecasting a better second half of the year, after indicating its first quarter to June 2019 "could have been better."

The logistics and freight operator, which is famous for its 100-year view, gave a trading update of sorts at its annual meeting late yesterday in Auckland.

Group managing director Don Braid said that the timing of Easter this year had meant fewer trading days and pointed out that Australia "like their cricket and rugby teams, could do a bit better."

Braid said while it was a bit quieter, there were benefits in being a global player with Europe, America and Asia contributing "quite nicely". The sales pipeline for the next quarter was "reasonably full," the Mainfreight executive added, saying economic conditions were concerning, but could be offset with stronger sales activity.

A hard Brexit would good for Mainfreight due to the level of advice UK shippers would need from the firm, and the China-US trade war had simply meant more trade out of Vietnam, Malaysia and Thailand, Braid said.

For the year ended March, the company posted revenue of $2.95 billion, up by almost 13 percent, and net profit at $137.6 million, rising almost 28 percent from $107.7 million the previous year.

Braid noted it was good to see that the company now makes more of its profits - 56.6 percent - abroad, adding "we are not finished here in New Zealand. It is strong and continues to be, but we are getting traction in other countries."

For the first time, Mainfreight broke down its three core divisions; warehousing, air and ocean, and transport.

Transport revenue was up to $1.45 billion, a 12 percent increase on the year prior, with earnings before interest, tax, depreciation and amortisation up 22 percent to $156.7 million. Warehousing revenue rose about 20 percent to $346 million, with ebitda at $37.28 million. Air and Ocean revenue rose to $1.16 billion and operating earnings $63 million, up by 18 percent.

Braid said a key performance indicator was how many of its top 500 customers used all three divisions, and that had risen from 28 to 31 percent its last reporting year.

Braid said he is often asked whether Mainfreight has any acquisitions on the cards, but sees the company's organic growth as enough.

"Frankly, with all the capital expenditure we have planned, we don't have any money to go out and buy another business. Why would we when we don't have the time or patience to convert those businesses with other bad habits into Mainfreight?"

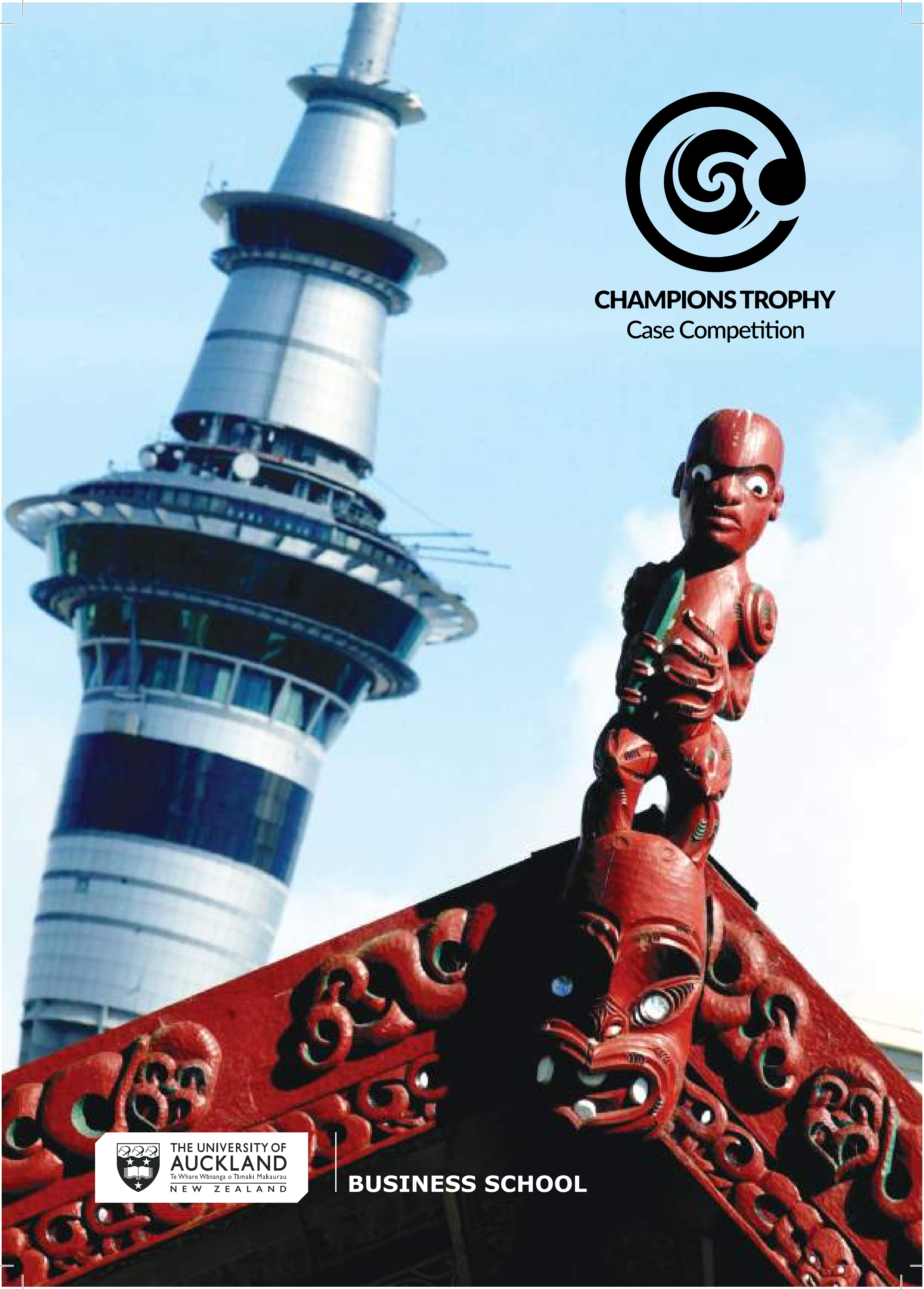
Net capital expenditure was $89.2 million but for the 2020 financial year it is forecast to total $213 million.

Prompted by shareholder questions, Mainfreight gave insight into how its company bonus scheme works. This year qualifying team members received a share of $27.2 million, which is $6.5 million more than the year before.

Not every employee gets this bonus, shareholders were told at yesterday's annual meeting. To qualify, a branch must be profitable and have performed better than the prior year.

Mainfreight then takes 11 percent of the profit and divides that equally among those full-timers have worked at the branch for more than one year. Part-timers get a bit less, chair Bruce Plested said.

(BusinessDesk)


CHAMPIONS TROPHY
Case Competition
THE UNIVERSITY OF AUCKLAND
Te Whare Wānanga o Tāmaki Makaurau
NEW ZEALAND
BUSINESS SCHOOL