



## Mainfreight profit leaps on record earnings

ANDREA FOX Last updated 13:27 11/08/2011

Freight transport company Mainfreight has shone a light through the global financial murk with a 109 per cent lift in net profit after tax and abnormals to \$14.2 million for the first quarter of 2012.

However, its strong share price rise of the past year could have run out of steam.

NZ Funds Management portfolio manager Josh Wilson said Mainfreight's shares are "priced for perfection".

The company was now valued at more than 11 times its forecast 2012 operating earnings, and further earnings multiple expansion - the driver of the 43 per cent lift in the share price in the past 12 months - will be a push, he said.

Mainfreight's share price has been as high as \$10.70 recently, but along with other stocks is down around 10 per cent this week in response to global market turbulence.

Managing director Don Braid said Wilson was entitled to his opinion but it was time some analysts looked beyond New Zealand's shores.

They needed to start viewing Mainfreight as an international company and its scope to lift its performance to match overseas competitors with values of 13 and 14 times their forecast operating earnings, he said.

Excluding abnormals, the net profit would have been 115 per cent up on the same three months last year. Abnormals - related to the cost of buying European transport company Wim Bosman this year - totalled \$430,000 after tax.

Earnings before interest, tax, depreciation and amortisation (EBITDA) hit a record for a quarterly result at \$32.1 million, up from \$15.5m the same period last year, Braid said.

Total revenue increased by 43 per cent to nudge \$450m, up from \$315.2m last year. Excluding foreign exchange, the increase was 46 per cent. Excluding the first contributions from the new Wim Bosman business, sales improved five percent to \$331.4m, and EBITDA was up 30 per cent to \$20.1m.

Business performance improved in the New Zealand, Australia, US and Europe businesses with only Asia behind last year's corresponding quarter result, as a consequence of increasing costs in developing the network in China, Braid said.

The results were in line with Mainfreight's expectations and trading in July and August had continued the trend, particularly in domestic operations around the world, he said.

"We expect this improved financial performance to continue throughout the financial year."

Wilson said Mainfreight's strong share price rise reflected two positive effects - increased earnings pushing up the underlying value of the company, and an increase in what investors are prepared to pay for those earnings, known as earnings multiple expansion.

Additional share price growth would require incremental increase to forecast earnings, which were already forecast to grow at around 15 per cent for the next two years, excluding the contribution from Wim Bosman.

Geoff Zame, senior director at Craigs Investment Partners, said it was a solid result, clearly tracking in the right direction.

He saw scope for upgrading earnings in some parts of the business, particularly Australia and New Zealand domestic operations.

"I'm looking for \$66 million of NPAT (net profit) in the current year, and they've just done \$14 million roughly

for the quarter so you'd argue that leaves them on track to hit that forecast."

Global economic concerns were relevant to Mainfreight with its global operations, and particularly with current major concerns about Europe's sovereign debt levels, Zame said.

"On the surface the European result looks quite strong but we are not in possession of the quarterly splits of the prior period (for Wim Bosman). It may be the business is very seasonal. It looks like a reasonable quarter but they might have a poor second quarter.

"It's hard to judge in isolation."

Mainfreight's shares rose to \$9.90 from \$9.62 on the back of the announcement.

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# Carrier unworried by gloom

**Andrea Fox**

MAINFREIGHT is shrugging off vulnerability to European and United States economic jitters after a strong first quarter 2012, saying it works in the “real world” of freight logistics.

The listed company more than doubled its net profit after tax and abnormals for the first quarter, posting \$14.2 million compared to the previous period’s \$6.8m. The result included the first contribution from the newly-acquired Wim Bosman Group in Europe.

Group earnings before interest, taxes, depreciation and amortisation was a first-quarter record at

\$32.1m. Total revenue increased by 43 per cent to \$449.8m. Excluding Wim Bosman’s contribution, sales improved 5 per cent to \$331m, and ebitda 30 per cent to \$20.5m.

Managing director Don Braid said Mainfreight was excited rather than concerned about its new presence in Europe.

“Logistics is more of a real world [industry] than the financial world and the world of rating agencies. We are seeing freight volumes that are pretty acceptable to us and we are growing all of our businesses in those bigger markets where we have a smaller market share.”

Craig Investment Partners senior director Geoff Zame said the quarter result was “solid” and on track to make the \$66m net profit after tax he was looking for in the full year. Macroeconomic concerns were relevant to Mainfreight, he said, with major uncertainty about Europe’s sovereign debt levels.

Wim Bosman’s performance looked “quite strong” but was hard to judge in isolation because its quarter split results from last year were not on offer.

NZ Funds Management portfolio manager Josh Wilson said Mainfreight had maintained earnings momentum.



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## MAINFREIGHT

# Booming carrier gets real on Europe

Andrea Fox

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NZ Funds Management portfolio manager Josh Wilson said Mainfreight had maintained earnings momentum, but its shares were now reaching a level where they were “priced for perfection”.

Mainfreight had shown its ability to increase revenues and earnings at a rate well above the market average, a prized attribute in the current “anaemic” economic growth environment.

But with the firm now valued at more than 11 times its forecast 2012 operating earnings, further expansion “will be a push”.