



# 7<sup>th</sup> Annual Meeting of Shareholders

Thursday 7 July 2011

# Welcome

## Board of Directors

- James Miller - Chairman
- Carmel Fisher - Director
- Annabel Cotton - Director
- Mark Todd - Director

## Senior Investment Analyst

- Murray Brown

## Chief Financial Officer

- Ben Doshi

## Investor Relations Manager

- Brigette Arnold



# Agenda

- Preliminary Matters
- Chairman's Overview
- Manager's Review
- Questions for Manager and Directors
- Don Braid, Managing Director of Mainfreight - Presentation
- Election of Directors
- Auditor's Appointment
- General Business





*Please note:*

- *The information given during this presentation is class advice and is not to be taken as ‘personalised financial advice’*
- *A disclosure statement is available upon request*

# Preliminary matters

- Notice of meeting
- Quorum
- Proxies received
- 2010 meeting minutes
- 2011 Annual Report





# Presentation of Annual Result

## Chairman's Overview





## Highlights of Year

- Total Shareholder Return of 16.3% for year
- Dividends totaling 8.69cps paid during the year
- Narrowing of share price discount to NAV
- New warrant issue
- Board refreshed



## Year to 31 March 2011

	<u>For year to 31 March</u>	<u>Since inception</u>
Total Shareholder Return	+16.3%	+34.2%
Net Asset Value inc. dividends	+9.8%	+52.3%
NZSX 50 Gross Index (NZX50G)	+5.3%	+32.7%

Source: IRESS and Fisher Funds. Data reviewed by an independent actuary





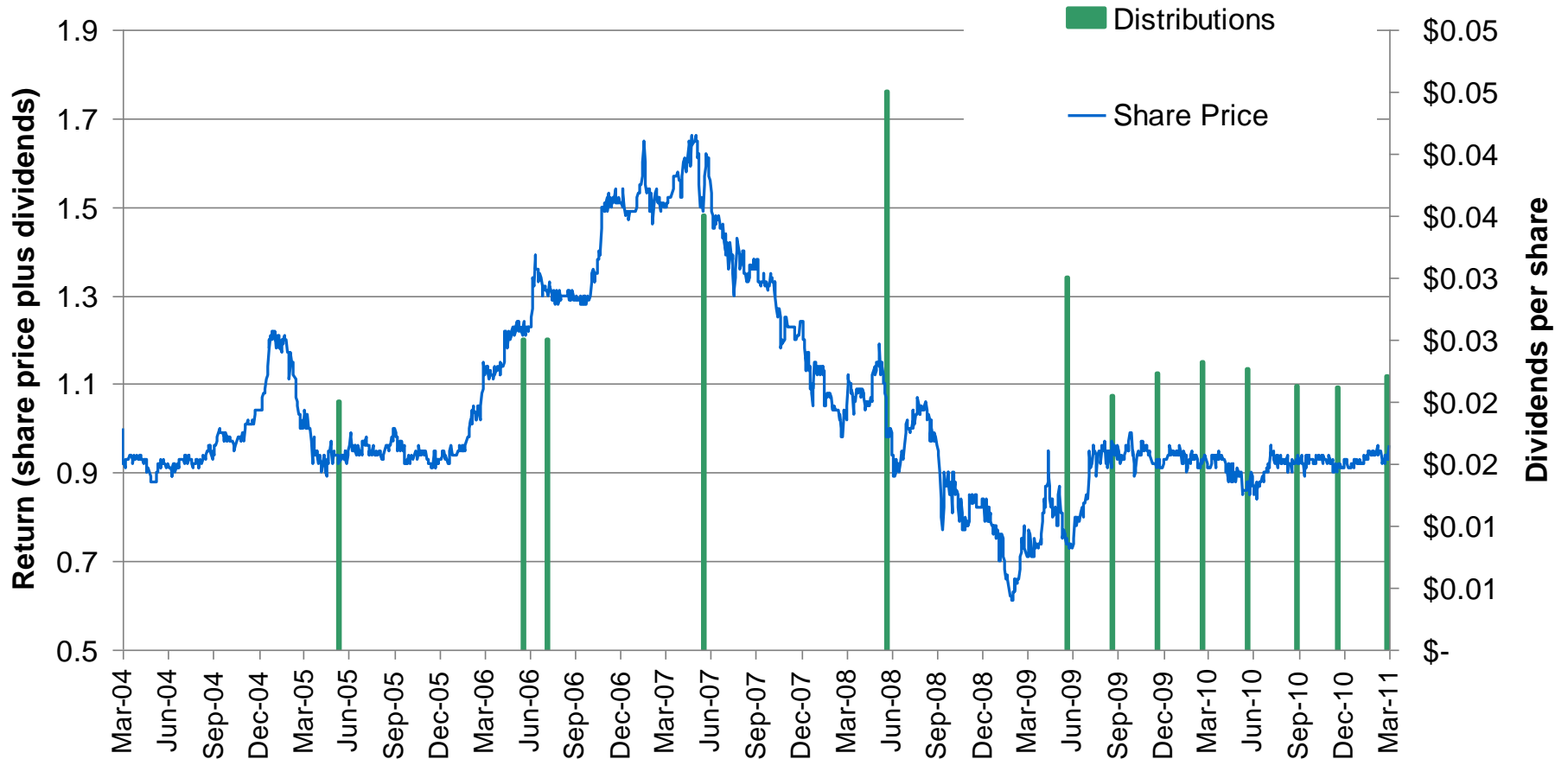
## Total Shareholder Return to 31 March 2011



Source: IRESS and Fisher Funds. Data reviewed by an independent actuary.



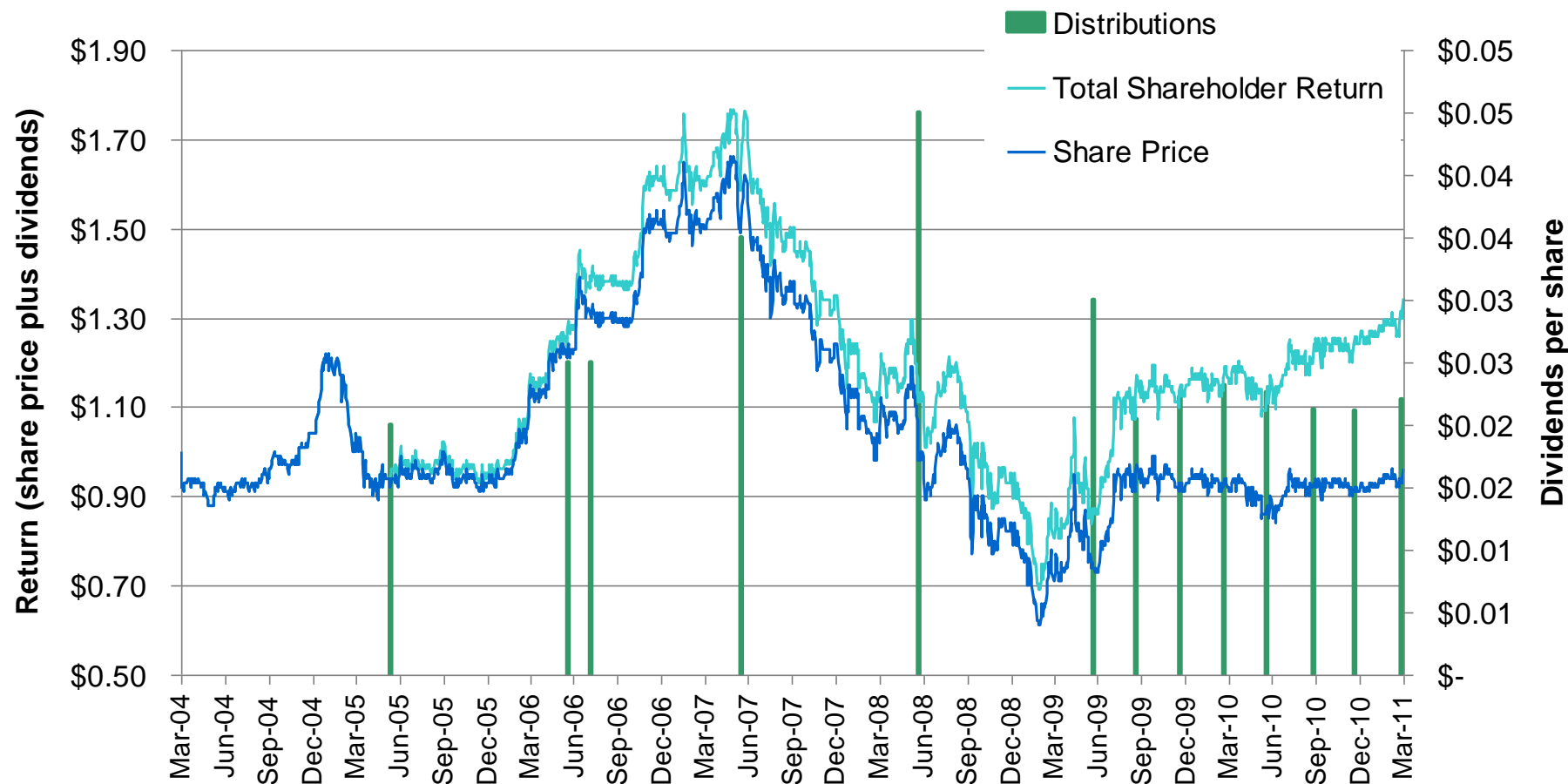
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### Total Shareholder Return to 31 March 2011



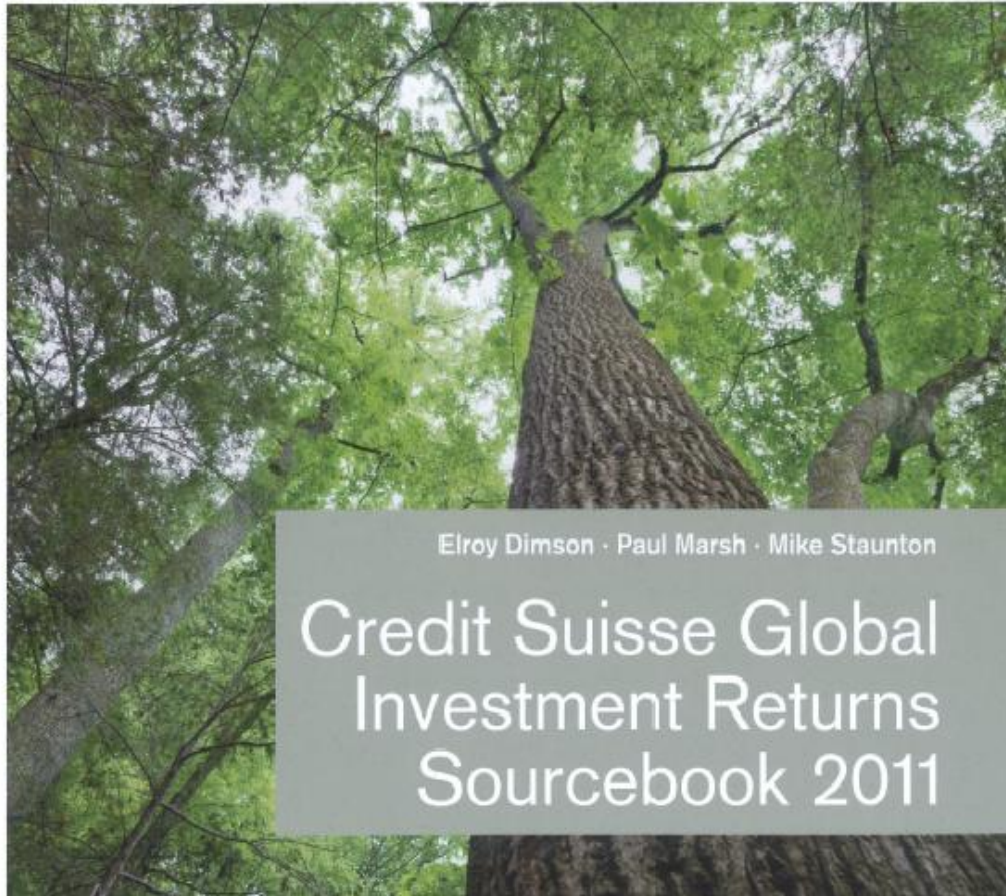
Source: IRESS and Fisher Funds. Data reviewed by an independent actuary.

# Quarterly Dividend Policy

- New dividend policy in place now for 24 months
- Calculated as 2% of average NAV per quarter.  
Next payment due 30 September 2011
- 8 payments made since launch of quarterly dividend policy – total 17.55 cents per share
- Average discount has narrowed from 22% to 15%
- Gross yield was 10.57% at 31 March 2011

# Research **Institute**

Thought leadership from Credit Suisse Research  
and the world's foremost experts

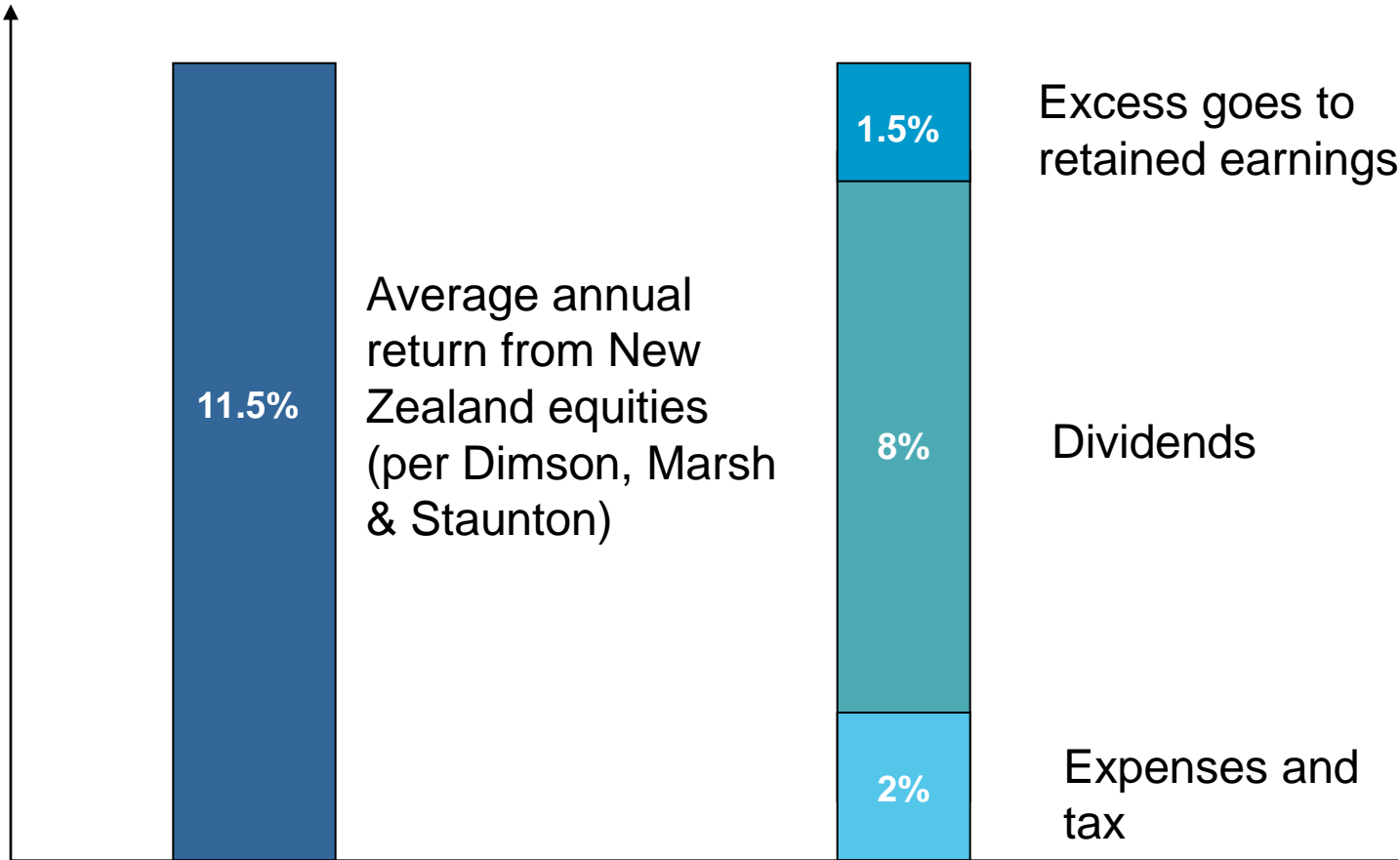


Elroy Dimson · Paul Marsh · Mike Staunton

## Credit Suisse Global Investment Returns Sourcebook 2011

# In a normal year:

Return



Source: Dimson, Marsh & Staunton



# Brent Sheather article

018

Saturday, June 5, 2010 Weekend Herald

## Brent Sheather Investment

brent@opam.co.nz

# Tax system dire for international investing

Some managed funds need to be realistic about their dividend policy

**T**wo weeks ago we looked at overseas stock funds of the NZI and Capital Fund of Value Funds that have cashflow and dividends as a focus in assessing the value of an investment. We noted that dividends are the source of income for investors, but it is not always clear why they are the difference between what a company will do for you and what they will do for you.

With managed funds, the investor is often a shareholder and usually the result of the difference between what the fund gets in income from its investments less what it costs to run the fund. We also noted that cashflow and dividends are the two main sources of income and the information needed to be calculated on a per share basis to be useful for investment decisions.

Unfortunately the fact sheets from the fund issuers often change the figures to make them look better than they are. This is in sharp contrast with how you can do your own calculations. This is in sharp contrast with how you can do your own calculations. This is in sharp contrast with how you can do your own calculations.

This week we will compare income, fees and dividends from the two investments: Midcap of Value Funds Fund and the Kingfish Fund, and we will also look at how to find out more about them.

Capital Fund dividend pay-off is a 10% return on the value of the fund. The value of the fund is the value of the fund. The value of the fund is the value of the fund. The value of the fund is the value of the fund.

The Kingfish fund is a 10% return on the value of the fund. The value of the fund is the value of the fund. The value of the fund is the value of the fund. The value of the fund is the value of the fund.

There were 10.8 million Kingfish shares on issue, with a profit of 10% per share. The value of the fund is the value of the fund. The value of the fund is the value of the fund. The value of the fund is the value of the fund.

One good point is that the Kingfish fund is a 10% return on the value of the fund. The value of the fund is the value of the fund. The value of the fund is the value of the fund. The value of the fund is the value of the fund.

The latest report showed a dividend income of \$100,000, less fees of \$10,000, leaving \$90,000 for shareholders. Unfortunately the data per share was not provided, so we had to do our own calculations.



Searching for the best rate can be a burden. Photo: J. Gentry Images

The Midcap fund has about 10.8 million shares on issue on earnings per share available for shareholders of about 4.5c per share. Dividing this number by 10.8 million and we have a share price of \$2.22. If you are paying 10% to the dollar tax, this is equal to an interest rate of 11.2 per cent - better than the bank.

This 11.2 per cent compares with 10% for the Kingfish fund. If you are paying 10% to the dollar tax, this is equal to an interest rate of 11.2 per cent - better than the bank.

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The last time I read this sort of nonsense about dividends was, I'll remember rightly, back in 2007 when the chairman of F&B Corp.

made the headline statement that the company paid the highest dividends on the market.

As always, this comes with a big, and their company clearly therefore cannot pay a dividend and then renege on its promise.

Capital Fund has put together a great portfolio for shareholders of NZI, which has paid a most substantial dividend in the past. It is a 10% return on the value of the fund. The value of the fund is the value of the fund. The value of the fund is the value of the fund.

The NZI dividend is being funded through a 10% return on the value of the fund. The value of the fund is the value of the fund. The value of the fund is the value of the fund. The value of the fund is the value of the fund.

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Annual investment costs	%	\$
Assuming a \$100,000 investment		
Dividend yield on world stock market (estimated)	2.2%	2200
Annual investment costs	12.8%	12800
Full dividend tax (10% x 20)	0.8%	800
Price collapse		2000

	Kingfish Fund	Midcap Value Fund
Dividends and interest received (see notes under Investment)	\$1,000,000	\$1,000,000
Management and other fees	\$100,000	\$100,000
Tax	\$100,000	\$100,000
Available for shareholders after tax	\$700,000	\$700,000
Available per share available for dividends	\$10.00	\$10.00

Source: NZI and Capital Fund of Value Funds

However, consider the true value of the fund. The value of the fund is the value of the fund. The value of the fund is the value of the fund. The value of the fund is the value of the fund.

For a 10% return on the value of the fund, the value of the fund is the value of the fund. The value of the fund is the value of the fund. The value of the fund is the value of the fund.

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investor managed international shares that is likely to be highly volatile. The tax department will have a lot to say about this - it is not clear that the other dividend yield is a 10% return on the value of the fund.

The numbers are in the table at left, assuming a 10% per cent tax rate. This shows investors in using managed funds need to be realistic about their dividend policy.

And don't think a capital gain is going to make up for the loss of income. The value of the fund is the value of the fund. The value of the fund is the value of the fund. The value of the fund is the value of the fund.

The work of Robert Arnott and others, who have shown that long-term average growth rates are about 10% per cent, is a 10% return on the value of the fund.

For the past 100 years, the average return on the value of the fund is the value of the fund. The value of the fund is the value of the fund. The value of the fund is the value of the fund.

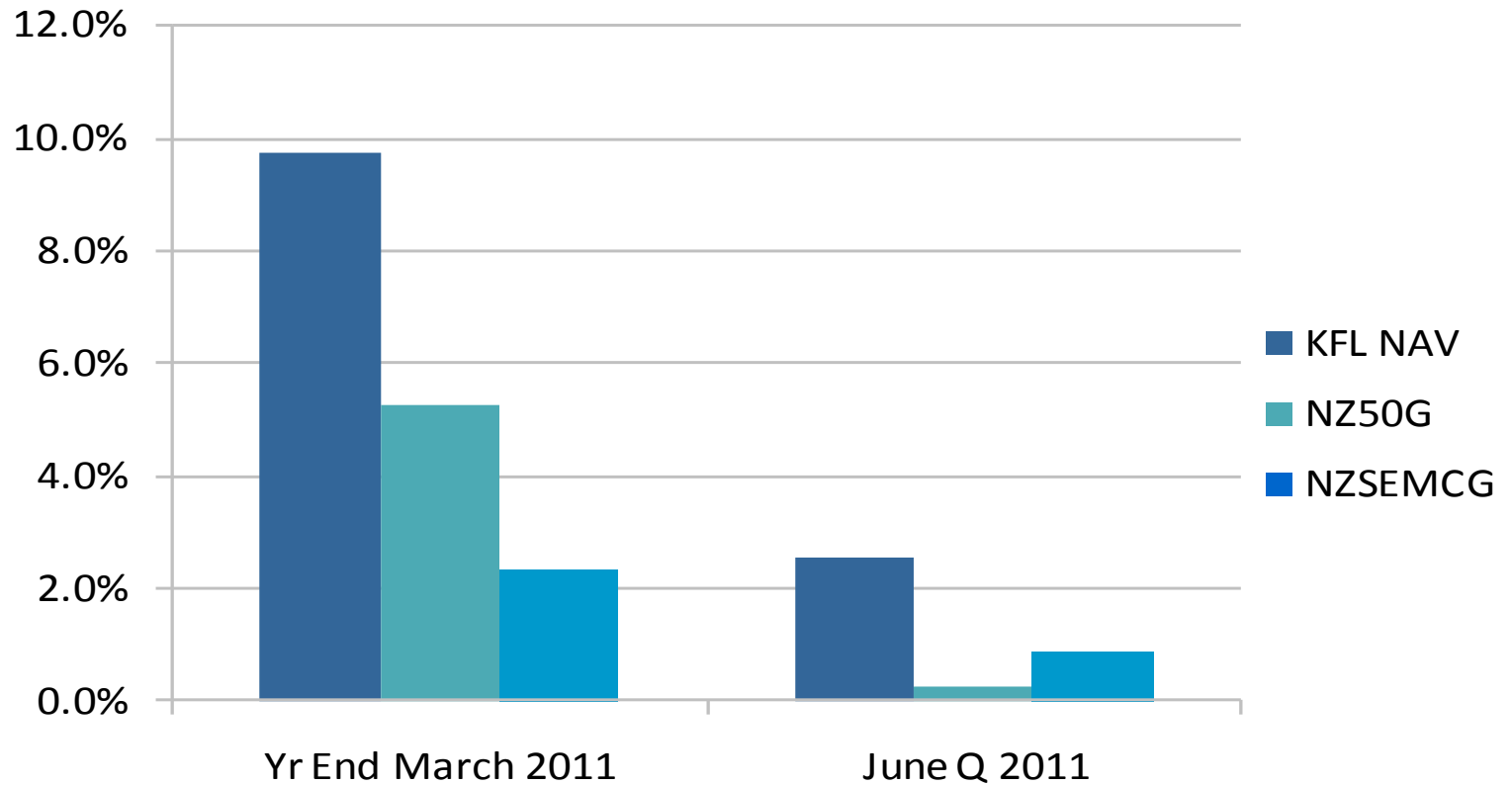
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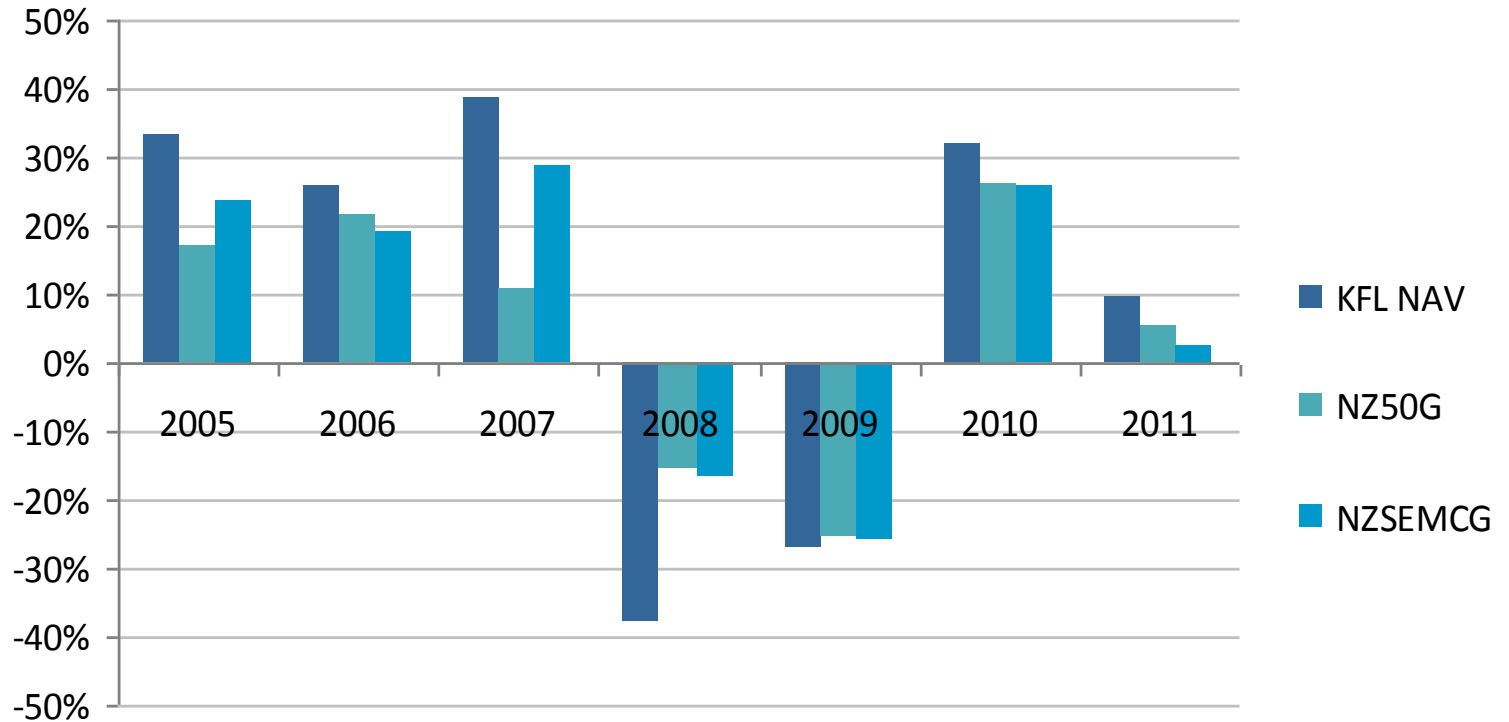
# Manager's Review

# NAV Performance\*



\* After adding back dividends but excluding imputation credits

# NAV Performance



**Value added in 5 out of 7 years**

# Portfolio Gainers & Detractors

**Year End March  
2011:**

**Gainers:**

**Detractors:**

Mainfreight

Pumpkin Patch

Ryman Healthcare

Wakefield Health

NZX

Abano

**Quarter Ended  
June 2011:**

Ryman Healthcare

Pumpkin Patch

Mainfreight

Tower

# Ryman Healthcare

- **Excerpts from 2011 Annual Report**
  - “Since listing 12 years ago we have now built 3,850 units and beds, investing over \$845m – all of which has been funded out of operating cash flows, while profits and dividends have grown 12 fold.”
  - “As a result we have never had to seek fresh equity from you, our shareholders, to achieve our growth. Meanwhile, \$200m has now been paid to shareholders in dividends since we listed.”



# Portfolio Metrics

**1 Year Forward  
Analysts' Consensus  
Forecast**

**Kingfish    Core NZ Market**

**P/E x**

13.2

14.4

**EPS Growth %**

22.8

16.0

**Net Div Yield%**

4.5

5.0

**Debt/Debt + Equity%**

22.0

21.0

**More Growth at a Lower P/E**

Source: IRESS & First NZ Capital



# Questions



PRESENTATION TO  
KINGFISH  
ANNUAL SHAREHOLDERS MEETING  
JULY 2011



# Who & What is Mainfreight?

- Mainfreight is a global supply chain logistics provider
- Commenced business in 1978
- Began operating in USA and Asia in 1998, and Australia in 1989
- Publicly listed on NZX in June 1996
- Today has a market capitalisation of \$1 billion and has 186 branches operating across New Zealand, Australia, USA, Europe and Asia
- Sales revenues in excess of \$1.75 billion (includes Wim Bosman 2010 revenue)
- 4,967 people

# Culture ... “The Way We Do Things Around Here”

- We aspire to be a 100-year Company; this drives our decisions
- We seek to delight our customers
  - Under-promise and over-deliver
  - Quality focus and measurement, set high standards and beat them
- Our people are key
  - Training and development
  - Promotion from within to maintain our culture and key to retaining our people
  - Profit sharing; profit comes from hard work, not talk
  - Bureaucracy, hierarchy and superiority not tolerated
  - No private offices for anyone – open plan

# Culture ... continued

- Branch P&L accountability and responsibility
  - Weekly profits, margin and revenue focus
  - No cross-subsidization between branches or divisions
  - Long-term profit focus builds a business that will endure
- Keep re-inventing ourselves with time and growth
- No written strategic plan
- No budgets
- We have created a Mainfreight Aussie culture, and one for Asia, and one for the USA ... and now Europe underway
- Nationals leading profitably, with growth, and in our style

# Performance to Date

## Since Listing:

- Net surplus before abnormals improvement of 890% to \$47.24 million
- Revenue improvement of 925% to \$1.34 billion (1267% to \$1.8 billion if including Wim Bosman Group)
- Market capitalisation from \$57 million to \$1 billion plus
- Dividend increase of 264%
- Share price from \$0.96 at listing to \$10.00 plus
  - Peaked at \$10.29
  - 12-month low \$6.11

# Mainfreight Regional Analysis

## EUROPE

Revenue €238

Team Members 1,541

% of Group Revenue 24.8%

## ASIA

Revenue US\$27

Team Members 162

% of Group Revenue 2.0%

## USA

Revenue US\$308

Team Members 463

% of Group Revenue 23.6%

## AUSTRALIA

Revenue AU\$367

Team Members 1,057

% of Group Revenue 26.5%

## NEW ZEALAND

Revenue NZ\$413

Team Members 1,744

% of Group Revenue 23.1%



# Strategy for Global Supply Chain Logistics Business

- World class service
- Full range of logistics services including:
  - Managed warehousing
  - Domestic distribution
  - Metro and Wharf cartage
  - International air and sea freight
- Sophisticated technology
- Ambition to be located in every major trading nation of the world
- Establishing our own network
- Desire to be useful for our customers

# Why Wim Bosman Group?

- Strategic fit for the Mainfreight jigsaw/network expansion
- Large and profitable business however:
  - Weakness in global air and sea trade; our strength
  - Acquired for trade development with our network, particularly:
    - Asia / Europe / Asia
    - US / Europe / US
    - Some benefit (minimal by trade scale) for Australia and New Zealand
- Reputation of Wim Bosman Group very good with customers and competitors

# Why Wim Bosman Group? ... continued

- Private ownership has not allowed development potential:
  - Intensive network – Netherlands/Belgium/France
  - Developing – Poland/Romania/Russia
  - Eastern Europe and Air & Ocean opportunity
- Revenue (2010 year) €238.3 million
- EBITDA (2010 year) €19.4 million
- Acquisition (including € 10m earn out) €120.0 million
- Acquisition ~NZ\$224 million*
- Acquisition multiple 6.2 times EBITDA, includes property assets of €43 million

# Why Southeast Asia?

- Development of intra-Asia freight, eg India/China \$60 billion per annum
- Vietnam/China trade significant
- Southeast Asia (Singapore, Thailand, Malaysia, Philippines) with the rest of the world
- India on radar screen

# China & Southeast Asia Locations



# Mainfreight's Targets - Examples

- 2012 To have grown Australian Domestic profits to match New Zealand's  
To have worldwide revenues of \$2 billion
- 2013 Revenue of US\$400 million in Mainfreight USA  
To have CaroTrans on five continents  
To be KiwiRail's largest customer
- 2014 To have sales revenues of \$100 million in Asia  
To have sales revenues of \$500 million in the USA
- 2015 To have in excess of \$2.8 billion in sales revenues  
To be in 6 European countries and 3 South American countries

# Mainfreight's Targets ... continued

- These are our “lines in the sand”.
- “If our politicians adopted a similar attitude, we might achieve more as a country!”

# Our Future

The past 12 months have been a defining time for Mainfreight.

We see an exciting and challenging future.

We are passionate about remaining New Zealand owned and operated.

We are serious about creating a global logistics business located in every trading nation of the world.

Thank you for your time, your investment and your interest.

# Questions

# Election of Directors

- Annual report
- To re-elect Annabel Cotton as a Director
- To elect James Miller as a Director
- To elect Mark Todd as a Director



# Auditor's Appointment & Remuneration

- PricewaterhouseCoopers are reappointed as the Company's Auditors
- Resolution that Directors be empowered to fix the Auditor's remuneration





# General Business





Thank you

