

## NZX AND MEDIA RELEASE

25 AUGUST 2020

### UNAUDITED FINANCIAL RESULTS FOR THE NINE MONTHS TO 30 JUNE 2020

## NAPIER PORT THIRD QUARTER IMPACTED BY COVID-19 DISRUPTION

*Trade gateway for Hawke's Bay and the lower North Island sees third quarter and nine months ended 30 June 2020 financial results down on the prior year due to lower container and bulk cargo volumes across its wharves as the result of COVID-19 disruptions.*

*FY2020 pro forma net profit after tax expected to be approximately \$20 million, assuming no material change to trading conditions.*

### HIGHLIGHTS

#### 3<sup>rd</sup> Quarter to 30 June 2020

- Revenue for the third quarter down 16.2% to \$24.3 million from \$29.0 million in the same period last year
- Container volumes down 17.4% to 74,000 TEU, reflecting the impact of the COVID-19 Alert Level 4 lockdown on 'non-essential' cargo and lower empty container imports
- Bulk cargo volume down 24.2% to 0.6 million tonnes, resulting from the cessation of log harvesting during COVID-19 Alert Level 4
- Pro forma EBITDA<sup>1</sup> for the quarter down by 30.1% to \$9.3 million from \$13.3 million in the same period last year
- Result from operating activities<sup>1</sup> down by 31.6% to \$9.3 million from \$13.7 million
- Pro forma net profit after tax<sup>1</sup> for the third quarter reduced by 43.7% to \$4.2 million from \$7.5 million in the same period last year
- Reported net profit after tax down by 17.2% to \$5.9 million from \$7.1 million

#### 9 Months to 30 June 2020

- Revenue for the nine months down 1.4% to \$76.6 million from \$77.6 million in the same period last year
- Container volume down 2.9% to 210,000 TEU
- Bulk cargo volume down 12.8% to 2.23 million tonnes
- Pro forma EBITDA down by 10.8% to \$30.8 million from \$34.5 million in the same period last year
- Result from operating activities down 13.0% to \$31.1 million
- Pro forma net profit after tax down 14.3% to \$15.5 million from \$18.1 million in the same period last year
- Reported net profit after tax of \$18.7 million, up from \$16.3 million

#### Earnings Guidance and Outlook

- Trade outlook remains uncertain due to COVID-19 impact and broader economic conditions and month-to-month cargo volatility

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<sup>1</sup> Pro forma EBITDA, result from operating activities, and pro forma NPAT are alternative non-NZ GAAP measures. Refer to the Notes to the 2019 Annual Consolidated Financial Statements and the Supplemental Selected Financial Information for further information.

- Expectation for FY2020 pro forma NPAT of approximately \$20 million, assuming no material change to trading conditions
- Unlikely to see cruise ship visits in the FY2021 cruise season
- No update to final dividend expectation which will be reviewed in November

## TRADING RESULTS

Napier Port (NZX.NPH) today reports lower revenue and underlying earnings for the nine months to 30 June 2020 due to reductions in container and bulk cargo volumes as the result of COVID-19 disruptions.

Third quarter revenue was down by 16.2% to \$24.3 million from \$29.0 million in the same period last year. Revenue for the nine months decreased 1.4% to \$76.6 million from \$77.6 million last year.

### *Container services*

Container services revenue for the quarter of \$17.3 million decreased 14.3% from \$20.2 million in the same period last year. For the nine months, container services revenue increased by 0.9% to \$48.2 million from \$47.8 million due to improved average revenue per TEU, offset by lower container volumes.

Average revenue per TEU for the nine months increased 3.9% to \$230 from \$222 in the same period last year, assisted by tariffs introduced during 2019 to recover costs of infrastructure investments made to extend capacity and support our growth.

Container volumes for the quarter decreased by 17.4% to 74K TEU reflecting COVID-19 disruptions including the restrictions on 'non-essential' cargo, such as timber, wood pulp, wool, and paper products, during Alert Level 4 and reduced empty container imports. For the nine months, container volumes reduced by 2.9% to 210K TEU from 216K TEU in the same period last year.

### *Bulk cargo*

Bulk cargo revenue for the quarter of \$6.3 million decreased 20.3% from \$7.9 million in the same period last year. For the nine months, bulk cargo revenue was down by 9.0% to \$22.3 million from \$24.5 million as volumes reduced by 12.8% to 2.2 million tonnes from 2.6 million tonnes in the same period a year ago.

Log export volume reduced by 14.3% to 1.6 million tonnes from 1.9 million tonnes for the nine-month period due to the cessation of log harvesting during Alert Level 4 and Chinese export market conditions. Average revenue per tonne increased 4.4% to \$10.02 from \$9.60 in the same period last year.

### *Operating results*

The result from operating activities for the third quarter was down by 31.6% to \$9.3 million from \$13.7 million. For the nine months the result from operating activities declined by 13.0% to \$31.1 million from \$35.7 million due to lower revenue and operating expenses increasing in line with expectations to support growth and build operational resilience. Operating expenses increased with higher employee numbers, higher insurance costs, and listed company costs in the nine months compared to the same period last year.

Pro forma EBITDA for the quarter reduced by 30.1% to \$9.3 million from \$13.3 million in the same period last year. For the nine months, pro forma EBITDA reduced by 10.8% to \$30.8 million from \$34.5 million. Pro forma operating expenses in the quarter reduced 4.5% and increased 6.2% for the nine months compared to the same periods last year.

Pro forma net profit after tax for the third quarter reduced by 43.7% to \$4.2 million from \$7.5 million in the same period last year. For the nine months this reduced by 14.3% to \$15.5 million from \$18.1 million.

The reported statutory net profit after tax for the nine months of \$18.7 million, up from \$16.3 million in the same period last year, includes the receipt of the government's COVID-19 wage subsidy of \$2.0 million (gross of tax effect) and a one-off non-cash deferred tax gain of \$1.5 million related to the deductibility of tax depreciation on buildings, both of which are excluded from the pro forma result. The statutory net profit after tax also benefited from reduced finance costs of \$3.0 million when compared to the same period a year ago.

Chair Alasdair MacLeod says: “These results cover the period that included the Level 4 COVID-19 lockdown, when all but the cargo the Government deemed ‘essential’ reduced sharply. With the gradual lifting of restrictions, we have seen a recovery in cargo volumes flowing across our wharves, albeit not to the levels we anticipated prior to the lockdown.

“These disruptions have weighed on our earnings for both the three-month and nine-month periods. Meanwhile continued uncertainty about the medium-term impact of the pandemic and month-to-month volatility in trade flows continue to pose challenges to accurately assessing the outlook for the future.

“Despite this uncertainty, Napier Port and the broader region is weathering the pandemic relatively well. We expect the primary sector cargo that underpins our business and the prosperity of the region to continue to flow across our wharves and, over the long-term, grow. We continue to invest to support that long-term growth and our customers.”

Chief Executive Todd Dawson says: “As we signalled in May, the 2020 financial year is emerging as a year of two halves, with the first largely in line with forecasts we set at the time of our 2019 initial public offer and the second seeing the COVID-19 disruption to trading and the resulting softening in our financial performance.

“Volumes of key trades since the end of the lockdown in April have been volatile, particularly log exports. Major apple packers have reported strong harvests, but, due to the volatility in international markets, our customers are taking longer to clear inventory than prior years. These dynamics have seen Napier Port moving slightly lower volumes of apple and pear containers compared to the same period in the prior year.

“Meat volumes have been steady, while import trades have been in line with last year despite the economic uncertainty. Timber volumes have, meanwhile, been solid.

“Napier Port continues to build capability and capacity for the future. The 6 Wharf construction project continues to progress in line with expectations. We are also pleased with progress we have made on other strategic initiatives, including the commissioning of our third tug *Kaweka* and our second off port container depot in Thames Street, Napier.

“In June we welcomed the Government’s in-principle support to help fund the development of an inland port at Whakatu, which forms part of Napier Port’s future infrastructure masterplan. The Government support potentially offers Napier Port the opportunity to bring forward this development in return for favourable funding terms. The financing package is subject to the agreement of terms and Board approval of a business case.

“All of these developments position the company well for the long-term. They help us to drive efficiencies and provide capacity for the long-term growth in cargo we expect to flow from the region.”

## **BALANCE SHEET AND CAPITAL EXPENDITURE**

Napier Port retains a strong balance sheet following its capital raising in the prior year. At 30 June 2020, cash and cash equivalents stood at \$18.0 million, down from the \$31.2 million at the end of the last financial year. In addition, we have undrawn bank facilities of \$180 million to fund the 6 Wharf development, the majority of which mature in 2024.

Our strategic investments are cementing our capability to continue growing our position as the preferred gateway in the central and lower north island for cargo owners.

Over the nine-month period Napier Port has invested \$30.9 million in capital assets with \$14 million<sup>2</sup> spent on 6 Wharf construction. Other projects included the commissioning of *Kaweka*, the new off-port container depot, and replacement wharf maintenance, maintenance dredging, paving works and mobile plant.

## **EARNINGS GUIDANCE AND OUTLOOK**

Napier Port now expects pro forma NPAT for the 12 months to 30 September 2020 to be approximately \$20 million, assuming no material change to trading conditions. This expectation benefits from our

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<sup>2</sup> \$19 million including accounting capex accruals

COVID-19 response measures, including employee benefit and short-term operating expense deferrals, and excludes pro forma adjustment items such as the COVID-19 wage subsidy.

“Beyond the end of the financial year the outlook is still subject to considerable uncertainty. Cruise ship visits are unlikely to resume for the coming cruise season, which traditionally commences in October and extends through summer. Meanwhile, it is still difficult to assess how the pandemic will affect demand for key trades from export markets and imports to the region,” Mr Dawson said.

“As we noted at the half year Napier Port continues to engage with cargo owners to understand how COVID-19 trading conditions are affecting them and the expected outlook for cargo volumes through Napier Port. We expect to provide a further update when we release our results for the 2020 financial year in November.”

As advised with our half year results announcement, a decision on the final dividend will be made by the Napier Port board in conjunction with the full financial year result and outlook in November 2020. The board’s intent is to pay a final dividend in respect of the 2020 financial year result, in accordance with our stated dividend policy, subject to developments and the economic outlook at that time.

**For more information:**

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Napier Port Chair Alasdair MacLeod, Chief Executive Todd Dawson and Chief Financial Officer Kristen Lie will host a conference call at 11.00am (NZT) (9.00am, AEDT) today to discuss the results. The presentation material to which Napier Port will refer during the call has this morning been released to the NZX and posted on Napier Port’s investor centre: <https://www.napierport.co.nz/investor-centre/>

**Pre-registration:**

To attend the conference call participants must pre-register at the following link:

<https://s1.c-conf.com/diamondpass/10009091-invite.html>

Registrations can be taken right up to the commencement of the call.

**About Napier Port**

Napier Port is New Zealand’s fourth largest port by container volume. We are the main gateway for Hawke’s Bay exports and operate a long-term regional infrastructure asset that supports the regional economy. Our strategic purpose is to collaborate with the people and organisations that have a stake in helping our region grow. View Napier Port’s investor centre: [www.napierport.co.nz/investor-centre/](https://www.napierport.co.nz/investor-centre/)