



NZX AND MEDIA RELEASE

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FINANCIAL RESULTS FOR THE YEAR TO 30 SEPTEMBER 2020

Napier Port benefits from resilient regional cargo flows

HIGHLIGHTS

- Annual revenue rose 0.8% to \$100.4 million from \$99.6 million in the same period last year
- Container volumes were down 1.1% to 268,000 TEU and bulk cargo volumes were down 8.3% to 3.1 million tonnes due principally to COVID-19 disruptions
- Pro forma EBITDA¹ rose 1.3% to \$41.0 million
- Result from operating activities² decreased 2% to \$41.2 million
- Pro forma net profit after tax¹ rose by 4.2% to \$20.4 million in line with IPO forecasts
- Audited net profit after tax rose from \$6.8 million to \$22.0 million
- Trade sentiment is buoyant, but the outlook remains uncertain due to the impact of COVID-19 and broader economic conditions
- No cruise ship visits expected in the FY2021 cruise season
- Board resolved to pay a final dividend of 5 cents per share
- Guidance for 2021 of underlying EBITDA of between \$34 million and \$38 million

Napier Port (NZX.NPH), the premier freight gateway for Hawke's Bay and the lower North Island, today reports resilient regional cargo flows have underpinned annual revenue and earnings, despite the challenges of the COVID-19 pandemic.

It reports continued investment in its infrastructure - including its new multi-purpose 6 Wharf - reflecting its confidence in the long-term economic prospects for its region and the service proposition it offers regional cargo owners. However, due to the new economic realities the company faces in the wake of the pandemic, Napier Port also notes that earnings for the new financial year are expected to be reduced.

FINANCIAL RESULTS

Revenue for the year to 30 September 2020 rose 0.8% to \$100.4 million from \$99.6 million in the same period a year ago. Napier Port's total container trade was down just 1.1% to 268,000 twenty-foot equivalent units (TEU) from 271,000 TEU, while bulk cargo volumes fell 8.3% to 3.1 million tonnes from 3.4 million tonnes, principally reflecting the impact of the pandemic lockdown on the log export trade. Although the pandemic brought the cruise ship season to a premature end the port hosted 76 cruise lines, up from 70 in the prior year. Revenues were also underpinned by increased revenues per trade unit.

The result from operating activities of \$41.2 million decreased by 2% from \$42.0 million in the prior year. Audited net profit after tax rose from \$6.8 million to \$22.0 million. The result for the prior year included

¹ Pro forma EBITDA and pro forma net profit after tax are alternative non-NZ GAAP measures. For further information please refer to the Supplemental Selected Financial Information released to the NZX today and available on the company's website.

² Result from operating activities is an alternative non-NZ GAAP measure and represents core underlying operating earnings. For further information please refer to Note 24 of the 2020 Annual Consolidated Financial Statements and the Supplemental Selected Financial Information.

several one-off charges, including the costs related to the IPO and capital restructuring. Stripping out these adjustments, pro forma net profit after tax rose to \$20.4 million from \$19.6 million in the prior year, a figure above the guidance given at the time of the IPO.

Napier Port Chair Alasdair MacLeod said: "Napier Port's first year of operation as a listed entity was significantly more challenging than we anticipated at listing, as we navigated the uncharted territory of COVID-19.

"Despite all the uncertainties associated with the pandemic, our management and people have worked through these unique challenges with commitment and calm. This resilience operationally, backed up by tight financial controls, has left Napier Port in a stronger position than we anticipated at the outset of COVID-19. It has further cemented our position as the major freight gateway for our region and the lower North Island.

"The recovery was so strong that the Board moved to repay the Government wage subsidy for which we qualified and accepted in the early stages of the health crisis.

"Our confidence in the region and in the quality of our offering is such that through this period we have forged ahead with the construction of our new wharf - 6 Wharf.

"This vital piece of infrastructure remains within budget, is scheduled to be completed by late 2022, and when finished will give us the ability to handle bigger ships, more shipping lines, and the ever-increasing volume of cargo generated by the region, or attracted to Napier Port by our superior service."

Chief Executive Todd Dawson said: "In the face of the significant challenges we saw as a result of COVID-19, we have continued to deliver on our strategic purpose to work for our region. We have done this by maintaining and strengthening the global connections that are fundamental to linking Hawke's Bay and New Zealand's central and lower North Island supply chains to the world.

"In any other year, Napier Port would treat this all as business as usual. What makes this year stand out is that we achieved all of this, as well as an outstanding financial result, when - more than ever - the health, safety and the economic wellbeing of our people and our region were at stake."

DIVIDEND AND OUTLOOK

Mr MacLeod said the IPO has given Napier Port a sound balance sheet.

"We ended the financial year with net cash of \$7.9 million, compared to \$31.2 million at the same time a year ago, and retained undrawn borrowing facilities of \$180 million.

"While this is a stronger liquidity position than we envisaged at the time of the IPO, we now face a more uncertain outlook. This uncertainty comes at a time when we are investing in a once-in-a-generation upgrade to our core infrastructure.

"Sentiment amongst our customers remains upbeat and positive, particularly in the meat and forest products sectors, however significant uncertainty remains for our cruise industry customers entering into the new year. Neither Napier Port nor its customers are complacent about the risks to both the global, national and regional economy as we look to the future.

"In addition to these uncertainties, there are secondary effects which have a direct bearing on the region and cargo flows through Napier Port, including access to labour to harvest our region's primary produce and ongoing congestion in supply chains in the upper North Island.

"As we signalled earlier in the year, we do not expect a resumption of cruise ship visits this cruise season and we are conscious of the uncertainty regarding the timing and eventual extent of this industry's revival. We continue to exercise a disciplined approach to operating and capital expenditure and are pursuing efficiencies, however, several of the cost saving measures introduced in response to

COVID-19, including the already signalled deferrals of operational and capital expenditure, cannot be sustained in the new financial year.

“Finally, the board believes Napier Port should configure itself for the long term not only in terms of infrastructure, but also in terms of people and capability. All these factors translate into an expectation for underlying EBITDA for the year to 30 September to range between \$34 million and \$38 million. “For many of these reasons, the Board cancelled the interim dividend and Directors still believe protecting Napier Port’s balance sheet remains a prudent stance.

“We have therefore declared a final dividend of 5 cents per share, up from the 2.5 cents per share paid at the same time a year ago but less than forecast at the time of the IPO. The dividend has a record date of 4 December and a payment date of 18 December.

“Napier Port is standing strong for our region. Over many years we have established a record of working with our customers and our broader community of stakeholders to ensure an efficient, agile and resilient supply chain for our region,” Mr MacLeod said.

“Our focus for the current year – despite the uncertainty – is to continue to build on this success. We are looking forward to providing an update on our progress at our annual shareholders meeting in December.”

Further detail on Napier Port’s financial performance for the year to 30 September 2020 is included in the annual report and investor presentation released to the NZX today and available on the company’s investor website at: <https://www.napierport.co.nz/investor-centre/>

ENDS

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About Napier Port

Napier Port is New Zealand’s fourth largest port by container volume. We are the main gateway for exports from Hawke’s Bay and the lower North Island 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. On the web: www.napierport.co.nz

Conference Call

Napier Port will hold a conference at 11.00am (NZT) (9.00am, AEDT) today. To attend to the conference call participants must pre-register at the following link:

<https://s1.c-conf.com/DiamondPass/10010358-by78Ft.html>

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