

## NZX AND MEDIA RELEASE

25 MAY 2021

UNAUDITED FINANCIAL RESULTS FOR THE HALF YEAR TO 31 MARCH 2021

### Trade diversity mitigates ongoing pandemic effects

#### HIGHLIGHTS

- Revenue rose 0.6% to \$52.6 million from \$52.3 million in the same period last year, despite Covid-19 preventing cruise vessel visits, which generated \$4.2 million in the same period last year
- Bulk cargo revenue increased \$4.2 million, or 26.5%, to \$20.2 million driven by a 20.6% increase in log exports to 1.43 million tonnes
- Container volumes of 135,000 TEU were in line with the prior period
- Result from operating activities<sup>1</sup> decreased 2% to \$21.3 million due to a 2.4% increase in operating expenses
- Underlying net profit after tax<sup>2</sup> decreased 5.2% to \$10.6 million. Reported net profit after tax decreased 14.9% to \$10.6 million due to the reinstatement of tax depreciation on commercial buildings in the prior year
- Demand for the region's food and fibre exports remains robust, however the impact of labour shortages and supply chains disruption on trade remains uncertain
- Board resolved to pay a fully imputed interim dividend of 2.8 cents per share, increased from no interim dividend in the prior year
- Expected underlying result from operating activities for the year to 30 September 2021 remains at between \$39 million and \$42 million, assuming a continuation of current market conditions

Napier Port (NZX.NPH) today reports resilient half year revenue and earnings as the diversity of the Napier Port trade portfolio mitigates the ongoing effects of the Covid-19 pandemic.

Sustained strong log export market conditions resulted in a record log export volume for the first half of the financial year.

#### FINANCIAL RESULTS

Revenue for the half year to 31 March 2021 rose 0.6% to \$52.6 million from \$52.3 million in the same period a year ago. Napier Port's total container trade of 135,000 twenty-foot equivalent units (TEU) was in line with the prior period, while bulk cargo volumes increased 17.1% to 1.87 million tonnes from 1.6 million tonnes.

Bulk cargo revenue increased \$4.2 million or 26.5%, to \$20.2 million driven by growth in log export volumes. Log exports increased 20.6% to 1.43 million tonnes due to sustained strong log export market

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<sup>1</sup> 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.

<sup>2</sup> Underlying net profit after tax is an alternative non-NZ GAAP measure that comprises reported net profit after tax adjusted for non-recurring and abnormal items to ensure consistency and comparability of the financial information over the periods presented. For further information please refer to the Supplemental Selected Financial Information.

conditions. No cruise revenue was earned in the half year, due to closed international borders, compared to \$4.2 million in the same period last year.

The result from operating activities of \$21.3 million decreased by 2% from \$21.7 million in the prior year as a result of a 2.4% increase in total operating expenses, the principal components of which were increased insurance and employee benefit expenses.

Underlying net profit after tax, after adjusting for non-recurring net gains in the prior year, decreased 5.2% to \$10.6 million from \$11.1 million in the prior year as a result of the decrease in the result from operating activities and increases in depreciation and amortisation expenses.

Reported net profit after tax decreased 14.9% from \$12.4 million to \$10.6 million as the prior year benefited from one-off tax income of \$1.5 million due to the reinstatement of tax depreciation on commercial buildings.

Napier Port Chair Alasdair MacLeod said: "A key strength of Napier Port is the diversity of trades that pass across our wharves.

"In the half year to the end of March 2021, strong growth in bulk exports, and a 20.6% increase in log exports in particular, have offset the absence of cruise ships, which, prior to the Covid-19 pandemic, were a welcome source of business for both Napier Port and the region.

"Over the last half year, that diversity was also apparent in our container trade. Volumes were steady at 135,000 TEU, but with changes in mix between trades with higher exports of meat and apples and other container movements offsetting falls in containerised wood pulp and timber and lower import volumes.

"The diversification of trades and relative stability of earnings this provides to Napier Port are a key reason why we have been able to look through the current Covid-19 turmoil and continue to invest in the infrastructure that will support our region for the longer term.

"The centre piece of this investment is 6 Wharf, an inter-generational asset that will extend our capacity and our region's access to global markets. The project remains within budget and on track to open in late 2022."

Napier Port Chief Executive Todd Dawson said: "The disruption we have seen to global shipping over the last year has presented considerable challenges to Napier Port and our customers.

"Solid log flows across Napier Port have been sustained in response to the strong export market conditions.

"At the same time, congestion - particularly in the upper North Island - has seen 26 container ships miss their scheduled calls. Schedule changes and interruptions have resulted in volatile container flows and cargo owners struggling with shipping container equipment and space availability. On port, containers have dwelled longer, limiting operational space, while we have seen a 67%, or an 11k TEU, increase in other container movements, including DLRs and transshipments.

"Throughout this period, clear communication with all our stakeholders and responding to the container shipping challenges with the flexibility available to us has been fundamental to meeting our customers' needs.

"I am proud of the way the Napier Port team has risen to the challenge. Our people responded with the determination and the can-do attitude that is at the heart of Napier Port's culture."

## **BALANCE SHEET AND DIVIDEND**

Mr MacLeod said Napier Port would maintain a prudent approach to its balance sheet, considering its existing commitments related to the 6 Wharf construction project and ongoing trade uncertainties.

"In the first half we have spent \$45.8 million on capital expenditure, further progressing our strategic infrastructure development programme, led by the 6 Wharf development project," Mr MacLeod said.

"We ended the half year with drawn bank debt of \$36.0 million and with balance sheet net debt of \$32.1 million, having commenced drawing on our banking facilities during the first half of the current financial year to fund the 6 Wharf project. In addition, we have undrawn bank facilities of \$144 million.

“Whilst the immediate challenges of COVID-19 necessitated caution and no interim dividend during 2020, the Board has resolved in the current financial year to pay a fully imputed interim dividend of 2.8 cents per share, in line with its dividend policy. The dividend record date will be 11 June and the payment date will be 25 June.”

## OUTLOOK

“Demand for the region’s food and fibre exports remains robust. However, notwithstanding the Government’s recent moves to increase the availability of seasonal labour in the future, the impact of worker shortages on seasonal export industries remains uncertain,” Mr MacLeod said.

“Pipfruit exports are tracking in line with the prior year, but it is not clear what the eventual export crop size for this year will be as a result of the seasonal labour shortages. Similar dynamics are at play across all fresh produce sectors.

“Meanwhile, the continued challenges to container-based supply chains from regional and global shipping disruptions continue to impact on the free flow of cargo.

“Noting continued uncertainties and assuming a continuation of current market conditions, Napier Port reaffirms the earnings guidance provided in April for the underlying result from operating activities for the year to range between \$39 million and \$42 million.

“We intend to provide a further interim update to the NZX market regarding our June quarter trading results during August.”

*Further detail on Napier Port’s financial performance for the half year to 31 March 2021 is included in the half year 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

**For more information:**

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## About Napier Port

Napier Port is New Zealand’s fourth largest port by container volume. We are the gateway for Hawke’s Bay and lower North Island’s 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/](http://www.napierport.co.nz/investor-centre/)

## Conference Call

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

<https://s1.c-conf.com/diamondpass/10012695-fr46y3.html>

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