

NZX AND MEDIA RELEASE

25 AUGUST 2021

UNAUDITED FINANCIAL RESULTS FOR THE NINE MONTHS TO 30 JUNE 2021

Log exports lead growth at Napier Port

Napier Port (NZX.NPH) today reports improved revenue and earnings for the third quarter and for the nine months ended 30 June 2021, as the resilience and diversity of its trade portfolio continues to mitigate the effect of container shipping disruptions caused by the ongoing effects of the COVID-19 pandemic.

Revenue growth has been driven by increases in bulk cargo volumes, in particular, strong log exports.

HIGHLIGHTS

Third Quarter to 30 June 2021

- Revenue for the third quarter rose 25.3% to \$30.4 million from \$24.3 million in the same period last year
- Bulk cargo revenue increased \$4.3 million, or 67.4%, to \$10.6 million driven by a 75.6% increase in log exports to 0.82 million tonnes
- Container services revenue rose 10.5% to \$19.1 million from \$17.3 million, as container volumes increased 8.3% to 80,000 TEU
- The result from operating activities¹ increased 37.4% to \$12.8 million from \$9.3 million
- Underlying net profit after tax² increased 55.5% to \$6.7 million from \$4.3 million
- Reported net profit after tax increased 33.7% to \$7.9 million

Nine Months to 30 June 2021

- Revenue for the nine months rose 8.4% to \$83.0 million from \$76.6 million in the same period last year
- Bulk cargo revenue increased \$8.5 million, or 38.1%, to \$30.8 million driven by a 36.1% increase in log exports to 2.24 million tonnes
- Container services revenue rose 4.1% to \$50.2 million from \$48.2 million, as container volumes increased 2.8% to 215,000 TEU
- Nil cruise revenue in the current year compared to \$4.2 million last year
- The result from operating activities increased 9.8% to \$34.1 million from \$31.1 million due to higher revenue, offset by increased insurance costs and higher staff costs in support of growth initiatives
- Underlying net profit after tax increased 11.7% to \$17.2 million from \$15.4 million
- Reported net profit after tax increased 0.7% to \$18.4 million

Earnings guidance and outlook

- The impact of the current COVID-19 Alert Level 4 lockdown will depend on how the situation develops. Napier Port is as an essential business and remains open to support the flow of cargo

¹ 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.

² 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.

- No change to existing guidance for an underlying result from operating activities for the year to 30 September 2021 of between \$39 million to \$42 million
- We are unlikely to see cruise ship visits in the 2021/22 cruise season

FINANCIAL RESULTS

Third quarter revenue rose 25.3% to \$30.4 million from \$24.3 million in the same period last year. Revenue for the nine months increased 8.4% to \$83.0 million from \$76.6 million last year.

Container services

Container services revenue for the quarter of \$19.1 million rose 10.5% from \$17.3 million in the same period last year. For the nine months, container services revenue increased by 4.1% to \$50.2 million from \$48.2 million due to improved average revenue per twenty-foot equivalent unit (TEU), and higher container volumes.

Average revenue per TEU for the nine months increased 1.2% to \$233 from \$230 in the same period last year, as full and reefer containers dwelling on port for longer periods – due to shipping schedule disruptions – offset fewer container vessel calls.

Container volumes for the quarter increased 8.3% to 80K TEU due to increased volumes of wood pulp and timber exported and empty containers that were repositioned to Napier Port later than the prior year.

However, volumes continued to be disrupted by unreliable shipping schedules and shipping capacity constraints. Meanwhile, volumes in the prior comparative quarter were also depressed by the COVID-19 Alert Level 4 lockdown when non-essential cargo ceased to enter Napier Port.

For the nine months, container volumes increased 2.8% to 215K TEU from 210K TEU in the same period last year, primarily due to increased transshipment activity related to the supply chain disruptions. These volumes were underpinned by meat, fresh and other fresh and chilled produce trades offsetting slightly weaker exports of pip fruit.

Bulk cargo

Bulk cargo revenues for the quarter of \$10.6 million increased 67.4% from \$6.3 million in the same period last year. For the nine months, bulk cargo revenues rose 38.1% to \$30.8 million from \$22.3 million as volumes increased 29.7% to 2.9 million tonnes from 2.2 million tonnes in the same period a year ago.

Log export volume increased by 36.1% to 2.2 million tonnes from 1.6 million tonnes for the nine-month period due to sustained strong log export market conditions. In the prior year period, bulk cargo volumes were weakened by the cessation of forest harvesting during the COVID-19 Alert Level 4 lockdown period.

Average revenue per tonne increased 6.5% to \$10.67 from \$10.02 in the same period last year. This includes one-off cost recovery revenue of \$0.29 per tonne and the remainder is as a result of log exports.

Operating results

The result from operating activities for the third quarter rose 37.4% to \$12.8 million from \$9.3 million. For the nine months, the result from operating activities increased 9.8% to \$34.1 million from \$31.1 million due to 8.4% higher revenue, offset by a 7.5% increase in total operating expenses, the principal components of which were increased insurance and employee benefit expenses.

Underlying net profit after tax for the third quarter, after adjusting for non-recurring reported net gains, increased by 55.5% to \$6.7 million from \$4.3 million in the same period last year. For the nine months this increased by 11.7% to \$17.2 million from \$15.4 million.

Reported net profit after tax for the nine months increased 0.7% from \$18.3 million to \$18.4 million. The current year result benefited from a \$1.2 million revaluation of investment property. The prior year benefited from a one-off tax benefit of \$1.5 million due to the reinstatement of tax depreciation on commercial buildings and the \$2 million receipt of the government's COVID-19 wage subsidy (which was subsequently repaid in the fourth quarter of the 2020 financial year).

Chair Alasdair MacLeod said: "Napier Port is benefiting from the strength of New Zealand's primary sector economy. In particular, our region is proving resilient and we are proud to play our part in connecting our customers to the world.

"Our customers continue to face supply chain disruption in containerised trades due to changing shipping schedules, difficulties securing shipping capacity and empty container supply, with increased freight rates and shipping charges being widely felt.

"Our results in the third quarter and the nine-month period benefited from strong offshore demand for New Zealand forest products and a resilient performance of our region's other main exports. This has offset supply chain pressures and the absence of cruise ship visits due to the pandemic.

"Our results also reflect the talent of our team and their commitment to our customers. Despite the considerable challenges to containerised trade and the constraints on operational space due to the construction of 6 Wharf, our people have kept cargo flowing across our wharves for the benefit of New Zealand. We are grateful for their efforts."

Chief Executive Todd Dawson said: "We are very pleased with the performance of Napier Port for the year to date in what has been very challenging conditions. Missing container ship calls – 15 in the last three months – and a lack of schedule integrity resulting in the flow-on disruption to supply chains is now a feature of the New Zealand supply chain.

"We do not see signs of this supply chain disruption abating in the immediate future. The challenge before Napier Port is to work with our customers to minimise the impact on their businesses by leveraging the expertise of our team and strong relationships we have forged in recent years.

"I am very proud of the progress we have made on our strategic initiatives – particularly over the last quarter, which is our traditional peak export season. The commitment of our team to understanding our customers' needs and their work to deliver high levels of service and solutions has been tremendous.

"The trade outlook for the remainder of this year is positive, with strong demand for our region's forest products. Meanwhile, apple volumes have only slightly decreased which reflects the industry's hard work in mitigating the effects of seasonal labour shortages and shipping challenges. We welcome the government's recent decision to allow increased numbers of seasonal workers from some Pacific nations in time for next season's harvest.

"We continue to invest in building our capability and capacity for the future, including the development of our long-term infrastructure investment, 6 Wharf. Construction of this multi-generational asset continues to be on time and on budget. We have recently celebrated the effective completion of the piling part of the construction programme consisting of drilling and placing nearly 400 piles. We expect the new wharf to go live in late 2022, and detailed operational planning for its use is well under way."

BALANCE SHEET AND CAPITAL EXPENDITURE

Over the nine-month period Napier Port has invested \$76.3 million in capital assets, further progressing its strategic infrastructure development programme, led by the 6 Wharf development project.

Napier Port ended June 2021 with drawn bank debt of \$60.0 million, having commenced drawing on our banking facilities earlier in the current financial year to fund the 6 Wharf development. In addition, we have undrawn bank facilities of \$120 million.

EARNINGS GUIDANCE AND OUTLOOK

Mr Dawson said the challenges to container-based supply chains from regional and global shipping disruptions are continuing to overhang the free flow of cargo.

“The re-emergence of COVID-19 into New Zealand’s community is an unwelcome development and a situation that is evolving daily. The impact on Napier Port will depend on how this situation develops, the government’s response, and the effect these factors have on the businesses of our cargo customers. Napier Port’s focus will remain on keeping its people and community safe and maintaining our ability to operate to support our economy. As a result of the current lockdown, we expect to see some reduced cargo volume due to non-essential businesses ceasing or limiting their operations, however at this time we are unable to estimate the impact of this.

“We continue to expect an underlying result from operating activities for the year to 30 September 2021 of between \$39 million to \$42 million.

“Looking forward, we have seen some early market signals suggesting Chinese log market prices may be moderating. In addition, log exporters continue to experience higher shipping costs which is negatively affecting the economics of this trade and which both have an influence on the volume of exported logs from New Zealand,” Mr Dawson said.

“As expected, cruise ship visits are unlikely to resume for the coming cruise season, which traditionally commences in October and extends through the summer.

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Further detail on Napier Port’s financial performance for the nine months to 30 June 2021 is included in the financial statements and supplemental selected financial information released to the NZX today and available on the company’s investor centre at: <https://www.napierport.co.nz/investor-centre/>

Conference Call

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, AEST) 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.

To attend the conference call participants must pre-register at the following link:
<https://s1.c-conf.com/DiamondPass/10015815-aj93nd.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 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.