

NZX AND MEDIA RELEASE

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FINANCIAL RESULTS FOR THE YEAR TO 30 SEPTEMBER 2021

Napier Port reports record revenue and earnings

Napier Port (NZX.NPH) today reports record revenue and earnings for the financial year ended 30 September 2021, as the resilience and diversity of its trade portfolio continues to mitigate the effect of container shipping disruptions and the absence of cruise ship visits caused by the ongoing effects of the COVID-19 pandemic.

HIGHLIGHTS

- Revenue rose 9% to \$109.5 million from \$100.4 million in the prior year, driven by record log exports of 3.02 million tonnes
- Result from operating activities¹ increased 6.4% to \$43.8 million from \$41.2 million with higher revenue, offset partially by higher operating expenses including from the unwinding of 2020 cost savings to protect Napier Port from COVID-19 uncertainty
- Underlying net profit after tax² increased 7% to \$22.0 million from \$20.5 million, and reported net profit after tax increased 5.2% to \$23.2 million
- 6 Wharf more advanced than original timeline, now expected to be operational in the second half of the 2022 financial year and the expected cost range has reduced to \$173 million to \$179 million from \$173 million to \$190 million
- Final dividend of 4.7 cents per share, totalling 7.5 cps for the 2021 financial year, up from 5 cps for the prior year
- Continuation of container-based supply chain and shipping disruptions expected and potential for log export market driven volume volatility during 2022
- Growth in underlying result from operating activities of approximately 10% expected for 2022, assuming a continuation of current market conditions and log export volume that is similar to 2021

FINANCIAL RESULTS

Napier Port's revenue for the year to 30 September 2021 rose 9% to a record \$109.5 million from \$100.4 million in the same period a year ago, driven by increases in bulk cargo volumes and record log exports in particular.

Napier Port, which operates the leading freight gateway for the central and lower North Island, achieved the record despite the challenges from global container shipping disruptions and the absence of cruise ship visits to the region.

Bulk cargo revenue rose 32.7% to \$41.5 million from \$31.3 million principally due to higher log volumes, which increased 27.6% to a record 3.02 million tonnes. Average revenue per tonne improved due to tariff increases, one off cost recoveries, and an improved cargo mix.

Container services revenue increased by 4.8% to \$65.3 million from \$62.3 million, thanks to a 2.9% increase in container volumes to 276k TEU³ and improved average revenue per TEU.

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 2021 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.

³ Twenty-foot equivalent unit

Napier Port's result from operating activities rose 6.4% to \$43.8 million from \$41.2 million, with the unwinding of the protective cost saving measures introduced at the start of the pandemic in 2020 and ongoing investment in capability to drive growth, together with costs associated with increased activity, partially offsetting the impact of revenue growth.

Underlying net profit after tax, after adjusting for non-recurring reported net gains, increased by 7% to \$22.0 million from \$20.5 million, while reported net profit after tax increased 5.2% from \$22.0 million to \$23.2 million.

Chair Alasdair MacLeod said: "In the face of a global pandemic, lockdowns, global shipping congestion, disrupted shipping schedules and supply chains, Napier Port has over the last year again delivered on its commitments to its customers, its shareholders, and its region.

"We have kept the cargo flowing and have moved record volumes, the majority of which was the food and fibre exports that underpin the prosperity of our region. Meanwhile, we have continued to invest in the infrastructure that will support our region and our customers for the long term.

"Our new 350m-long 6 Wharf is the centre piece of this investment and we are very pleased with the progress we are making on this once-in-a-generation project. We are now pleased to report that we expect it to be operational in the second half of the 2022 financial year, earlier than the contractual completion date in the first quarter of the 2023 financial year.

"Risks remain, but thanks largely to the more advanced stage of the project and the associated reduction in construction risk, we now expect the final cost to range between \$173 million and \$179 million, lower than our earlier estimate of \$173 million to \$190 million.

"Napier Port, our people and our region have weathered the challenges of the last year very well."

Chief Executive Todd Dawson said: "Napier Port has been more than resilient this year, it has performed incredibly well under very challenging circumstances.

"I am immensely proud of the Napier Port team. Once again, they moved record volumes of cargo, working with customers to deliver supply chain solutions tailored to their needs and generated a strong financial result for shareholders. They did all of this while keeping each other and our community safe from the pandemic.

"Our success in attracting cargo from outside Hawke's Bay has been a factor in driving increased volumes, with cargo owners valuing our ability to meet and secure their supply chain requirements with access to global markets and a port operation that continues to provide efficient, reliable, and resilient services.

"This result is pleasing when it is considered against the challenges we faced within the global supply chain and container shipping trade. Charter vessel visits for the bulk trade increased to 343 up from 304 the previous year. In contrast, container ship visits fell to 242 compared to 293 in the year before resulting from the ongoing volatility in global shipping.

"Significantly, we hosted all these vessels while operating with reduced space on port due to the construction of 6 Wharf.

"We are delighted with the progress we have made on 6 Wharf. Cargo owners, and our regional economy, will benefit immediately from 6 Wharf. It will offer increased shipping capacity, the ability to handle more and larger vessels and improved availability across all our wharves, which will allow Napier Port to support the demands of our region today and the growth we see coming into the future."

BALANCE SHEET AND CAPITAL EXPENDITURE

Napier Port remains well funded. Over the last year it has invested \$103.7 million in capital assets during the year, further progressing its strategic infrastructure development programme, led by the 6 Wharf development project. It has also invested to improve services to customers including work to deploy an on-port log debarker, which will allow the company to cease on-port log fumigation.

The company ended the year with drawn bank debt of \$78.0 million, having commenced drawing on its banking facilities earlier in the current financial year to fund 6 Wharf, and has undrawn bank facilities of \$102 million.

DIVIDEND AND OUTLOOK

“The diversity of trades that pass across Napier Port’s wharves have protected the company from container-based supply chain and COVID-19 disruptions we have seen over the last year,” Mr MacLeod said.

“It is clear however that these disruptions will continue in the new financial year. We are living with COVID-19 in the community. To protect our people and our region we have implemented a mandatory vaccination policy for staff, moving towards mandatory vaccination for port access by end of the year.

“Meanwhile, inflationary pressures are building in the economy, while our customers are facing a broad range of additional pressures, including the availability of shipping equipment, space on ships, and labour availability.

“Nevertheless, we see continuing global demand for the food and fibre exports that underpin the economy of our region and the trade across our wharves.

“Our base-case volume forecast for log exports in FY2022 is in-line with FY2021. We have been a beneficiary of buoyant log export markets for the past year, but we are not complacent about the potential for a cooling in these favourable conditions to impact volumes through Napier Port.

“We are looking forward to delivering on our strategic capital investments in the current financial year, including the earlier than contracted completion of 6 Wharf in 2H FY2022, and we expect them to contribute to the group result in the new financial year. Taking into account this contribution, our base-case forecast for log volumes, and assuming a continuation of current market conditions, we expect our underlying result from operating activities to increase by approximately 10% for the new financial year.

“In short, Napier Port is well positioned to deliver for our customers, our region and our shareholders and it is for these reasons the Board has declared a final dividend of \$9.4 million, or 4.7 cents per share, bringing total dividends to 7.5 cents per share for the 2021 financial year. The final dividend will be fully imputed, has a record date of 6 December, and a payment date of 16 December. We look forward to providing a further update to shareholders at our Annual Shareholders Meeting in December.”

Further detail on Napier Port’s financial performance for the year ended 30 September 2021 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

For more information:

Investors

Kristen Lie
Chief Financial Officer
DDI +64 6 833 4405
E: kristenl@napierport.co.nz

Media

Jo-Ann Young
Communications Manager
DDI: +64 6 833 4521
E: jo-anny@napierport.co.nz

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/10017377-ah48ke.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.