

# NZX AND MEDIA RELEASE

24 AUGUST 2022

UNAUDITED FINANCIAL RESULTS FOR THE NINE MONTHS TO 30 JUNE 2022

## Third quarter trading uplift at Napier Port

*Napier Port (NZX.NPH) today reports an uplift in trading results for its third quarter compared to the first half of the financial year and the same period last year.*

### HIGHLIGHTS

#### 3rd Quarter to 30 June 2022

- Revenue for the third quarter rose 13.2% to \$34.4 million from \$30.4 million in the same period last year
- Bulk cargo revenue increased \$0.8 million, or 7.5%, to \$11.4 million, as bulk volumes decreased 2% to 1 million tonnes
- Container services revenue rose 16.6% to \$22.3 million from \$19.1 million, as container volumes increased 1.5% to 82,000 TEU<sup>1</sup>
- The result from operating activities<sup>2</sup> increased 3.7% to \$13.3 million from \$12.8 million
- Underlying net profit after tax<sup>3</sup> increased 5.1% to \$7 million from \$6.7 million
- Te Whiti (6 Wharf) officially opened in July - revised construction cost estimate at bottom of forecast range of \$173-179 million

#### 9 Months to 30 June 2022

- Revenue for the nine months rose 2.6% to \$85.1 million from \$83 million in the same period last year
- Bulk cargo revenue decreased \$0.2 million, or 0.7%, to \$30.6 million driven by a 6.9% decrease in log exports to 2.1 million tonnes
- Container services revenue rose 4.5% to \$52.5 million from \$50.2 million despite container volumes decreasing 9.8% to 194,000 TEU
- The result from operating activities decreased 12.8% to \$29.8 million from \$34.1 million due to additional staff numbers and high cost inflation
- Underlying net profit after tax decreased 17.7% to \$14.2 million from \$17.2 million

#### Earnings guidance and outlook

- No change to existing guidance for an underlying result from operating activities for the year to 30 September 2022 of between \$38 million to \$42 million
- 89 cruise ship visits booked for upcoming 2022/23 season
- Listed bond offer of up to \$100 million being considered

<sup>1</sup> Twenty-foot equivalent container unit

<sup>2</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 2021 Annual Consolidated Financial Statements and the Supplemental Selected Financial Information.

<sup>3</sup> Underlying net profit after tax is an alternative non-NZ GAAP measure that comprises reported net profit after tax adjusted for certain non-recurring and unrealised fair value revaluation items to provide consistency and comparability of the financial information over the periods presented. For further information please refer to the Supplemental Selected Financial Information.

## FINANCIAL RESULTS

Third quarter revenue rose 13.2% to \$34.4 million from \$30.4 million in the same period last year. Revenue for the nine months increased 2.6% to \$85.1 million from \$83 million last year.

### *Container services*

Container services revenue for the quarter of \$22.3 million rose 16.6% from \$19.1 million in the same period last year. For the nine months, container services revenue increased by 4.5% to \$52.5 million from \$50.2 million due to improved average revenue per TEU, partially offset by lower container volumes.

Average revenue per TEU for the nine months increased 15.9% to \$270 from \$233 in the same period last year. This was driven by a number of factors, including increased infrastructure levies and other cost recoveries and increased utilisation of depot and storage services.

Container volumes for the quarter increased 1.5% to 82,000 TEU due to higher other container movements and containerised imports offsetting lower reefer exports.

For the nine months, container volumes decreased 9.8% to 194,000 TEU from 215,000 TEU in the same period last year as volumes have been affected by shipping disruption, labour shortages and weather events.

### *Bulk cargo*

Bulk cargo revenue for the quarter of \$11.4 million increased 7.5% from \$10.6 million in the same period last year. For the nine months, bulk cargo revenues decreased 0.7% to \$30.6 million from \$30.8 million as volumes decreased 6.3% to 2.7 million tonnes from 2.9 million tonnes in the same period a year ago.

Log export volume for the quarter decreased by 5.1% and for the nine-month period decreased by 6.9% to 2.1 million tonnes from 2.2 million tonnes as export conditions remained largely unchanged from the first half of the financial year.

Average revenue per tonne for the nine months increased 6% to \$11.31 from \$10.67 in the same period last year. This includes the new infrastructure levy on bulk volume, tariff increases and an initial contribution from the debarking operation, partially offset by the one-off cost recovery revenue of \$0.29 per tonne in the prior year.

### *Operating results*

The result from operating activities for the third quarter rose 3.7% to \$13.3 million from \$12.8 million in the prior year period. For the nine months, the result from operating activities decreased 12.8% to \$29.8 million from \$34.1 million due to higher revenue offset by increased operating expenses from additional staff numbers and high cost inflation across all expense categories.

Underlying net profit after tax for the third quarter, after adjusting for unrealised fair value movements on investment properties, increased by 5.1% to \$7 million from \$6.7 million in the same period last year. For the nine months this decreased by 17.7% to \$14.2 million from \$17.2 million.

Reported net profit after tax for the third quarter decreased 10.9% to \$7 million and for the nine months decreased 13.3% from \$18.4 million to \$16 million.

Chair Alasdair MacLeod said: “We ended the third quarter in a stronger position than we ended the half year. Napier Port continues to benefit from the strength of New Zealand’s primary sector economy, and our customers and region have again demonstrated fortitude and an ability to persevere despite challenging conditions. This can-do attitude, together with the commitment of Napier Port’s team to deliver services and solutions to keep cargo moving, contributed to an improved third quarter.

“We have made exceptional progress putting in place the infrastructure that will underpin the prosperity of the region and Napier Port for the long term. Te Whiti (6 Wharf) opening on 22 July, ahead of schedule and within budget, is a highlight. This demonstrates the capability of Napier Port and its team. Te Whiti (6 Wharf) is a statement of confidence in the region, its prospects of prosperity and lays a solid platform for growth. Final costs are expected for our financial year end, and we now anticipate they will come in at the bottom of our existing \$173-179 million range,” Mr MacLeod said.

Chief Executive Todd Dawson said: “The uplift in third quarter trade volumes has flowed through into the improved financial results for the quarter which are better than the same period last year. Results for the nine months are softer than the prior year due to the particularly challenging trading conditions in the first half of the year. For the nine-month period, we have seen lower volumes of export apples and fresh and other chilled produce as a result of reduced overall production within customer operations as a result of Covid, labour shortages and weather events earlier in the year.

“In the third quarter, container shipping conditions were largely unchanged from the first half, with unpredictable schedules continuing to result in missed or delayed vessels, reduced overall shipping capacity, and larger exchanges of cargo across fewer vessel calls.

“Bringing Te Whiti (6 Wharf) on-line during July, we are confident it will help to alleviate ongoing supply chain disruption, being equipped to berth the larger vessels that call New Zealand; and the additional capability means improved operational performance across all our wharves, boosting productivity for cargo owners and efficiency for shipping lines,” Mr Dawson said.

“Operating costs remain a challenge in the current environment. We, like all businesses and consumers, are seeing significant cost increases across the board. We have introduced revenue generating recoveries for some of our bigger expense items such as insurance and fuel which are helping to offset some of the cost increases.

“In the current year we have also seen increased repairs and maintenance expenditure across our plant and equipment to maintain fleet integrity as part of our critical risk management programme and as a result of earlier decisions taken to defer replacement capex.”

## **CAPITAL EXPENDITURE AND CAPITAL MANAGEMENT UPDATE**

Over the nine-month period Napier Port has invested \$61.5 million in capital assets, bringing its 6 Wharf development project near to completion.

Napier Port ended June 2022 with drawn bank debt of \$130 million and undrawn bank facilities of \$50 million.

Napier Port expects its Net Debt to EBITDA ratio to peak in the near term above its target ceiling of 3.5x following the completion of the 6 Wharf construction project and due to the lower earnings being experienced during the current financial year, with the unchanged expectation that the ratio will be managed to within its long-term target range of 2.0x to 3.0x over time.

Subsequent to the 30 June balance sheet date, Napier Port has extended the maturity of \$55 million of its facilities with ICBC New Zealand a further two years to September 2026.

Napier Port announces today that it is considering making an offer<sup>4</sup> of unsecured, unsubordinated, fixed rate bonds which would be listed on the NZX Debt Market. Consideration is being given to an offer of \$75 million (with the ability to accept oversubscriptions of up to an additional \$25 million at Napier Port's discretion) of bonds. The net proceeds of the offer would be used to repay a portion of Napier Port's existing bank debt and for general corporate purposes.

Napier Port will issue a separate NZX announcement today regarding the potential bond offer with more details including how Napier Port shareholders can register their interest in the Shareholder Priority Offer.

## OUTLOOK

Mr Dawson said: "We are pleased with the performance of Napier Port for the quarter and the nine months, given the number of challenges we faced in the first half. At every step Napier Port's team has risen to the challenges and maintained operations despite widespread Covid-related community illness, unpredictable shipping schedules and weather and labour shortages impacting our customers' operations.

"The softening global economy in the wake of the post-Covid lockdown demand surge and global inflationary pressures will add to the challenges faced by exporters. There are signs that disrupted global container shipping is beginning to settle, but in the near term we expect continued network disruption and constrained shipping capacity, with shipping delays still evident across NZ ports.

"Despite the welcome improvement in third quarter trade volumes and results, our cargo customers remain concerned by restrictions on the availability of labour, and in particular the ongoing difficulty with securing Recognised Seasonal Employer (RSE) workers, despite the borders now being open. As we have seen this financial year, the effect of our primary sector industries having insufficient labour results in lost production, processing capacity and earnings throughout our economy. We support their call to government to take positive action now to ensure another primary sector season is not compromised by labour shortages.

"Despite these ongoing challenges global demand for our region's premium food and fibre products remains robust. We are looking forward to welcoming back cruise lines and their passengers to our region, with the forthcoming resumption of cruise visits and 89 current bookings.

"We expect operating cost inflation to remain a challenge for the foreseeable future and continue to focus on mitigating this where possible while continuing to develop our capability to meet our customers' needs now and in the future.

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<sup>4</sup> Napier Port Holdings Limited is not currently seeking preliminary indications of interest. No money is being sought and no bonds can be applied for or acquired. Any offer that is made will be in accordance with the Financial Markets Conduct Act 2013.

“Noting ongoing uncertainties, we continue to expect an underlying result from operating activities for the year to 30 September 2022 of between \$38 million to \$42 million.”

ENDS

**For more information:**

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Further detail on Napier Port’s financial performance for the nine months to 30 June 2022 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.conf.com/DiamondPass/10023485-jk84y2.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.