

NZX AND MEDIA RELEASE

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UNAUDITED FINANCIAL RESULTS FOR THE HALF YEAR TO 31 MARCH 2023

Napier Port delivers a strong start to FY23; regional cyclone damage tempers outlook

Napier Port (NZX.NPH), the freight gateway for the central and lower North Island, today reports strong growth in revenue and operating earnings for the six months to the end of March 2023.

HIGHLIGHTS

- Revenue rose 22.8% to \$62.3 million from \$50.7 million in the same period last year due to higher container volumes and the return of cruise vessels
- Result from operating activities¹ increased 33% to \$21.9 million from \$16.4 million in the same period last year
- Underlying net profit after tax² increased 3.9% to \$7.5 million from \$7.2 million in the same period last year. Reported net profit after tax decreased 3.3% to \$8.7 million from \$9.0 million in the same period a year ago
- The trade impact of Cyclone Gabrielle on full year trade volumes remains uncertain
- Board has resolved to pay a fully imputed interim dividend of 1.7 cents per share, reduced from the interim dividend in the prior year of 2.8 cents per share

Chair, Blair O’Keeffe said: “Napier Port - and our region’s cargo owners - entered 2023 with an optimistic outlook. Pandemic pressures, including constraints on labour, were easing and cargo flows were buoyant supported by increasing shipping services. Te Whiti wharf is enabling significant flexibility, supporting growth and more efficient ship management, underpinning a positive long-term outlook for the business. As a result, Napier Port had been tracking to the upper end of guidance which has subsequently been tempered by Cyclone Gabrielle.”

Chief Executive, Todd Dawson said: “Trade during the first four and a half months of the half year demonstrated Napier Port’s capability to deliver.

“Our additional berth availability is helping to ease shipping congestion across New Zealand. New shipping services are calling Napier Port and the cruise industry has resumed. Our cargo volumes and customer base in the central North Island accessed via Napier Port’s road and rail service has been growing and to maximise this potential we have strengthened our position and investment in the Manawatū Inland Port resulting in a 50% partnership with Halls Group (Talley’s Group of companies).

“Following Cyclone Gabrielle in mid-February, cargo volumes have been impacted due to damage to crops, exporters’ premises and regional infrastructure, which softened our overall half year result.

“However, as the region recovers and road and rail networks reopen to Napier Port, we will continue to see our long-term strategies deliver growth and value through customer solutions that connect 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 2022 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 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.

via a coordinated and networked infrastructure, shipping services and partnerships that drive volumes through Napier Port and open up new opportunities.” Mr Dawson said.

FINANCIAL RESULTS

Revenue for the half year rose 22.8% to \$62.3 million from \$50.7 million in the same period last year. Container services revenue for the half year increased 14.5% to \$34.5 million from \$30.2 million with a 5.7% increase in container volumes to 119,000 TEU³.

Bulk cargo revenue for the half year increased 7.5% to \$20.6 million from \$19.2 million despite a 9.3% decrease in bulk cargo total volume. This followed changes in cargo mix and increased yields and log debarking operations revenue.

Cruise revenue for the first half was \$5.1 million. The reintroduction of cruise following the reopening of the international marine border saw 62 cruise vessel calls in the half year, compared to a single call in the prior year.

As a result of intense cost pressures in recent periods operating expenses increased 17.8% on the same period last year, however, these costs were comparable to the second half of the 2022 financial year.

The result from operating activities for the half year increased 33% to \$21.9 million from the \$16.4 million reported for the first half of the last financial year.

Underlying net profit, which excludes unrealised property revaluation gains, was \$7.5 million and increased from \$7.2 million in the same period last year. Following the completion of Te Whiti wharf last financial year, depreciation costs have increased, and the majority of finance costs are now reported in the income statement, rather than capitalised as an asset. Reported net profit after tax was down 3.3% to \$8.7 million from \$9.0 million in the same period a year ago.

CYCLONE GABRIELLE IMPACTS

The landing of Cyclone Gabrielle resulted in damage and disruption to the Hawke’s Bay region and its infrastructure. Many parts of the community and cargo customers have experienced damage and reduced output, which will impact cargo volumes for the remainder of the financial year.

Napier Port suffered minimal property damage. Following the cyclone restorative dredging was undertaken to reinstate the shipping channel and berth depths, both of which had experienced some infill from the storm and swell.

Key road access to Napier Port has been restored, with ongoing repair and replacement of regional and minor roads and bridges underway. A new coastal shipping service between Gisborne and Napier provides an additional access route for exporters in areas where road or rail is only partially restored.

The main rail line to the south and central North Island has been restored as far as Hastings, but the link between Hastings and Napier requires reinstatement. This work is expected to continue through to the first quarter of the next financial year. The lack of direct to port rail access provides challenges for inbound pulp cargoes and our growing supply chain services operation; however, our team continues to support cargo flows to and from Napier Port and the central North Island hinterland via road and rail.

The forestry industry has re-established forest-based production, although it has seen some reduction in capacity due to short-term redeployments and some loss of industry transport capacity. Export market conditions for logs remains subdued.

Pan Pac operations are expected to be restarted around the end of this financial year in September, with a ramp up towards normal production levels during the next financial year.

³ Twenty-foot equivalent container unit

The seasonal produce losses (pip fruit and other fresh produce) will result in a reduction of container traffic in the second half of our financial year. The extent of the potential future reduced output of planted areas, that will require remediation and replanting to restore production, remains uncertain.

Napier Port has business interruption insurance that is expected to provide a level of mitigation against the adverse trade effects following the cyclone. However, at this stage there is no certainty regarding the financial outcome of any claim. No insurance claim recoveries have been accounted for in the half year result.

BALANCE SHEET AND DIVIDEND

Napier Port remains well funded with \$180 million of long-term funding facilities in place, of which \$46 million was available and undrawn at the end of the half year period. With the completion of Te Whiti wharf Napier Port does not have any material capital commitments.

Despite the strong first half result and in recognition of the uncertainty regarding near term trading and an expectation of reduced full year earnings, the Board has resolved to pay a fully imputed interim dividend of 1.7 cents per share, which is reduced from the 2.8 cents per share paid at the same time last year.

The Board will review the full financial year performance and outlook when considering any final dividend following the end of the financial year. The record date for the interim dividend entitlement is 9 June and the payment date will be 22 June.

OUTLOOK

Mr Dawson said: “Cyclone Gabrielle has delivered a challenge to the region and to Napier Port, however the strong performance we saw in the first half demonstrated our capability and the growth potential of the region and our port.

“Given the crop losses and damage to primary processing, trading in the second half will be subdued, and we expect a return to traditional export flows next year recognising some trade impairments will create drag into the new financial year.

“This outlook is underpinned by strong forward bookings for the summer cruise season in the new financial year.

“Napier Port will continue to support customers and the community and manage its outgoings and commitments whilst the recovery takes place.

“We also note the government’s financial commitment to Cyclone Gabrielle recovery including clean-up, the repair of road and rail networks, flood protection infrastructure and community wellbeing initiatives, of which Hawke’s Bay will receive an allocation.

We expect to provide a further update to the market regarding our June quarter trading results during August.”

ENDS

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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/

Conference Call

Napier Port will hold a conference at 11:00am (NZT) (9.00am, AEST) today. To attend to the conference call participants must pre-register at the following link: <https://s1.c-conf.com/diamondpass/10030552-hf670a.html>. Registrations can be taken right up to the commencement of the call.