

# NZX AND MEDIA RELEASE

16 August 2023

UNAUDITED FINANCIAL RESULTS FOR THE NINE MONTHS TO 30 JUNE 2023

## Napier Port well positioned for cargo recovery in FY24

Napier Port (NZX.NPH), the freight gateway for the central and lower North Island, today reports reduced earnings for the nine months ended 30 June 2023 as the impact of Cyclone Gabrielle in February weighed on exports from our region.

The company also reports strategies focused on yield management and pricing adjustments linked to investments in infrastructure and additional customer services have supported revenue. They also position the company well for an anticipated recovery in cargo volumes in the new financial year.

“Off the back of a buoyant first half, we anticipated Cyclone Gabrielle would reduce third quarter export volumes and earnings, However, adverse weather in June and July that limited access to our wharves represented a further challenge to our nine months result,” Napier Port Chief Executive Todd Dawson said.

“The lasting effects of the cyclone on cargo volumes are expected to persist into the fourth quarter, but our confidence of a step up in cargo in the new financial year is growing given the progress of the recovery efforts we are seeing in the region.

“Regional infrastructure rebuilding is well underway, assisted by the ongoing financial commitment and prioritisation by government. We are particularly encouraged by the progress made by key customers affected by the cyclone.

“The strong forward bookings for the upcoming cruise season suggest it could be our busiest on record. Interest from shipping lines meanwhile remains high, which is a measure of confidence in Napier Port’s long-term volume growth potential,” Mr Dawson said.

“Meanwhile, prudent financial management focused on the recovery of rising costs, our investments in capacity and new services coupled with our continuing focus on efficiency, value and customer service means we are well positioned to reap the benefits for the expected ramp up in volumes.”

### HIGHLIGHTS

#### 3rd Quarter to 30 June 2023

- Revenue for the third quarter fell 19.5% to \$27.7 million from \$34.4 million in the same period last year, following post-cyclone volume decreases of 28.6% for bulk cargo and 31.6% for container services
- The result from operating activities<sup>1</sup> decreased 44% to \$7.5 million from \$13.3 million
- Underlying net profit after tax<sup>2</sup> decreased 73.4% to \$1.9 million from \$7 million
- An initial \$3.5 million of Cyclone Gabrielle insurance income recognised
- Reported net profit after tax, with the benefit of the insurance income, decreased 40.2% to \$4.2 million from \$7.0 million

#### 9 Months to 30 June 2023

- Revenue for the nine months rose 5.7% to \$90 million from \$85.1 million in the same period last year

<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 2022 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 certain non-recurring, non-core and abnormal, 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.

- Cruise revenue of \$5.3 million on the return of cruise vessels in the period
- The result from operating activities decreased 1.4% to \$29.3 million from \$29.8 million as the return of cruise ship calls and revenue yield increases were offset by the post-cyclone trade volume declines and cost inflation
- Underlying net profit after tax decreased 34.3% to \$9.3 million from \$14.2 million as a result of increased depreciation and finance costs following the completion of the Te Whiti wharf investment
- Reported net profit after tax decreased 19.5% to \$12.9 million from \$16.0 million

### *Earnings guidance*

- Unchanged guidance for an underlying result from operating activities for the year to 30 September 2023 of between \$34.5 million and \$36.5 million. This guidance excludes insurance recoveries (of which \$3.5 million has been recognised to date)

## **FINANCIAL RESULTS**

### *Container services*

Container services revenue for the quarter of \$17.4 million decreased 22.1% from \$22.3 million in the same period last year. For the nine months, container services revenue decreased by 1% to \$51.9 million from \$52.5 million as decreased container volumes were largely offset by higher revenue per TEU<sup>3</sup>.

Average revenue per TEU for the nine months increased 9.9% to \$297 from \$270 in the same period last year. This was driven by a number of factors including tariff increases, fuel and insurance cost recoveries and increased utilisation of depot and storage services.

Container volumes for the quarter fell 31.6% to 56,000 TEU as the after-effects of Cyclone Gabrielle were felt across nearly all containerised cargo types, and this fall in volume was exacerbated by unexpected weather and swell events during June. For the nine months, container volumes decreased 10% to 175,000 TEU from 194,000 TEU in the same period last year.

### *Bulk cargo*

Bulk cargo revenue for the quarter decreased 17.9% to \$9.4 million from \$11.4 million in the same period last year, as bulk volumes decreased 28.6% from 1.0 million tonnes to 0.7 million tonnes. For the nine months, bulk cargo revenue decreased by 2% to \$30 million from \$30.6 million as volumes decreased 16.4% to 2.3 million tonnes from 2.7 million tonnes in the same period a year ago.

Log export volume for the quarter decreased by 0.2 million tonnes, or 21.4%, and for the nine-month period decreased by 16.1% to 1.8 million tonnes from 2.1 million tonnes due to adverse weather, damaged roading infrastructure and subdued log export market conditions.

Average revenue per tonne for the nine months increased 17.3% to \$13.26 from \$11.31 in the same period last year, driven by yield increases and an increased contribution from our debarking operation.

### *Cruise services*

The cruise season completed in April with 64 vessel calls and nearly 100,000 passengers visiting the region, contributing \$5.3 million to revenue.

### *Operating results*

The result from operating activities for the third quarter decreased 44% to \$7.5 million from \$13.3 million in the prior year period, as the post-cyclone third quarter revenue reduction of \$6.7 million exceeded the fall in operating expenses of \$0.8 million.

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<sup>3</sup> Twenty-foot equivalent container unit

For the nine months, the result from operating activities decreased 1.4% to \$29.3 million from \$29.8 million in the prior year period as higher revenue arising from the return of cruise ship calls and revenue yield increases were offset by lower trade volumes and continued cost inflation pressures.

During the third quarter, Napier Port recognised \$3.5 million of insurance income receivable related to progress claims for business interruption losses incurred following the Cyclone Gabrielle event during February and as a result of supporting correspondence with insurers.

Underlying net profit after tax for the third quarter, after adjusting for unrealised fair value movements on investment properties and Cyclone Gabrielle related net insurance income, fell by 73.4% to \$1.9 million from \$7 million in the same period last year.

For the nine months this decreased by 34.3% to \$9.3 million from \$14.2 million as a result of increased depreciation and finance costs recognised in the income statement following the completion of the Te Whiti wharf investment in the prior financial year.

Reported net profit after tax for the third quarter fell 40.2% to \$4.2 million from \$7.0 million in the same period last year, and for the nine months decreased 19.5% to \$12.9 million from \$16.0 million.

### **CYCLONE GABRIELLE TRADE IMPACT UPDATE**

Six months post-cyclone, all road access to Napier Port is open and KiwiRail have indicated a mid-September reinstatement of the rail line from Hastings to Napier Port.

Once the rail line is fully operational, we expect pulp, meat and log cargoes from the central North Island to revert back to rail mode, with a positive effect on volumes.

Pan Pac's timber operations are expected to restart in the first quarter of our next financial year, and pulp processing by the second quarter, with a ramp up towards normal production levels over the subsequent quarters.

Ravensdown's fertiliser plant in Awatoto restarted manufacturing operations in July.

The forestry sector has seen some reduction in capacity however forest-based production has been re-established. Log volumes are steady and we are receiving some additional windthrown logs from the central North Island. Export market conditions for logs remains subdued.

The extent of pipfruit areas that will require remediation and replanting to restore production will become clearer in the Spring when fruit buds appear.

### **CAPITAL MANAGEMENT**

Over the nine-month period Napier Port has invested \$11 million in capital assets, including mobile plant, planned site maintenance and post-cyclone restorative dredging.

Cash flows from operating activities increased by \$7.8m, or 31.2%, to \$33.0 million from \$25.1 million in the same period last year.

Napier Port ended June 2023 with total drawn debt of \$132 million and undrawn bank facilities of \$48 million, and with a Debt to EBITDA ratio of 3.09 times.

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**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: <https://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/10032586-hdg7v.html> . Registrations can be taken right up to the commencement of the call.