

# NZX AND MEDIA RELEASE

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AUDITED FINANCIAL RESULTS FOR THE TWELVE MONTHS TO 30 SEPTEMBER 2023

## Napier Port anticipates earnings recovery as trade normalises

Napier Port (NZX.NPH), the premier freight gateway for the central and lower North Island, today reports it is well positioned to build momentum in earnings as the region's cargo owners emerge from the shadow of February's Cyclone Gabrielle and the post-pandemic recovery resumes.

### HIGHLIGHTS

- Revenue rises 3.4% to \$118.4 million due to the return of cruise vessels and yield improvements
- Result from operating activities<sup>1</sup> falls 7.1% to \$37.2 million with the revenue increase not fully offsetting the impact of inflationary cost pressures
- Post-Cyclone Gabrielle business interruption insurance claim contributes \$7.25 million to earnings
- Underlying net profit after tax<sup>2</sup> of \$10.7 million, down from the prior year's \$18.6 million. Reported net profit after tax of \$16.6 million, down 18.8% on the prior year's \$20.4 million
- Cyclone recovery efforts make good progress amid positive signs for the forestry and pip fruit trades; cruise visits to increase with 92 bookings for the 2024 season from 64 calls in 2023
- Directors declare a fully imputed final dividend 3.55 cents per share, taking total dividends for the 2023 financial year to 5.25 cents per share from 7.5 cents in the prior year

Chair Blair O'Keeffe said: "The 2023 financial year started very well for Napier Port and our region's cargo owners. Pandemic pressures, including constraints on labour and supply chain disruptions, were easing.

"Cargo flows were buoyant supported by new shipping services calling at Napier Port and new customers and cargo arriving through the gates. Trade during the first half showed strong growth in revenue, and operating earnings, and demonstrated our capability to deliver under 'normal' operating conditions.

"The landing of Cyclone Gabrielle in mid-February 2023, dented the rebound from the pandemic. It damaged our customers' crops, exporters' premises and regional infrastructure, diluted trade volumes and overshadowed the steady progress we had made.

"Nevertheless, thanks to the good progress in regional recovery efforts and positive signs in key export trades and the cruise industry, we are now looking forward to a resumption of the momentum we saw at the start of the year."

Chief Executive Todd Dawson said: "Despite the challenges presented by Cyclone Gabrielle, this year has reinforced the resilience of Napier Port, our region and the cargo owners who produce the high-value food and fibre products that the world continues to demand.

<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 2023 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 items, 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 Note 24 of the 2023 Annual Consolidated Financial Statements and the Supplemental Selected Financial Information.

“In the face of the significant challenges of the past year, connecting customers to their markets, understanding their needs, and helping them achieve their goals has remained a firm priority for Napier Port.

“We have achieved this goal – and delivered on our critical role as a lifeline asset and core supply chain partner to the region – by ensuring continuity of service, a good range of shipping services calling at Napier Port, providing flexible, innovative, and integrated supply chain services, and by prioritising regular and timely communications supporting the efficient receipt and delivery of customers’ cargo.

“We have backed up these efforts with a focus on continuing cost and capital discipline, and yield management as a result of our investments in infrastructure and additional customer services on port. This positions Napier Port well as our region and trade volumes recover.”

## FINANCIAL RESULTS

Revenue for the year to the end of September 2023 increased 3.4% to \$118.4 million from \$114.5 million in the previous year, despite a significant reduction in trade volumes.

Container volumes decreased by 12.7% to 222k TEUs<sup>3</sup> from 254k TEUs. The reduction followed the cyclone-enforced closure of Pan Pac’s wood pulp and timber mills and lower produce and other chilled exports due to crop losses.

Bulk cargo volume was down 12.8%, to 3.2 million tonnes from 3.65 million tonnes a year ago. The fall was largely due to an 11.3% reduction in log volumes, to 2.5 million tonnes compared to 2.8 million tonnes in the prior year as adverse weather and damaged roading infrastructure hampered harvesting. The log trade was also affected by subdued export market conditions for much of the year.

The impact of these lower volumes on revenue was offset by the return of cruise vessels and Napier Port’s tariff adjustments to address the impact of inflationary pressures and its significant infrastructure investment. A recovery in some trades in the fourth quarter of the financial year, including the export log trade, also assisted.

Container services’ average revenue per TEU increased by 10.2% compared to the prior year due to the tariff increases as well as shipping line and container mix changes, increased vessel calls and higher container depot revenues. Bulk cargo average revenue per tonne increased by 15.7% compared to the prior year, primarily as a result of the tariff increases and an increased contribution from the company’s log debarking operation.

The return of cruise vessels to Napier Port after a two-year pandemic induced hiatus also made a strong \$5.3 million contribution to revenue. A total of 64 cruise ships visited Napier Port in the 2023 season compared to one visit in the prior year.

The result from operating activities was \$37.2 million, a 7.1% decrease compared with \$40.1 million in the previous year with revenue increases not fully offsetting inflationary cost pressures.

Reported net profit after tax was \$16.6 million, a 18.8% decrease on the prior year’s \$20.4 million. The result included higher financing and depreciation charges following the completion of Te Whiti (6 Wharf) and a \$7.25 million contribution from a Cyclone Gabrielle business interruption insurance claim. Underlying net profit after tax, excluding net insurance proceeds and revaluation gains, decreased from \$18.6 million to \$10.7 million.

## CAPITAL MANAGEMENT

Napier Port retains a strong balance sheet and continues to invest in its future. After investing \$13.8 million in both landside operations and restorative channel dredging, it ended the financial year with \$50 million in undrawn facilities and net interest-bearing debt of \$130 million, down from \$134 million at the same time a year ago.

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

Napier Port's Board of Directors has declared a fully imputed final dividend of 3.55 cents per share, bringing the total dividends for the 2023 year to 5.25 cents per share, down from the 7.5 cents per share of the prior year. The record date for dividend entitlements is 4 December 2023, with a payment date of 14 December 2023.

## OUTLOOK

While persistent inflation pressures, tighter monetary conditions, and uncertainty in key international export markets continue to represent headwinds, Napier Port is optimistic for the new financial year.

"Just after the close of the fourth quarter Pan Pac re-opened its wood chip mill, the first part of its production facility to become operational again since the cyclone. It has advised Napier Port that timber mill operations are expected to restart in January, and the pulp mill in February, with the plant fully operational by late calendar year 2024," Mr Dawson said.

"Key regional infrastructure is back online, noting that work is ongoing across the wider region. The rail line through to Napier Port re-opened on 15 September 2023 and we expect that to have a positive effect on timber, pulp, meat, and log cargo volumes from the central North Island. It has also generated further interest in Napier Port's North Island landside logistics and warehousing service, Viewpoint Supply Chain.

"Several major apple exporters suffered less permanent flood damage to their trees than initially thought and replanting of damaged areas is already underway or complete. Continued investment in the region's apple industry underscores the value of the cargo and the positive long-term outlook for volume growth across Hawke's Bay's horticulture sector.

"The pick-up in the log trade seen in the fourth quarter has continued into October. With a new forestry export customer commencing at Napier Port and contribution from our log debarking operations, where customer demand is already high, we are well positioned to benefit from these in the future.

"Finally, the 2024 cruise season could be our busiest yet with 92 current bookings, more double and triple ship stays than ever before, and new cruise lines calling," Mr Dawson said.

"These trends coupled with the infrastructure and capability we have put in place and progress that we have made on yields, provide significant leverage opportunities for momentum in earnings as trade volumes recover. We have made a good start to the new financial year and look forward to providing a further update at our annual meeting in December."

## 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/10034529-quhf6v.html>. Registrations can be taken right up to the commencement of the call.

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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/>