NAPIER PORT
Te Herenga Waka o Ahuriri

ANNUAL RESULTS FY2022

16 NOVEMBER 2022

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PRESENTING TODAY

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ALASDAIR MACLEOD
CHAIR

TODD DAWSON
CHIEF EXECUTIVE

KRISTEN LIE
CHIEF FINANCIAL OFFICER

WELCOME & INTRODUCTION

2022 FINANCIAL YEAR

Successful year under challenging operating conditions

Trade environment for key cargoes positive despite numerous challenges for regional exporters and importers

Excellent progress on strategic initiatives – completion of Te Whiti (6 Wharf), development of logistic service and H&S critical risk programmes

Well positioned for the future with solid balance sheet and core strategic infrastructure in place


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MT36
CH3
CMA CGM
CH5
NAPIER PORT

HIGHLIGHTS

HIGHLIGHTS

2022 FINANCIAL YEAR

Satisfying financial results underpinned by operational resilience and service delivery in the face of significant challenges

First half year trade volumes and results reduced on disruptions; second half year stabilised

Progressed infrastructure and strategic projects underpinning and diversifying revenue streams and future growth opportunities

Sustainability strategy advanced including ESG, emissions reduction strategy and reporting

Significant reduction in critical health and safety risks on port with implementation of engineered controls

STRATEGIC PROJECTS – TE WHITI (6 WHARF)

DRIVING GROWTH AND RESILIENCE

- Critical asset for region and NZ
  - Expands capability of North Island supply chain
  - Larger vessels and cargo exchanges
  - Strategic road and rail links
  - Investment model for port sector

22 July 22

Official Opening

$171.1m

excluding capitalised overheads and finance costs

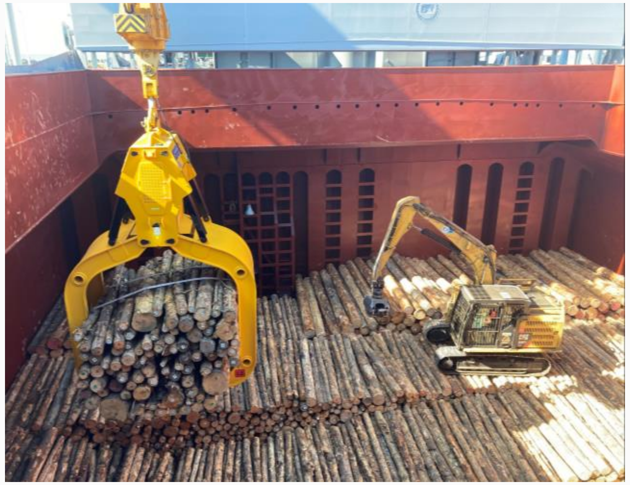
350m

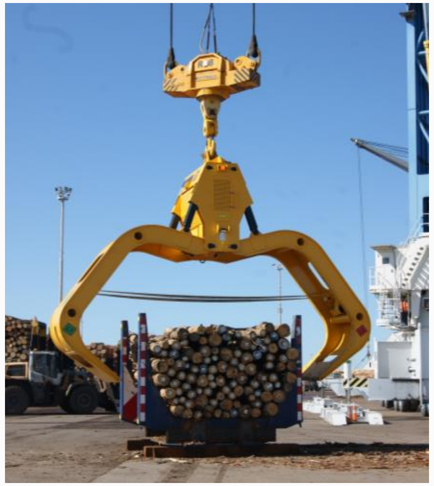
Accommodates up to 360m length vessels

STRATEGIC PROJECTS – DELIVERING SOLUTIONS FOR CUSTOMERS

CREATING VALUE AND GROWTH OPPORTUNITIES

- New & diversified revenue & returns
- Focus on creating value for customers:
  - Site-to-sea road and rail logistics capability to central and lower North Island - steadily growing 12 months after implementation
  - Log debarker - fully operational in 2022
    - Methyl bromide fumigation stopped
    - Environmental and H&S benefits
  - Log loading with mobile harbour cranes
    - Productivity benefits
    - H&S benefits
    - Asset utilisation intensified





CONTAINER SHIPPING LEADS TRADE VOLUME REDUCTION

TRADE OVERVIEW

Volume	FY2022	FY2021	Variance	
			kT / TEU	%
Total cargo (kT)	5,392	5,869	-477	-8.1
Containerised cargo (TEU)	254,000	276,000	-22,000	-7.9
Bulk cargo (kT) - Logs exports (kT)	3,650 2,844	3,950 3,019	-300 -175	-7.6 -5.8

- Challenging operating environment, particularly in the first half of the year

STRONG ARPU[1] GROWTH AS VOLUME DECLINES AND INFLATION BITES

FINANCIAL RESULTS OVERVIEW

	FY2022 $M	FY2021 $M	Variance $M	Variance %
Revenue	114.5	109.5	+5.0	+4.6
Result from operating activities	40.1	43.8	-3.7	-8.4
Net profit after tax - underlying[2]	18.6	22.0	-3.4	-15.2
Cash flow from operations	33.0	34.8	-1.8	-5.1

- Revenue growth of 4.6% on total cargo tonnes fall of 8.1%
- A strong focus on yield plus strategic pricing adjustments is offsetting higher inflationary input costs
- Completion of the Te Whiti Wharf project results in higher depreciation and finance costs, flowing through to NPAT for the first time
- Robust operating cash flow despite reduced operating result

1- Average Revenue Per Unit
2- Refer to appendices for reconciliations of underlying metrics

SUSTAINABILITY REPORTING

ESG FRAMEWORK AND STRATEGY

- Built on our Sustainability Strategy launched August 2021:
    - Busy programme of embedded social, economic and environmental initiatives, it's part of ‘what we do’
- 100 time-framed actions over a 10+ years horizon
    - 54 sustainability workstreams underway, with a further 28 in planning
- Spread across people-focused initiatives, the planet, prosperity and partnerships with others
- Update on progress is detailed in our Annual Report 2022

EMISSIONS REDUCTION STRATEGY

WORKING TOWARDS ZERO NET EMISSIONS BY 2050

2021 and earlier

- Sustainability strategy launched including an action to develop and adopt an emissions reduction strategy to support goal of zero net emissions by 2050
- Inaugural Climate Change Related Disclosure Report (TCFD) published
- Emission inventory scope review and data systems development

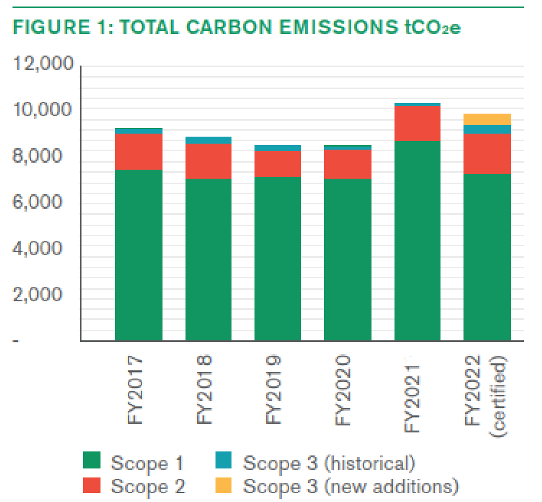
2022

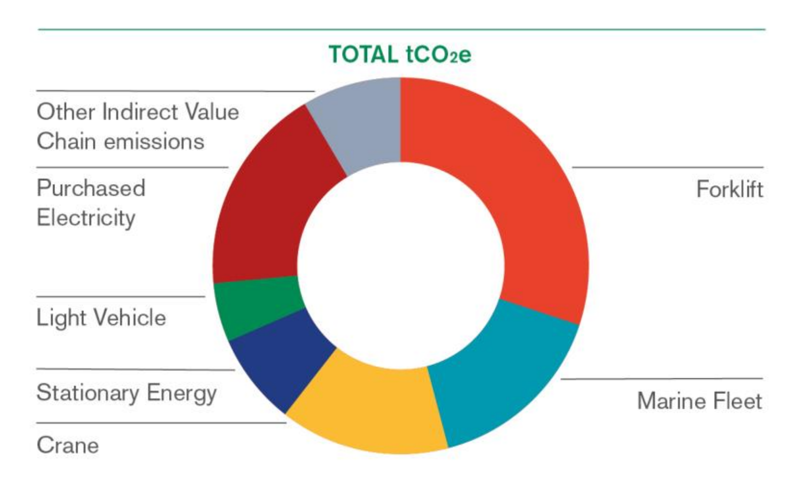
- Verifying our emissions inventory baseline
  - Scope 3 emissions reporting widened
  - First time audit of emissions inventory
- Emissions Reduction Strategy developed
- Second Climate Change Related Disclosure Report
- Total emissions down 5.2%
- Emissions per tonne up by 4.6% with the inclusion of additional Scope 3 emissions in current year (but decreased 0.7% on a like for like basis)

2023 onwards

Emissions Reduction Strategy Framework:

- Focus on reduction of diesel consumption
- Investment in low emissions technology aligned to asset renewal, technology and terminal development programmes
- Grow our electrical infrastructure through electrical capacity upgrades
- Enhance our decision-making framework integrating emissions planning in investment decisions



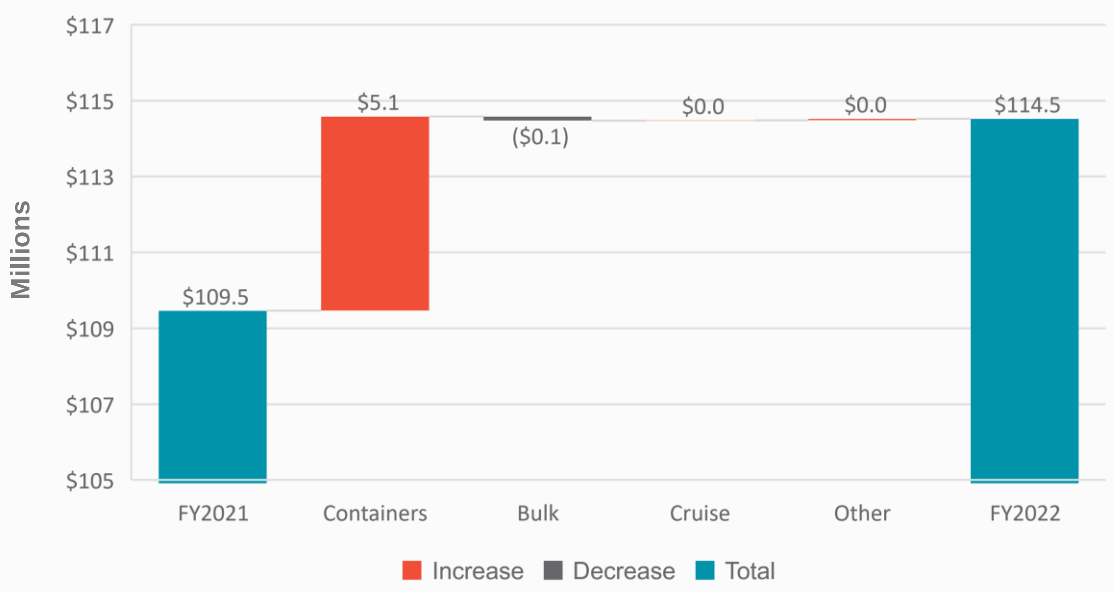


FINANCIAL & OPERATING PERFORMANCE

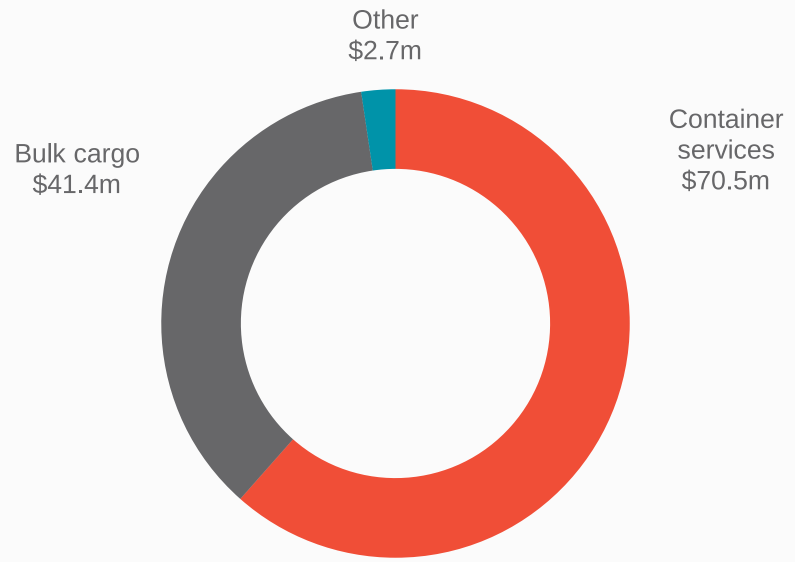
HIGHER REVENUE ON LOWER TRADE VOLUME

- 4.6% year-on-year (YoY) increase in total revenue by $5.0m to a new high of $114.5m
  - Container services increased $5.1m
  - Bulk cargo revenue flat (-$0.1m)
  - Trade volumes down 7.9% for container services and 7.6% for bulk
  - Revenue growth largely results from higher average revenue per unit[1] (ARPU)

FY2022 REVENUE PROGRESSION



FY2022 REVENUE COMPOSITION



1- Average Revenue per Unit (Container Services – per TEU, Bulk Cargo – per Tonne)

CONTAINER SERVICES REVENUE GROWTH DESPITE DISRUPTIONS

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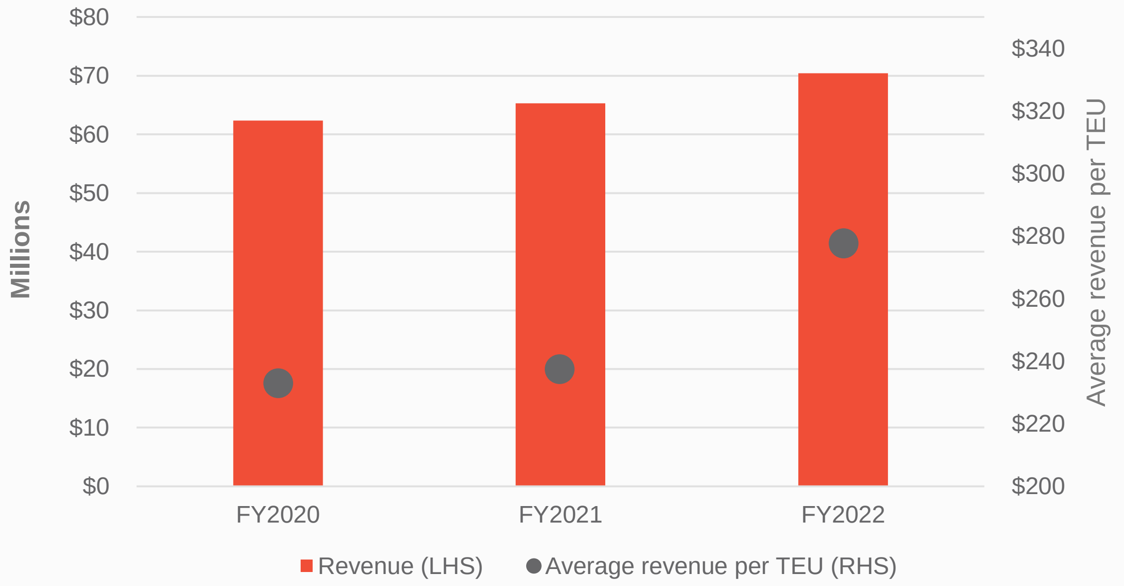
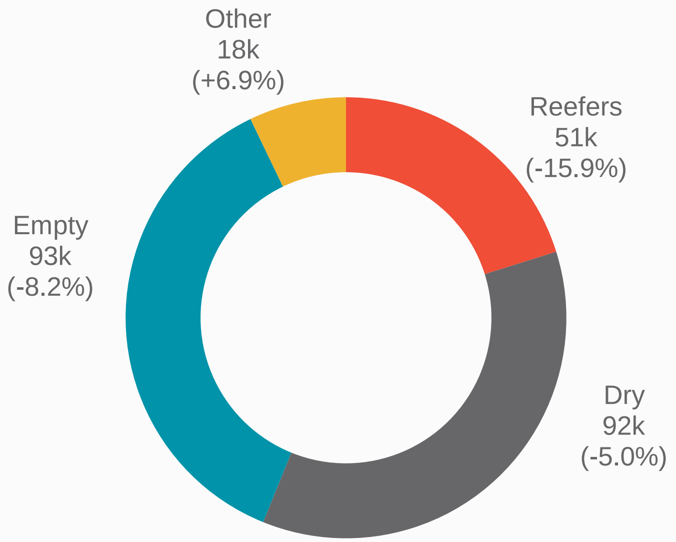
- Container services revenue up 7.8% YoY to $70.5m
- Volume decreased 22,000 TEU (-7.9%) YoY
  - Full containers down 14,000 TEU. Lower export timber (-6,000 TEU), apples (-4,000 TEU) and meat (-3,000 TEU)
  - Empty volumes down 8,000 TEU due to fewer containers required for export cargo
  - Tranships and DLRs remained robust at 18,000 TEU (+1,000)
- Average revenue per TEU YoY increased 17.0% to $277 per TEU from $237 per TEU
  - Tariffs, infrastructure levy increase, additional container services, fuel cost recovery (FAF)

CONTAINER SERVICES REVENUE AND ARPU



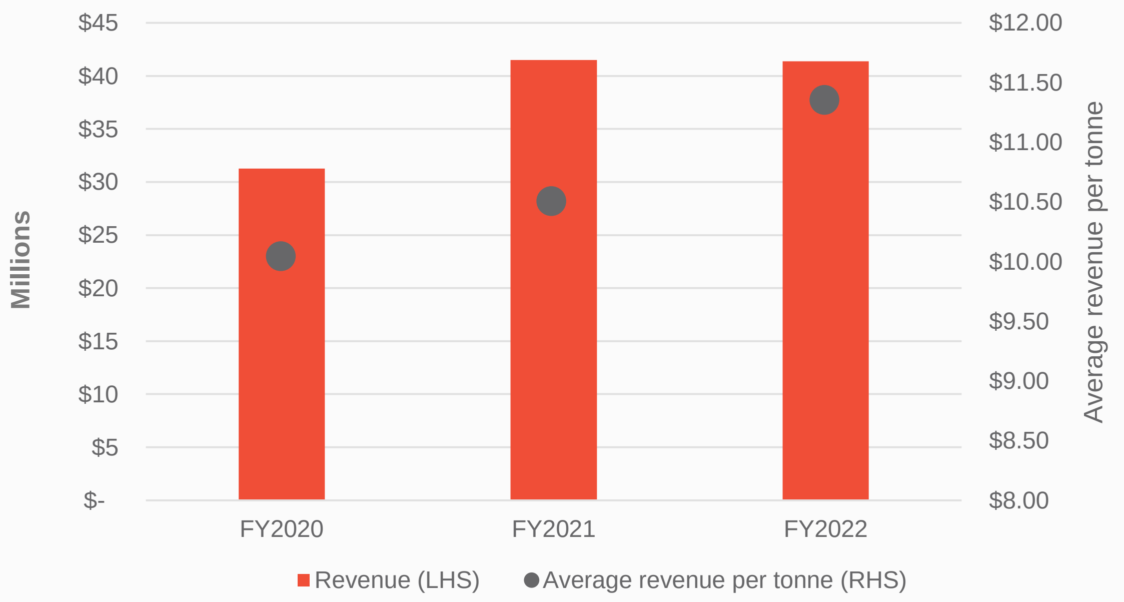
FY2022 TEUs (VERSUS FY2021)



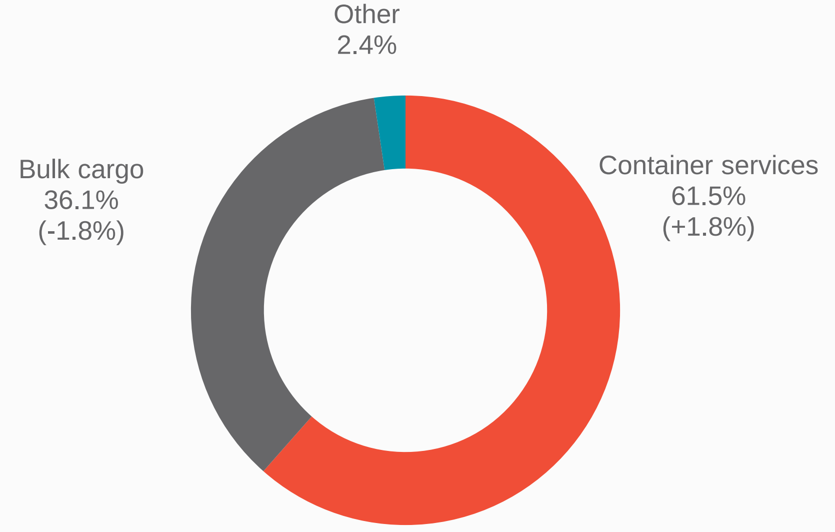
BULK CARGO – REVENUE STABLE ON LOWER VOLUME

- Bulk revenue decreased 0.3% YoY to $41.4m
- Volume decreased -0.3 million tonnes (-7.6%) to 3.65 million tonnes
- Bulk cargo average revenue per tonne increased 7.9% to $11.33/T from $10.50/T
  - New infrastructure levy on bulk volume of $0.40/T/JAS
  - Cargo and customer mix and small initial contribution from debarking operation
  - Prior year included one-off cost recovery revenue of $0.21/T, ARPU increased 10.1% excluding this one-off item

BULK CARGO REVENUE AND ARPU



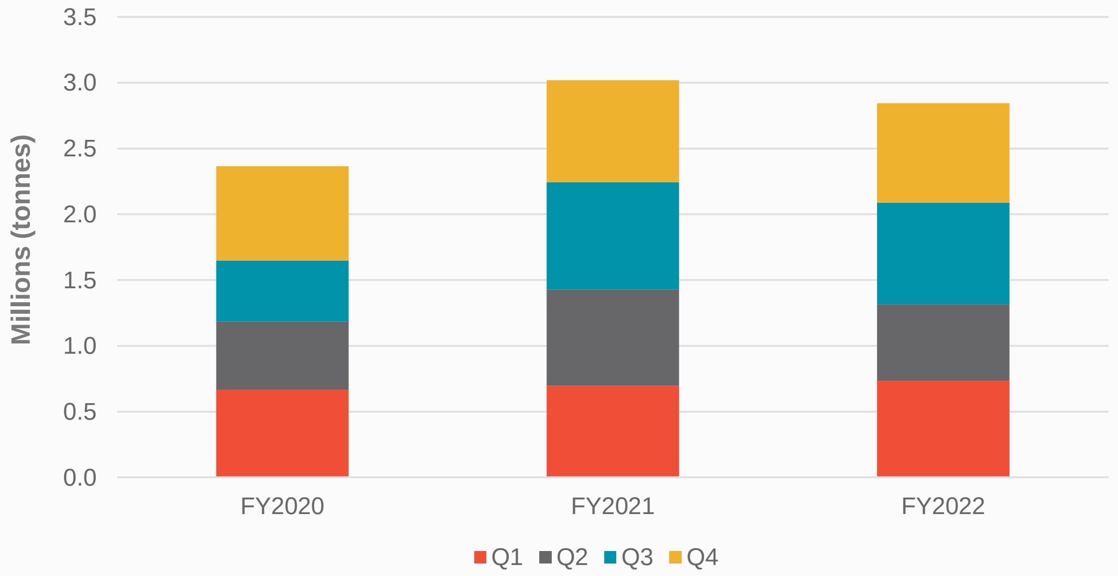
FY2022 REVENUE COMPOSITION (VERSUS FY2021)



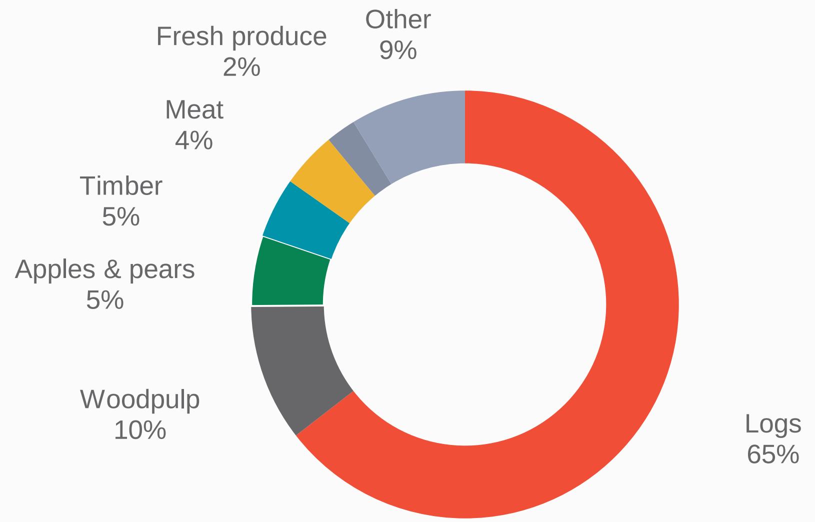
LOG VOLUMES EASE BUT REMAIN RESILIENT

- Log export volume decreased 175k tonnes (-5.8%) YoY
  - Soft Q2 due to holiday period slow down, covid labour impact and weather
  - Volume firm for remaining quarters despite softer macro conditions and ongoing supply chain disruptions in China and NZ labour shortages
- Fewer log vessels (-25) as average vessel load sizes increase

LOG EXPORT VOLUME



FY2022 ALL CARGO EXPORTS (WEIGHT)

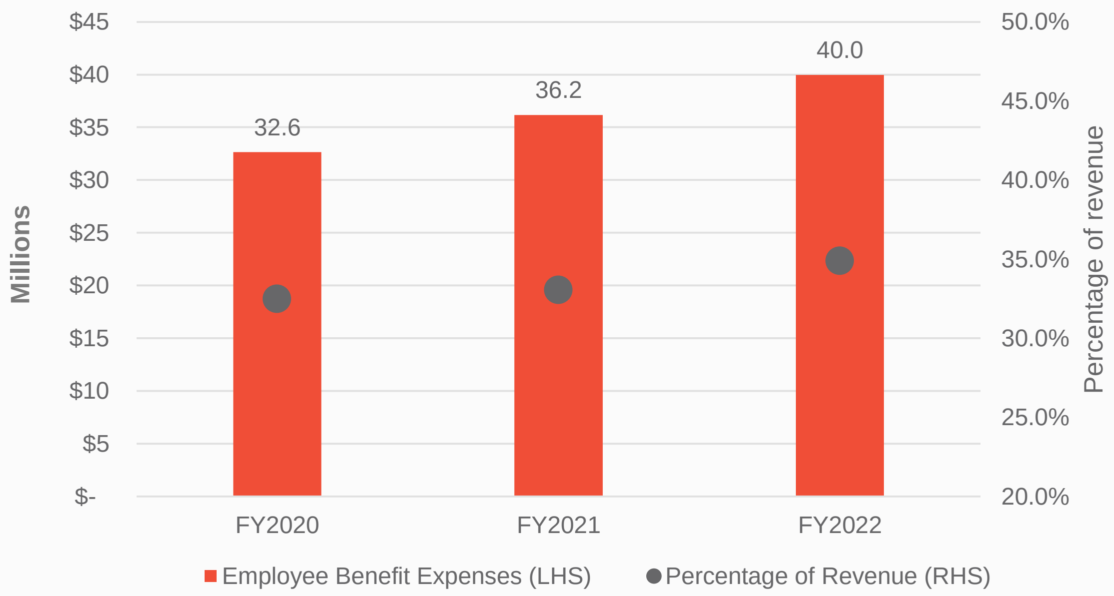


CHALLENGING HIGHER OPEX INPUT COSTS

- Overall opex increased by $8.8m (13.3%) YoY
  - High inflationary environment
  - Ongoing focus on controllable spend, cost recovery and revenue growth from strategic projects

- Employee benefit expenses increased $3.8m (10.5%) YoY
  - Additional personnel supporting strategic investments
  - Container terminal resilience in tight labour market – lower reliance on casuals, addressing fatigue management, creating pathways for development and diversity, increasing leadership depth
  - Market rate increases

EMPLOYEE BENEFIT EXPENSES



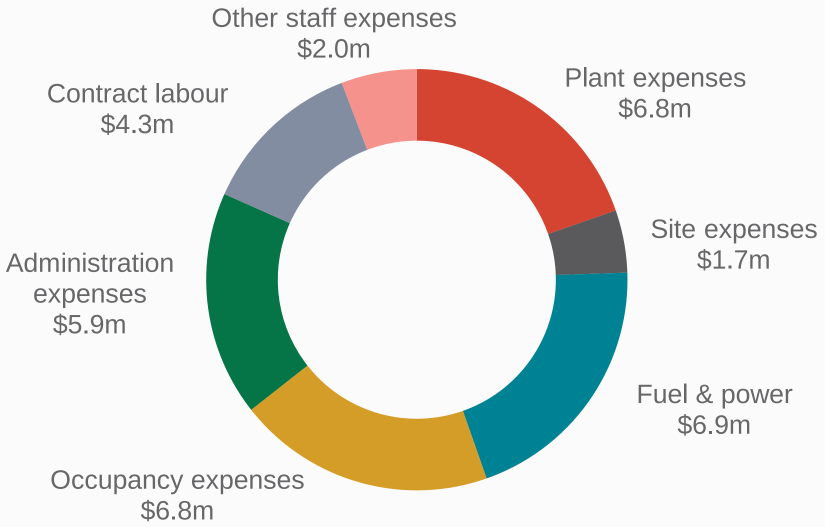
CHALLENGING HIGHER OPEX INPUT COSTS

- Property and plant expenses up $3.9m (33.4%) YoY
  - Fuel & power increase $2.5m:
    - +$3.4m rate and -$0.9m volume
    - Fuel cost recovery (FAF) implemented from 1 May
  - Plant expenses up $1.0m
    - Additional mobile plant maintenance - including deferred maintenance

- Other operating expenses increased due to further increases in insurance costs, staff welfare and pandemic response costs, partially offset by lower operational contract labour expenses

- High inflationary environment set to continue into FY2023

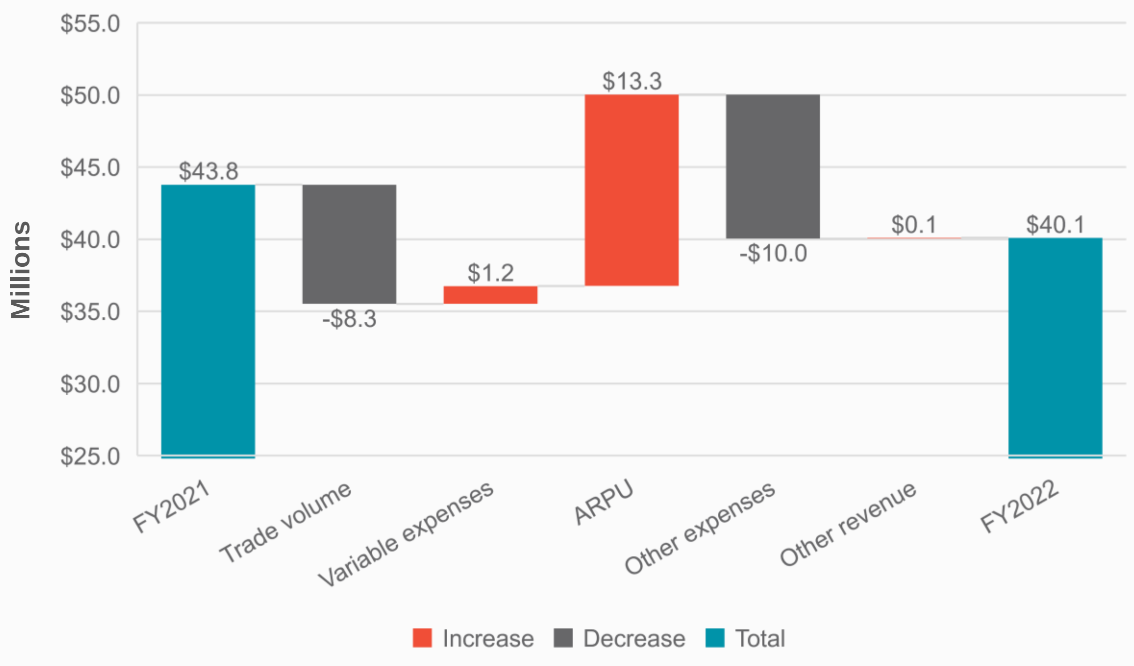
OTHER OPEX FY2022



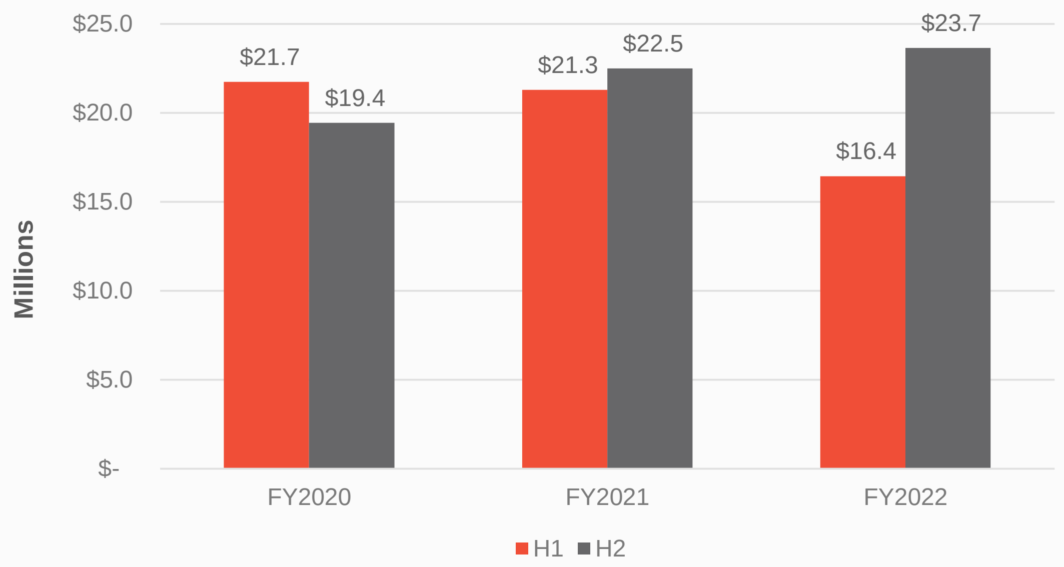
LOWER OPERATING RESULT DRIVEN BY LOWER TRADE VOLUME

- Result from operating activities down $3.7m (8.4%)
  - Net reduction of $7.1m attributed to lower trade volumes (revenue less pure variable expenses[1])
  - ARPU growth greater than operating expense growth
  - Abnormal first half year result stands out

RESULT FROM OPERATING ACTIVITES – ANNUAL PROGRESSION



RESULT FROM OPERATING ACTIVITIES – HALF YEAR SPLITS

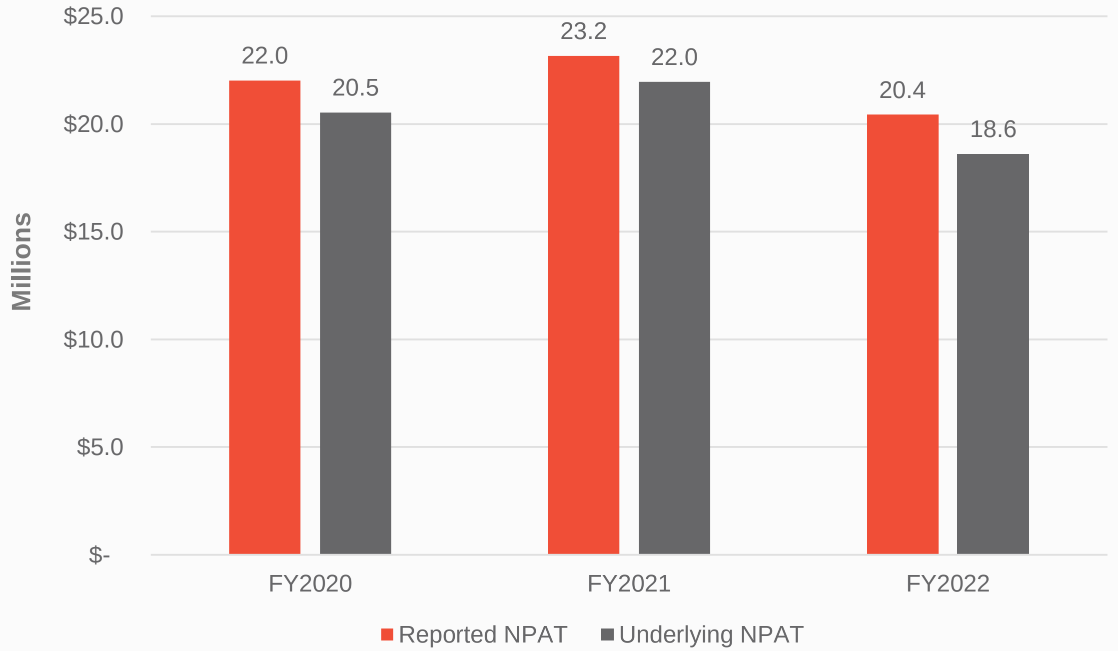


1- Fuel and power (volumes) and contract labour

NET PROFIT LOWER WITH OPERATING RESULT

- Underlying NPAT[1] decreased by $3.4m (-15.2%)
- Increased depreciation and finance costs $1.3m
- Post-Te Whiti Wharf completion:
  - Approx. $2.4m additional annual depreciation (revised estimate)
  - Majority of finance costs to income statement

NET PROFIT AFTER TAX

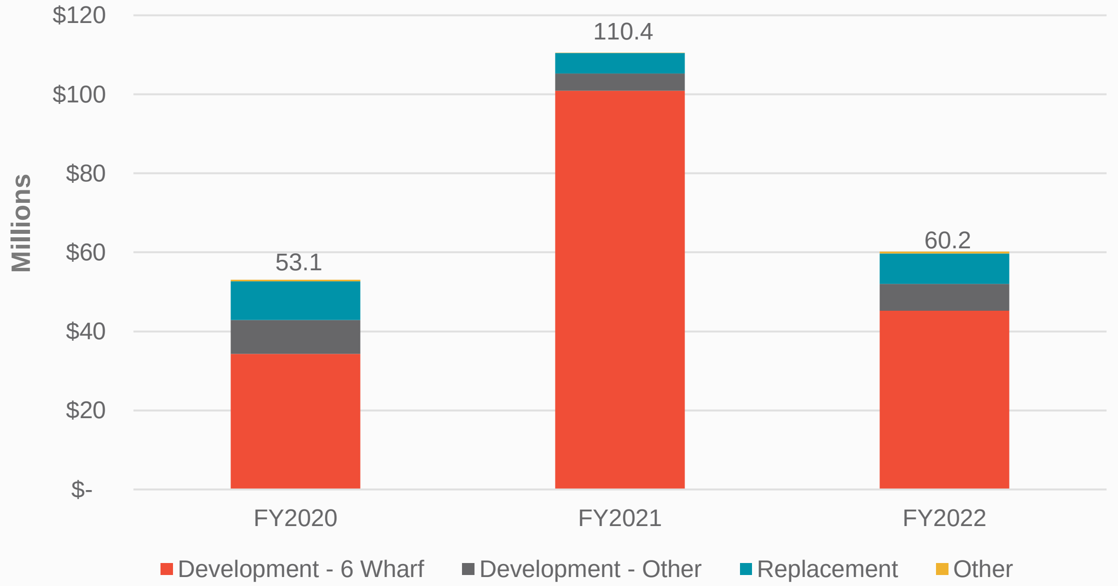


1- Refer to appendices for reconciliations of underlying metrics

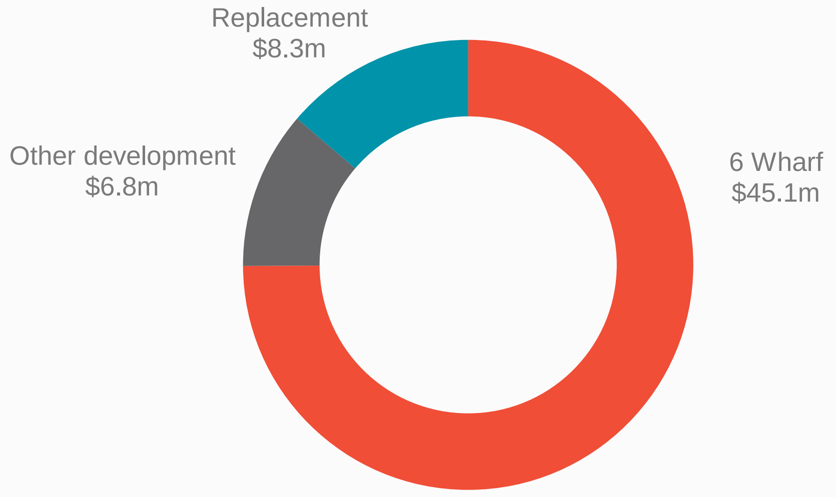
CAPITAL EXPENDITURE – TE WHITI WHARF COMPLETED

- Capital expenditure of $60.2m (cashflow spend $72.1m)
  - FY2022 Te Whiti construction $45.1m (cashflow spend $56.5m)
  - Other development in support of strategic initiatives and growing revenue
    - Further paving for log storage, log debarker, Shore Tension dynamic mooring units and log loading grabs
- Inflationary environment and currency depreciation increase capital costs

CAPITAL EXPENDITURE



FY2022 CAPITAL EXPENDITURE



CAPITAL EXPENDITURE – TE WHITI PROJECT COSTS

- Te Whiti Wharf total project costs
  - Total construction project cost $171.1m, excluding capitalised overheads and finance costs
    - Budgeted cost range originally $173-190m
  - Total capitalised overheads and finance costs of $8.3m
  - Total consenting, planning and pre-construction costs (pre and including FY2020) of $8.2m
  - 7 years to completion from commencement of planning, technical studies, stakeholder consultation & consenting

CASH FLOW & LIQUIDITY

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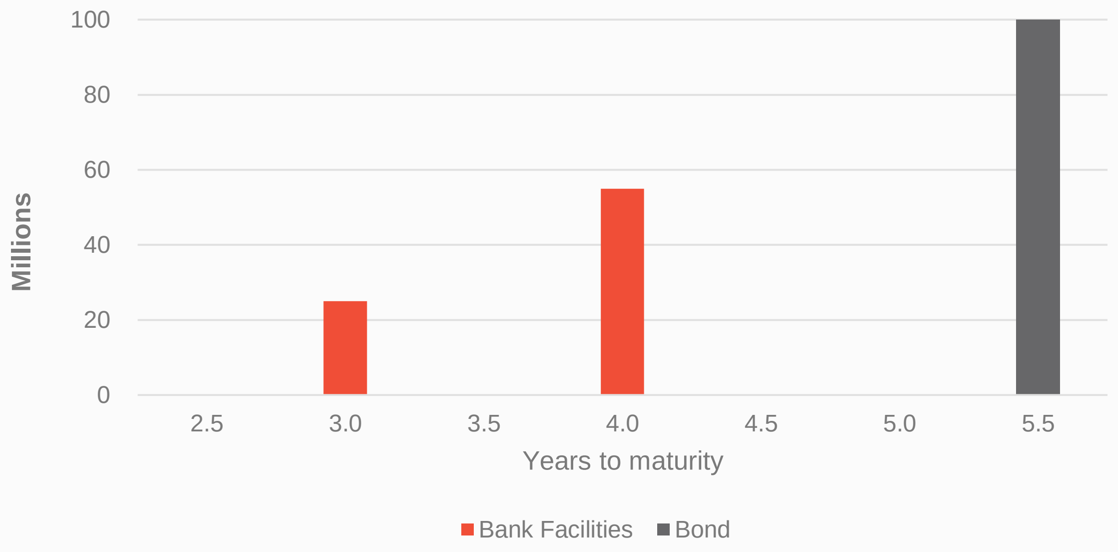
	FY2022 $M	FY2021 $M	Var $M
Operating cash flows	33.0	34.8	-1.8
Investing cash flows	(71.9)	(103.6)	+31.7
Dividends	(15.0)	(15.6)	+0.6
Other financing cash flows	(1.6)	(0.1)	-1.5
Increase / (reduction) in cash and cash equivalents	0.5	(6.5)	
Increase in total gross drawn loans and borrowings	(56.0)	(78.0)	

- Continued robust operating cash flow despite reduced operating result

CAPITAL MANAGEMENT

- Inaugural bond issue on 23 September 2022: $100m, 5.5 year, 5.52% fixed rate, unsecured, unsubordinated
  - Matures March 2028
  - Listed on NZX Debt Market (NPH010)
  - Used to repay bank debt and for general corporate purposes
- Bank facilities of $80m total as at year end
  - $55m expires Q4 FY2026, $25m expires Q4 FY2025
  - $34m drawn, $46m undrawn at year end
- Weighted average term to maturity of 4.7 years

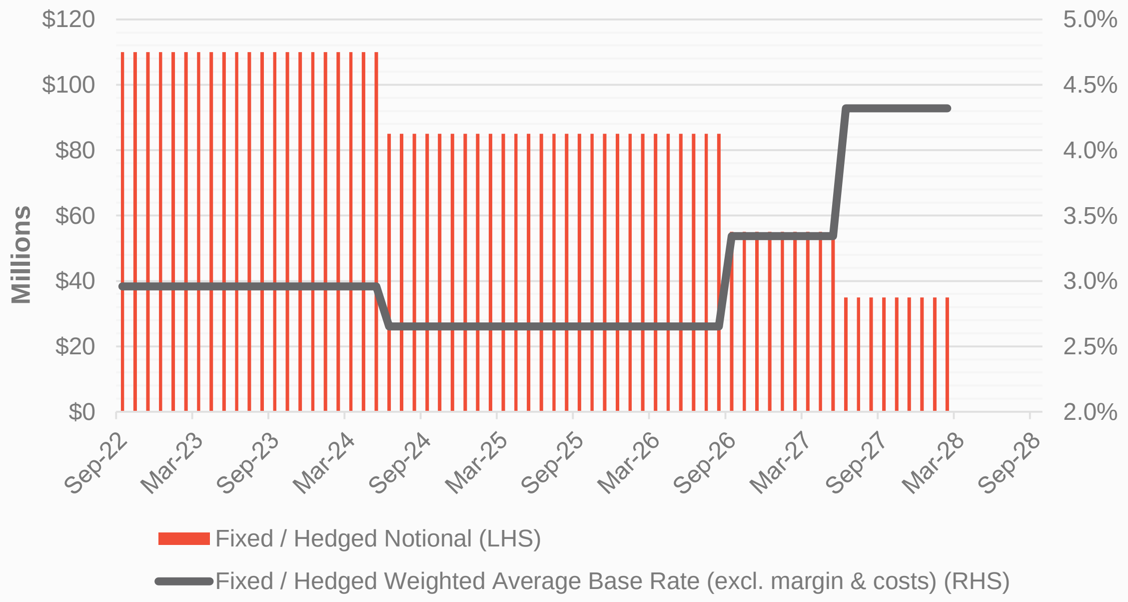
DEBT MATURITY PROFILE



CAPITAL MANAGEMENT

- Target ratio of Debt to EBITDA ceiling of 3.5x (related to the Te Whiti Wharf construction period), with the expectation that the ratio will be managed to within its long-term target range of 2.0x - 3.0x over time
- Debt to EBITDA of 3.36x at 30 September 2022
- Low exposure to variable interest rates in short to medium term
  - 82% of gross drawn debt was subject to fixed interest rates at 30 September 2022

FIXED INTEREST RATE PROFILE (INCLUDING HEDGING)



CONCLUSION & OUTLOOK

CONCLUSION AND CURRENT OUTLOOK

LOOKING FORWARD TO FY2023

Solid result in the face of operational challenges; strategic projects driving growth and resilience continued at pace

Shipping disruption continues; however supply chain constraints easing, global shipping capacity shortages and rates moderating

Cruise has returned: total of 88 bookings with increased confidence that bookings will be realised

Positive trade outlook for key cargoes and expect improved industry operating conditions in FY2023 relative to FY2022

Higher cost and increasing inflationary environment set to continue

Cautious outlook with challenging global and national macro-economic environment ahead

Guidance for FY2023 underlying result from operating activities of between $42m and $48m

FY2022 DIVIDEND

Final dividend of 4.7 cps declared

Fully imputed

Record date: 5 December 2022

Payment date: 15 December 2022

Total dividends, in respect of FY2022, of 7.5 cps, fully imputed (FY2021: 7.5 cps)

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QUESTIONS

APPENDICES

The following appended financial information provides a summary of financial information for the year ended 30 September 2022 (FY2022) compared to the corresponding period in 2021 (FY2021).

Reconciliations provided are extracted from and should be read in conjunction with the Supplemental Selected Financial Information document released with NPH's 2022 Annual Report on the NZX announcements platform and the Napier Port website Investor Centre.

REVENUE

NZ$000	FY2022	FY2021
Container services	70,457	65,331
Bulk cargo	41,370	41,488
Cruise	12	-
Sundry revenue	277	282
Revenue from port operations	**112,116**	**107,101**
Revenue from property operations	2,407	2,359
Total operating income	**114,523**	**109,460**

OPERATING EXPENSES

Employee benefit expenses

NZ$000	FY2022	FY2021
Wages & salaries	37,110	33,478
Other employee benefit expenses	2,858	2,698
Total employee benefit expenses	**39,968**	**36,176**

Property and plant expenses

NZ$000	FY2022	FY2021
Plant expenses	6,777	5,793
Site expenses	1,653	1,287
Fuel & power	6,947	4,444
Total property and plant expenses	**15,377**	**11,524**

OPERATING EXPENSES

Other operating expenses

NZ$000	FY2022	FY2021
Administration expenses	5,950	5,677
Occupancy expenses	6,816	6,263
Contract labour	4,319	4,526
Other staff expenses	1,999	1,506
Total other operating expenses	**19,084**	**17,973**

CAPITAL EXPENDITURE

NZ$000	FY2022	FY2021
Development capex		
6 Wharf construction	45,096	100,916
Refrigerated container capacity	-	1,201
Mooring plant and equipment	3,497	-
Other development capex	3,325	3,140
Total development capex	**51,918**	**105,257**
Replacement capex	7,829	5,173
Compliance and other capex	441	16
Total capex including capitalised finance costs	**60,188**	**110,447**
Movement in fixed asset creditors	11,883	(6,765)
Capex per cash flow	**72,071**	**103,682**

RECONCILIATION OF UNDERLYING NET PROFIT AFTER TAX[1]

NZ$000	FY2022	FY2021
Reported net profit after tax	**20,421**	**23,164**
Adjustments:		
Fair value movements on investment properties	(1,800)	(1,200)
Underlying net profit after tax	**18,621**	**21,964**

1- Underlying net profit after tax is a non-NZ GAAP measure – refer to the Supplemental Selected Financial released with NPH's 2022 Annual Report on the NZX announcements platform for further information related to this measure

DIVIDEND POLICY

- The Board is targeting paying total dividends within a range of 70% to 90% of Free Cash Flow[1]
- Free Cash Flow[1] is a non-NZ GAAP measure adopted by Napier Port. It excludes capital expenditure on development projects and interest costs capitalised during construction
- The payment of dividends is not guaranteed and will be at the discretion of the Board and depend on a number of factors. These factors include the general business environment, operating results (including our ability to grow Free Cash Flow[1]) and financial condition of Napier Port, future funding requirements, any contractual, legal or regulatory restrictions on the payment of dividends by Napier Port and any other factors the Board may consider relevant. In declaring dividends, Napier Port must comply with the solvency test under the Companies Act and the covenants in its banking facilities
- Dividend payments are expected to be split into an interim dividend paid in June, targeting 40% of the total expected dividend for the financial year, and a final dividend paid in December. Napier Port intends to impute dividends to the maximum extent possible

1- Non-NZ GAAP measure, being NPAT, adjusted for the post-tax impact of fair value revaluations of derivatives and investment properties, plus depreciation, amortisation and impairment, less the average replacement capital expenditure of maintaining Napier Port's asset base. Average replacement capital expenditure is based on an assessment of the long term average cost of maintaining assets for Napier Port in real terms.

OUR STRATEGY BUILDS ON A STRONG BUSINESS

A LONG-TERM ASSET ESSENTIAL TO THE HEALTH OF THE HAWKE'S BAY ECONOMY

AN INFRASTRUCTURE ASSET ESSENTIAL TO THE HEALTH OF THE HAWKE'S BAY ECONOMY

Napier Port is an essential regional infrastructure asset and, by connecting Hawke's Bay and central New Zealand to global markets, is an active participant in driving regional prosperity

STRONG REGIONAL ECONOMIC GROWTH DRIVERS AND STRONG KEY CUSTOMER RELATIONSHIPS

The Hawke's Bay region has experienced strong growth, supported by international demand for its diverse range of export cargo.
Strong key customer relationships see Napier Port embedded as an essential supply chain partner

DIVERSIFIED TRADE PORTFOLIO MITIGATES SECTOR AND COUNTRY-SPECIFIC RISKS

Napier Port handles a diversified mix of export and import products including logs and forestry products, pipfruit, oil products and fertiliser, which are shipped to or from over 110 countries globally

WELL-POSITIONED GIVEN FUTURE CARGO VISIBILITY AND EXPANDED PORT CAPACITY

Future cargo visibility enables robust planning for strategic growth projects. The development of Te Whiti Wharf has significantly increased Napier Port's capacity for future growth

STRONG HISTORICAL FINANCIAL PERFORMANCE AND A RECORD OF EXECUTION ON GROWTH OPPORTUNITIES

Napier Port delivered annual average revenue growth of 5.7% over the last five years (2018 - 2022), while consistently delivering high EBITDA margin

EXPERIENCED MANAGEMENT TEAM THAT IS WELL CONNECTED WITH CARGO OWNERS AND OTHER STAKEHOLDERS

Extensive commercial and infrastructure expertise and broad depth of senior leadership experience in New Zealand and overseas, and management enjoys strong relationships with key stakeholders and the local community

FURTHER INFORMATION ON NAPIER PORT

To learn more about Napier Port and what it does please refer to our website at www.napierport.co.nz

See our website Investor Centre for:

- Share price information
- Links to NZX results and market announcements
- Key calendar dates
- Publications, including:
  - Annual Reports
  - Sustainability Strategy and Action Plan
  - Climate Change Related Disclosure Report (TCFD)
  - Investment Key Facts
  - Investing in Napier Port overview presentation
  - Investor Day 2021 Presentations
  - Log Supply Chain Case Study
- Key policies and governance documents