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Port of Tauranga Reports Strong Mid-Year Results

Port of Tauranga Limited (NZX:POT) today reported strong financial results for the first six months of the 2023 financial year, despite decreases in some cargo volumes.

Group Net Profit for the six months to December 2022 was \$62.7 million, an increase of 11.3% from the same period last year. Total cargo volumes decreased 2.5% to 12.7 million tonnes.

The financial performance was driven by an increase in container volumes and transshipment, as well as the return of cruise ships to the Bay of Plenty. Container volumes increased 2.5% to 637,728 TEUs¹ for the six month period, with transhipped containers (transferred from one vessel to another at Tauranga) increasing 21.7%.

Highlights and challenges

For the six months to 31 December 2022:

- **Group Net Profit After Tax** \$62.7 million (an increase of 11.3% from the previous corresponding period)
- **Total trade** 12.7 million tonnes (a decrease of 2.5% from the previous corresponding period)
- **Container volumes** 637,728 TEUs (an increase of 2.5% from the previous corresponding period)
- **Imports** 5.0 million tonnes (a decrease of 0.9% from the previous corresponding period)
- **Exports** 7.7 million tonnes (a decrease of 3.5% from the previous corresponding period)
- **Transhipped containers** 21.7% increase to 174,444 TEUs
- **Subsidiary and Associate Company earnings** 0.6% increase compared with the previous corresponding period
- **Log exports** 3.0 million tonnes (a decrease of 2.6% from previous corresponding period)
- **Direct dairy exports** 0.9 million tonnes (a decrease of 3.2% from previous corresponding period)
- **Ship visits** 701 (an increase of 2.5% from the previous corresponding period)
- **Cruise ship visits resumed** in October 2022, with just under 100 vessels expected over the summer season
- **Interim dividend** of 6.8 cents per share (a 4.6% increase on the previous corresponding period).

Port of Tauranga Chair, Julia Hoare, expressed sympathy for all those impacted by Cyclone Gabrielle.

“The Port suspended port operations for 36 hours but we were fortunate to avoid any significant damage from the storm. We will support the disaster relief and recovery in any way we can,” she said.

¹ TEUs = twenty foot equivalent units (a standard measure of shipping containers)





Ms Hoare said the mid-year financial results announced today reflected the Port's resilience amid fluctuations in cargo volumes and widespread port congestion.

"Our diverse portfolio of cargoes and varied income streams have allowed us to return a good result despite cargo volumes starting to decrease. Shipping schedule unreliability and increased operating costs have also been challenges," said Ms Hoare.

"We have mitigated impacts of congestion through surcharges to incentivise smooth cargo flows and avoid excess dwell time for containers in the terminal," she said.

Port of Tauranga is seeking to improve supply chain resilience by building capacity in the form of a berth extension at the container terminal. The resource consent hearing at the Environment Court is due to begin on 27 February.

"Without this development, New Zealand importers and exporters are facing severe capacity constraints," said Ms Hoare.

"The development is critical to the New Zealand economy.

"The catastrophic weather events of the past few weeks have also demonstrated that New Zealand is in dire need of greater resilience and capacity in the national supply chain."

The proposed container berth extension has been included in the Regional Coastal Environment Plan since 2003 and detailed planning began in 2019. It involves converting cargo storage land to the south of the existing wharves to create an additional berth.

Port of Tauranga Chief Executive, Leonard Sampson, said intermittent delays and congestion continued to plague the Tauranga Container Terminal as container vessels continue to arrive off schedule.

"Vessel bunching over the past few months has resulted in ships waiting at anchor and surges of container volumes, putting pressure on terminal capacity and efficiency."

He said that a return to shipping schedule reliability over the coming months would alleviate terminal congestion and in turn improve productivity.

"By reinstating adherence to proforma windows, we will be able to accurately predict container volumes and match resources accordingly. This will allow us to deliver improved efficiency and avoid delays for shipping lines and shippers," he said.

"We have been working with other New Zealand ports to ensure that the entire network can get back on time and allow us to better plan capacity, including labour, rail and road transport," he said.

Financial results

Operating revenue increased 13.9% to \$211.9 million for the six months to December 2022.

Operating expenses increased 17.6% due to increased labour, equipment and property maintenance and fuel costs.

Leading through Innovation and Commitment





Subsidiary and Associate Company earnings were flat compared with the same period last year, increasing 0.6%.

The country's largest exporter, Kotahi, has reinforced its commitment to Timaru Container Terminal by renewing its export cargo volume agreement through to 2030. The 30,000-TEU a year agreement will enable further investment in maintenance and upgrades, giving exporters confidence in the capability of Timaru Container Terminal for the next eight years.

The Port of Tauranga Board of Directors has declared a fully imputed interim dividend of 6.8 cents per share, a 4.6% increase on the previous corresponding period.

Cargo trends

Log exports decreased by 2.6% to just over 3.0 million tonnes for the six month period as a result of soft international pricing and strong domestic demand.

Direct dairy exports decreased 3.2%, dipping to 993,360 tonnes. However, transhipped dairy exports increased significantly.

Direct kiwifruit export volumes were down significantly, by 30.7%, due to issues with fruit quality.

Ship visits increased 2.5% to 701 over the six month period.

Outlook for 2023

The outlook for the second half of the 2023 financial year remains uncertain, with predictions of a recession and the ongoing conflict in Ukraine causing widespread disruption.

A derailment on the train line between Kawerau and Port of Tauranga (during the storms of late January) may have an impact on annual log export volumes, depending on the timeframe for repairs. The recent weather events are also expected to impact annual volumes of primary produce, including kiwifruit.

Compliance costs continue to rise and, following the renegotiation of contracts with KiwiRail, Port of Tauranga is facing a significant increase in rail costs. However, the expected return to shipping schedule reliability is expected to have a positive impact on terminal efficiency and cargo throughput.

Based on the first half performance, we expect full year earnings to be between \$117 million and \$124 million (compared with \$111.3 million in the 2022 financial year).

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