

Port of Tauranga reports \$47.2 million profit amid challenging trading conditions

Port of Tauranga Limited (NZX: POT) today reported a \$47.2 million profit for the six months ended December 2023.

Earnings were impacted by lower overall trade volumes, especially in imported and transhipped containers, and higher operating costs, including rail charges.

Total trade volumes reduced 8.5% compared with the first half of the 2023 financial year, to 11.6 million tonnes (down from 12.7 million tonnes). Container numbers reduced 15.8% to 536,930 TEUs.

However, log exports were boosted by the early harvesting and export of cyclone-damaged trees.

Highlights and challenges

Six months ended 31 December 2023:

- Group Net Profit After Tax: \$47.2 million, a 24.7% decrease from \$62.7 million
- Total trade: 11.6 million tonnes, an 8.5% decrease from 12.7 million tonnes
- Container volumes: 536,930 TEUs¹, a 15.8% decrease from 637,729
- Transhipped containers: 119,848 TEUs, a 25.1% decrease
- Imports: 3.9 million tonnes, a 22.7% decrease from 4.9 million tonnes
- Exports: 7.8 million tonnes, a 0.6% increase from 7.7 million tonnes
- Log exports: 3.6 million tonnes, a 19.2% increase from 3.0 million tonnes
- Direct dairy exports: 949,687 tonnes, a 4.4% decrease from 993,360 tonnes
- Subsidiary and joint venture company earnings decreased 34.2% to \$4.8 million
- Interim dividend: 6.0 cents per share
- Ship visits: 674, a 3.9% decrease from 701

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

- Container productivity increased 5% to an average of 30.5 moves per hour
- Interim decision from the Environment Court to grant resource consent for Stage 1 of the Stella Passage project, subject to further information.

Port of Tauranga Chair, Julia Hoare, said the first half of the financial year had seen a return to more normal operating conditions following a period of extreme supply chain congestion since late 2020.

“I’m pleased to report that since March 2023 we have managed to eliminate delays at the Tauranga Container Terminal with the gradual return to shipping schedule adherence after a long period of unreliability,” she said.

“Whilst we were impacted by delays caused by strike action in some Australian ports during the reporting period, service delivery to our customers continues to improve with productivity rates returning to pre-Covid levels.

“Although operating revenue was affected by the reduction in storage charges, a more stable shipping schedule allows us to be much more efficient, with a 5% increase in container productivity against the previous comparable period.”

Financial results

Operating revenue was \$200.0 million, a 5.6% decrease from \$211.9 million in the first half of the 2023 financial year. Operating expenses increased 2.0% to \$106.3 million.

Challenging trading conditions across the broader economy impacted our joint venture and subsidiary earnings, down 34.2% to \$4.8 million.

The Port of Tauranga Board of Directors has declared a fully imputed interim dividend of 6.0 cents per share.

Cargo trends

Log export volumes increased 19.2% compared with the previous corresponding period, boosted by the ongoing early harvesting of cyclone-damaged trees in the Central North Island forests.

Container transshipment decreased 25% compared with the previous corresponding period, due to changes in coastal shipping rotations.

Import container volumes decreased 17.9%, reflecting lower consumer demand and increases in MetroPort rail costs. Export container volumes decreased 8%, reflecting an early end to the kiwifruit season and a slow start to the dairy export season. Direct dairy exports decreased 4.4% in volume for the six-month period.

Direct kiwifruit export volumes were down 16.6% in volume as a result of well-publicised seasonal issues.

Overall, ship visits decreased 3.9% to 674 over the six-month period.

Investing in capacity and capability

Port of Tauranga Limited has received an interim decision from the Environment Court, provisionally granting resource consent for Stage 1 of its planned Sulphur Point wharf extension. Stage 1 involves constructing 285 metres of additional berth to the south of the Port's existing container berths, and associated dredging.

The consent is subject to further matters being addressed to the satisfaction of the Court, including the provision of further environmental evidence and engagement with tangata whenua.

Port of Tauranga Chief Executive, Leonard Sampson, said the Port remained committed to working closely with tangata whenua and meeting the Court's directions to provide environmental information, including additional kaimoana monitoring.

"The project is a critical piece of national infrastructure to meet the needs of New Zealand importers and exporters. Construction will commence as soon as resource consent is obtained," he said.

As part of its decarbonisation strategy, Port of Tauranga has taken delivery of a further four hybrid straddle carriers, which are approximately 25% more fuel efficient than the port's diesel-electric models.

The port's oldest ship-to-shore container crane has been dismantled and the components for a new crane have just been delivered for assembly on site.

In August 2023, Port of Tauranga and Tainui Group Holdings officially opened stage one of the Ruakura Inland Port near central Hamilton, which is linked to both Auckland and Tauranga via rail.

Mr Sampson said the new inland port had unlocked efficient and lower carbon pathways to international markets for Waikato-based importers and exporters.

Outlook

The outlook for the Group for the second half of the 2024 financial year is expected to be mixed. Domestic economic conditions remain challenging, and international conflicts are causing shipping delays and increases in freight costs.

However, we do expect shipping schedule reliability to continue to improve and a more consistent operating environment provides opportunities to further enhance service levels to our customers, systems and processes, productivity, and cargo throughput.

Kiwifruit exports are forecast to rebound after a challenging 2023 season and new business opportunities created by the opening of the Ruakura Inland Port near Hamilton are promising.

Based on the first half performance, our guidance remains unchanged and full year earnings are expected to be between \$95 million and \$107 million (compared with \$117.1 million in the 2023 financial year).

Port of Tauranga's annual results for the 2024 financial year will be announced on Friday, 23 August.

For further information, contact:

Rochelle Lockley

GM Communications, Port of Tauranga Limited

Ph 021 865 884

Email: Rochelle.Lockley@port-tauranga.co.nz



Port of Tauranga

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