23 August 2024

NZX Announcement / Media Release

SOUTH PORT NEW ZEALAND LIMITED

FULL YEAR 2024 RESULTS

Soft economy slows South Port in FY24

Against the backdrop of very subdued trading conditions, South Port welcomed two major developments in FY24 that will contribute to financial stability and business growth in the longer term.

The commitment by New Zealand Aluminium Smelter (NZAS) to a 20-year electricity agreement will underscore a significant segment of the port's annual revenue. Completion of project Kia Whakaū, the dredging of the Bluff Harbour, will position the port for ongoing trade growth and larger vessels.

"It is particularly encouraging that these positive events reaffirm the potential for our regional port envisaged by local government and private investors when South Port listed on the New Zealand Stock Exchange 30 years ago this year," said Chair, Philip Cory-Wright.

"The NZAS agreement will provide ongoing stability for a third of our cargo volume, enabling the smelter, the port, and the community to plan and re-invest with confidence," says Mr Cory-Wright.

Following recent dredging of Bluff Harbour, the new draft of 10.7m, once formally "declared," will provide an invaluable extra metre of draft, enabling larger ships to bring their supply chain efficiencies to South Port.

"The opportunity for South Port and the region now is to take full advantage of the outcome," said Mr Cory-Wright.

Throughout FY24 South Port faced challenging market conditions across all its major cargo categories, particularly forestry and agriculture.

In the year to 30 June 2024 South Port recorded revenue of $56.13M (2023 - $53.59M) and recorded an after-tax profit of $7.38M (2023 - $11.71M). Earnings per share were 28.1 cents, against 44.6 cents last year.

Consistent with other infrastructure companies, South Port's result was also negatively impacted by the Government's recent decision to remove tax deductibility for depreciation on commercial buildings.

This tax change resulted in a one-off deferred tax expense of $2.27M for the 2024 financial year.

Normalised net profit after tax (NPAT), excluding one-offs, was $9.96M (2023 - $11.50M).

Net asset backing was $2.30 per share, up from $2.28 per share last year.

The Board has declared a final dividend of 19.5 cents, representing a full year dividend of 27.0 cents per share (2023 – 27.0 cents) amounting to $7.08M. Full imputation credits will be attached to all distributions.

The dividend payment represents a gross return of 6.7% (net 4.8%), based on a share price of $5.61 as at 30 June 2024.

Cargo Result

“The 2024 result reflected a 7.7% decrease in overall cargoes at 3,213,000 tonnes (2023 – 3,479,000 tonnes),” said Chief Executive Nigel Gear. “However, the year has had a stronger finish, highlighted by a 24.5% increase in container volumes, the second highest on record at 51,900 TEU (2023 – 41,700 TEU), despite a similar number of calls (39 vs 38).”

Core bulk cargo volumes were down by 12.2% at 2,673,000 tonnes (2023 – 3,043,000 tonnes), reflecting decreases in logs, fertiliser, and woodchip volumes.

Subsequent to the completion of the dredging project in October 2023, South Port declared an operating draft of 10.3m at high tide (up from 9.7m) as an interim step, whilst the Company assesses the impact of handling deeper draft vessels.

The final step before we declare a new draft of 10.7m is the implementation of the NCOS Dynamic Under Keel Clearance system, expected to be operational in this current quarter.

Initial benefits for customers include more cargo being loaded on vessels for export, reduction in the number of vessel calls to the port and increased cargo loading efficiencies.

Many vessels now also have the opportunity to transit through the port on additional tides (low and high), improving both the supply chain and berth utilisation at the port.

NZ Aluminium Smelter (NZAS)

A highlight of the year was the 31 May 2024 announcement that NZAS had secured electricity supply contracts from Meridian Energy, Contact Energy and Mercury NZ for 20 years, out until 2044.

“This was a welcome announcement for both South Port and the Southland region, with the aluminium smelter being a core business activity since 1971,” said Mr Gear.

NZAS represents approximately 20% of South Port’s NPAT, 30% of the total cargo volume handled through the Port, 20% of bulk vessel calls, and 27% of containers.

The NZAS decision is expected to provide the catalyst for energy generation companies to build renewable electricity generation in the Southland province.

Following the NZAS announcement, the second stage of the Kaiwera Downs wind farm has been confirmed by Mercury NZ and others, including Contact Energy, are progressing their wind farm projects.

Outlook

The agricultural and forestry-based sectors continue to face particularly challenging conditions. These are expected to be reflected in the volumes of bulk cargo being handled through the port.

“Demand in offshore markets remains subdued,” said Mr Cory-Wright. “Supply chains continue to be disrupted, particularly around regions where conflict is present. These variables are out of our control and are not expected to improve in the near future.”

However, the Company remains optimistic about future opportunities.

The NZAS extension is a major boost in providing consistency in vessel calls and base cargo that can now be factored into future planning.

A large majority of the project cargo associated with wind farm development activity is expected to be handled through the port in coming years, including Mercury NZ’s recently confirmed Kaiwera Downs Stage Two project.

We are aware that there are applications to the Fast Track Advisory Group for aquaculture projects in Murihiku including the Hananui ocean Salmon Farm, the Impact Marine land-based Salmon Farm and the Kelp Blue ocean kelp farm.

The Company’s diversity of cargoes provides us with resilience and helps to smooth out fluctuations in the market.

Based on all known factors at this time, South Port estimates that FY25 earnings will be in the range of $9.3M to $10.3M.

On the assumption of a consistent earnings profile and in the absence of any unforeseen circumstances, the Directors will seek to, at least, maintain the current level of dividend payment.

For further information contact:

Mr Nigel Gear
Chief Executive
South Port New Zealand Ltd
Tel: (03) 212 8159
Email: ngear@southport.co.nz

Mr Philip Cory-Wright
Chair
South Port New Zealand Ltd
Mobile: 021 767 828
Email: philip@cory-wright.co.nz

Media: Charlotte Scoles
Communications Advisor
South Port New Zealand Ltd
Tel: 021 775 298
Email: cscoles@southport.co.nz