

# HALF YEAR RESULTS INVESTOR PRESENTATION



Six Months to 31 March 2022

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# PRESENTING TODAY

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**ALASDAIR MACLEOD**

CHAIR

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**TODD DAWSON**

CHIEF EXECUTIVE

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**KRISTEN LIE**

CHIEF FINANCIAL OFFICER

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## WELCOME & INTRODUCTION

FY2022 HALF YEAR

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Challenging operating and shipping conditions for regional exporters and importers

Trade volumes and results reduced on disruptions

Trade environment for key cargoes remains positive

Excellent progress on strategic initiatives including 6 Wharf, logistics services and health and safety critical risk programmes

Confidence retained in a more challenging macro-economic environment

# HIGHLIGHTS



## CHALLENGES AND HIGHLIGHTS

FY2022 HALF YEAR

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Volumes impacted by ongoing supply chain disruption, labour shortages, Omicron and extreme seasonal weather conditions

Operational resilience and service delivery sustained in the face of significant challenges

Shipping disruption continues, however first half volume supply constraints easing

Strategic initiatives – underpinning revenue streams and future growth opportunities

## STRATEGIC PROJECTS UPDATE

### DRIVING GROWTH AND RESILIENCE

#### 350m 6 WHARF - A PLATFORM FOR GROWTH

- Significant construction progress
  - Commissioning phase and operational integration
  - Official opening ceremony 22 July 2022
  - Sustainability an overriding consideration

#### PROJECT SPEND FORECAST

- No change since last total cost forecast reduction to \$173m - \$179m<sup>1</sup>
- \$25.6m incurred in HY2022 (\$157.5m total)<sup>1</sup>



# STRATEGIC PROJECTS UPDATE

## DRIVING GROWTH AND RESILIENCE

### STRATEGIC PROJECTS

- Health and Safety focusing on critical risk management
- MoorMaster™ and ShoreTension® Dynamic Mooring
- Focus on creating value for customers: increasing revenue & returns
  - Site-to-sea logistics capability central and lower North Island steadily growing 12 months after implementation
  - Log debarker – operational + methyl bromide treatment ceased on port
  - Log loading trial with mobile harbour cranes – operational second half FY2022





## CONTAINER SHIPPING LEADS TRADE RESULT LOWER

### TRADE OVERVIEW FY2022 HALF YEAR

Volume	HY2022	HY2021	Variance	
			kT / TEU	%
Total cargo (kT)	2,513	2,786	-273	-9.8
Containerised cargo (TEU)	113,000	135,000	-22,000	-16.6
Bulk cargo (kT)	1,707	1,870	-163	-8.7
- Logs exports (kT)	1,316	1,428	-112	-7.9

## STRONG ARPU<sup>2</sup> GROWTH HELPS MITIGATE VOLUME & INFLATION IMPACTS

### FINANCIAL RESULTS OVERVIEW FY2022 HALF YEAR

	HY2022 \$M	HY2021 \$M	Variance	
			\$M	%
Revenue	50.7	52.6	-1.9	-3.6
Result from operating activities	16.4	21.3	-4.9	-22.8
Net profit after tax - underlying <sup>1</sup>	7.2	10.6	-3.4	-32.1
Cash flow from operations	13.0	14.6	-1.6	-11.0

- Reduced revenue and profit on total cargo tonnes fall of 9.8%
  - Half year on half year volume variance of -\$6.9m
- A strong focus on yield plus strategic pricing adjustments has partially mitigated volume reductions and is offsetting higher inflationary input costs
- Robust operating cash flow despite reduced operating result

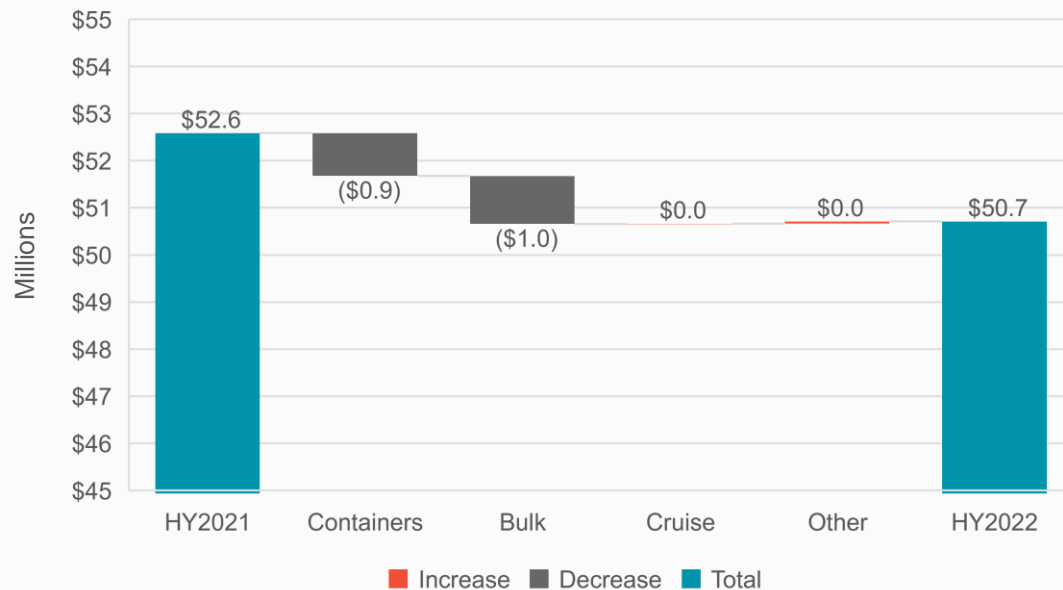
# FINANCIAL & OPERATING PERFORMANCE



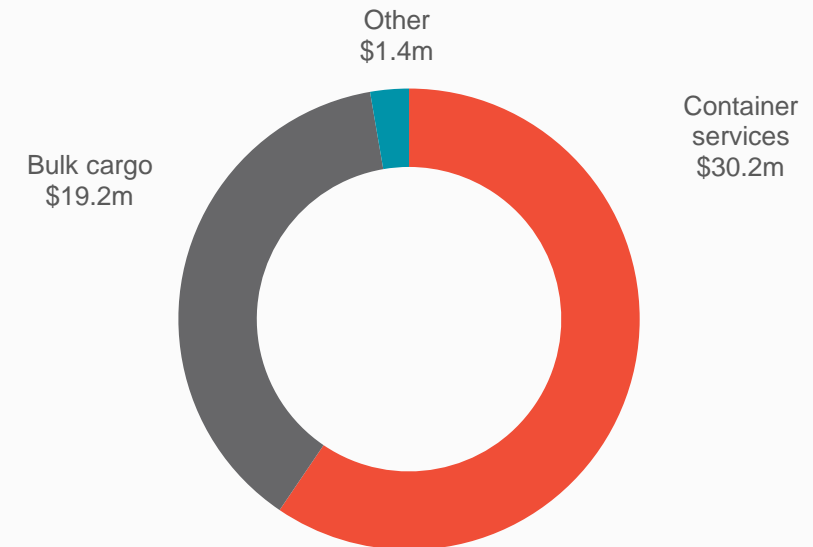
## REVENUE LOWER ON TRADE VOLUME

- 3.6% decrease to \$50.7m in total revenue half year-on-half year (HoH)
  - Trade volumes down 8.7% for bulk cargo and 16.6% for container services
  - Decrease in trade volumes largely mitigated by higher average revenue per unit<sup>1</sup> (ARPU)

**HY2022 REVENUE PROGRESSION**



**HY2022 REVENUE COMPOSITION**

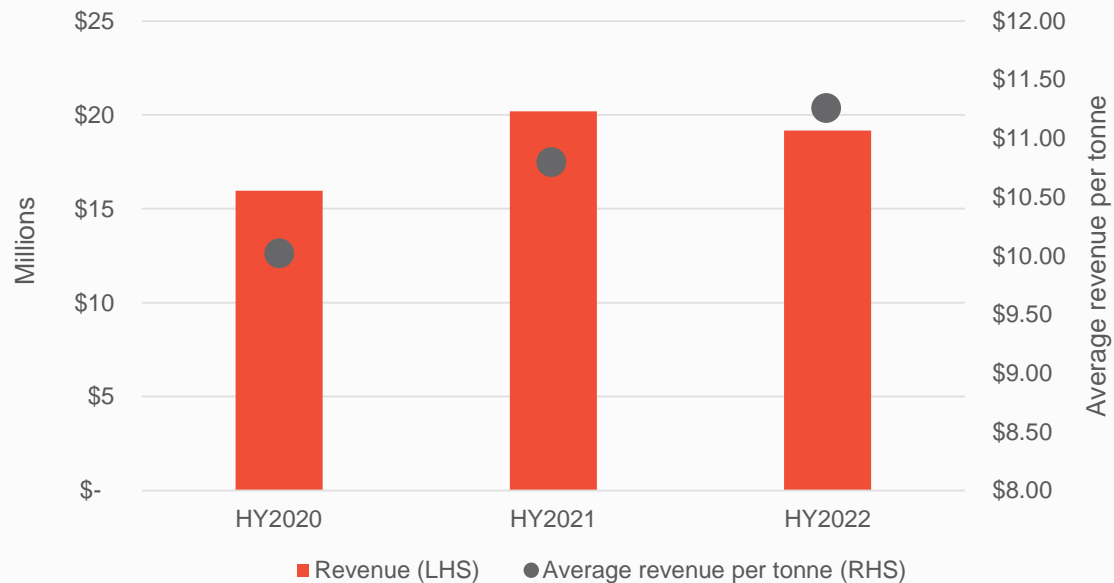


1- Average Revenue per Unit (Container Services – per TEU, Bulk Cargo – per Tonne)

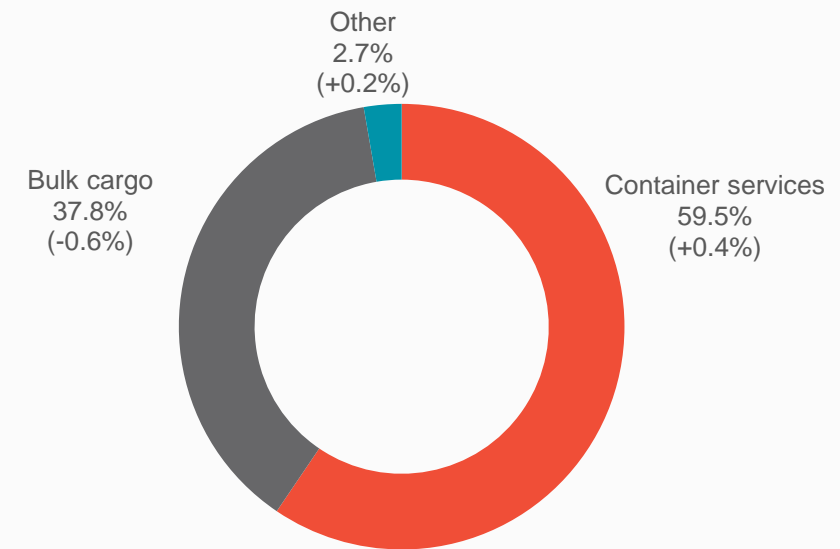
## BULK CARGO – LOWER VOLUME WITH UNDERLYING ARPU GROWTH

- Bulk revenue decreased \$1m (5.1%) HoH to \$19.2m
- Volume decreased 0.16 million tonnes (-8.7%) to 1.71 million tonnes HoH
- Bulk cargo average revenue per tonne increased 4.0% to \$11.23/T from \$10.80/T HoH
  - New infrastructure levy on bulk volume of \$0.40/T/JAS
  - Prior half year period included one-off cost recovery revenue of \$0.45/T
    - Underlying ARPU, excluding the PY one-off, increased 8.5% HoH
  - Initial minor contribution from debarking operation

**BULK CARGO REVENUE AND ARPU**



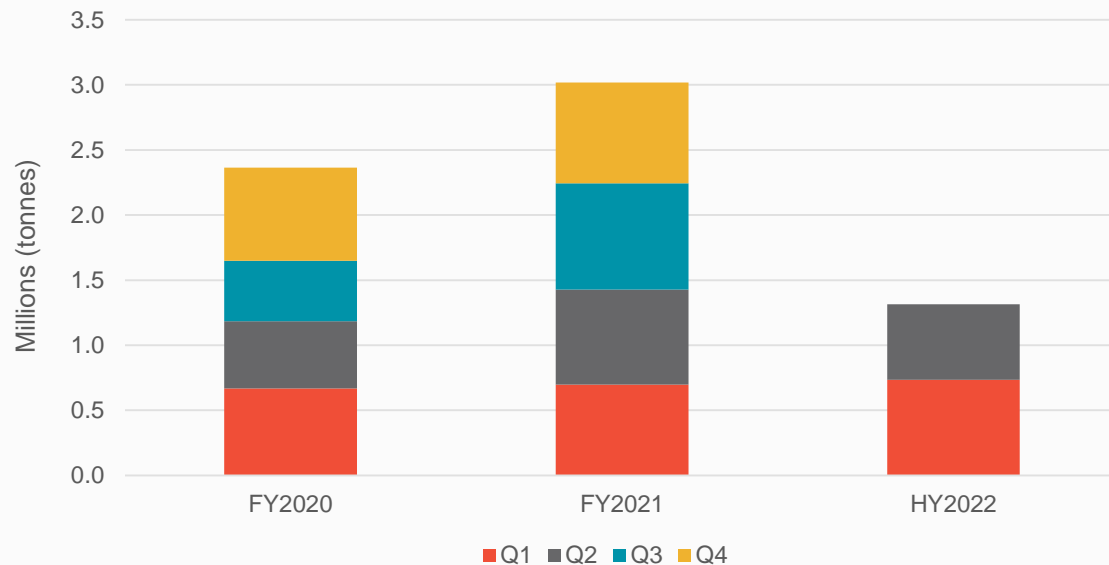
**HY2022 REVENUE COMPOSITION (VERSUS HY2021)**



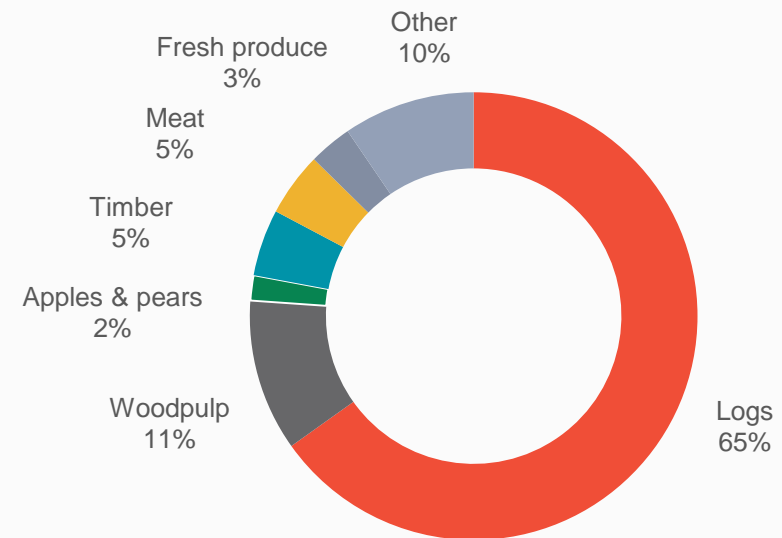
## LOG VOLUME RESILIENT GIVEN INDUSTRY HEADWINDS

- Log export volume decreased 0.11 million tonnes (-7.9%) HoH
  - Softer macro conditions and ongoing supply chain disruptions in China
  - Prices remain relatively robust but offset by high shipping costs
  - New Zealand supply slow down over holiday period and Covid labour impact and weather in Q2

LOG EXPORT VOLUME



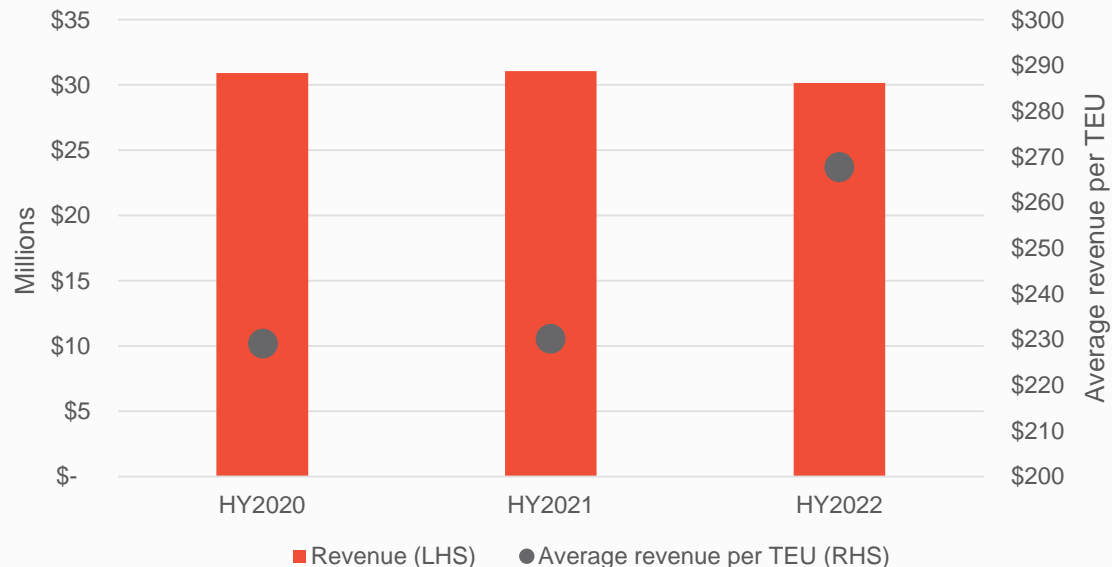
HY2022 ALL CARGO EXPORTS (WEIGHT)



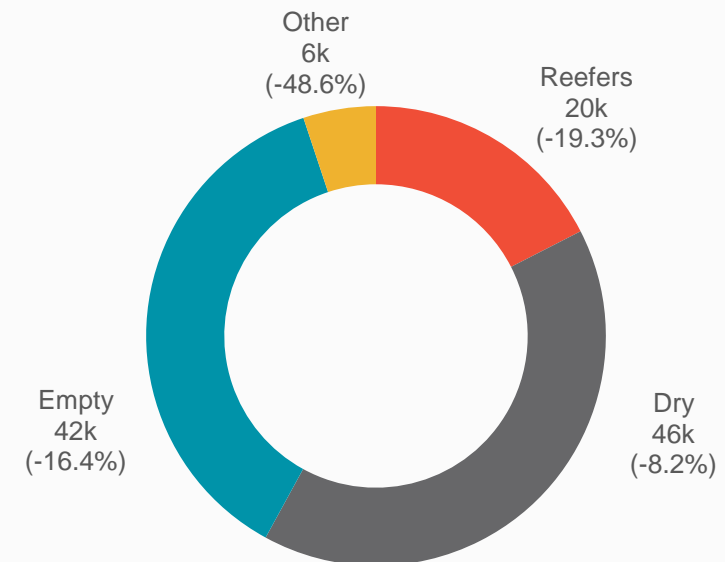
## CONTAINER SERVICES REVENUE SUPPORTED BY INCREASED ARPU

- Container Services revenue decreased 2.9% HoH
- Total volume decreased 22,000 TEU (-16.6%) HoH
  - Full containers down 9,000 TEU, empties down 8,000 TEU, and tranships and DLRs down 5,000 TEU
- Average revenue per TEU increased 16.4% to \$268 per TEU from \$230 per TEU HoH
  - Infrastructure levy increase, tariffs, containers services, and container mix positive

CONTAINER SERVICES REVENUE AND ARPU



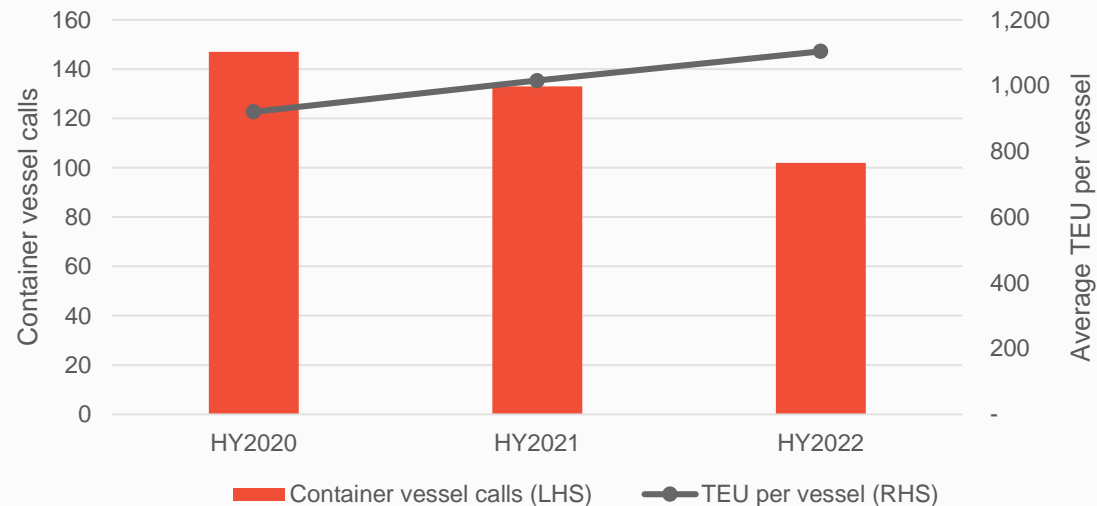
HY2022 TEUs (VERSUS HY2021)



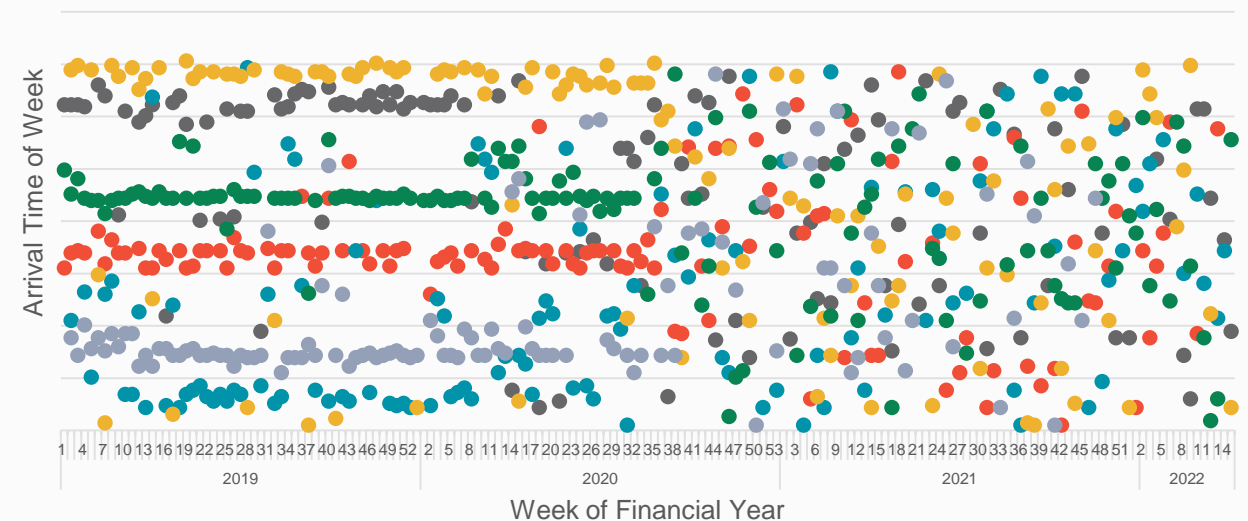
# INCREASED IMPACT OF CONTAINER SHIPPING DISRUPTION

- Container vessel calls reduced by 31 to 102 HoH
  - Continued omissions, blanked sailings, and off-schedule calls
  - Weather events in Q2
  - Introduction of ZIM trans-Tasman and withdrawal of Maersk OC1 Trident service
- Impact:
  - Increasing average container exchanges per vessel
  - Continued terminal rehandling to manage shipping changes
  - Continued shortages of container equipment and cargo competing for shipping capacity

**CONTAINER VESSEL CALLS AND AVERAGE TEU PER VESSEL**



**SHIPPING SCHEDULE PERFORMANCE BY SERVICE**



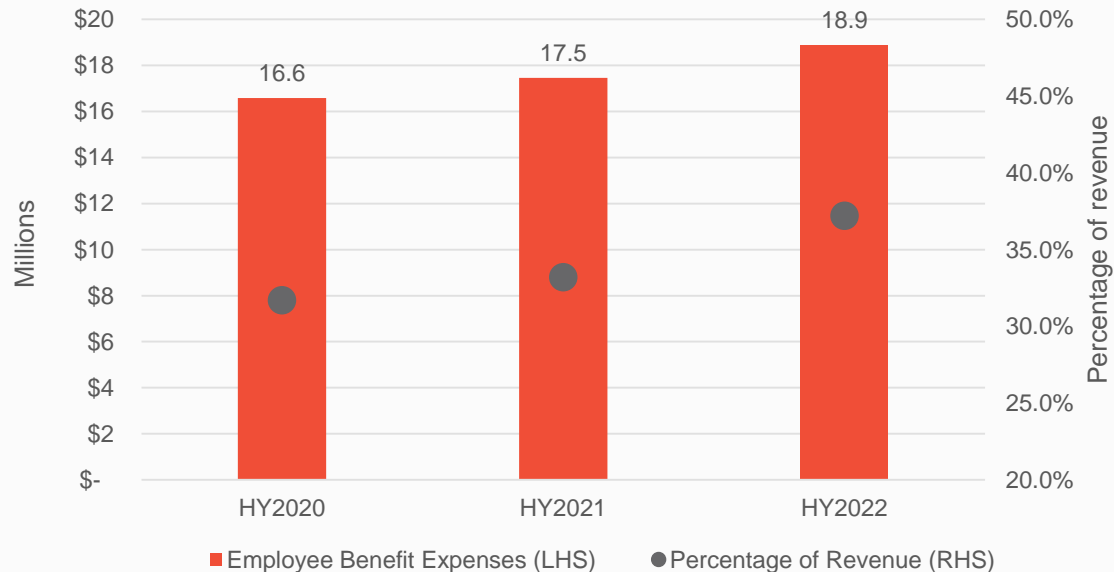
Key: Each colour denotes a shipping service



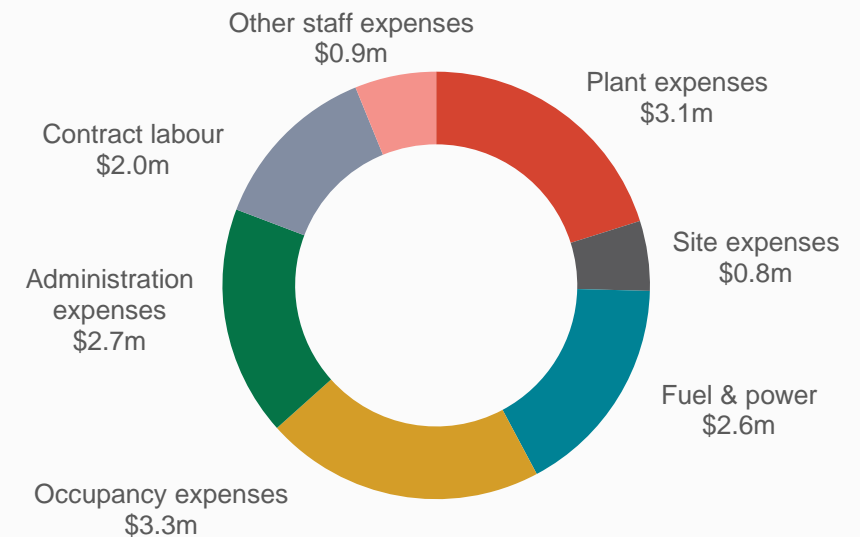
## HIGHER OPEX INPUT COSTS

- Overall opex increased by \$3m HoH
  - High inflationary environment
  - Ongoing focus on controllable spend, cost recovery and revenue growth from strategic projects
- Employee benefit expenses increased \$1.4m (8.1%) HoH
  - Additional personnel supporting strategic investments plus container terminal operations
- Property and plant expenses up \$1.4m (27.7%) HoH due to higher costs for mobile plant maintenance & fuel and power
  - Fuel & power increase \$0.7m; +\$1m rate and -\$0.3m volume
  - Fuel cost recovery (FAF) implemented from 1 May

### EMPLOYEE BENEFIT EXPENSES

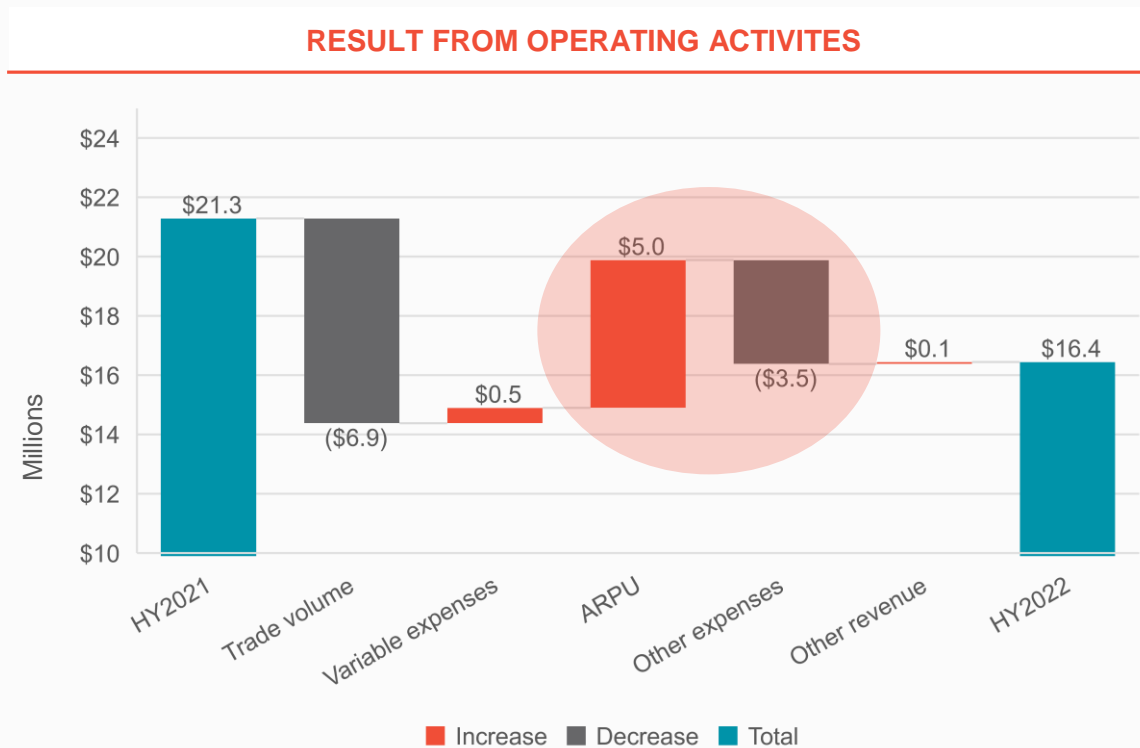


### OTHER OPEX HY2022



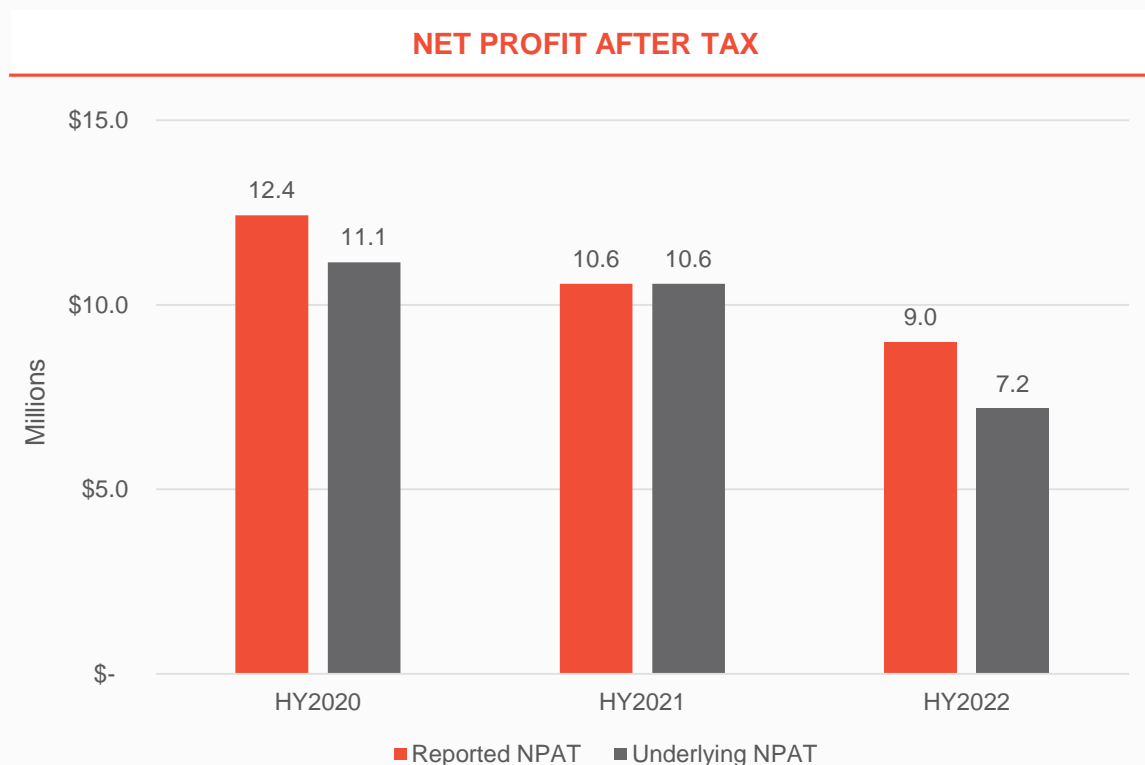
## LOWER OPERATING RESULT DRIVEN BY LOWER TRADE VOLUME

- Result from operating activities down \$4.9m (22.8%)
  - Net reduction of \$6.4m attributed to lower trade volumes (revenue less pure variable expenses<sup>1</sup>)
  - ARPU growth matching operating expense growth



## NET PROFIT LOWER WITH OPERATING RESULT

- Underlying NPAT<sup>1</sup> decreased by \$3.4m (32.1%)
- Post 6 Wharf completion – approx. \$3m additional annual depreciation<sup>2</sup>

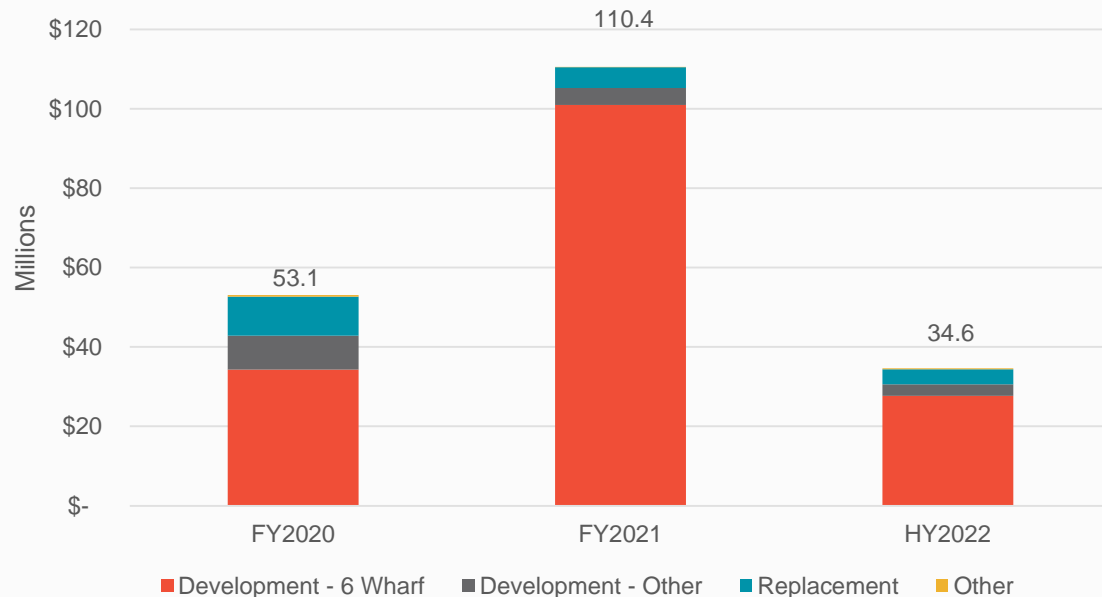


1- Refer to appendices for reconciliations of underlying metrics  
 2- 6 Wharf depreciation estimate to be confirmed & subject to change

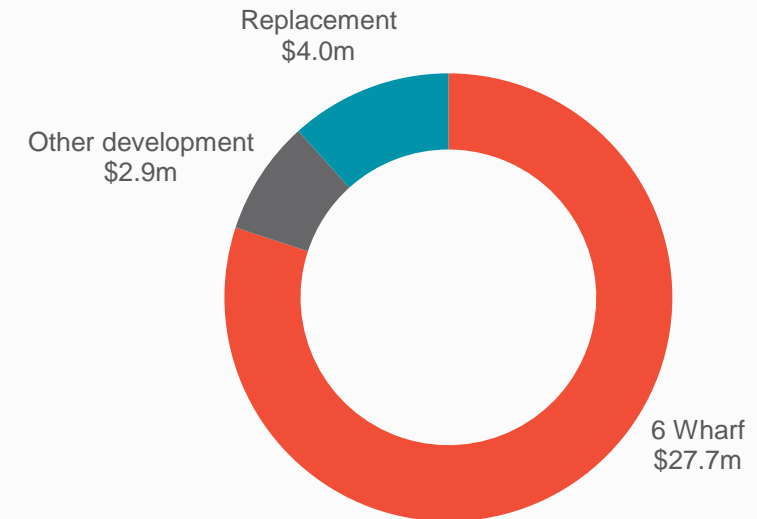
## CAPITAL EXPENDITURE – COMPLETING 6 WHARF

- Capital expenditure of \$34.6m<sup>1</sup>
  - 6 Wharf construction \$27.7m<sup>2</sup>, cumulative total \$161.9m
  - \$2.9m spend on other development capex in support of strategic initiatives and revenue growth
    - Further paving for log storage, log debarker, deposits for ShoreTension<sup>®</sup> dynamic mooring units and log grabs for mobile harbour cranes
- Inflationary environment and currency depreciation increase capital costs

CAPITAL EXPENDITURE



HY2022 CAPITAL EXPENDITURE



1- Includes accounting accruals including capitalised overhead and finance costs. HY2022 cash spend \$43.7m  
 2- Includes accounting accruals including capitalised overhead and finance costs. HY2022 cash spend \$36.9m (\$157.3m cumulative total)

## CASH FLOW & LIQUIDITY

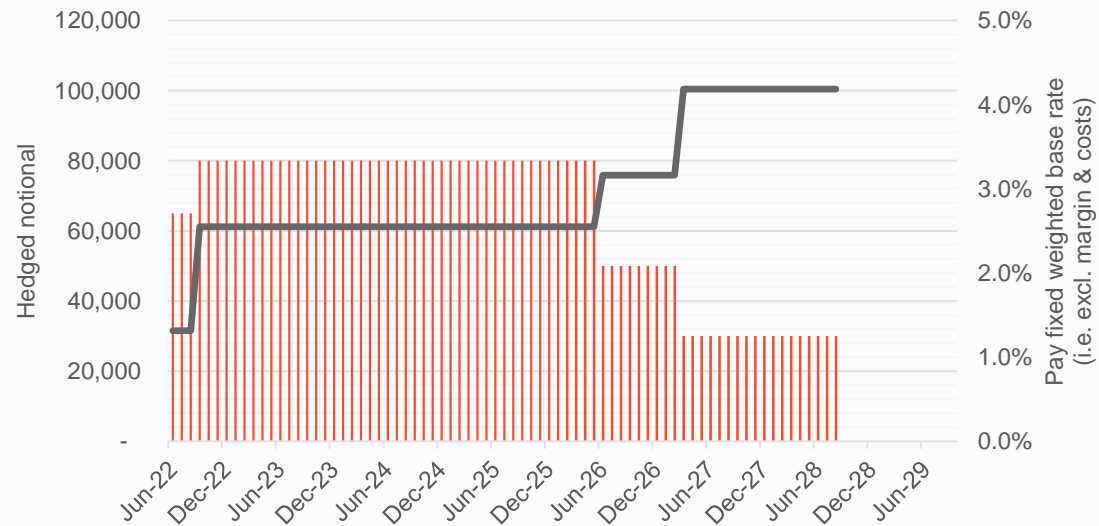
	<b>HY2022</b> <b>\$M</b>	<b>HY2021</b> <b>\$M</b>	<b>Var</b> <b>\$M</b>
Operating cash flows	13.0	14.6	-1.6
Investing cash flows	(43.7)	(45.7)	+2.0
Dividends	(9.4)	(10.0)	+0.6
Other financing cash flows	(0.1)	(0.1)	-
Increase / (reduction) in cash and cash equivalents	1.8	(5.2)	
Increase in bank debt	(42.0)	(36.0)	

- Robust operating cash flow despite reduced operating result
- FY2021 final dividend of \$9.4m (4.7 cps) paid December 2021
- Drawn bank debt of \$120m at end of period, of \$180m total
  - 66% expires Q4 FY2024
  - 33% expires Q4 FY2023

# CAPITAL MANAGEMENT

- Target ratio of Net Debt to EBITDA ceiling of 3.5x through the 6 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, following completion of 6 Wharf

## Interest Rate Hedging Profile



# CONCLUSION & OUTLOOK



# CONCLUSION

## KEEPING OUR REGION CONNECTED

Results reflect the challenges during the period

Immediate challenges managed while remaining future focused

Strategic initiatives driving growth and resilience

Alignment with freight and supply chain strategy review

6 Wharf case study for port infrastructure investment





## CURRENT OUTLOOK

### LOOKING FORWARD TO FY2022 SECOND HALF

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Positive trade outlook for key cargoes and easing of first half challenges that delayed product getting to port

Continuation of container-based supply chain and shipping disruptions expected

Delivering strategic capital projects including the official opening of 6 Wharf during July

Return of cruise in FY2023: marine border reopening from 31 July – over 90 bookings, though cancellations likely

Higher cost and increasing inflationary environment

Reaffirm guidance of FY2022 underlying result from operating activities of between \$38m and \$42m

A further update will be provided with third quarter results in August

## HY2022 INTERIM DIVIDEND

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Interim dividend of 2.8 cps declared

Fully imputed

Record date: 10 June 2022

Payment date: 23 June 2022

Unchanged from June 2021 interim dividend

# QUESTIONS



## APPENDICES

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The following appended financial information provides a summary of financial information for the half year period ended 31 March 2022 (HY2022) compared to the corresponding half year period in 2021 (HY2021).

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

## REVENUE

<b>NZ\$000</b>	<b>HY2022</b>	<b>HY2021</b>
Container services	30,157	31,065
Bulk cargo	19,169	20,192
Cruise	12	-
Sundry revenue	149	148
<b>Revenue from port operations</b>	<b>49,487</b>	<b>51,405</b>
Revenue from property operations	1,225	1,180
<b>Total operating income</b>	<b>50,712</b>	<b>52,585</b>

## OPERATING EXPENSES

### Employee benefit expenses

<b>NZ\$000</b>	<b>HY2022</b>	<b>HY2021</b>
Wages & salaries	17,481	16,093
Other employee benefit expenses	1,387	1,362
<b>Total employee benefit expenses</b>	<b>18,868</b>	<b>17,455</b>

### Property and plant expenses

<b>NZ\$000</b>	<b>HY2022</b>	<b>HY2021</b>
Plant expenses	3,100	2,510
Site expenses	814	664
Fuel & power	2,586	1,917
<b>Total property and plant expenses</b>	<b>6,501</b>	<b>5,091</b>

## OPERATING EXPENSES

### Other operating expenses

<b>NZ\$000</b>	<b>HY2022</b>	<b>HY2021</b>
Administration expenses	2,680	2,824
Occupancy expenses	3,262	3,016
Contract labour	2,012	2,301
Other staff expenses	949	605
<b>Total other operating expenses</b>	<b>8,903</b>	<b>8,746</b>

## CAPITAL EXPENDITURE

NZ\$000	HY2022	HY2021
<b>Development capex</b>		
6 Wharf construction	27,728	45,129
Refrigerated container capacity	-	1,075
Other development capex	2,868	346
<b>Total development capex</b>	<b>30,596</b>	<b>46,549</b>
Replacement capex	3,774	2,807
Compliance and other capex	271	-
<b>Total capex including capitalised finance costs</b>	<b>34,641</b>	<b>49,357</b>
Movement in fixed asset creditors	9,033	(3,597)
<b>Capex per cash flow</b>	<b>43,673</b>	<b>45,759</b>



## RECONCILIATION OF UNDERLYING NET PROFIT AFTER TAX<sup>1</sup>

NZ\$000	HY2022	HY2021
<b>Reported net profit after tax</b>	<b>8,984</b>	<b>10,574</b>
<b>Adjustments:</b>		
Fair value movements on investment properties	(1,800)	-
<b>Underlying net profit after tax</b>	<b>7,184</b>	<b>10,574</b>

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

## DIVIDEND POLICY

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- The Board is targeting paying total dividends within a range of 70% to 90% of Free Cash Flow<sup>1</sup>
- Free Cash Flow<sup>1</sup> is a non-NZ GAAP measure adopted by Napier Port. It excludes capital expenditure on development projects (including 6 Wharf) and the interest costs which will be 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<sup>1</sup>) 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

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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

	RELEVANCE DURING COVID-19
<p><b>AN INFRASTRUCTURE ASSET ESSENTIAL TO THE HEALTH OF THE HAWKE'S BAY ECONOMY</b></p> <p>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</p>	
<p><b>STRONG REGIONAL ECONOMIC GROWTH DRIVERS AND STRONG KEY CUSTOMER RELATIONSHIPS</b></p> <p>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 the Port embedded as an essential supply chain partner</p>	
<p><b>DIVERSIFIED TRADE PORTFOLIO MITIGATES SECTOR AND COUNTRY-SPECIFIC RISKS</b></p> <p>The 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</p>	
<p><b>WELL-POSITIONED GIVEN FUTURE CARGO VISIBILITY AND FULLY-CONSENTED DEVELOPMENT PLANS</b></p> <p>Future cargo visibility enables robust planning for strategic growth projects. Development of 6 Wharf is expected to significantly increase the Port's capacity and improve operational efficiency</p>	
<p><b>STRONG HISTORICAL FINANCIAL PERFORMANCE AND A RECORD OF EXECUTION ON GROWTH OPPORTUNITIES</b></p> <p>Napier Port delivered annual average revenue growth of 8.5% over the last five years (2016 - 2021), while consistently delivering EBITDA margins of above 40%</p>	
<p><b>EXPERIENCED MANAGEMENT TEAM THAT IS WELL CONNECTED WITH CARGO OWNERS AND OTHER STAKEHOLDERS</b></p> <p>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</p>	

## FURTHER INFORMATION ON NAPIER PORT

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To learn more about Napier Port and what it does please refer to our website at [www.napierport.co.nz](http://www.napierport.co.nz)

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- 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 (TCFD) Report
    - Investment Key Facts
    - Investing in Napier Port
    - Investor Day 2021 Presentations
    - Log Supply Chain Case Study
  - Key policies and governance documents
-