

# RETAIL BOND INVESTOR PRESENTATION

September 2022



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## PRESENTING TODAY

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**TODD DAWSON**

CHIEF EXECUTIVE

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**KRISTEN LIE**

CHIEF FINANCIAL OFFICER

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# RETAIL BOND OFFER

## KEY TERMS

<b>Issuer</b>	Napier Port Holdings Limited ( <b>Napier Port</b> )
<b>Description</b>	Unsecured, unsubordinated, fixed rate bonds ( <b>Bonds</b> )
<b>Issue Amount</b>	Up to \$75,000,000 (inclusive of the Shareholder Priority Offer and with the ability to accept oversubscriptions of up to an additional \$25,000,000 at Napier Port's discretion)
<b>Purpose</b>	<p>The net proceeds of the offer will be used to repay a portion of Napier Port's existing debt and for general corporate purposes</p> <p>The Bonds will provide Napier Port with additional diversity of funding and tenor</p>
<b>Term</b>	The Bonds will be issued on 23 September 2022 for a term of 5.5 years, maturing on 23 March 2028
<b>Interest Rate</b>	<p>The Bonds will pay a fixed rate of interest until the Maturity Date</p> <p>The Interest Rate will be determined by Napier Port in conjunction with the Joint Lead Managers following the Bookbuild and will be set at the sum of the Swap Rate and the Issue Margin or, if greater, any applicable minimum Interest Rate announced via NZX</p> <p>Any such minimum Interest Rate and the range of the indicative Issue Margin will be determined by Napier Port in conjunction with the Joint Lead Managers and announced via NZX on Monday, 12 September 2022</p> <p>The Interest Rate will be announced by Napier Port via NZX on the Rate Set Date</p>
<b>Credit rating</b>	Both the Bonds and Napier Port are unrated
<b>Quotation</b>	NZX Debt Market under the ticker NPH010
<b>Arranger and Joint Lead Managers</b>	Craigs Investment Partners Limited ( <b>Craigs</b> ) is acting as arranger ( <b>Arranger</b> ). Craigs, Forsyth Barr Limited, Jarden Securities Limited and Westpac Banking Corporation (ABN 33 007 457 141) (acting through its New Zealand branch) are acting as <b>Joint Lead Managers</b>



# OVERVIEW OF NAPIER PORT





# OVERVIEW OF NAPIER PORT

## OPERATIONAL HIGHLIGHTS

- New Zealand's fourth largest port by container volume<sup>1</sup>
- Situated on the main transit route for international shipping services, and connected to core national road and rail networks
- Provides a number of different revenue streams across container services, bulk cargo and cruise
- Majority of cargo owners are located within 100 km of Napier Port

**\$109.5M**

FY21 REVENUE

**4<sup>TH</sup>**

NEW ZEALAND'S  
FOURTH LARGEST  
CONTAINER PORT

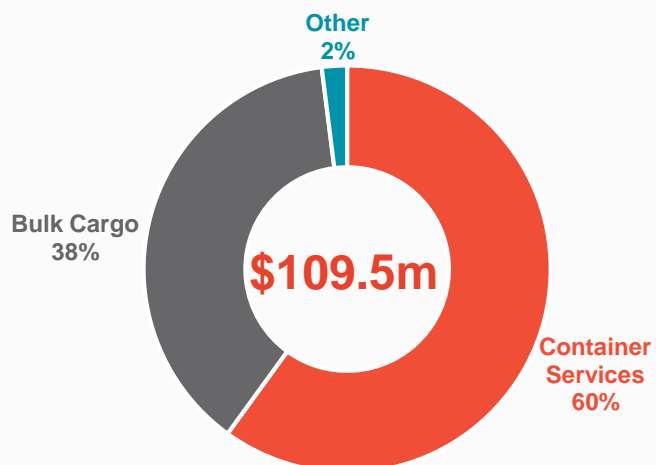


50 HECTARES OF ON  
SITE PORT LAND

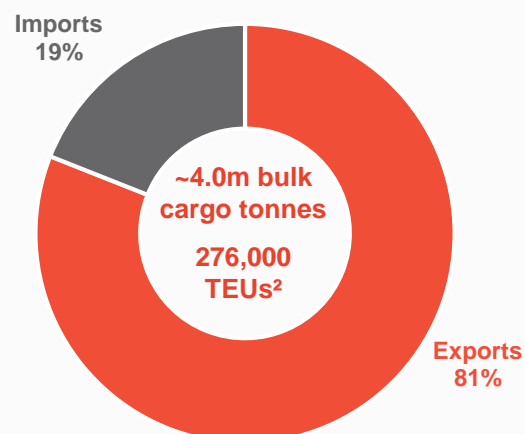


INLAND FREIGHT HUB IN  
MANAWATU  
with a 1.9ha container  
yard, a warehousing  
facility, road and rail  
connections

Revenue Composition (FY21)



Trade Composition (FY21)



~5.9 MILLION TONNES OF  
CARGO HANDLED



ONE MOBILE LOG  
DEBARKER

**6**

SIX WHARVES  
PROVIDING 7  
COMMERCIAL BERTHS



SIX MOBILE HARBOUR  
CRANES



THREE TUGS



10 HECTARES OF  
DEDICATED LOG  
STORAGE



36,600 SQUARE METRES  
OF WAREHOUSING



12.3HA OF LAND IN  
WHAKATU FOR FUTURE  
DEVELOPMENT

1) Deloitte New Zealand Ports and Freight Yearbook 2022

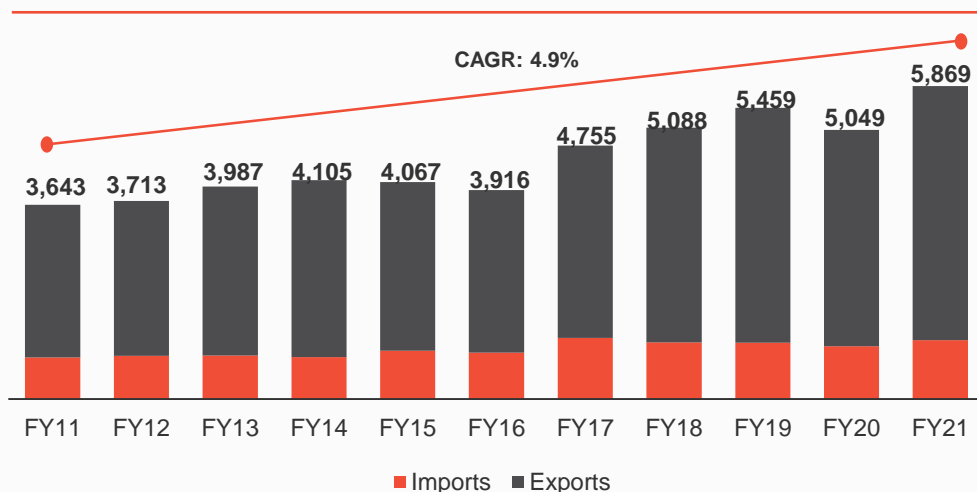
2) TEU = Twenty-foot Equivalent Unit

# OVERVIEW OF NAPIER PORT

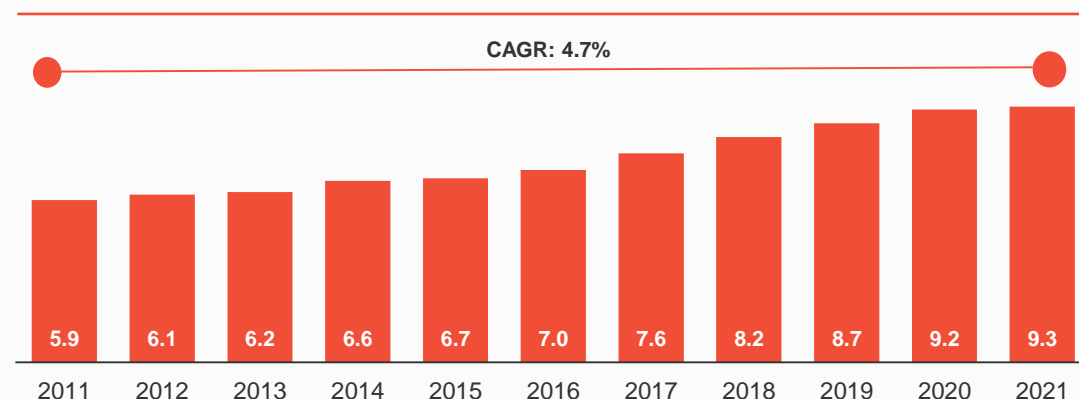
## STRONG REGIONAL ECONOMIC FUNDAMENTALS

- A \$9.3 billion regional economy with 4.7% compound annual growth rate (CAGR) gross regional product over the last 10 years
- Primarily an export focused region, growing international demand for primary sector goods supports Napier Port throughput
- ~8% of New Zealand's total planted forest area and ~60% of New Zealand's total planted area of pipfruit is in the region
- Continued strong pipfruit planting in Hawke's Bay and increasing industry yields

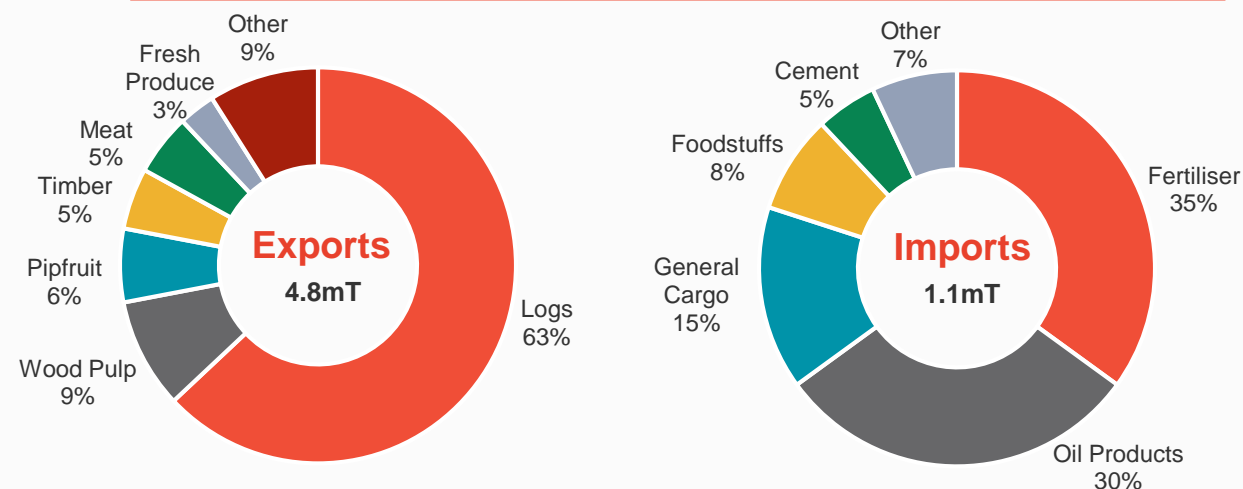
### Napier Port Throughput (000 tonnes)



### Hawke's Bay Regional GDP<sup>1</sup> (\$bn)



### Napier Port FY21 Export and Import Product Mix (by weight)



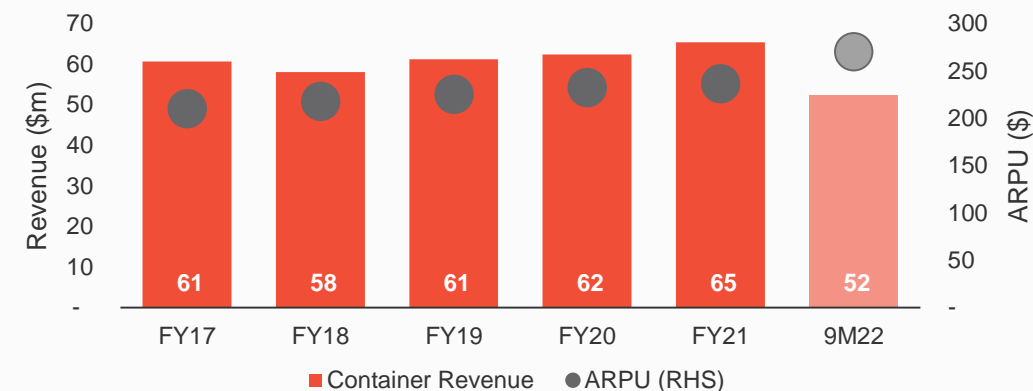
1) StatsNZ, gross domestic product by region for the year ended March 2021

# OVERVIEW OF NAPIER PORT

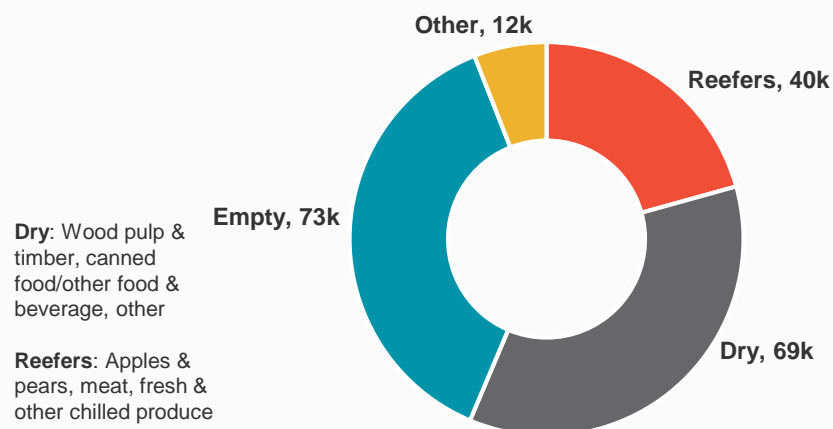
## CONTAINER TRADE

- Largest trade by revenue having generated \$65.3 million (60% of total) in FY21. In recent years, TEUs and revenues have been relatively constant despite shipping challenges and other COVID-19 related disruptions
- Container trade is predominantly export driven and dominated by primary sector commodities including forest products, pipfruit and meat
- ~40% of exported containers are refrigerated containers and encourage shipping lines to call at Napier Port as they generate higher revenue
- Te Whiti (also known as 6 Wharf) has extended Napier Port's container vessel operating capability and total port capacity

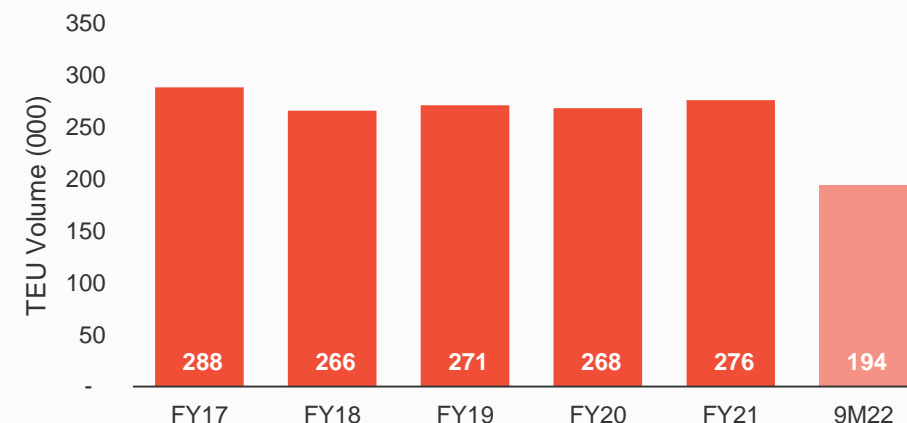
### Historical Container Services Revenue and ARPU<sup>1</sup>



### TEUs (9M22 volume)



### Historical Container Services TEUs



1) Average Revenue per Unit

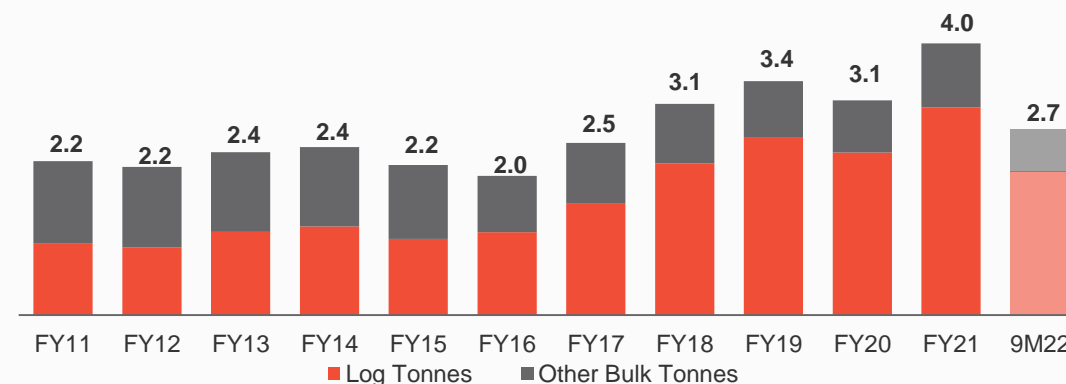


# OVERVIEW OF NAPIER PORT

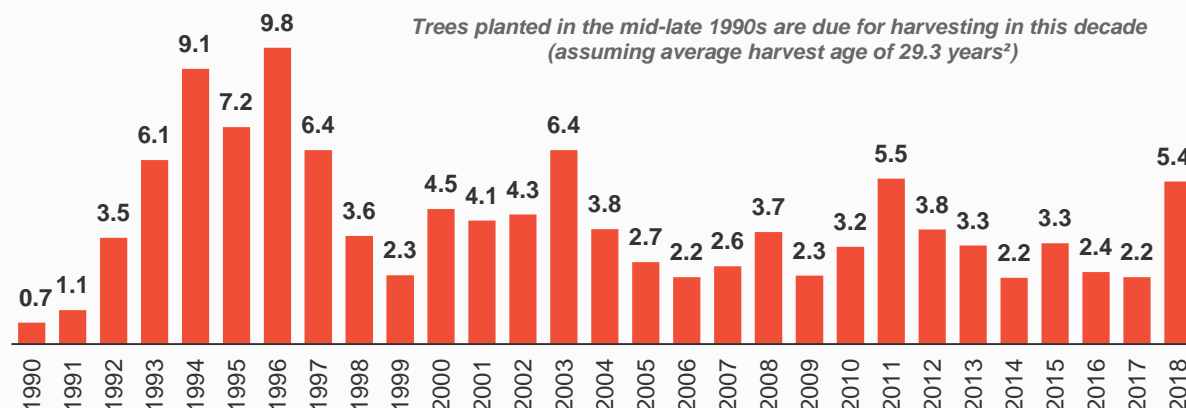
## BULK CARGO

- Bulk cargo generated \$41.5 million (38% of total) revenue in FY21
- Log and forestry products comprise the majority of bulk cargo throughput (~80% by weight in FY21)
- Bulk cargo imports include fertiliser, oil products, cement and general cargo
- Bulk cargo volume growth has been underpinned by higher commodity prices and increased log harvesting. High levels of log harvesting activity are expected to continue over the coming years and will support throughput
- Key export destination markets include China (~93% by weight in FY21), India, Japan and South Korea

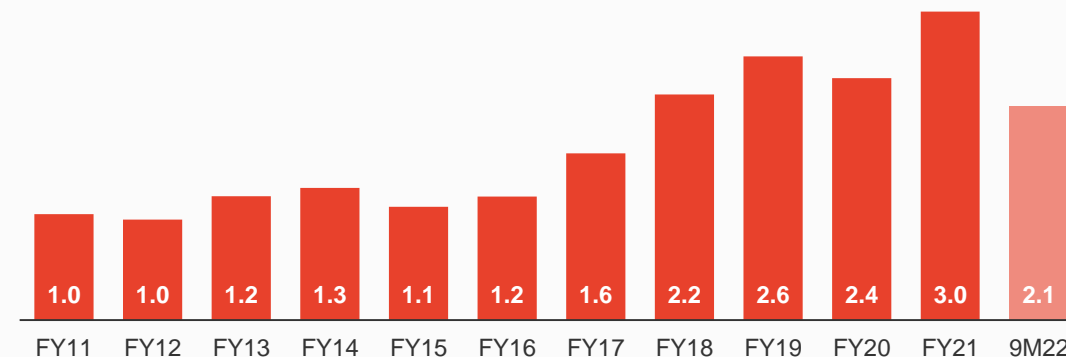
**Bulk Cargo Volumes (FY11 to 9M22, million tonnes)**



**Log Planting (000 hectares)<sup>1</sup>**



**Log Export Volumes (FY11 to 9M22, million tonnes)**



1) Forme Forest Industry Consultants  
2) Forest Owners Association Facts & Figures 2020/21



# STRATEGY AND ESG





# STRONG BUSINESS FOUNDATION

## OVERVIEW

### 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



Strong regional economic growth drivers and strong key customer relationships



Diversified trade portfolio mitigates sector and country-specific risks



Well-positioned given future cargo visibility



Strong historical financial performance and a record of execution on growth opportunities



Experienced management team that is well connected with cargo owners and other stakeholders



# STRATEGY

## PURPOSE AND FOCUS



### Purpose and Focus

#### Our Purpose

Together we build a thriving region by connecting you to the world

#### Our Focus Areas

**Customer connection:** Better understanding what our customers want and how we can help them achieve their goals

**Harnessing data and technology:** Collecting and harnessing data and using technology to optimise our operations

**Networked infrastructure:** Using connected network infrastructure to ensure seamless supply chains across our region and beyond

**Collaborative partnerships:** Working with all stakeholders to help drive growth in the region, to drive growth for the Port

**Underpinned by our Culture of Care and Sustainability**



# TE WHITI (6 WHARF)

## OVERVIEW OF TE WHITI

- Official opening of Te Whiti - 6 Wharf in July 2022 represented a significant milestone in Napier Port's history
- Despite COVID-19 lockdowns and supply chain constraints, development was completed on time and within budget
- Designed to future proof Napier Port and accommodate the larger container, bulk, and cruise vessels calling New Zealand
- Reduces vessel congestion and improves availability and operational performance across all wharves
- State-of-the-art mooring system, MoorMaster, berthing vessels more efficiently and safely
- Earthquake resilient having been built to Importance Level 4, providing a higher level of seismic resilience
- Connected to the rail and state highway networks of the North Island and strategically-located inland hubs, enabling a more efficient flow of cargo across the North Island



**\$173m<sup>1</sup>**

Approximate construction cost

**350m**

Accommodates up to 360m length vessels

**10**

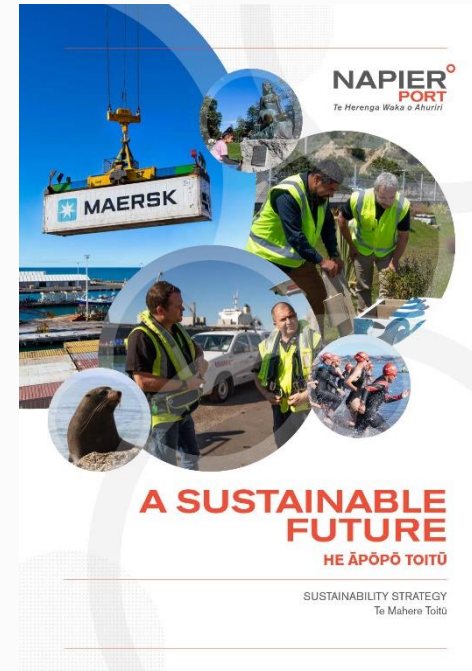
MoorMaster mooring units installed

1) NPH announced on 24 August 2022 a revised construction cost estimate expectation at the bottom of the previous forecast range of \$173-\$179 million. Accruals basis excluding capitalised overheads and finance costs.

# SUSTAINABILITY

## ESG FRAMEWORK AND STRATEGY

- Sustainability strategy launched in August 2021
- Aligned to and incorporates 14 of the 17 United Nations Sustainable Development Goals
- Thinking globally and acting locally to make a meaningful, measurable contribution
- Encompasses social, economic and environmental initiatives
- Identifies over 100 time-framed, actionable workstreams
- As at September 2022, 54 sustainability actions were underway, with a further 28 in planning
- Inaugural FY2021 Climate Change Related Disclosure Report, prepared in accordance with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD)
- Commitment to Net Zero by 2050, first emissions audit underway
- De-carbonisation initiatives underway
- Protection of marine environment, creation of two artificial reefs, Kororā (little blue penguin) sanctuary
- Marine Cultural Health Programme in partnership with local marae, hapū and iwi





# FINANCIALS





# FINANCIALS

## HIGHLIGHTS 9 MONTHS TO 30 JUNE 2022

- June quarter result from operations and underlying NPAT up on prior year comparative period, but down YTD, following a challenging first half of FY22
- Revenue growth reflects higher ARPU offsetting lower cargo volumes in year to date
- Container volumes impacted by shipping disruption, labour shortages and weather events in the year
- Operating expense higher due to additional staff and higher cost inflation across all expense categories
- Invested \$61.5 million in capital assets YTD, bringing the 6 Wharf development project near to completion on time and at bottom of cost forecast range
- Affirmed earnings guidance for underlying result from operating activities for the year of \$38 million to \$42 million

**\$85.1**  
**MILLION**  
REVENUE

▲2.6%

**\$29.8**  
**MILLION**  
RESULTS FROM  
OPERATIONS

▼12.8%

**\$14.2**  
**MILLION**  
UNDERLYING NPAT

▼17.7%

**\$30.6**  
**MILLION**  
BULK CARGO REVENUE

▼0.7%

**\$52.5**  
**MILLION**  
CONTAINER REVENUE

▲4.5%

**393**  
**VESSEL**  
**CALLS**

▼12%

**2.7**  
**MILLION**  
**TONNES**  
BULK CARGO HANDLED

▼6.3%

**194**  
**THOUSAND**  
TEU CONTAINERS  
HANDLED

▼9.8%

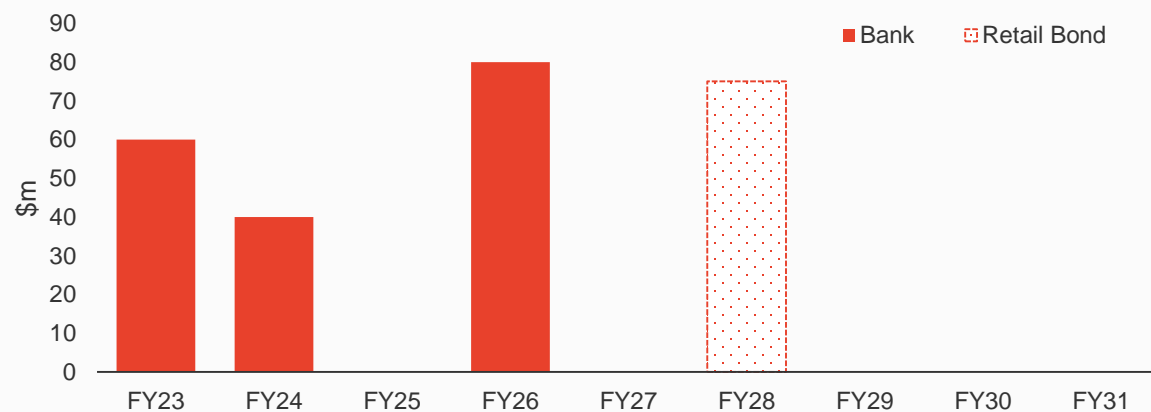


# FINANCIALS

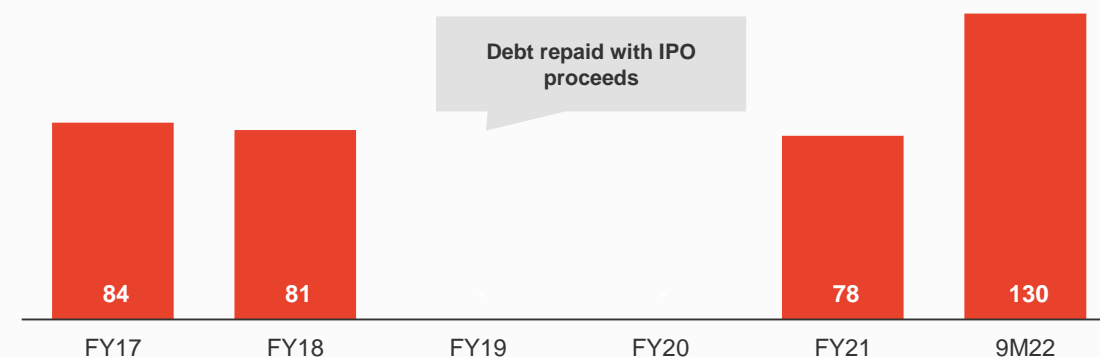
## CAPITAL MANAGEMENT

- Napier Port has strong access to committed liquidity of \$180 million (as at 1 September 2022)
- Following Napier Port's 2019 IPO, net cash plus borrowings have funded development of Te Whiti - 6 Wharf
- Over the long term, Debt to EBITDA is targeted to remain within the capital structure target of between 2x and 3x
- In the short term, Debt to EBITDA is expected to temporarily peak above 3.5x following completion of Te Whiti - 6 Wharf
- The bond issue will diversify Napier Port's financing arrangements and extend the term of its borrowings
- Following the bond issue, the weighted average maturity of Napier Port's borrowing facilities including the bond is expected to be a minimum of 4.5 years

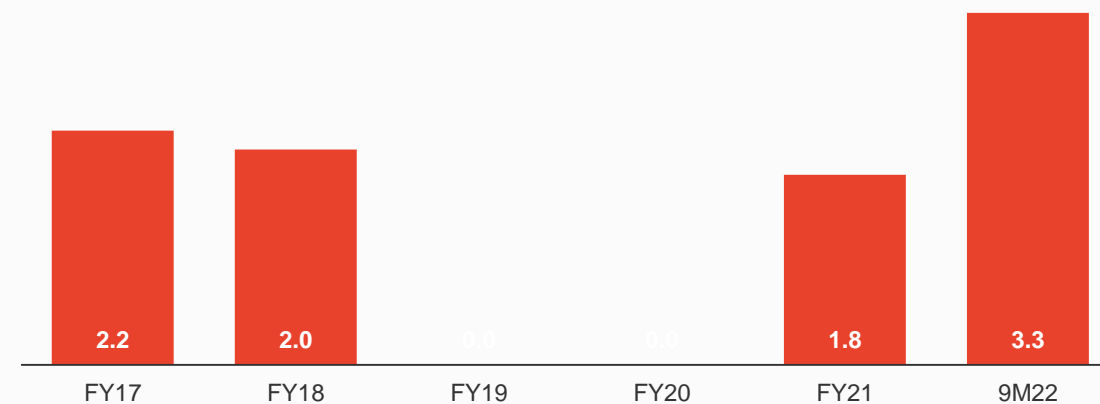
### Committed Facilities Plus Bond Debt Maturity Profile (\$m)



### Historical Debt (\$m)



### Debt / EBITDA (times)



# FINANCIALS

## CAPITAL MANAGEMENT (CONT'D)

- Napier Port's Treasury Policy sets out fixed and floating upper and lower parameters over future time bands. These generally require higher fixed rate profiles in nearer time bands
- After the bond issue, Napier Port expects to have approximately \$120 million of debt at fixed interest rates (including interest rate hedging), declining to approximately \$95 million from mid-2024





# RETAIL BOND OFFER





# RETAIL BOND OFFER

## FURTHER TERMS OF THE OFFER

<b>Issuer</b>	Napier Port Holdings Limited ( <b>Napier Port</b> )
<b>Description</b>	Unsecured, unsubordinated, fixed rate bonds ( <b>Bonds</b> )
<b>Issue Amount</b>	Up to \$75,000,000 (inclusive of the Shareholder Priority Offer and with the ability to accept oversubscriptions of up to an additional \$25,000,000 at Napier Port's discretion)
<b>Credit rating</b>	Both the Bonds and Napier Port are unrated
<b>Term</b>	The Bonds will be issued on 23 September 2022 for a term of 5.5 years, maturing on 23 March 2028
<b>Interest Rate</b>	The Bonds will pay a fixed rate of interest until the Maturity Date. The Interest Rate will be set on the Rate Set Date as being equal to the Swap Rate plus the Issue Margin, or if greater, any applicable minimum Interest Rate. The Interest Rate will be announced by Napier Port through NZX on or shortly after the Rate Set Date
<b>Indicative Issue Margin</b>	The indicative Issue Margin and minimum Interest Rate (if any) will be determined by Napier Port in conjunction with the Joint Lead Managers and announced through NZX on 12 September 2022
<b>Interest Payments</b>	Quarterly in arrear in equal amounts
<b>Minimum Application Amount and Minimum Holding</b>	\$5,000 and multiples of \$1,000 thereafter
<b>Brokerage</b>	Napier Port will pay brokerage of 0.50% on Bonds allotted to retail investors only and a firm fee of 0.25% on firm allotments  No brokerage or firm fees will be paid on allotments made in the Shareholder Priority Offer
<b>Quotation</b>	Napier Port will take any necessary steps to ensure the Bonds are, immediately after issue, quoted on the NZX Debt Market. Application has been made to NZX for permission to quote the Bonds on the NZX Debt Market and all the requirements of NZX relating to that quotation that can be complied with on or before the date of distribution of this investor presentation have been complied with. However, NZX accepts no responsibility for any statement in this presentation. NZX is a licensed market operator, and the NZX Debt Market is a licensed market under the Financial Markets Conduct Act 2013
<b>NZX Debt Market Ticker Code</b>	NPH010



# RETAIL BOND OFFER

## FURTHER TERMS OF THE OFFER (CONT'D)

<b>Financial covenant</b>	<p>Total Debt to EBITDA of the Napier Port Group shall not exceed 4.50 times on each semi-annual test date. An Event of Default occurs if on two successive semi-annual test dates this covenant is breached, subject to a grace period of 20 Business Days</p> <p>The first financial covenant test date is 30 September 2022</p>
<b>Guarantee</b>	<p>The Bonds will be guaranteed by the guarantors under the negative pledge deed dated 11 July 2019 (as amended from time to time) (<b>Negative Pledge Deed</b>). Pursuant to the terms of the Supplemental Trust Deed, Napier Port and the Guarantors must comprise not less than 90% of the consolidated Total Tangible Assets of the Napier Port Group and 90% of the consolidated EBITDA of the Napier Port Group</p> <p>As at the Issue Date, Port of Napier Limited (a wholly owned subsidiary of Napier Port) is the only Guarantor</p>
<b>Negative Pledge</b>	<p>Under the Negative Pledge Deed, each Guarantor will not create or permit to subsist any security over their assets other than certain permitted security interests which are described in the Negative Pledge Deed</p> <p>Napier Port and each Guarantor may, in addition, from time to time create or permit to subsist other security interests over their assets provided that the aggregate principal amount secured by all such other security interests does not exceed 10% of the Total Tangible Assets of the consolidated Napier Port Group</p>
<b>Product Disclosure Statement</b>	<p>The Product Disclosure Statement was lodged on 1 September 2022 and is available at <a href="http://napierport.bondoffer.co.nz">napierport.bondoffer.co.nz</a></p>

# RETAIL BOND OFFER

## SHAREHOLDER PRIORITY OFFER

<b>Description</b>	On 24 August 2022, Napier Port announced its intention to make an offer of Bonds. Existing eligible shareholders were invited to express interest for an allocation of Bonds at that time ( <b>Shareholder Pre-Registration Process</b> ) at <a href="http://napierport.bondoffer.co.nz">napierport.bondoffer.co.nz</a> . The Shareholder Pre-Registration Process will close at 12.00pm on Friday, 9 September 2022
<b>Eligible Shareholders</b>	A person who is recorded in the share register of Napier Port as being a registered holder of a fully paid ordinary share in Napier Port as at 5.00pm on Friday, 9 September 2022, and whose address is either: <ul style="list-style-type: none"> <li>recorded in the share register as being in New Zealand; or</li> <li>recorded in the share register as being in Australia and the shareholder is an institutional shareholder</li> </ul>
<b>Shareholder Priority Offer</b>	There is no public pool for the Bonds. However, Eligible Shareholders can apply for Bonds through the <b>Shareholder Priority Offer</b> . Eligible Shareholders may apply for an allocation of Bonds in the Shareholder Priority Offer from Monday, 12 September 2022 ( <b>Opening Date</b> ) until 12.00pm on Thursday, 15 September 2022 ( <b>Shareholder Priority Offer Closing Date</b> ) at <a href="http://napierport.bondoffer.co.nz">napierport.bondoffer.co.nz</a>
<b>Allocation amount</b>	The amount of Bonds allocated to shareholders will be determined during the Bookbuild process by Napier Port in consultation with the Joint Lead Managers. Napier Port may scale any application (including any application under the Shareholder Priority Offer) at its discretion, but will not scale any application to below \$5,000 or any amount that is not a multiple of \$1,000. Napier Port reserves the right to refuse all or any part of any application for Bonds (including any application under the Shareholder Priority Offer) without giving any reason



# RETAIL BOND OFFER

## KEY DATES

<b>Shareholder Pre-Registration Process closes</b>	12.00pm, Friday, 9 September 2022
<b>Indicative pricing released</b>	Monday, 12 September 2022
<b>Shareholder Priority Offer Closing Date</b>	12.00pm, Thursday, 15 September 2022
<b>Closing Date</b>	12.00pm, Friday, 16 September 2022
<b>Rate Set Date</b>	Friday, 16 September 2022
<b>Issue Date and Allotment Date</b>	Friday, 23 September 2022
<b>Expected date of initial quotation and trading of the Bonds on the NZX Debt Market</b>	Monday, 26 September 2022
<b>Interest Payment Dates</b>	23 March, 23 June, 23 September and 23 December each year, with the first payment on 23 December 2022
<b>Maturity Date</b>	23 March 2028



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# QUESTIONS?

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