

NZX AND MEDIA RELEASE

24 MAY 2022

UNAUDITED FINANCIAL RESULTS FOR THE HALF YEAR TO 31 MARCH 2022

Napier Port reports challenging first half

HIGHLIGHTS

- Revenue fell 3.6% to \$50.7 million from \$52.6 million in the same period last year, with the fall reflecting lower trade volumes and the reduction in vessel calls following supply chain and Covid disruptions
- Result from operating activities¹ decreased 22.8% to \$16.4 million from \$21.3 million in the same period last year, due to the reduction in revenue alongside an increase in operating expenses
- Underlying net profit after tax² decreased 32.1% to \$7.2 million from \$10.6 million in the same period last year. Reported net profit after tax decreased 15% to \$9.0 million from \$10.6 million in the same period a year ago
- 6 Wharf continues to progress ahead of schedule and under budget, official opening ceremony 22 July 2022
- Board has resolved to pay a fully imputed interim dividend of 2.8 cents per share, unchanged from the interim dividend in the prior year
- Demand for the region's food and fibre exports remains robust, however the impact of labour shortages and supply chain disruption on trade remains uncertain
- Expected underlying result from operating activities for the year to 30 September 2022 remains at between \$38 million and \$42 million, assuming a continuation of current market conditions

Napier Port (NZX.NPH), the premier freight gateway for the central and lower North Island of New Zealand, today reports financial results for the first half of the 2022 financial year that reflect the challenges of significant supply chain and Covid-related disruptions.

The trading environment and prices for key primary industry cargoes that cross our wharves has continued to be positive. At the same time, we have made exceptional progress putting in place the infrastructure that will underpin the prosperity of the region and Napier Port for the long term.

These successes and the favourable trading environment have, however, been overshadowed by ongoing seasonal labour shortages and by an escalation in global shipping disruptions that have created challenges for all parts of the supply chain – customers, ports, shippers, carriers, and agents.

As a direct result we saw a 16.6% reduction in container volumes for the half-year period to 113,000 TEU³ from 135,000 TEU in the same period a year ago, with container ship visits falling to 102 from 133. We also saw an 8.7% reduction in bulk cargo volumes to 1.7 million tonnes from 1.9 million tonnes and a reduction in charter vessel visits to 155 from 167 in the same period a year ago.

¹ Result from operating activities is an alternative non-NZ GAAP measure and represents core underlying operating earnings. For further information please refer to Note 24 of the 2021 Annual Consolidated Financial Statements and the Supplemental Selected Financial Information.

² Underlying net profit after tax is an alternative non-NZ GAAP measure that comprises reported net profit after tax adjusted for certain non-recurring and unrealised fair value revaluation items to provide consistency and comparability of the financial information over the periods presented. For further information please refer to the Supplemental Selected Financial Information.

³ Twenty-foot equivalent container unit

These reductions and environmental challenges have flowed through to Napier Port's financial performance.

FINANCIAL RESULTS

Revenue for the half year was down 3.6% to \$50.7 million from \$52.6 million in the same period last year. Our result from operating activities for the half year to 31 March 2022 was down 22.8% to \$16.4 million from the \$21.3 million reported for the first half of the last financial year. In addition to the reduction in revenues, the fall reflects an increase in operating expenses as we feel the impact of higher input costs across all spend categories.

Underlying net profit after tax was \$7.2 million, down 32.1% on the \$10.6 million in the same period last year. Reported net profit after tax was down 15% to \$9.0 million from \$10.6 million in the same period a year ago.

Napier Port Chief Executive Todd Dawson said: "Shipping schedule reliability has continued to be unpredictable, resulting in missed or delayed vessel arrivals at Napier Port as well as at other ports throughout New Zealand and internationally.

"Ships arriving have required larger container exchanges for both us and cargo owners to manage. These factors have been compounded by pandemic-related absences across cargo owners' workforces and adverse local seasonal weather conditions. This created challenges for primary sector production and further disrupted the flow of cargo.

"While we do not expect any immediate easing in the global supply chain challenges, we are confident that – as Covid-19 becomes endemic and the shipping industry gradually adapts to the current trading environment – these pressures will lessen. Our focus therefore is working to keep the supply chain open and cargo flowing to minimise these disruptions.

"In line with our strategic goals to maintain strong links with our customers and build collaborative partnerships, we have worked hard to communicate with all in the supply chain and make changes to accommodate their needs to ensure cargo and shipping services are maintained and delivered as seamlessly as possible.

"The challenging trading conditions have meanwhile continued to place significant demands on our people. We are grateful and impressed by the way they have worked to maintain and enhance the links that Napier Port maintains between the wider regional economy and international markets.

"A key success has been the vigilance they have displayed with regards to Covid prevention and containment, slowing its spread across our workforce. Covid-related absence, at any one time, did not exceed 11% between January and March 2022, which meant no operations were stopped as a result of Omicron."

LOOKING TO THE FUTURE

Mr Dawson said Napier Port has continued to look through the current disruption and focus on ensuring our region maintains direct, efficient and competitive links to world markets.

"The most notable achievement has been the significant progress we have made bringing the intergenerational investment in 6 Wharf to near completion. The project, now in the commissioning phase, continues to deliver ahead of schedule and at a lower cost than initial estimates. It is set to officially open in July 2022.

"The new wharf opens up growth opportunities and shipping options for cargo owners across the central and lower North Island. It will allow us to accommodate the larger vessels arriving in New Zealand and provide greater flexibility and availability across all our wharves.

"We expect the additional capacity 6 Wharf will deliver to begin to be evident in the new financial year. We also believe this new capability will enhance the attractiveness of Napier Port to shipping lines and

that it will help to encourage others to follow ZIM Integrated Shipping Services, which has launched a new trans-Tasman service that calls at Napier Port.

“In addition, we have continued to build our landside logistics and services. This is a ‘site to sea’ supply chain solution that provides central and lower North Island customers with a range of freight and cargo-handling options via Napier Port. Use of the service is steadily climbing with road and rail running seven days a week between Manawatū Inland Port and Napier Port.

“Our log-debarking facility is now operational and we are working on processing increased volumes through the plant. A key benefit of the facility is that it has enabled us to cease methyl bromide fumigation of logs at Napier Port, a significant environmental win for our region.

“Finally, we welcome the return of cruise ship visits to Napier in the coming cruise season. It remains too early to say how the current pipeline of bookings will translate into cruise ship visits. We are confident however, that Napier Port and Hawke’s Bay remain an attractive destination for the cruise industry and demand is robust, especially with 6 Wharf going live before the season and able to accommodate the largest cruise vessels that call New Zealand.

BALANCE SHEET AND DIVIDEND

Napier Port remains well funded. We spent \$43.7 million on capital projects in the half year, including \$36.9 million on the 6 Wharf project, and ended the half year with drawn bank debt of \$120 million. In addition, we have undrawn bank facilities of \$60 million.

The Board has resolved to pay a fully imputed interim dividend of 2.8 cents per share, unchanged from the interim dividend paid last year.

The record date for dividend entitlement will be 10 June and the payment date will be 23 June.

OUTLOOK

Mr Dawson said: “The trade outlook for our region remains positive, with primary sector commodity prices remaining high and a stronger second half anticipated for meat, forestry and horticulture exports.

“Even though there are signs the pandemic is abating, Napier Port still faces uncertainty in the supply chain, including shipping disruption, labour shortages and high-cost inflation.

“Noting these continuing uncertainties and assuming a continuation of the current market conditions, Napier Port reaffirms the earnings guidance provided in April for the underlying result from operating activities for the year to 30 September 2022 to range between \$38 million and \$42 million.

“As highlighted previously, once 6 Wharf completes during the second half of the financial year, the majority of our finance costs will be recorded in our income statement. This, together with the additional depreciation for the new assets, will be deducted in determining net profit for the year.”

Napier Port will provide a further update to the NZX market regarding our June quarter trading results during August.

Further detail on Napier Port’s financial performance for the half year to 31 March 2022 is included in the half year report and investor presentation released to the NZX today and available on the company’s investor website at: <https://www.napierport.co.nz/investor-centre/>

ENDS

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About Napier Port

Napier Port is New Zealand's fourth largest port by container volume. We are the gateway for Hawke's Bay and lower North Island's exports and operate a long-term regional infrastructure asset that supports the regional economy. Our strategic purpose is to collaborate with the people and organisations that have a stake in helping our region grow. View Napier Port's investor centre: www.napierport.co.nz/investor-centre/

Conference Call

Napier Port will hold a conference at 11.00am (NZT) (9.00am, AEST) today. To attend the conference call participants must pre-register at the following link:

<https://s1.c-conf.com/diamondpass/10021078-Q79Sqa.html>

Registrations can be taken right up to the commencement of the call.