

HALF YEAR RESULTS 2021

25th May 2021



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PRESENTING TODAY



ALASDAIR MACLEOD

CHAIRMAN



TODD DAWSON

CHIEF EXECUTIVE



KRISTEN LIE

CHIEF FINANCIAL OFFICER

WELCOME & INTRODUCTION

COVID-19 remains a major factor in logistical supply chains

Resilient half year trading and financial result for Napier Port

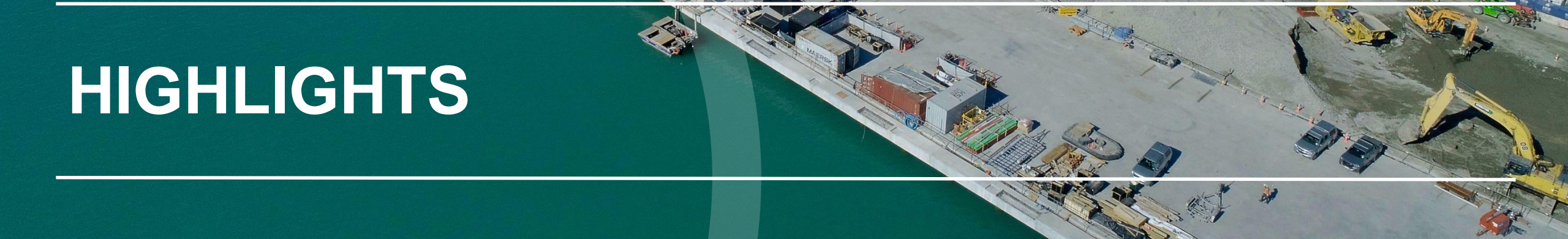
Continued good progress on strategic initiatives, including 6 Wharf

Board sustainability sub-committee established

Share concerns with regional primary sector on continuing impacts of seasonal labour shortages



HIGHLIGHTS



HALF YEAR HIGHLIGHTS

Resilient half year revenue and earnings, despite the absence of cruise vessels

Sustained strong log export market conditions driving bulk cargo revenue growth

Primary sector labour shortages and container supply chain challenges

Renewed WPI partnership for at least a further 10 years

Good progress on strategic development initiatives

STRATEGIC PROJECTS UPDATE

- 6 Wharf - on time and within budget
- Whakatu inland port planning
- Bulk cargo value-add projects approved
 - Mobile Harbour Crane log loading trial
 - Log debarking service
- Launch of in-house logistics service
 - Initial cargo wins
 - Napier – Palmerston North - Longburn rail capacity
- Advanced H&S development programme



6 WHARF CONSTRUCTION PROGRESS ON-PLAN

STATUS¹:

- 362 of 400 reinforced concrete piles completed
- Deck construction commenced, 10 of 32 deck pours completed
- Dredging – 621,000 cubic metres of around 1.3 million cubic metres has been completed
- 2,720 of 4,500 revetment armour blocks cast, 1,757 are now in place
- No material change to completion timing (late 2022) or cost (\$173m - \$190m²)



1 – As at 10 May 2021

2 - Accruals basis excluding capitalised overheads and finance costs

POSITIVE TRADE RESULT DRIVEN BY LOG EXPORTS

TRADE VOLUME OVERVIEW

Volume	HY2021	HY2020	Variance	
			kT / TEU	%
Total cargo (kT)	2,786	2,527	+259	+10.2
Containerised cargo (TEU)	135,000	135,000	-	-
Bulk cargo (kT)	1,870	1,597	+273	+17.1
- Logs exports (kT)	1,428	1,184	+244	+20.6

- Record log volumes in the half year
- Total container volumes in line with prior year

RESILIENT FINANCIAL RESULT DESPITE NO CRUISE REVENUE

FINANCIAL RESULTS OVERVIEW

	HY2021 \$M	HY2020 \$M	Variance	
			\$M	%
Revenue	52.6	52.3	+0.3	+0.6
Result from operating activities	21.3	21.7	-0.4	-2.0
Net profit after tax				
- Reported	10.6	12.4	-1.8	-14.9
- Underlying ¹	10.6	11.1	-0.5	-5.2
Cash flow from operations				
- Reported	14.6	13.4	+1.2	+8.5
- Underlying ¹	14.6	13.9	+0.7	+4.5

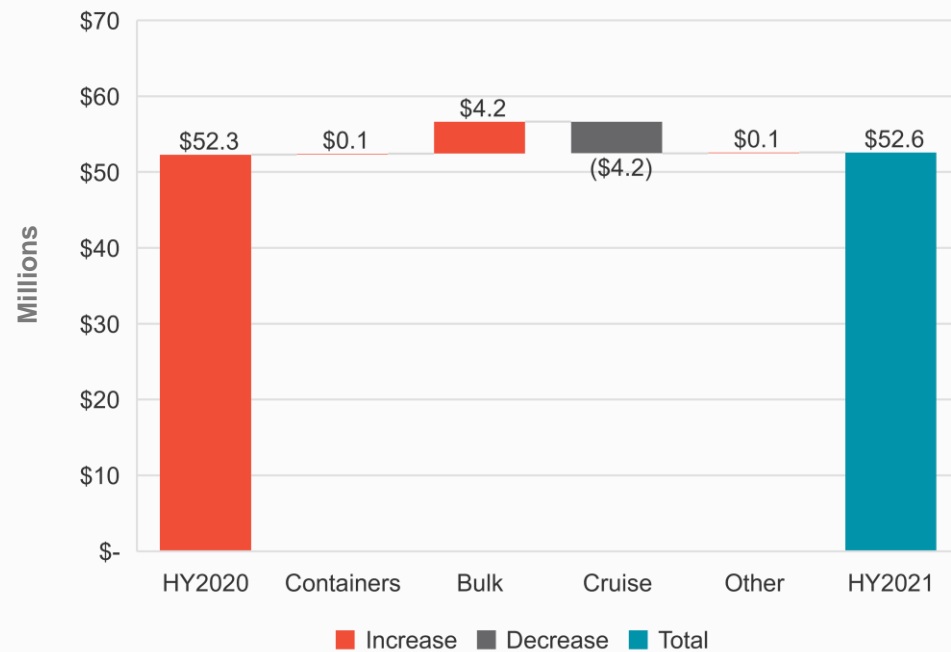
- Maintained revenue despite no cruise revenue in current year (\$4.2m in prior year)
- Result from operating activities better than expected due to growth in bulk cargo revenues
- Lower net profit due to operating result and non-recurring net gains in prior year
- Higher cash flow from operations from lower first half year net working capital growth in current year

FINANCIAL & OPERATING PERFORMANCE

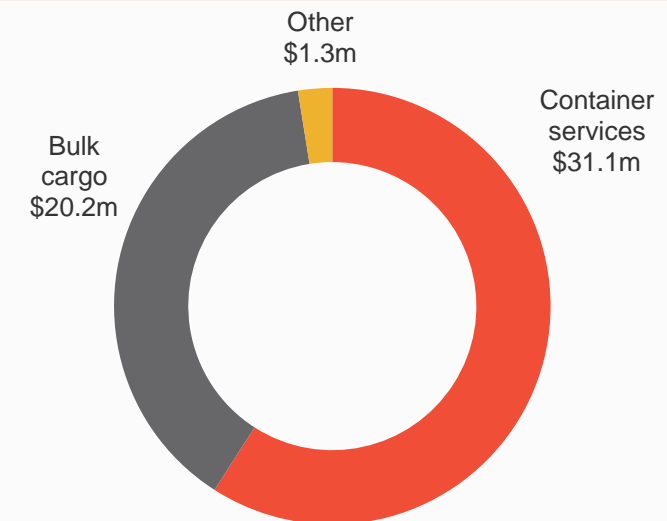


BULK CARGO REVENUE OFFSETS NO CRUISE REVENUE

- 0.6% revenue growth half year-on-half year (HoH)
- Bulk cargo up 26.5%, container services up 0.5%, nil cruise revenue

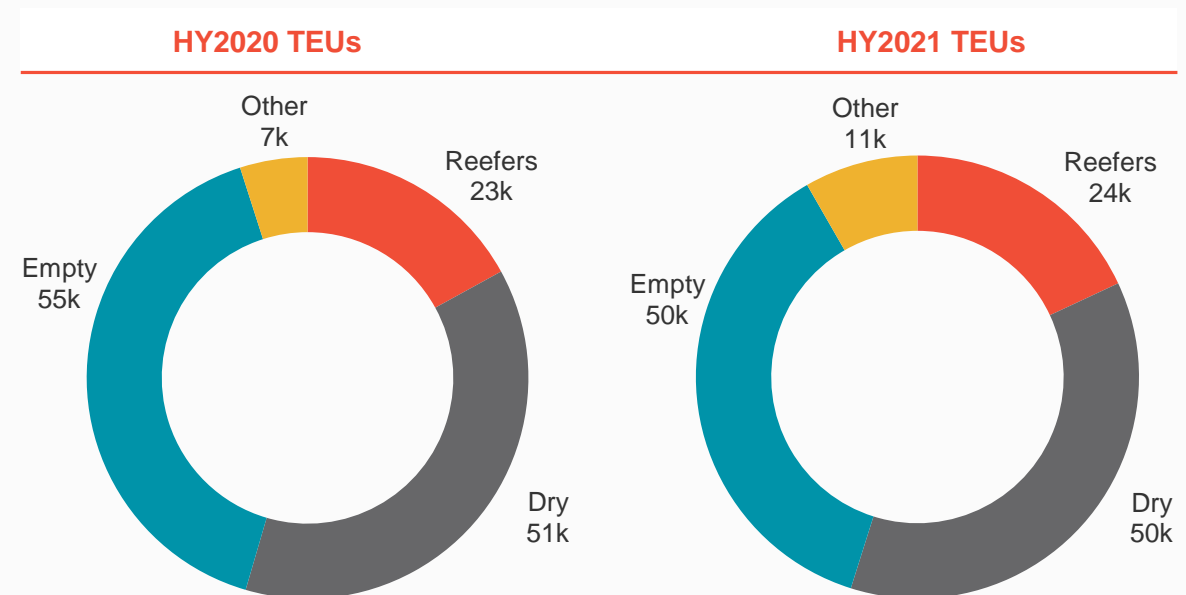
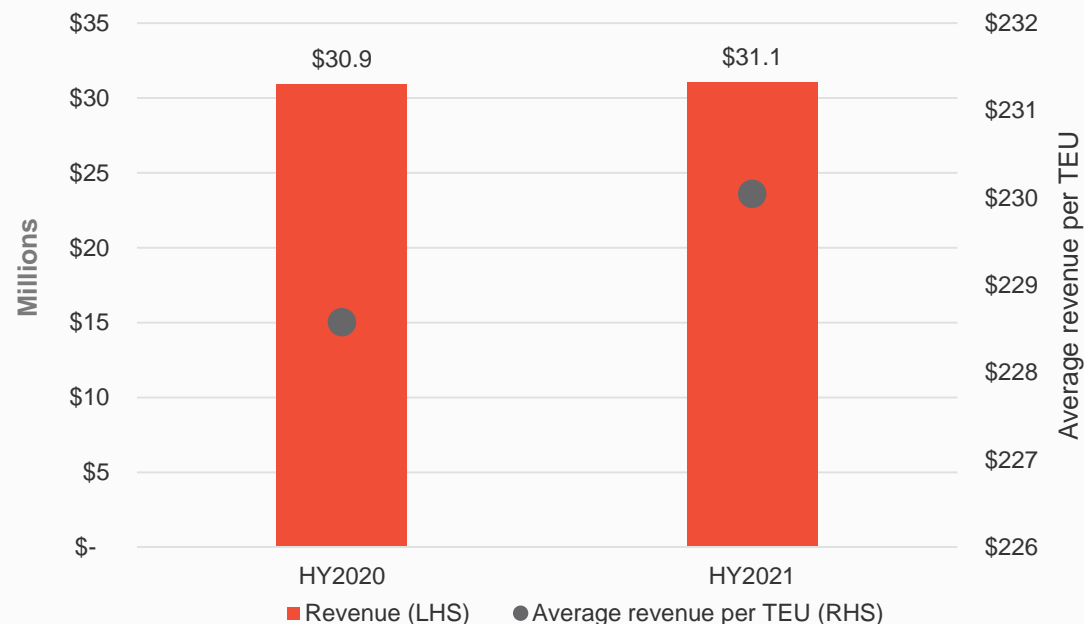


HY2021 REVENUE



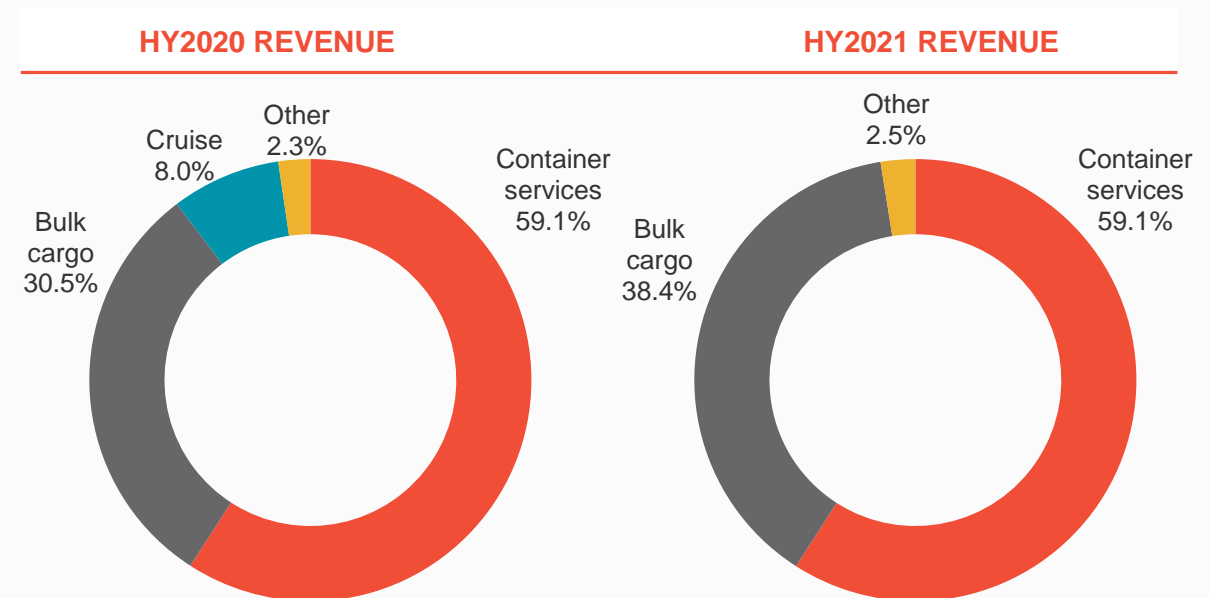
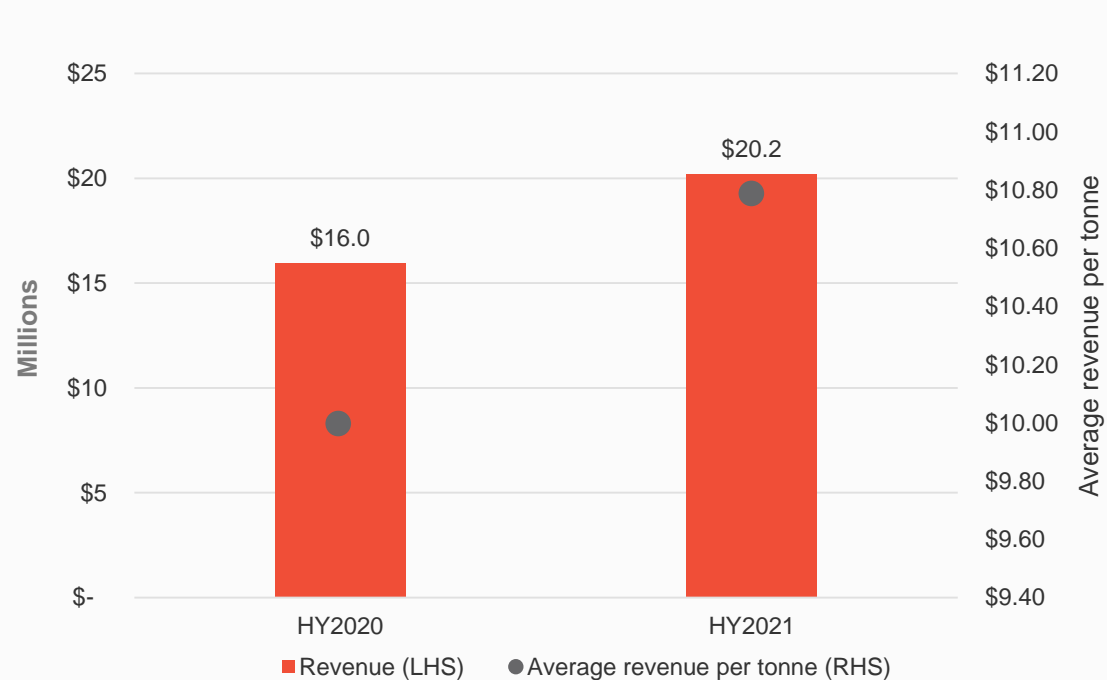
CONTAINER SERVICES REVENUE STEADY ON TRADE MIX CHANGES

- Container Services revenue up 0.5% HoH
- Container volume in line with prior year: 135,000 TEU
 - Shipping schedule disruptions resulted in -5,000 TEU empty containers and +5,000 tranships and DLRs
 - Reefer volume growth +6.0% offsets drop in dry volume -2.1%
- Average revenue per TEU increased 0.6% to \$230/TEU from \$229/TEU
 - Containers remaining on port for longer periods offset lower volumes through PortPack and Depot and fewer vessel calls



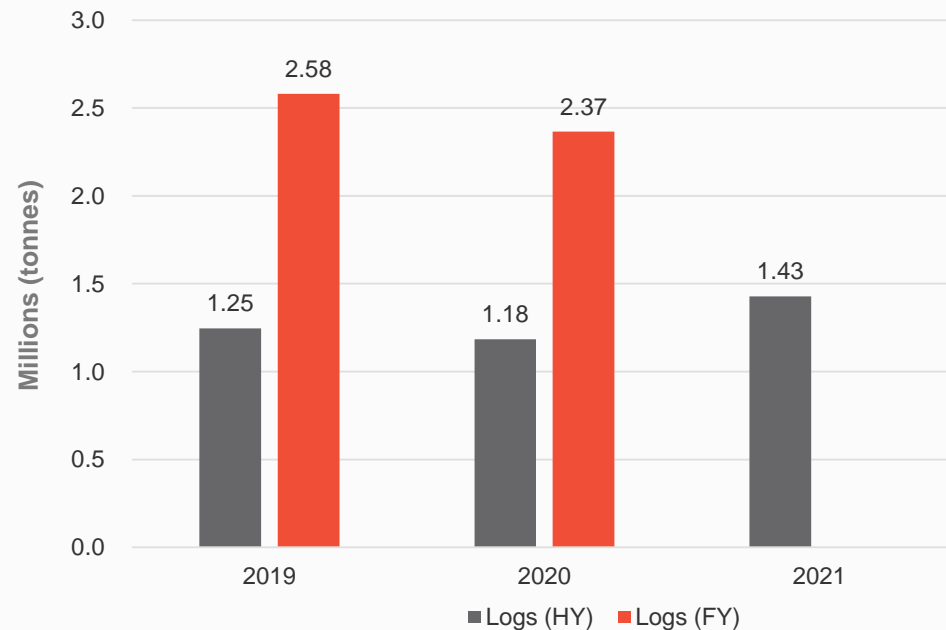
HIGHER BULK CARGO REVENUE DRIVEN BY VOLUME INCREASE

- Revenue up 26.5% HoH to \$20.2m
- Driven by 17.1% volume increase
- Average revenue per tonne increased 8.0% to \$10.80/T from \$9.99/T
 - Includes one-off cost recovery revenue of \$0.45/T
 - Remainder driven by log exports

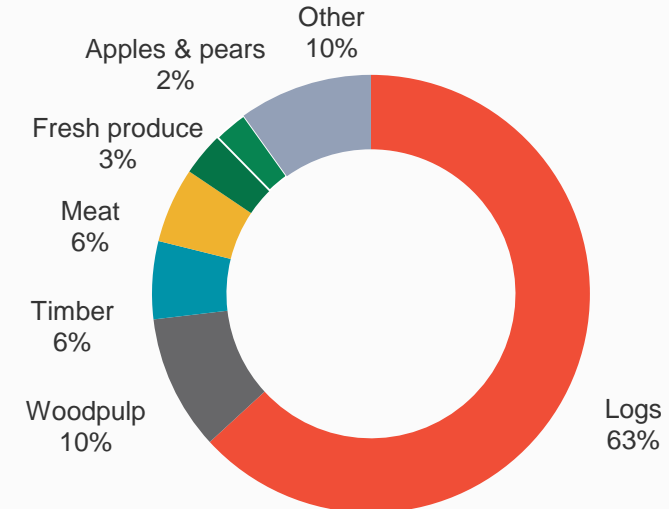


RECORD HY LOG VOLUMES

- Log exports volumes up 20.6% HoH with sustained strong log export market conditions
 - Record half year log export volume of 1.43 million tonnes
 - Prior year log volumes were negatively impacted by Chinese market disruptions leading up to NZ's COVID-19 Alert Level 4 lockdown
- Less volume volatility
- Solid volumes continuing into Q3 FY2021 (to date)



HY2021 ALL CARGO EXPORTS (WEIGHT)

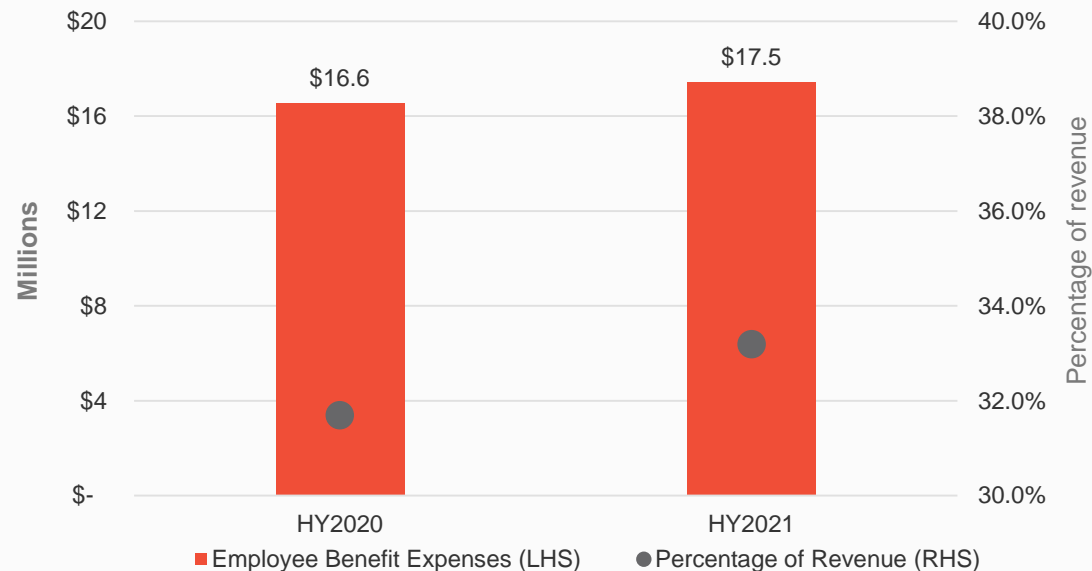


OPEX INCREASE: LED BY INVESTMENT IN PEOPLE

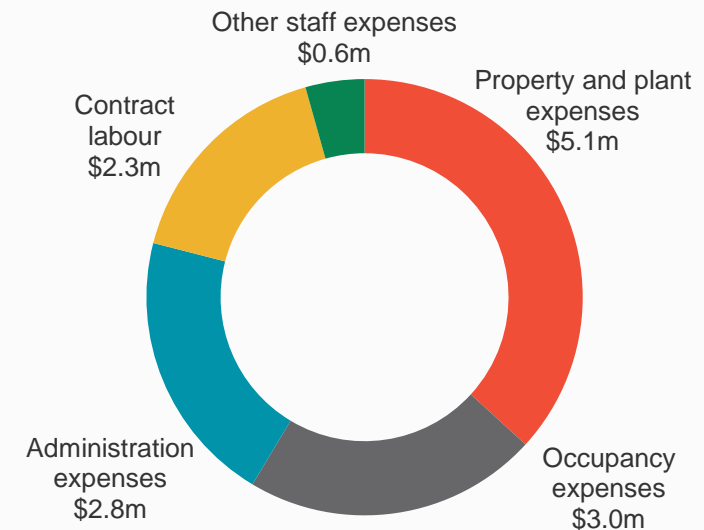
2.4% INCREASE IN TOTAL OPERATING EXPENSES

- FY2021: unwinding of COVID-19 response measures in FY2020 & strategic investment in people and capability
- Employee benefit expenses up 5.4% HoH
- Property and plant expenses down 6.7% due to timing of maintenance spend
- Other operating expenses up 2.6% due to increasing insurance premiums and technology costs

EMPLOYEE BENEFIT EXPENSES



OTHER OPEX HY2021



OPERATING MARGIN MAINTAINED >40%

- Result from operating activities down \$0.4m (2.0%)
- Operating margin maintained at >40% in HY2021

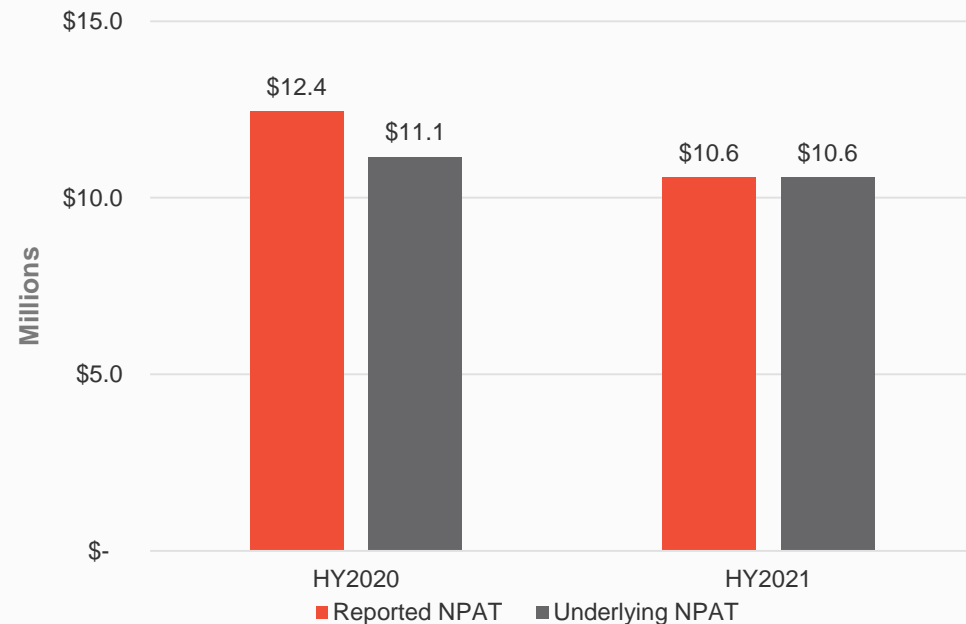
RESULT FROM OPERATING ACTIVITIES

% Revenue	41.6%	40.5%



NPAT DOWN WITH LOWER OPERATING RESULT

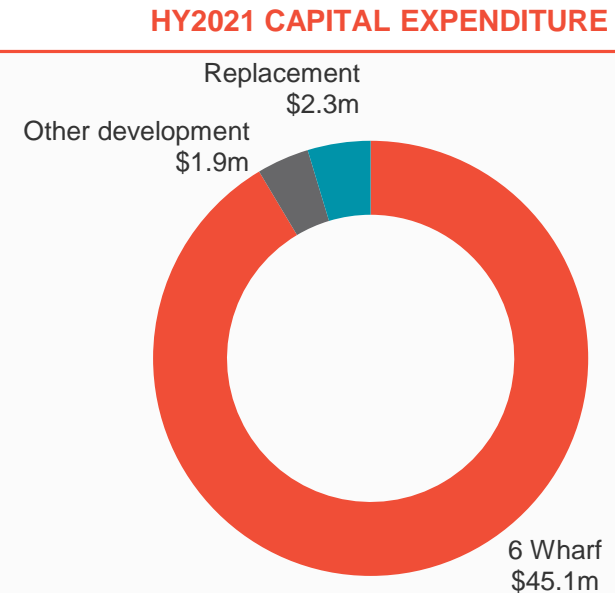
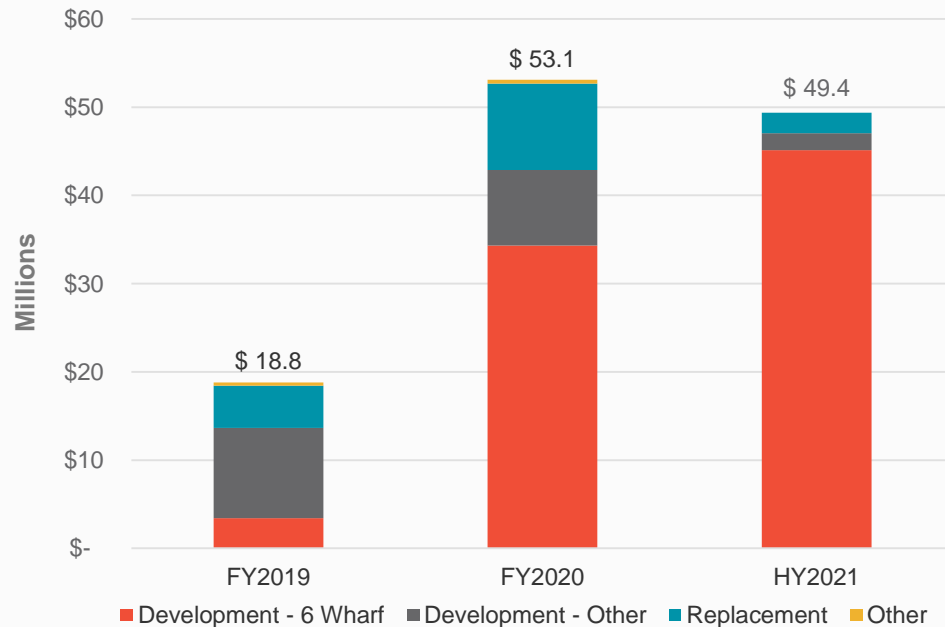
- Underlying NPAT¹ decreased by 5.2% to \$10.6m
 - Lower operating result (-\$0.4m pre-tax)
 - Increased depreciation and amortisation (-\$0.3m pre-tax)



1 - Refer to appendices for reconciliations of underlying metrics

CAPITAL EXPENDITURE FOCUS ON DELIVERING 6 WHARF

- Capital expenditure of \$49.4m¹
- 6 Wharf:
 - \$45.1m² in HY2021
 - Cumulative construction spend of \$78m to March 2021
 - \$90m - \$110m spend expected for FY2021 – increased from \$70m - \$90m



1 - Including accounting accruals. HY2021 cash spend \$45.8m

2 - Including accounting accruals. HY2021 cash spend \$40.8m

CASH FLOW & LIQUIDITY

	HY2021 \$M	HY2020 \$M	Var \$M
Operating cash flows	14.6	13.4	+1.2
Investing cash flows	(45.7)	(23.2)	-22.5
Proceeds from bank debt	36.0	-	+36.0
Dividends	(10.0)	(5.0)	-5.0
Other financing cash flows	(0.1)	(0.3)	+0.2
Net (decrease) in cash & cash equivalents	(5.2)	(15.1)	+9.9

- FY2020 full year dividend of \$10m (5.0 cps) paid December 2020
- Bank facilities drawn balance of \$36.0m at end of March 2021
- \$180m total bank facilities
 - 66% expires Q4 2024
 - 33% expires Q4 2023

CAPITAL MANAGEMENT

- Increase in Net Debt to EBITDA ratio above 3.5x likely based on current environment (including cruise disruption) but remains a point of focus to mitigate this increase over time
- 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





CONCLUSION & OUTLOOK

CONCLUSION

Resilient half year revenue and earnings given ongoing effects of COVID-19

Benefits of diversity of the trade portfolio shown in first half

Shipping and supply chain challenges & risks continuing

Good progress with strategic development initiatives



CURRENT OUTLOOK

COVID-19 EFFECTS CONTINUE TO CLOUD OUTLOOK

- Demand for the region's food and fibre exports remains robust
- Continued friction in getting products to markets via regional and global supply chains
 - continuing supply chain stress and capacity shortages likely for at least remainder of the current financial year
- Relative weakness expected in our container trades arising from primary sector seasonal labour shortages, shipping and supply chain disruption
 - apple export full year volume uncertain
- Good log export volume momentum carried into Q3 (to date)
- Continued investment in people & capability & focus on strategy implementation for second half
- Affirm recent guidance of FY2021 underlying result from operations between \$39m and \$42m
- Cruise return timing - unlikely for FY2022

HY2021 INTERIM DIVIDEND

- Interim dividend of 2.8 cps declared
- Fully imputed
- Record date: 11 June 2021
- Payment date: 25 June 2021
- Compared to nil in prior year





QUESTIONS

APPENDICES

The following appended financial information provides a summary of financial information for the half year period ended 31 March 2021 (HY2021) compared to the corresponding half year period in 2020 (HY2020).

Reconciliations provided are extracted from and should be read in conjunction with the Supplemental Selected Financial Information document released with NPH's 2021 Half Year Report on the NZX announcements platform and the Napier Port website Investor Centre.

REVENUE

NZ\$000	HY2021	HY2020
Revenue from Port Operations	51,405	51,240
Revenue Other	1,180	1,044
Total operating income	52,585	52,284

NZ\$000	HY2021	HY2020
Container Services	31,065	30,921
Bulk Cargo	20,192	15,966
Cruise	-	4,177
Sundry revenue	148	175
Revenue from port operations	51,405	51,240
Property income	1,180	1,044
Operating income	52,585	52,284

OPERATING EXPENSES

Employee benefit expenses

NZ\$000	HY2021	HY2020
Wages & salaries	16,093	15,402
Other employee benefit expenses	1,362	1,166
Total employee benefit expenses	17,455	16,569

Property and plant expenses

NZ\$000	HY2021	HY2020
Plant expenses	2,510	2,715
Site expenses	664	732
Fuel & Power	1,917	2,010
Total property and plant expenses	5,091	5,457

OPERATING EXPENSES

Other operating expenses

NZ\$000	HY2021	HY2020
Administration expenses	2,824	2,796
Occupancy expenses	3,016	2,483
Contract labour	2,301	2,268
Other staff expenses	605	975
Total other operating expenses	8,746	8,522

CAPITAL EXPENDITURE

NZ\$000	HY2021	HY2020
Development capex		
6 Wharf pre-construction	-	970
6 Wharf construction	45,129	11,197
Additional tug	-	4,681
Acquisition and development of off-port depot services land	-	2,565
Refrigerated container capacity	1,075	-
Other development capex	846	623
Total development capex	47,049	20,036
Replacement capex	2,307	6,894
Compliance and other capex	-	246
Total capex including capitalised finance costs	49,357	27,177
Movement in fixed asset creditors	(3,597)	(3,955)
Capex per cash flow	45,759	23,222

RECONCILIATION OF UNDERLYING NET PROFIT AFTER TAX¹

NZ\$000	HY2021	HY2020
Reported net profit after tax	10,574	12,430
Adjustments:		
IPO transaction and related costs/ (reversals)	-	(201)
Impairment of infrastructure assets for 6 Wharf development	-	551
Tax impact of adjustments	-	(123)
Tax benefit of reinstatement of tax depreciation on buildings	-	(1,508)
Underlying net profit after tax	10,574	11,149

¹ - Underlying net profit after tax is a non-NZ GAAP measure – refer to the Supplemental Selected Financial released with NPH's 2021 Half Year Report on the NZX announcements platform for further information related to this measure

RECONCILIATION OF UNDERLYING NET CASH FLOWS FROM OPERATING ACTIVITIES¹

NZ\$000	HY2021	HY2020
Reported net cash flows from operating activities	14,563	13,426
Adjustments		
IPO transaction and related costs	-	478
Tax impact of adjustments	-	31
Underlying net cash flows from operating activities	14,563	13,935

¹ - Underlying net cash flows from operating activities is a non-NZ GAAP measure – refer to the Supplemental Selected Financial Information released with NPH's 2021 Half Year Report on the NZX announcements platform for further information related to this measure







DIVIDEND POLICY

- The Board is targeting paying total dividends within a range of 70% to 90% of Free Cash Flow¹
- Free Cash Flow¹ 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 Flow¹) 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

¹ a 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>AN INFRASTRUCTURE ASSET ESSENTIAL TO THE HEALTH OF THE HAWKE'S BAY ECONOMY</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>STRONG REGIONAL ECONOMIC GROWTH DRIVERS AND STRONG KEY CUSTOMER RELATIONSHIPS</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>DIVERSIFIED TRADE PORTFOLIO MITIGATES SECTOR AND COUNTRY-SPECIFIC RISKS</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>WELL-POSITIONED GIVEN FUTURE CARGO VISIBILITY AND FULLY-CONSENTED DEVELOPMENT PLANS</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>STRONG HISTORICAL FINANCIAL PERFORMANCE AND A RECORD OF EXECUTION ON GROWTH OPPORTUNITIES</p> <p>Napier Port delivered annual average revenue growth of 8.4% over the last four years (2016 - 2020), while consistently delivering EBITDA margins of above 40%</p>	
<p>EXPERIENCED MANAGEMENT TEAM THAT IS WELL CONNECTED WITH CARGO OWNERS AND OTHER STAKEHOLDERS</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

To learn more about Napier Port and what it does please refer to our website at www.napierport.co.nz

See our website Investor Centre for:

- Share price information
- Links to NZX results and market announcements
- Key calendar dates
- Publications, including:
 - Annual Reports
 - Sustainability Framework
 - Investment Key Facts
 - Investing in Napier Port
- Key policies and governance documents