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# HALF YEAR RESULTS

TO 31 MARCH 2023

INVESTOR PRESENTATION - 24 MAY 2023

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# PRESENTING TODAY

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**BLAIR O'KEEFFE**

CHAIR

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**TODD DAWSON**

CHIEF EXECUTIVE

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**KRISTEN LIE**

CHIEF FINANCIAL OFFICER

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## HY2023 OVERVIEW

BLAIR O'KEEFFE, CHAIR

Tracking to upper end of previous guidance pre-cyclone; trade volumes and results impacted on disruptions

Diverse cargo portfolio provides resilience and trade environment for key cargoes remains stable

Lifeline asset providing a critical regional function

Fundamentals underlying Napier Port are strong – infrastructure, operations, track record of delivery and resilience

Confidence retained in a more challenging macro-economic environment

## POSITIVE TRADE OUTLOOK DILUTED BY CYCLONE GABRIELLE

### TRADE OVERVIEW FY2023 HALF YEAR

Volume	HY2023	HY2022	Variance	
			kT / TEU / calls	%
Total cargo (kT)	2,283	2,513	-230	-9.1
Containerised cargo (TEU)	119,000	113,000	+6,000	+5.7
Bulk cargo (kT)	1,548	1,707	-159	-9.3
- Logs exports (kT)	1,144	1,316	-172	-13.1
Cruise vessels (calls)	62	1	+61	

- Buoyant containerised outlook post-covid
  - Good equipment availability and early inbound empty repositioning
  - Improving schedule reliability - container shipping port-call windows re-established nationally from early March
  - Increased number of shipping services and vessels calling Napier
- Strong cruise return and on-track for record season
- Subdued log export market
- All cargoes tapered off post Cyclone Gabrielle mid-February through to end of half year in March

## ACCELERATED REVENUE AND EARNINGS GROWTH

### FINANCIAL RESULTS OVERVIEW FY2023 HALF YEAR

	HY2023 \$M	HY2022 \$M	Variance	
			\$M	%
Revenue	62.3	50.7	+11.4	+22.8
Result from operating activities	21.9	16.4	+5.5	+33.0
Net profit after tax - underlying <sup>1</sup>	7.5	7.2	+0.3	+3.9
Cash flow from operations	21.4	13.0	+8.4	+64.6

- Accelerated revenue growth in half year
  - Return of cruise - \$5.1m in HY on 62 calls
  - ARPU<sup>2</sup> growth - staying on top of cost inflation pressure, continued focus on yield, positioning for future volume driven earnings growth
- Result from operating activities increase \$5.5m and solid operating cash flow
- Net profit in line with prior year despite increased depreciation and finance costs post Te Whiti construction

1- Refer to appendices for reconciliations of underlying metrics

2- ARPU – Average Revenue Per Unit

# CYCLONE GABRIELLE

## IMPACT ON CARGO TRADES

### HORTICULTURE AND OTHER SEASONAL PRODUCE

Reduced crop 2023, spring update

### EXPORT LOGS

Minimal forest losses in immediate Hawke's Bay forestry catchment

### PAN PAC

Damage to timber & pulp processing facilities, restart expected from September

### WPI

WPI supply chain impacted by damage to rail network: modal shift to road – no impact to NP volumes

### FERTILISER

Ravensdown temporary reduction in volume due to HB production facility damage. Restart from July.

### MEAT

Short-term supply chain disruption impacting access to production plants and port. Expect return to 'normal' levels during second half



# CYCLONE GABRIELLE

## REGIONAL INFRASTRUCTURE

### NAPIER PORT

Minimal impact on port's infrastructure and operations

### ROAD AND RAIL NETWORK

Key SH road access to port restored, rail reinstated to Hastings with link to port ongoing through to Q1 FY24

### COASTAL SHIPPING

Freight alternative to roading for East Coast producers

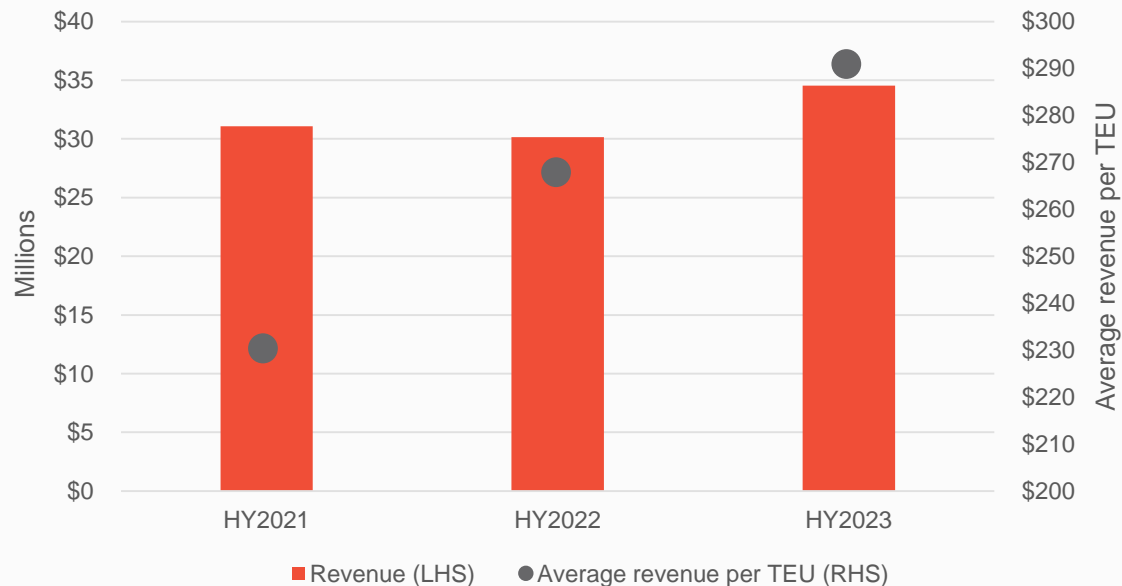




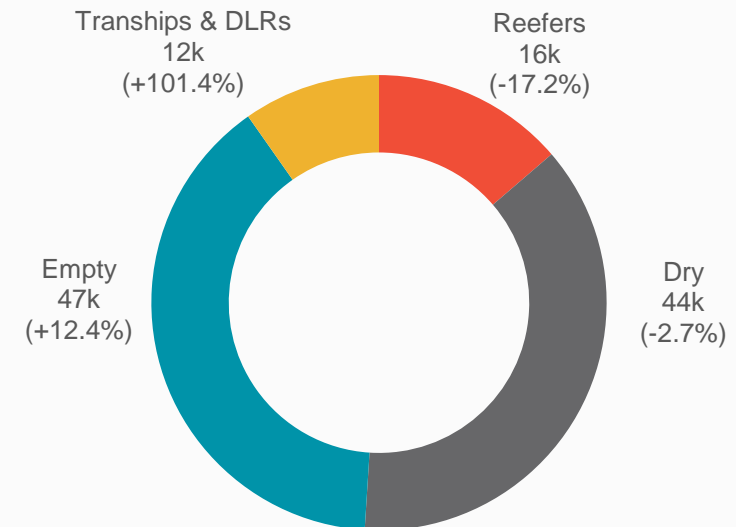
## IMPROVED CONTAINER SERVICES OPERATING ENVIRONMENT

- Container Services revenue increased \$4.4m (14.5%) to \$34.5m half year-on-half year (HoH)
- Total TEU volume increased 6,000 (5.7%) HoH
  - Full containers down 5,000 TEU, empties up 5,000 TEU, and tranships and DLRs up 6,000 TEU
- Average revenue per TEU increased 8.4% to \$290 per TEU from \$268 per TEU HoH
  - Fuel recovery (FAF) introduced May 2022, tariff increases, partially offset by negative container mix
- Less shipping disruption, schedules improved
- New services: ANL Trans-Tasman, TSL NZE service, and Gisborne coastal

**CONTAINER SERVICES REVENUE AND ARPU**



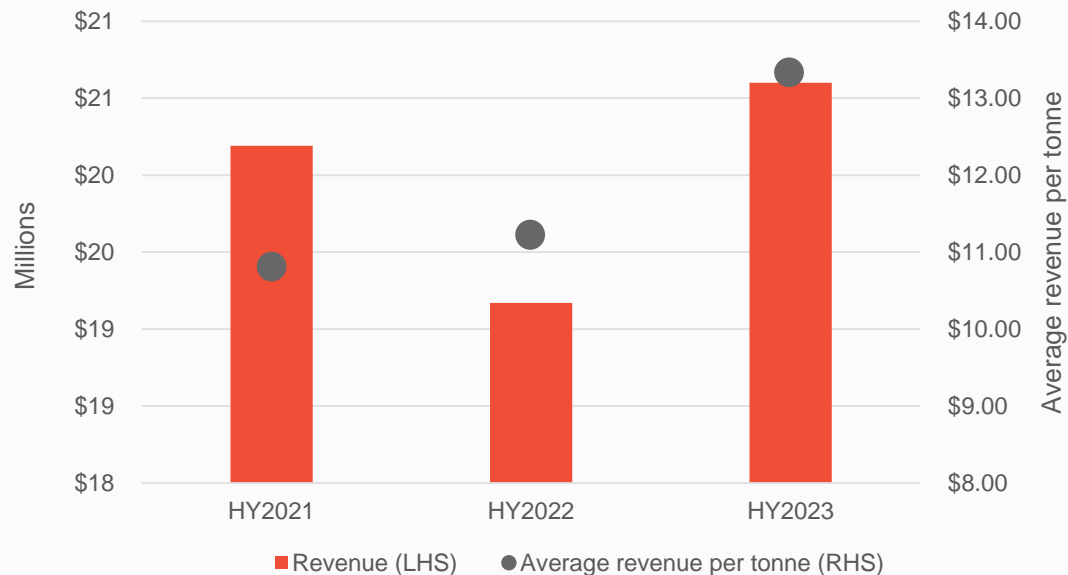
**HY2023 TEUs (VERSUS HY2022)**



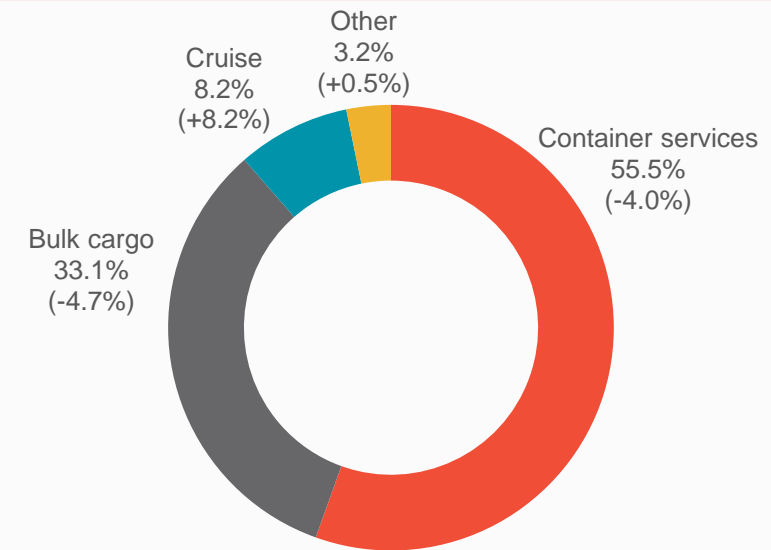
## BULK CARGO – LOWER VOLUME OFFSET BY ARPU GROWTH

- Bulk revenue increased \$1.4m (7.5%) to \$20.6m HoH
- Volume decreased by 0.16 million tonnes (-9.3%) to 1.55 million tonnes HoH
- Bulk cargo average revenue per tonne increased 18.5% to \$13.30/T from \$11.23/T HoH
  - Primarily cargo mix and average rate increases
  - Increased contribution from debarking operation

**BULK CARGO REVENUE AND ARPU**



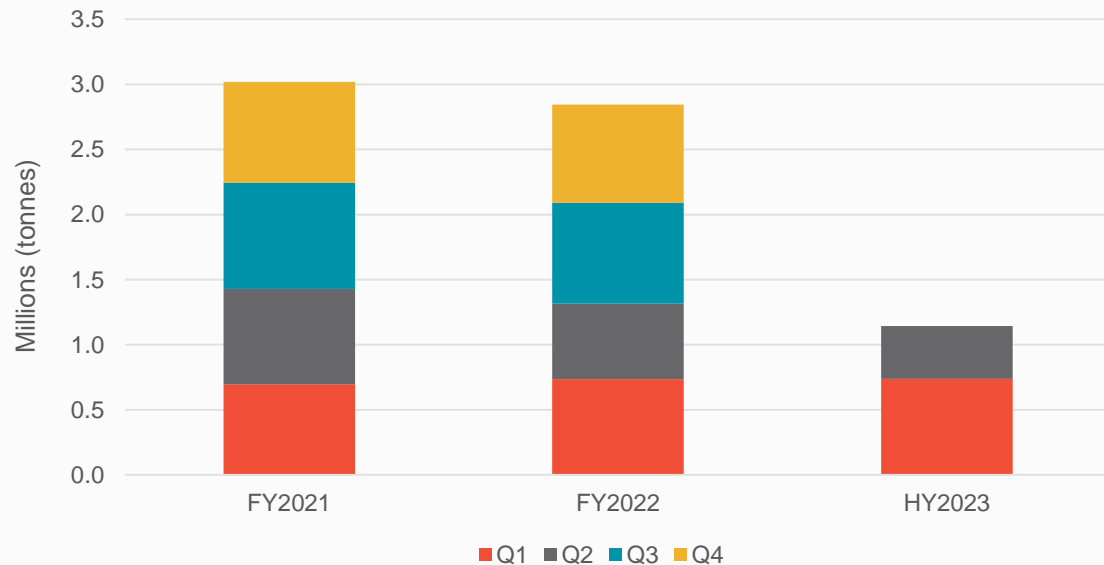
**HY2023 REVENUE COMPOSITION (VERSUS HY2022)**



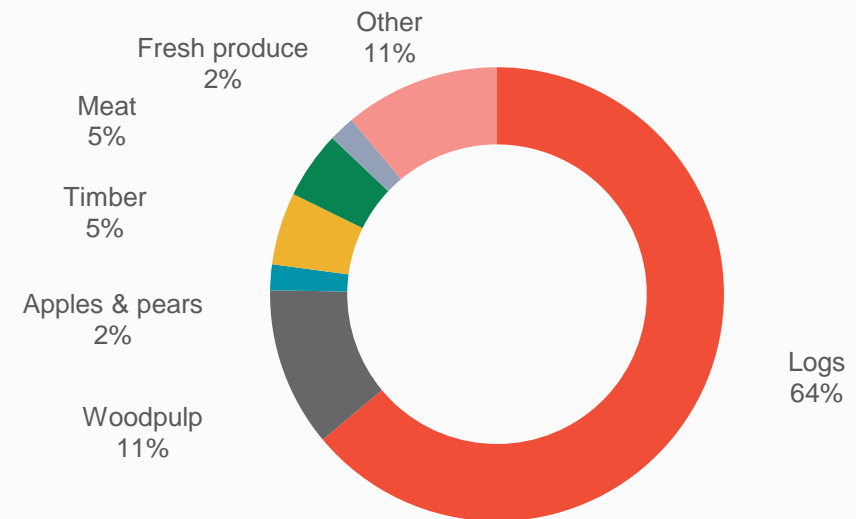
## LOG VOLUME LOWER BUT STEADY GIVEN OPERATING CONDITIONS

- Log export volume decreased 0.17 million tonnes (-13.1%) to 1.1 million tonnes HoH
  - Cyclone impacted second quarter
  - Log export market conditions generally subdued
- Post cyclone Gabrielle:
  - Flow of logs to port steady
  - Pan Pac exporting higher quantities of unprocessed logs
  - Large stock of CNI wind-throw wood to be processed

LOG EXPORT VOLUME



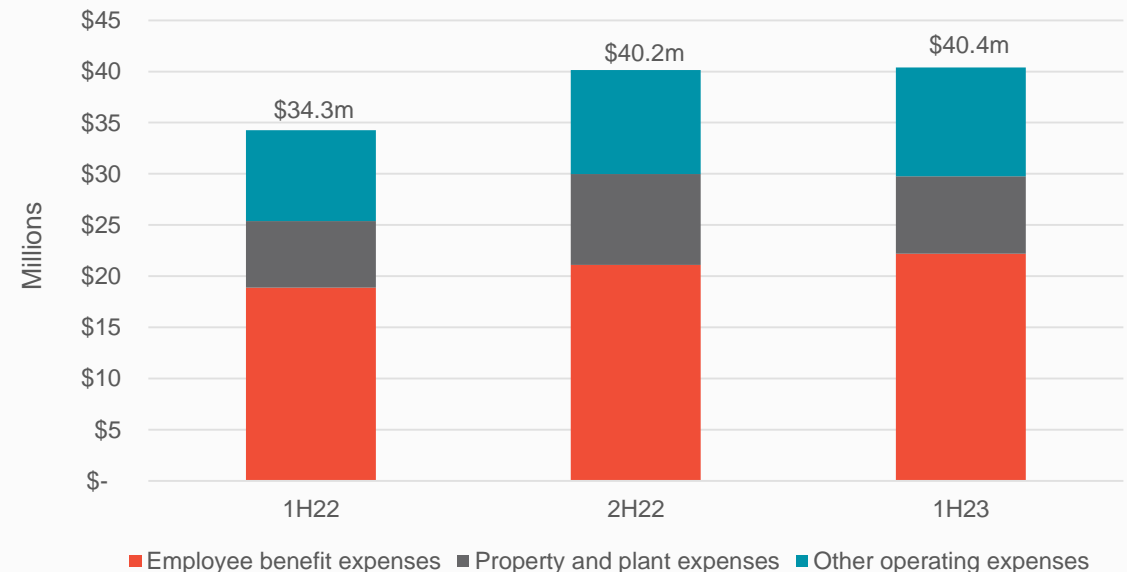
HY2023 ALL CARGO EXPORTS (WEIGHT)



## CONTINUED COST CONTROL FOCUS

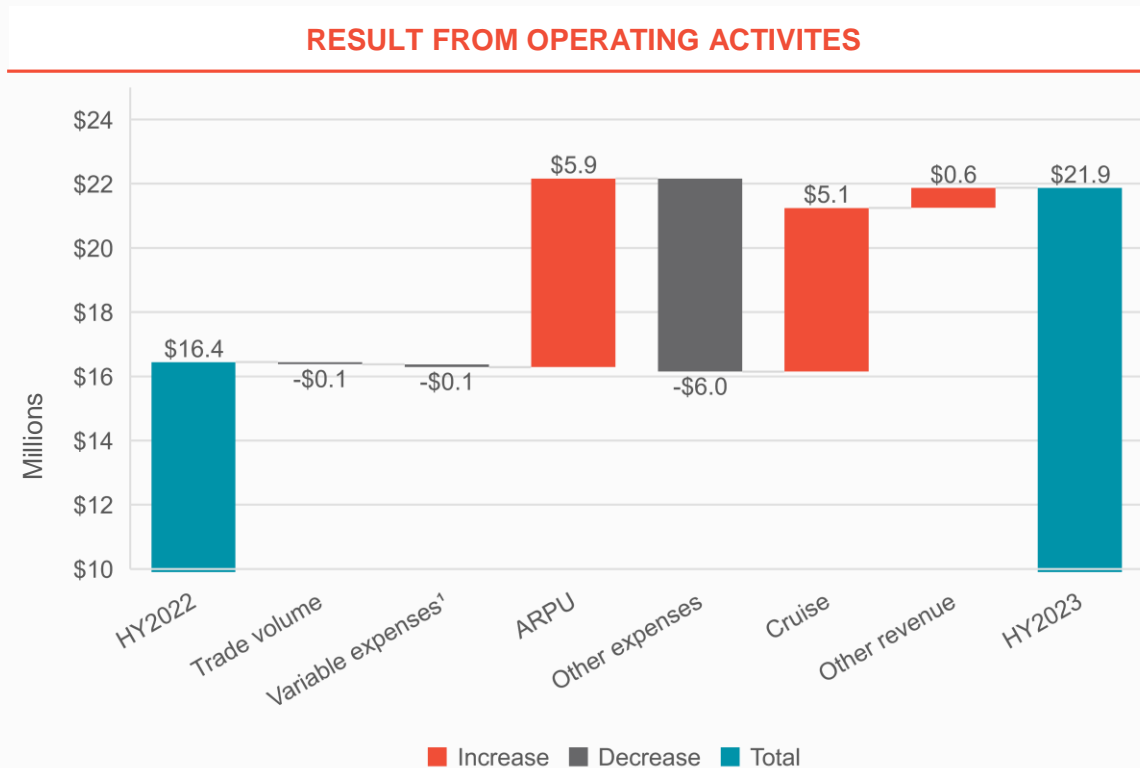
- Total opex increased \$6.1m to \$40.4m HoH,
  - Comparable in quantum to 2H 2022
  - Strong cost inflation continuing across all categories
- Additional cost control measures introduced post-cyclone focused on:
  - Discretionary spend, R&M, non-critical capex
  - Redeployments, taking leave, releasing casuals
- HoH variances:
  - Employee benefit expenses increased \$3.3m (17.6%)
    - Approx. half is rate increases
    - Approx. half is additional FTE – security contractor insourcing, revenue generation (debarker, return of cruise), other operations
  - Property and plant expenses up \$1.1m (16.5%)
    - Fuel & power rate increase \$0.9m
  - Other operating expenses increased \$1.7m (19.3%)
    - Higher insurance cost
    - General cost escalation across most spend categories

### TOTAL OPERATING EXPENSES BY HALF YEAR



## IMPROVED OPERATING RESULT DRIVEN BY IMPROVED YIELD AND RETURN OF CRUISE

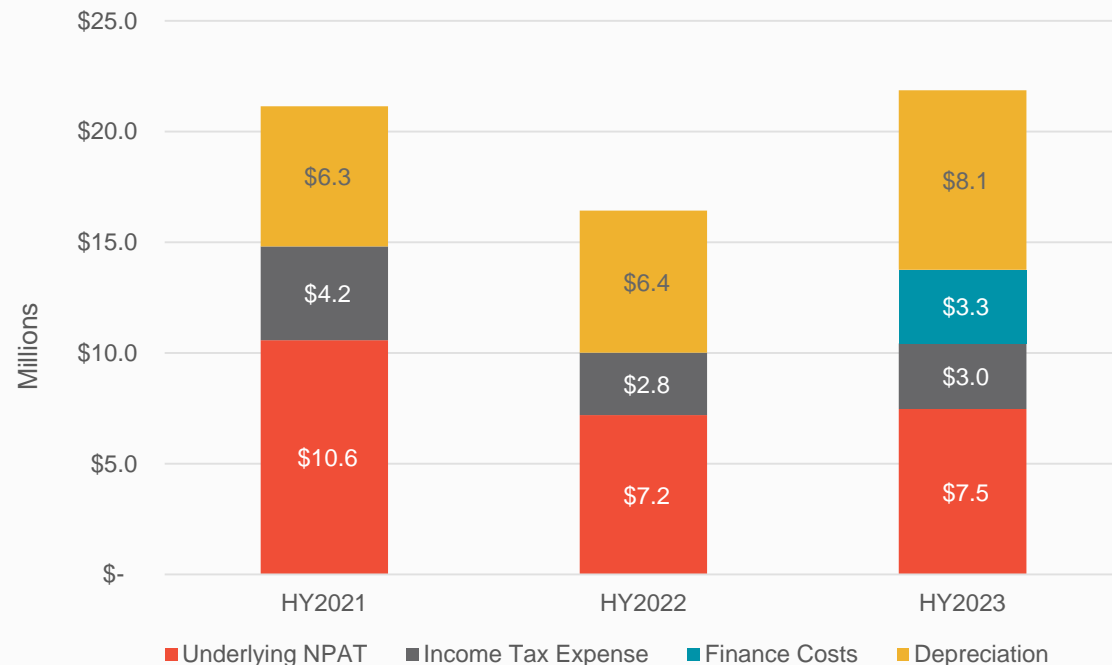
- Result from operating activities up \$5.5m (33%)
  - Majority of increase attributed to cruise
  - ARPU growth matching operating expense growth



## NET PROFIT MAINTAINED POST TE WHITI WHARF COMPLETION

- Underlying NPAT<sup>1</sup> increased by \$0.3m (3.9%) to \$7.5m
- As flagged, increased depreciation (+\$1.7m) and finance costs (+\$3.3m) post Te Whiti construction period

### DISTRIBUTION OF RESULT FROM OPERATING ACTIVITIES

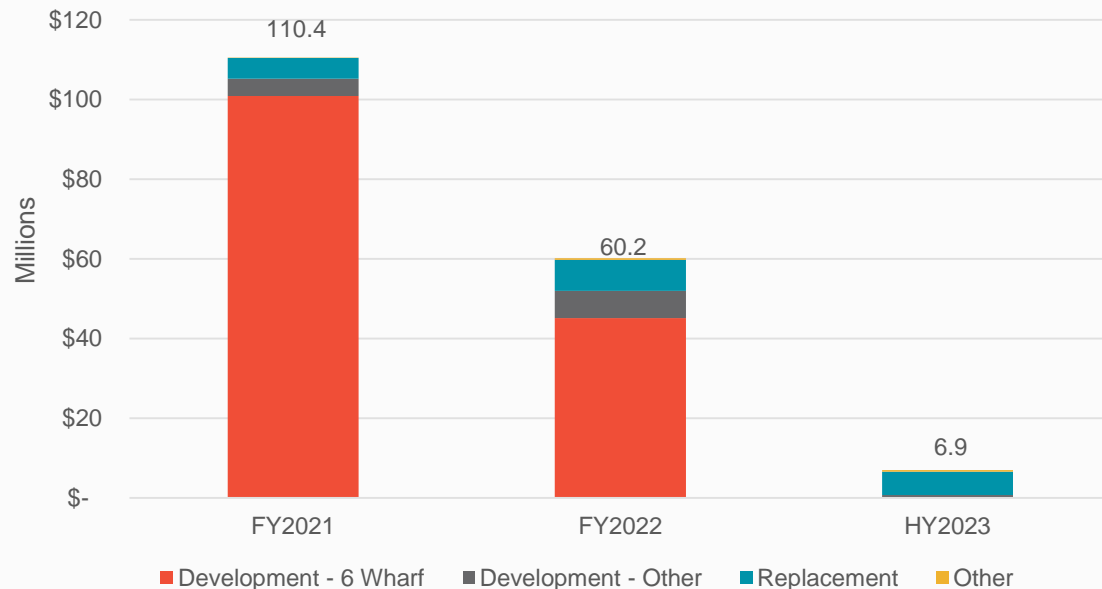


1- Refer to appendices for reconciliations of underlying metrics

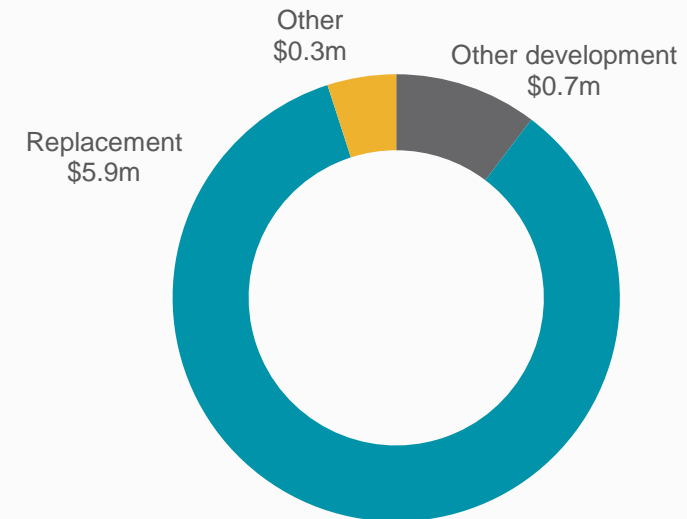
## CAPITAL EXPENDITURE – REDUCED SPEND POST TE WHITI WHARF

- Capital expenditure of \$6.9m<sup>1</sup>
  - \$3.9m mobile plant – four Eco container handling machines, log loader
  - \$1.6m post cyclone restorative dredging
- Deferral of non critical capex as impact of cyclone assessed
- No significant existing capital commitments

CAPITAL EXPENDITURE



HY2023 CAPITAL EXPENDITURE



1- Includes accounting accruals including capitalised overhead and finance costs. HY2023 cash spend \$5.5m

## CASH FLOW & LIQUIDITY

	<b>HY2023</b> <b>\$M</b>	<b>HY2022</b> <b>\$M</b>	<b>Var</b> <b>\$M</b>
Operating cash flows	21.4	13.0	+8.4
Investing cash flows	(5.8)	(43.7)	+37.9
Dividends	(9.4)	(9.4)	-
Other financing cash flows	(4.1)	(0.1)	-4.0
Increase in cash and cash equivalents	2.1	1.8	
Increase in total gross drawn loans and borrowings	-	(42.0)	

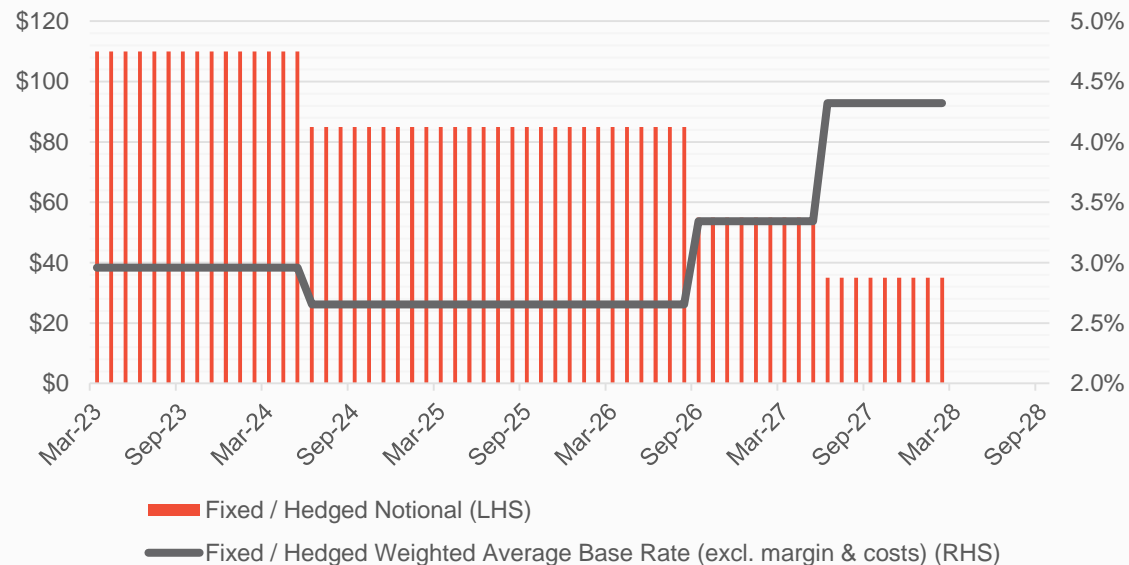
- Solid operating cash flow fully covering capital and financing outflows in half year
- FY2022 final dividend of \$9.4m (4.7 cps) paid December 2022



# CAPITAL MANAGEMENT

- Debt to EBITDA of 2.96x at 31 March
  - Down from 3.36x at 30 September 2022
  - Within long-term target range of 2.0x - 3.0x
- Weighted average term to debt maturity of 4.2 years
- 82% of gross drawn debt subject to fixed interest rates at 31 March 2023

**FIXED INTEREST RATE PROFILE (INCLUDING HEDGING)**



## CURRENT OUTLOOK

### FUNDAMENTALS REMAIN STRONG; NEW CHALLENGES IN SHORT TERM

Resilient port infrastructure and lifeline asset

Te Whiti wharf delivering results and enabling new services

Key stakeholders and cargo customers committed to reinstatement post cyclone

Damage to the region creates opportunities to rebuild and grow back better

Fundamentals of 'food and fibre' remain strong

Retain conservative approach to commitments and new expenditure in the short term

Expect subdued and lower second half of year financial result

Looking ahead: new season, new crops. Some limited carryover of cyclone effects into FY24 expected



## HY2023 INTERIM DIVIDEND

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Interim dividend of 1.7 cps declared

Fully imputed

Record date: 9 June 2023

Payment date: 22 June 2023

# 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 2023 (HY2023) compared to the corresponding half year period in 2022 (HY2022).

Reconciliations provided are extracted from and should be read in conjunction with the Supplemental Selected Financial Information document released with NPH's 2023 Half Year Report on the NZX announcements platform and the Napier Port website Investor Centre.

## REVENUE

<b>NZ\$000</b>	<b>HY2023</b>	<b>HY2022</b>
Container services	34,540	30,157
Bulk cargo	20,602	19,169
Cruise	5,108	12
Sundry revenue	692	149
<b>Revenue from port operations</b>	<b>60,942</b>	<b>49,487</b>
Revenue from property operations	1,313	1,225
<b>Total operating income</b>	<b>62,255</b>	<b>50,712</b>

## OPERATING EXPENSES

### Employee benefit expenses

<b>NZ\$000</b>	<b>HY2023</b>	<b>HY2022</b>
Wages & salaries	20,860	17,481
Other employee benefit expenses	1,325	1,387
<b>Total employee benefit expenses</b>	<b>22,185</b>	<b>18,868</b>

### Property and plant expenses

<b>NZ\$000</b>	<b>HY2023</b>	<b>HY2022</b>
Plant expenses	3,227	3,100
Site expenses	833	814
Fuel & power	3,516	2,586
<b>Total property and plant expenses</b>	<b>7,576</b>	<b>6,501</b>

## OPERATING EXPENSES

### Other operating expenses

<b>NZ\$000</b>	<b>HY2023</b>	<b>HY2022</b>
Administration expenses	3,686	2,680
Occupancy expenses	4,270	3,262
Contract labour	1,826	2,012
Other staff expenses	842	949
<b>Total other operating expenses</b>	<b>10,624</b>	<b>8,903</b>



## CAPITAL EXPENDITURE

NZ\$000	HY2023	HY2022
<b>Development capex</b>		
6 Wharf construction	-	27,728
Other development capex	714	2,868
<b>Total development capex</b>	<b>714</b>	<b>30,596</b>
Replacement capex	5,864	3,774
Compliance and other capex	344	271
<b>Total capex including capitalised finance costs</b>	<b>6,923</b>	<b>34,641</b>
Movement in fixed asset creditors	(1,375)	9,033
<b>Capex per cash flow</b>	<b>5,548</b>	<b>43,673</b>

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

NZ\$000	HY2023	HY2022
<b>Reported net profit after tax</b>	<b>8,690</b>	<b>8,984</b>
<b>Adjustments:</b>		
Fair value movements on investment properties	(1,225)	(1,800)
<b>Underlying net profit after tax</b>	<b>7,465</b>	<b>7,184</b>

1- Underlying net profit after tax is a non-NZ GAAP measure – refer to the Supplemental Selected Financial Information released with NPH's 2023 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 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

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### AN INFRASTRUCTURE ASSET ESSENTIAL TO THE HEALTH OF THE HAWKE'S BAY ECONOMY

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

### STRONG REGIONAL ECONOMIC GROWTH DRIVERS AND STRONG KEY CUSTOMER RELATIONSHIPS

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 Napier Port embedded as an essential supply chain partner

### DIVERSIFIED TRADE PORTFOLIO MITIGATES SECTOR AND COUNTRY-SPECIFIC RISKS

Napier 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

### WELL-POSITIONED GIVEN FUTURE CARGO VISIBILITY AND FULLY-CONSENTED DEVELOPMENT PLANS

Future cargo visibility enables robust planning for strategic growth projects. The development of Te Whiti Wharf has significantly increased Napier Port's capacity for future growth

### STRONG HISTORICAL FINANCIAL PERFORMANCE AND A RECORD OF EXECUTION ON GROWTH OPPORTUNITIES

Napier Port delivered annual average revenue growth of 5.7% over the last five years (2018 - 2022), while consistently delivering high EBITDA margin

### EXPERIENCED MANAGEMENT TEAM THAT IS WELL CONNECTED WITH CARGO OWNERS AND OTHER STAKEHOLDERS

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

## 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)

See our website Investor Centre for:

- 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
-