



Dear Investor(s)

2022 Annual Report

South Port New Zealand Limited's Annual Report for the year ended 30 June 2022 is now available on our website. You can view the Report at:

[http:// \[URL\]](#)

South Port achieved an after-tax profit of \$12.83 million (2021 - \$10.71 million), a 19.7% increase on last year's result, and is ahead of the guidance provided in our 2022 Interim Report. This result includes two one-off adjustments, which have impacted our profitability.

Firstly, we have recorded an after-tax \$0.98 million interest rate derivative gain, realised due to recent increases to the floating interest rate, and a \$0.68 million adjustment to our deferred tax calculation due to historical legislative changes related to depreciation on buildings. To provide some comparative numbers for shareholders, when removing all one-off items, the normalised after-tax profit for the 2022 financial year is \$11.16 million (2021 - \$10.45 million), representing a 6.8% increase on the previous year's result.

This result has been positively influenced by a 2.9% increase in cargoes being handled through the Port at 3,554,000 tonnes (2021 – 3,454,000 tonnes). This is a very pleasing result, considering both the disruption in the worldwide container supply chain and the fluctuating log market conditions encountered over the past 12 months.

Bulk cargo volumes were up by 6.1% at 3,123,000 tonnes (2021 – 2,942,000 tonnes), led by a 148,000-tonne increase in stock food volumes imported into the region. Log and timber volumes collectively were down 13.9% at 667,000 tonnes (2021 – 775,000 tonnes) and container volumes were down 18.5% at 44,000 TEU (2021 – 54,000 TEU).

Vessel activity at the Port was similarly down on the previous period recording 305 calls (2021 – 331 calls). The major impact to this activity was a 24% reduction in container vessel calls to the Port.

COVID-19

We have been fortunate at the Port that we have not experienced any large-scale absenteeism from work due to COVID-19. The systems that have been put in place to date have worked extremely well to protect our staff from contracting and spreading the disease at work.

To handle refrigerated meat for the China market, additional procedures have been established in the Cold store to maintain market access for this critical export destination. All cargo operators must take daily RAT/ temperature tests and wear masks while operating at the cold stores. Although requirements are easing in most of our business activities, this operation still has strict controls.

Marine Operations

The Rakiwai, our new \$10 million, 65-tonne bollard pull ATD Tug vessel, has been in operation for several months now. The tug is proving to be an excellent addition to our marine fleet, providing the extra capacity to handle the larger vessels and loads being carried through the Port.

It is pleasing to say that we now have four fully qualified, unrestricted pilots working at the Port, for the first time in six years. We also have a fifth pilot in training, who is also expected to reach this standard in the coming 12 months.

Entrance Channel

The Company is currently working through the consent process to deepen our channel, swinging basin, and berth pockets from 9.7m to 10.7m. A two-day consent hearing was held in April at Environment Southland. While the hearing went well, the process identified some areas where further information was required to ensure that all parties were satisfied and that the consent conditions met all the necessary requirements.

This information was submitted in July, and the Company is now waiting for a decision to be given by the hearing commissioners, which is expected by the fourth quarter of 2022.

Channel Dredging – 1980s Consent

In August this year, a backhoe dredge arrived at the Port to carry out dredging in the entrance channel to the Port.

In the early 1980s, a drill and blast campaign was carried out to deepen the channel to \$10.24 million. Unfortunately, due to the dredging equipment in use, there was not enough capacity to lift all the fractured rock; therefore, some of this material was left in the channel.

The dredging operation to be carried out in the coming months will endeavour to finish the work started in 1980. Once completed, this operation will also provide some excellent information to assist with the planning of the next drill and blast campaign, which is the subject of the current resource consent application.

Outlook

A prolonged period of worldwide disruption due to COVID-19 has impacted all areas of the globe, including Bluff. During this time, it has been especially pleasing to see the high levels of resilience that the port community has shown in the face of many operational challenges.

Bulk cargoes supporting NZAS and the agricultural sector have maintained consistency during this period and have shown growth.

The log export market, however, continues to fluctuate depending on the current demand profile from China, with the recent downturn expected to continue through to at least the 4th quarter of 2022. The container supply chain also remains congested, and there is no foreseeable correction to this sector in the coming 12 months.

Despite all the uncertainty in these two sectors, the Company is still excited about the future.

A consent to drill and blast the entrance channel to the Bluff Harbour is awaited upon and, when issued, will allow the Port to deepen from 9.7m to 10.7m. This slight modification of the channel will allow the Port to handle more cargo on fewer vessels, improving the efficiency of the operation, reducing the environmental footprint, and providing a safer transit for ships calling at South Port. The timing of this activity will depend on the consent being issued and the availability of contractors to carry out the work.

Enquiries are being received for the movement of wind farm equipment through the Port in the coming 12 months. Two recent announcements will provide confidence to the electricity sector for increasing generation capacity in the south. The first is that NZAS and Meridian Energy have entered into discussions about a potential future energy contract post the current December 2024 closure date. The second factor is the review and adoption of a new transmission pricing methodology, due to take effect from 1 April 2023. These two developments could lead to a change in the generation landscape in the south.

The Company continues to invest in our Port, upgrading and modernising our infrastructure and mobile plant, and is consistently looking at ways to improve the efficiency and safety of cargo moving through the Port.

There are also exciting opportunities developing in the Southland region. We are especially taking a keen interest in emerging new industries such as open ocean aquaculture and green hydrogen, both of which the Port could have a significant role to play in the future.

At the date of compiling this report, South Port estimates that earnings in the next financial year will likely be down by 12.9% on the FY2022 result. However, after removing the one-off \$0.98 million gain on the interest rate derivative and the \$0.68 million adjustment to our deferred tax calculation, the company's underlying profit will be consistent with FY2022 at approximately \$11.2 million.

Based on this consistent earnings profile and in the absence of unforeseen circumstances, the Directors will be endeavouring to maintain the current level of dividend payment.

Financial Performance

Dividends per share	27.00 cents	No change
Total Cargo	3,554,000 tonnes	▲ 2.9%
Operating Revenue	\$48.58 million	▲ 2.7%
NPAT	\$12.83 million	▲ 19.8%
Earnings per share	48.9 cents	▲ 19.7%

Annual NPAT to 30 June 2022

\$12.83
million

FY22 Dividend consistent at

27.00
cents per share

Final Dividend

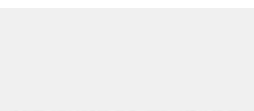
Accordingly, the Board elected to pay a consistent final dividend of 19.50 cents. This translates to a full-year dividend of 27.00 cents (2021 – 27.00 cents). Full imputation credits will be attached to all distributions. The dividend payment represents a gross return of 4.4% (net 3.2%), based on a share price of \$8.48 as at 30 June 2022.

Yours sincerely

Nigel Gear

Chief Executive

South Port New Zealand Limited



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