

Port of Tauranga improves financial performance as cargo volumes slow

Financial results for the year ended 30 June 2023

Port of Tauranga Limited (NZX:POT), New Zealand's largest port, today reported a sound full year result, despite cargo volumes decreasing in the second half of the year.

The company reported Group Net Profit After Tax of \$117.1 million, a 5.2% increase on the previous year. Total cargo volumes decreased 3.6% to 24.7 million tonnes, and container volumes decreased 5.1% to 1.18 million TEUs¹.

Highlights and challenges

For the year ended 30 June 2023 (compared with the previous financial year):

- Group Net Profit After Tax of \$117.1 million (a 5.2% increase from \$111.3 million)
- Parent earnings for the period were up 7.7%
- Subsidiary and associate company earnings for the period declined 10.7%
- Total trade 24.7 million tonnes (a 3.6% decrease from 25.6 million tonnes)
- Container volumes of 1.18 million TEUs (a 5.1% decrease from 1.24 million TEUs)
- Revenue \$420.9 million (a 12.2% increase from \$375.3 million)
- Imports 9.0 million tonnes (a 7.0% decrease from 9.7 million tonnes)
- Exports 15.7 million tonnes (a 1.5% decrease from 15.9 million tonnes)
- Transshipment 4.1 million tonnes (a 3.3% increase)
- Ship visits 1,432 (a 4.6% increase from 1,369)
- Final dividend 8.8 cents per share (compared with 8.2 cents per share in 2022)
- Total ordinary dividend 15.6 cents per share (compared with 14.7 cents per share in 2022).

¹ TEUs = twenty-foot equivalent units, a standard measure of shipping containers



Port of Tauranga Chair, Julia Hoare, said it was a year of two halves. Results in the first half of the financial year were assisted by an increase in container transshipment, as well as the return of cruise ships over the summer.

In the second half of the year, the impacts of extreme weather events were felt across the North Island. Port of Tauranga was fortunate to not sustain any damage, but transport networks were disrupted, and some cargo volumes impacted.

February's devastating Cyclone Gabrielle caused significant damage across the forestry sector resulting in the early harvesting of some cyclone-damaged trees. As a result, log volumes remained strong throughout the year. However, we have seen a significant decrease in imported container volumes since April, said Ms. Hoare.

In March 2023, New Zealand ports reinstated proforma berthing windows following extreme congestion since late 2020. Prior to March, more than two thirds of vessels arriving at Tauranga were off schedule.

"The improvement in vessel schedule integrity is helping productivity return to normal levels," said Ms. Hoare.

Despite the current cargo slowdown, she said Port of Tauranga continued to invest in critical infrastructure to deliver an effective supply chain for New Zealand.

Port of Tauranga expects new business opportunities from this month's opening of the Ruakura Inland Port in Hamilton, a joint venture with Tainui Group Holdings.

"The new facility is a game changer for the upper North Island supply chain and unlocks efficient and lower carbon pathways to international markets for Waikato-based importers and exporters," said Ms. Hoare.

The new inland port and Port of Tauranga's existing facility, MetroPort Auckland, are connected by rail to the Tauranga Container Terminal.

Port of Tauranga is seeking a resource consent to construct a new vessel berth at the container terminal of up to 385 metres. The new berth would convert existing cargo storage land, accommodating the continuing trend to bigger container vessels. All of the proposed development is within the current operational port footprint.

The company's resource consent application was heard in the Environment Court in March and a decision is pending.

"The resource consenting process is complex, time-consuming and costly for all parties involved. We are hopeful of an imminent resolution," said Ms. Hoare.

The extension is considered critical to the New Zealand economy. Without it, importers and exporters are expected to face capacity constraints within a few years.

"This project is an essential piece of national infrastructure. The catastrophic weather events of 2023 have demonstrated that New Zealand is in need of greater resilience and capacity in the national supply chain," said Ms. Hoare.

Port of Tauranga Chief Executive, Leonard Sampson, said the Port's diversity of cargoes and long-term freight agreements with key customers had once again helped the company to remain resilient in the challenging economic conditions.

"There's no doubt that we're seeing both a reduction in imported volumes and a slower global economy. However, key export commodity volumes remained strong over the past 12 months, with the slowdown in import container volumes providing some breathing space after an erratic couple of years," said Mr. Sampson.

Meanwhile, the Port has taken delivery of a new pilot launch, the *Troy Evans*, and has four new hybrid straddle carriers on order for delivery late in 2023. A new container crane will arrive in January 2024 to replace the oldest crane in the fleet, which has been decommissioned over the past few months.

Financial results

Group Net Profit After Tax was \$117.1 million, a 5.2% increase from \$111.3 million in the previous financial year. Parent Net Profit After Tax was \$103.8 million, compared with \$96.4 million the previous year.

Revenue was \$420.9 million, compared with \$375.3 million the previous year. EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) was \$219.1 million, compared with \$204.7 million.

Subsidiary and associate company earnings decreased by 10.7% to \$13.3 million, with other ports in the group experiencing decreased bulk exports and Coda Group impacted by the slowdown in imports.

Labour and fuel costs again grew in the current high inflation environment, and a renegotiation of contracts with KiwiRail led to a significant increase in rail costs. Operating expenses increased 15.6% to \$210.6 million.

Port of Tauranga's Board of Directors has declared a fully imputed final dividend of 8.8 cents per share, to bring the total dividend to 15.6 cents per share. This is a 6.1% increase on the 2022 financial year.

Cargo trends in 2023

Total trade decreased 3.6% to 24.7 million tonnes, compared with 25.6 million tonnes the previous year. Imports decreased by 7.0% to 9.0 million tonnes, while exports decreased 1.5% to 15.7 million tonnes.

Container volumes decreased 5.1% to 1.18 million TEUs.

Log export volumes increased 2.6% to 6.2 million tonnes, with an unexpected boost to volumes in the second half of the financial year due to the impact of cyclone-damaged trees being harvested early.

Dairy product exports (including transhipped cargo) increased 2.7%, while meat exports increased 3.0% in volume.

Kiwifruit volumes were impacted by weather and fruit quality issues, decreasing 20.3% compared with the previous year. However, the long-term outlook for the kiwifruit sector remains strong.

Oil product imports increased 1.7%.

Fertiliser imports increased 5.1%, while grain decreased 12.2% and protein and stock feed imports decreased by 9.0%.

MetroPort Auckland container volumes decreased 12.8% as imported container volumes slowed.

Ship visits increased by 4.6% to 1,432. Cruise ships returned to Bay of Plenty waters for the first time since the Covid pandemic brought international tourism to a halt in March 2020. A total of 88 cruise vessels called over the summer season.

Safety performance

Mr Sampson said Port of Tauranga seeks to provide consistent, reliable and efficient operational performance without compromising safety.

He said the Port had been heavily involved in port sector safety strategy over the past year, via the Port Industry Association and the Port Health and Safety Leadership Group.

“Our General Manager Health and Safety, Pat Kirk, is the current Chair of the Port Industry Association and is an industry representative on the Leadership Group. Port of Tauranga has played a key role in strategic industry safety initiatives such as the Fatigue Risk Management System, and the draft Approved Code of Practice for

cargo loading and unloading,” he said. Both initiatives have been developed in consultation with industry, unions and the regulatory agencies, Maritime NZ and WorkSafe.

Environmental performance

Port of Tauranga has an important role in supporting local, regional and national economies, as well as protecting and enhancing the communities and environment in which we operate.

Port of Tauranga continues to take its environmental responsibilities seriously, with a focus on air and water quality in and around the port.

Although dust generation from port activities complies with the National Environmental Standard for Air Quality, we continue to seek ways to decrease dust even further. In the past few years, we have installed additional wind fences, increased wharf sweeping and improved traffic management and cargo handling, including utilising water misting hoppers.

Port of Tauranga has recently supported and helped fund air quality monitoring in the industrial area to enable Bay of Plenty Regional Council to introduce supplementary air sensors into nearby residential areas.

Port of Tauranga also has an extensive water quality monitoring programme, with testing for suspended solids, heavy metal toxicants and other contaminants. All monitoring results are currently well within compliance limits.

Total greenhouse gas emissions (Scope 1, 2 and 3) for the year ended June 2023 decreased 7.3% to 40,021 tonnes. This was primarily due to an overall decrease in cargo tonnages and rail volumes to and from MetroPort Auckland.

Carbon emission intensity (emissions per cargo tonne) decreased by 3.8%.

“Our opportunity to significantly reduce emissions in future lies in automation,” said Mr Sampson.

He said Port of Tauranga intends to install fully-electric automated stacking cranes to increase capacity within the current footprint of the Tauranga Container Terminal. Proposals from potential vendors are currently being evaluated.

Outlook

Port of Tauranga looks forward to the return of productivity and capacity maximisation now that shipping schedule reliability is more consistent.

In the year ahead, the company expects the current global economic conditions and softening commodity prices to continue to affect cargo volumes, while inflationary pressures will continue to impact costs.

Geopolitical issues will also likely continue to impact the global supply chain. However, Port of Tauranga is well positioned to endure these challenges with the support of customers and partners and a strong and diverse range of cargoes.

Port of Tauranga Limited will provide guidance for the 2024 financial year at the Annual Shareholders Meeting on 27 October 2023.

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Port of Tauranga

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