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NZX Announcement / Media Release

SOUTH PORT NEW ZEALAND LIMITED (NZX SPN)

FULL YEAR 2022 RESULTS

Highlights Full Year ending 30 June 2022:

- Reported net profit after tax (NPAT) \$12.83 million + 19.7%
- Operating Revenue \$48.58 million + 2.7%
- Cargo 3.55 million tonnes +2.8%
- 2022 dividend 27.00 cents per share (consistent with FY21)

South Port lifts profit in volatile year

South Port New Zealand's diversified trade mix has secured an improved annual result for the operator of the Bluff Port in Southland, despite supply chain disruption to containerised trade and an ongoing fluctuation in the log trade.

Total operating revenue from Port services has increased by 2.7% to \$48.58 million (FY2021: \$47.29 million) during the 12 months to 30 June, 2022.

Net profit after tax of \$12.83 million is a 19.7% increase on the FY2021 result (\$10.71 million) and ahead of guidance provided at the half-year.

The result includes two one-off adjustments, a \$0.98 million after-tax gain on interest rate derivatives (due to increases in the floating interest rate), and a \$0.68 million adjustment to income tax / deferred tax (due to historical legislative changes to tax depreciation on buildings).

Without the non-recurring items, normalised NPAT is \$11.16 million (FY2021 \$10.45 million) which is up 6.7%. Earnings per share is 49 cents (FY2021 41cps).

Earnings before income tax is \$17.16 million (FY2021 14.68 million). Income tax is \$4.33 million (\$3.96 million).

South Port Chair, Rex Chapman said "it has been especially pleasing to see the high levels of resilience shown in the face of operational challenges."

Bulk cargoes supporting the NZAS aluminium smelter and the southern region's agricultural sector have shown growth.

Volatility in shipping movements was reflected in a 24% reduction in calls at Bluff by container vessels.

While overall vessel calls dropped back to 305 calls, compared with 331 in FY2021, South Port experienced an increase in bulk cargo trade.

“Greater volumes were handled on fewer vessel exchanges at Bluff, with the FY2022 results positively influenced by a 2.8% increase in overall cargo tonnage at 3,554,000 tonnes, compared with 3,454,000 tonnes in the previous year,” said Mr Chapman.

“The Board is pleased to confirm a consistent final dividend of 19.5 cents which brings the full-year dividend to 27 cents per share (FY2021 27 cps), which represents a gross return of 4.4% (net 3.2%) based on a share price of \$8.48 as at 30 June 2022. The dividend pay-out ratio is 55% of reported NPAT and equates to 73% of free cash flow.

Net cash flow from operating activities is \$13.69 million (FY2021 \$15.83 million).

The company maintains a strong balance sheet with net assets rising to \$55.27 million (FY2021 \$49.53 million).

OUTLOOK

South Port estimates that FY2023 earnings will be down by 12.9% on the FY2022 result. However, after removing the one-off items that occurred this year, 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.

PORT OPERATIONS

“Safety First is our most important core value and is still very much front of mind in everything we do at the Port,” said Chief Executive Nigel Gear.

“The Port industry has come under scrutiny in recent times due to two tragic fatalities, most notably in the stevedoring sector.

South Port does not operate a stevedoring company; however it does contract local stevedores for a container service calling at the Port. “As a result, we are reviewing our operation to determine whether any additional changes need to be made to this activity in light of these tragic events.”

Mr Gear said disruption in the container supply chain is continuing.

“The significant increase in demand for goods during the initial peak of the COVID-19 pandemic led to a shortage of container vessels, containers, and labour resources in the supply chain to handle these volumes. This resulted in containers being stranded worldwide, with no foreseeable resolution to this.

“COVID-19 continues to disrupt the China market where lockdowns are continuing in an effort to eradicate the disease creating major bottlenecks at container ports in this region.”

South Port has handled 44,000 TEU during the year, a reduction of 18.5% (FY2021 – 54,000 TEU).

Bulk cargo volumes were up by 6.1% at 3,123,000 tonnes (FY2021 – 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 (FY2021 – 775,000 tonnes).

“Log activity has similarly been impacted by a downturn in the construction sector and the COVID-19 lockdowns in the China market, the main destination for New Zealand radiata pine.”

“This has led to a decrease in demand for logs shipped from New Zealand, which is expected to last until the end of the 2022 calendar year.”

All other bulk cargoes were either in line with expectations or slightly up on the previous period.

The NZAS at Bluff represents approximately 32% of the Port's cargo volume and 20% of NPAT.

Mr Gear said South Port has enjoyed a close and valued working relationship with NZAS for 51 years.

We note that both NZAS and Meridian have announced that they are open to extending the life of the smelter beyond 2024 and they are currently engaged in negotiations for an electricity supply contract.

The consensus appears to be that there is room for the NZAS to continue operating longer term and for a hydrogen plant to be established in the region.

During the past 12 months, planned expenditure on Port infrastructure has decreased by 35% to \$2.8 million (FY2021 - \$4.3 million). The Island Harbour access bridge upgrade project will now be finished early into FY2023, well in advance of initial expectations.

The construction of the Town Wharf fuel berth accessway, pipeline corridor, and discharge platform has been completed, providing security for the fuel import sector and the other berth users for a minimum of the next 50 years.

In the past 24 months, significant work has been carried out in the container terminal to service this industry, including a new reefer tower, expansion of the storage footprint, and the construction of a new container wash area. This work has continued with the demolition of Shed 6.

“The Port has struggled with sufficient capacity to store containers and, to provide clear areas to safely repair containers in the depot operation. This expansion will provide breathing space for the coming 12 months.”

Cold store facilities provide refrigerated storage for meat and fish processing companies in Bluff and the surrounding region. This operation underwent a significant upgrade during the past 12 months.

The company is currently working through the consent process to deepen the port channel, swinging basin, and berth pockets from 9.7 metres to 10.7 metres and is now waiting for a decision, which is expected to be received later this year.

FOR FURTHER INFORMATION PLEASE CONTACT:

Mr Nigel Gear
Chief Executive
South Port New Zealand Ltd
Tel: (03) 212 8159

Mr Warren Head
Managing Director
Head Consultants Ltd
Tel: 021 340 650

Charlotte Scoles
Communications Advisor
South Port New Zealand Ltd
Tel: 021 775 298