



25 August 2017

A Year of Records for Port of Tauranga

FINANCIAL RESULTS FOR THE YEAR TO 30 JUNE 2017

Port of Tauranga is confirmed as New Zealand's largest, fastest growing and most productive port as container volumes increase 13.8% to a record of nearly 1.1 million TEU¹; ships with a capacity of between 7,500 and 11,500 TEUs calling weekly following channel deepening

Highlights:

- Annual container volumes exceed one million TEUs - a first for a New Zealand port
- Total trade increases 10.3% to a record 22.2 million tonnes
- Net Profit After Tax for the year to 30 June 2017 rises 7.9% to \$83.4 million
- Annual revenue rises 4.2% to \$255.9 million
- Port of Tauranga becomes the only New Zealand port to be "big ship capable"
- Exports increased 8.0% to 14.2 million tonnes, while imports grew 13.7% to 8.0 million tonnes
- A final ordinary dividend of 6.2 cents per share brings the total ordinary dividend to 11.2 cents per share - a 5.7% increase on the previous year. In addition, a special dividend of 5 cents per share will be paid, bringing the total dividends for the year to 16.2 cents per share.

New Zealand's busiest port, Port of Tauranga Limited (NZX.POT), today announced record annual earnings as freight volumes increased across all major cargoes.

Net Profit After Tax for the year to 30 June 2017 rose 7.9% to \$83.4 million, from \$77.3 million the previous year. The result was lifted by a 13.8% increase in container volumes to a record 1,085,987 TEU, as well as growth in log, dairy products and oil imports. Subsidiary and Associate companies performed well with NPAT up 4.8% to \$14.645 million.

Annual revenue rose 4.2% to \$255.9 million, up from \$245.5 million, while EBITDA increased 6.4%, from \$143.2 million last year to \$152.4 million this year.

Port land was revalued during the year increasing by \$63 million reflecting the increase in land values over the last two years.

Port of Tauranga Chair, David Pilkington, said the results were a satisfying culmination to the Company's \$350 million expansion programme, which included a major harbour dredging project to widen and deepen shipping channels to accommodate larger ships.

"It's been a monumental year," Mr Pilkington said. "The successful completion of our dredging project in September was a turning point, as bigger vessels were able to call in New Zealand for the first time."

"As soon as the dredging was finished, larger vessels were introduced on Tauranga-only port calls," he said.

Vessels with nominal capacities of between 7,500 and 11,500 TEU now regularly call on a weekly basis, compared to a pre-dredging maximum of 4,500 TEU ships.

¹ Twenty foot equivalent units



“These large vessels are providing New Zealand importers and exporters with very fast, direct and economic services to North Asia and beyond. As Port of Tauranga is the only Australasian port of call on these services, it is an efficient trans-shipping option for Australian exporters,” Mr Pilkington said.

As well as larger container vessels, the Port is also seeing larger bulk cargo and passenger ships. The giant cruise ship *Ovation of the Seas* – at 347 metres long and 50 metres high – made its first visit on Boxing Day 2016 and made two further calls, bringing nearly 4,900 tourists each time to the Bay of Plenty.

Capital Restructure and Dividends

Port of Tauranga’s five-for-one share split in October has achieved its objective of enhancing liquidity, with daily share trades increasing 45% and total shareholder numbers increasing 14%.

The Company today announced a further special dividend of 5 cents per share as part of its ongoing four year plan to return up to \$140 million to shareholders. This follows a special dividend of \$34 million, or 25 cents per share (pre share split), paid on 7 October 2016.

Directors have also declared a final ordinary dividend of 6.2 cents per share, taking total ordinary dividends to 11.2 cents per share, a 5.7% increase on the previous year. Total ordinary and special dividends will be 16.2 cents per share. The record date for entitlements is 22 September 2017 and the payment date is 6 October 2017.

Dividends, coupled with the Company’s strong share price appreciation, have lifted total returns to shareholders to 18.7% over the year. They extend a record of the Company delivering a compound annual average return to shareholders of 18.3% over the last decade.

Industry Structure

Port of Tauranga believes the move to larger vessels will be accelerated by the ongoing restructuring in the shipping line sector.

“A hierarchy of fewer hub ports, supported by second-tier feeder ports connected by coastal shipping, is unquestionably the way of the future for New Zealand,” said Mr Pilkington.

“The sums of capital required to accommodate bigger ships, the aggregation of sufficient cargo, as well as the transport infrastructure to move it, is clearly not affordable across all of New Zealand’s current container ports,” he said.

Cargo trends

New services from Maersk, Hamburg Sud and Seatrade, and the larger vessels being utilised by the shipping lines, have had a significant impact on cargo volumes in the year to 30 June 2017. Exports grew 8.0% to 14.2 million tonnes and imports increased 13.7% to 8.0 million tonnes, with strong growth in all the largest cargo categories.

Export log volumes increased 20.1% to 5.5 million tonnes and dairy exports increased 4.9% overall.

The trend to larger ships calling only in Tauranga is reflected in the amount of containers which were trans-shipped (transferred from one ship to another), an increase of 31.0% to 245,896 TEUs.

Port of Tauranga Chief Executive, Mark Cairns, said this was evidence of the inevitable paradigm shift towards a hub and feeder port network in New Zealand.



Operational Developments

Mr Cairns said the Port's relationships with major shippers such as Oji Fibre Solutions, Kotahi, Zespri International and Tauranga Kiwifruit Logistics had given the Company the confidence necessary to commit to ongoing investment in capacity.

In the past year, Port of Tauranga has commissioned two new Liebherr ship-to-shore gantry cranes and retired Crane #1 after 37 years of reliable service. The Tauranga Container Terminal now has an eight crane fleet and three berth operation, giving it unrivalled berth window flexibility and crane intensity options.

The container terminal has been reconfigured to expand the available container storage and handling space. In April, Oji Fibre Solutions moved into our new, purpose-built 22,000 m² warehouse. Removing Oji's old shed created space for a further 820 container ground slots right next to the berths.

The terminal now has capacity of more than 6,500 ground slots, with refrigerated container connections now at more than 2,300.

Mr Cairns said the Port maintained its industry-leading record for productivity. The "net crane rate"² for the year increased to 36.2 moves per hour, and the ship rate increased to 89.1 moves per hour - well ahead of New Zealand peers. The average ship rate is also 59% ahead of the average of five of Australia's largest container terminals.³

Over the past two years, the number of trains running between Tauranga and the inland port MetroPort Auckland has increased from 54 to 78 per week, with the number of containers transferred by rail increasing 64%. We are currently working with KiwiRail to further increase the frequency of trains to cater for expected growth.

In the South Island, the Timaru Container Terminal handled another new record of 84,946 TEUs - more than four times the volumes in the 2014 financial year, when Port of Tauranga took over operations.

Outlook

Port of Tauranga expects that cargo and earnings growth will continue.

Mr Cairns said there is still ample capacity to handle increasing volume, with considerable scope to expand within the Port's current footprint. There are approximately 40 hectares of undeveloped, port-zoned land available for future expansion.

Port of Tauranga remains in a strong financial position, with net debt as at 30 June 2017 standing at \$374.8 million, compared with \$308.4 million at the same time a year ago. Gearing, as measured by net debt to net debt and equity, was 28.7% at year end.

"Our focus now is to continue to optimise productivity, remove waste from the supply chain and work with our partners to plan ahead," Mr Cairns said.

Guidance on full year earnings will be provided at the Annual Shareholder Meeting on 19 October 2017.

² Ministry of Transport Quarterly Container Handling Statistics.

<http://www.transport.govt.nz/ourwork/tmif/freighttransportindustry/ft022/>

³ Australian Department of Infrastructure and Regional Development. https://bitre.gov.au/publications/2017/water_059.aspx



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About Port of Tauranga:

Port of Tauranga, headquartered in the Bay of Plenty, is New Zealand's largest port and international freight gateway. It operates wharves in Tauranga, Mount Maunganui and Timaru, as well as **MetroPort Auckland**, a rail-linked inland port in South Auckland and **MetroPort Christchurch**, an intermodal freight hub in Rolleston. The Port of Tauranga Group includes: **Quality Marshalling** (100% ownership), a cargo services company; **Coda** (50% ownership), a freight logistics group; **Northport** (50% ownership), the deep water commercial port in Whangarei; **PrimePort Timaru** (50% ownership), the commercial port in Timaru; **Timaru Container Terminal** (50.1% ownership), which leases and operates the terminal at Timaru; and **PortConnect** (50% ownership), an online cargo management system. For more information, please visit www.port-tauranga.co.nz.

Appendix: Non-GAAP profit reporting measures

Port of Tauranga's standard measure of profit prepared under New Zealand GAAP is net profit. The Company has used the non-GAAP profit measure of EBITDA when discussing financial performance in this document.

The Directors and management believe this measure provides useful information as they are used internally to evaluate the performance of the group. Non-GAAP profit measures are not prepared in accordance with NZ IFRS (New Zealand International Financial Reporting Standards) and are not uniformly defined, therefore the non-GAAP profit measures reported in this document may not be comparable with those that other companies report and should not be viewed in isolation or considered as a substitute for measures reported by Port of Tauranga in accordance with NZ IFRS.

