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Cargo Growth Produces Record Year for Port of Tauranga

FINANCIAL RESULTS FOR THE YEAR TO 30 JUNE 2018

Port of Tauranga's hub port strategy is gaining momentum, with growing cargo volumes and increased transshipment driving record results in the year to 30 June 2018.

New Zealand's largest, fastest growing and most productive port saw container volumes increase 8.9% to nearly 1.2 million TEUs¹, while overall cargo volumes increased 10.2% to almost 24.5 million tonnes.

Highlights:

- Group Net Profit After Tax increases 13.0% to \$94.3 million
- Annual container throughput increases 8.9% to almost 1.2 million TEUs
- Transshipment increases 23.3%, making up a quarter of all container traffic
- Log volumes increase 14.3% to 6.3 million tonnes
- Exports increase 8.2% to 15.4 million tonnes, while imports grow 13.7% to 9 million tonnes
- Subsidiary and Associate earnings increase 11.9% to \$16.4 million
- Annual revenue increases 10.9% to \$283.7 million
- Asset valuation increases by \$226.0 million
- Final dividend of 7.0 cents per share brings the total ordinary dividend to 12.7 cents per share, an increase of 13.4% on the previous year. In addition, a special dividend of 5.0 cents per share will be paid.

New Zealand's busiest port, Port of Tauranga Limited (NZX:POT) today announced record annual earnings as freight volumes continue to increase and shippers utilise its hub port status.

Group Net Profit After Tax for the year to 30 June 2018 increased 13.0% to \$94.3 million.

Good performance from our subsidiary and associate companies saw earnings lift 11.9% to \$16.4 million.

The results were lifted by increased volumes across all major cargo categories, including export logs (up 14.3% in volume) and dairy products (up 4.0%).

Transshipment, where containers are transferred from one service to another at Tauranga, has grown 23.3% in the past year, demonstrating the entrenchment of the "hub and feeder port" model in New Zealand.

"This growth is a direct result of Port of Tauranga's six year investment in building capacity to accommodate larger vessels," says Port of Tauranga's Chair, David Pilkington.

¹ Twenty Foot Equivalent Units, a standard measure of shipping containers



“We completed our capacity expansion programme in 2016 and the effects were almost immediate. We are seeing larger container vessels, as well as larger bulk cargo and passenger ships,” he said.

With the fast container service connections between Tauranga and North Asia, North America and South America, shippers in Australia and New Zealand have increasingly been using Tauranga as a hub port. Containers transhipped from other New Zealand ports grew 54.7% compared with the previous year. The Port now handles 40% of all containers in New Zealand.

New Zealand’s importers and exporters are within easy reach of Port of Tauranga’s national network of ports, inland freight hubs and logistics services. The Group has interests in Northport in Whangarei and PrimePort Timaru, as well as operating inland ports at Auckland and Rolleston near Christchurch.

Dividends

The Company today announced a further special dividend of 5.0 cents per share as part of its ongoing plan to return up to \$140 million to shareholders. This is the third year of a four-year capital restructure plan.

Directors have also declared a final ordinary dividend of 7.0 cents per share, taking total ordinary dividends to 12.7 cents per share, a 13.4% increase on the previous year. The record date for entitlements is 21 September 2018 and the payment date is 5 October 2018.

Shareholders have received an annual equivalent return of 22.4% since the Company listed in May 1992.

Cargo trends

Imports increased 13.7% to 9.0 million tonnes and exports increased 8.2% to 15.4 million tonnes for the year ended 30 June 2018. Total ship visits increased 5.8%.

Log exports increased 14.3% to 6.3 million tonnes. Sawm timber exports also increased 10.3% in volume. Forestry products are still fetching record prices internationally.

Dairy product exports increased 4.0% to 2.3 million tonnes. Imports of dairy industry food supplements increased 18.2%, and fertiliser imports increased 16.4%, reflecting a strong sector.

Other primary product sectors also fared well, with frozen meat exports increasing 11.3%, and apples increasing 20.9%.

Cement imports increased 18.9% while steel exports increased 25%.

Oil product imports increased 9.3% and other bulk liquids increased 39.9%.

The number of cars and other vehicles imported at Port of Tauranga doubled compared with the previous year.

Whilst kiwifruit volumes were down 5.8% due to a seasonal drop in green kiwifruit, an increasing proportion of kiwifruit are being shipped via refrigerated container. The number of TEUs increased 27.6% compared with the previous year.

Operational developments

Port of Tauranga Chief Executive, Mark Cairns, said a ninth container crane had been ordered for delivery in 2020.



Port of Tauranga's container terminal now has 2,634 refrigerated container (reefer) connection points, which are supplemented in the peak season with 12 generators each supplying power to 35 containers.

"We believe we have the largest reefer capacity in Australasia demonstrating the significance of the volumes we are handling," said Mr Cairns.

The Port also opened a new purpose-built coolstore at Mount Maunganui to handle kiwifruit and other chilled cargoes.

The Port maintained its industry-leading record for productivity, with a net crane rate for the year to 30 June 2018 of 35.5 moves per hour (compared with the reported national average of 33.5 moves per hour and Australian rate of 28.9 moves per hour).

Our people and their safety

Mr Cairns said the injury frequency rate among the Company's staff reduced by 2% to 5.6 per million hours worked, whilst the Company's contractor injury frequency rate reduced nearly 70% to 9.3 per million hours worked.

The Company has launched a wellbeing programme for all Port of Tauranga employees.

Care for the environment

Port of Tauranga has appointed an Environmental Manager and is making use of technology to reduce carbon emissions and improve energy efficiency, including introducing electric vehicles where possible.

Stormwater management is a current priority, and infrastructure improvements continue as a long-running resource consent application for the Mount Maunganui wharves is dealt with via an independent commissioner.

The Company has also undertaken a comprehensive, independent carbon emissions audit to set targets for future reductions in emissions.

We continue to support forestry industry efforts to reduce the amount of methyl bromide used at the port ahead of the 2020 deadline for 100% recapture of the fumigant. We are encouraging exporters to de-bark logs prior to arrival at the wharves to reduce the need for fumigation.

Sector and industrial relations issues

Port of Tauranga is proud of its industrial relations track record and works hard to maintain productive employment relationships with our staff and unions. It is salient that more than 90% of our staff are shareholders in the Company.

The Company has made a submission opposing certain aspects of the Employment Relations Amendment Bill.

"Specifically, we believe the repeal of the ability for employers to opt out of Multi Employer Collective Agreement (MECA) negotiations breaches international conventions," said Mr Cairns.

"We believe this aspect of the Bill will see a lowest common denominator outcome and will most certainly decrease productivity in the Port sector."

Port of Tauranga continues to be concerned about the impact on New Zealand's land transport network of further sub-economic investments being made or contemplated by other New Zealand Ports. This is not just an issue for the sector, but the economy as a whole.



“We support the Auditor-General’s advice to port companies to use fair value valuations to ensure major capital investments are properly justified. Port of Tauranga seeks a minimum return of 8.5% after tax on major capital investments;” said Mr Cairns.

Outlook

Port of Tauranga has commenced planning for the next stage of capacity expansion.

The Company has approximately 40 hectares of undeveloped, port-zoned land available for future expansion. There are options to extend the quay length on both sides of the harbour, using Port-owned land south of the existing berths.

Port of Tauranga operates in a complex environment with many factors outside its immediate control.

“We have implemented the policies, processes and practices we need to deliver superior customer service, economic benefit to our communities and strong returns to our shareholders,” said Mr Cairns.

“We expect cargo growth to continue in the next year across most categories, and particularly containerised cargo,” he said.

Guidance on full year earnings will be provided at the Annual Shareholder Meeting on 17 October 2018.

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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.

