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Container Volumes Continue to Grow at New Zealand's International Hub Port

Profits hold steady and cargo growth still expected long-term

Port of Tauranga today announced stable profitability for the first six months of the 2020 financial year, despite total cargo volumes dipping 4.2% to just under 13.3 million tonnes.

Group Net Profit After Tax was \$48.3 million, which was 1.4% lower than the same period the previous year. Adjusting for the impact of adopting new accounting standard NZ IFRS 16 for leases, which reduced profit after tax for the period by \$0.587 million, comparative earnings were 99.8% of the prior corresponding period.

Container numbers increased 3.4% to 642,209 TEUs¹ for the six months to December 2019. Transshipment, where cargo is transferred from one ship to another at Tauranga, increased 3.7%. This trend continues to consolidate Port of Tauranga's position as New Zealand's international hub port.

Highlights and Challenges

For the six months to 31 December 2019:

- Group Net Profit After Tax of \$48.3 million, a 1.4% decrease
- Total trade decreased 4.2% to 13.3 million tonnes
- Container volumes up 3.4% to 642,209 TEUs
- Transshipment increased 3.7%
- Subsidiary and Associate Company earnings increased 17.2%
- Log exports down 8.4% to 3.4 million tonnes
- Dairy exports up 6.3% to 1.2 million tonnes
- Imports decreased 6.7% to nearly 4.7 million tonnes
- Exports decreased 2.6% to 8.6 million tonnes
- Interim dividend of 6 cents, the same as the previous period's dividend.

Port of Tauranga Limited Chair, David Pilkington, said the mid-year results represented another solid financial performance from the Company as cargo volumes fluctuated.

"Total trade was down 4.2%, but we managed to increase revenue 1.2% to \$154.8 million for the six months," said Mr Pilkington.

"The longer-term outlook remains for cargo growth, particularly in containerised cargo, so our next stage of capacity expansion is already under way," said Mr Pilkington.

Port of Tauranga has just taken delivery of its ninth container crane and will extend its container terminal wharves by up to 220 metres by converting cargo storage land to the south of the existing berths.

Future stages of expansion will be driven by cargo volume growth and will primarily involve rail-mounted electric stacking cranes and additional ship-to-shore cranes.

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



Port of Tauranga and Tainui Group Holdings plan to form a 50:50 joint venture to develop the Ruakura Inland Port at Hamilton over the next few years. The joint venture will take a 50 year ground lease and aims to open the inland port to coincide with the completion of the nearby Hamilton section of the Waikato Expressway, currently scheduled for the end of 2021.

The 30 hectare Ruakura Inland Port is complemented by a 192 hectare logistics and industrial precinct. The joint venture follows the signing last year of a rail services agreement enabling Port of Tauranga cargo trains to call at the freight hub.

Port of Tauranga's senior executives continue to work with the Ministry of Transport and other upper North Island ports on a report to Cabinet due in May. The report will examine the recommendation by the Upper North Island Supply Chain Working Group that Ports of Auckland's cargoes be shifted to Northport in Whangarei.

Port of Tauranga has the space and transport networks available to accommodate Auckland's vehicle imports and other bulk cargoes. The Port's container terminal also has future capacity of up to 2.8 to 3.0 million TEUs with investment in stacking cranes and other technology.

Cargo trends

Despite the increase in containerised trade, global commodity cycles have seen exported cargo decrease 2.6% to 8.6 million tonnes². The volume of imported goods handled by Port of Tauranga decreased 6.7% to nearly 4.7 million tonnes over the six month period.

Log exports were down 8.4% on the previous corresponding period, to 3.4 million tonnes, following a period of lower international prices and demand. However, our relative market share has continued to strengthen when compared with other New Zealand ports. Sawn timber exports decreased 3.3% in volume, pulp and paper exports increased 8.4% in volume.

Dairy product exports increased 6.3% to 1.2 million tonnes for the six month period. Frozen meat exports increased 10.8% in volume.

Imported fertilisers and dairy stock feed supplements decreased by 11.6% and 18.4% respectively. Grain imports increased 15.2% in volume. Imported oil products decreased 8.1%.

Ship visits decreased by 7.4%, from 842 to 780 for the period.

Subsidiary and Associate Company performance

Earnings from Subsidiary and Associate Companies increased 17.2%, driven by strong performances from Northport (up 9.7%) and PrimePort Timaru (up 29.2%). Quality Marshalling also performed solidly and Coda Group returned to profitability in the second quarter.

Operational developments

In addition to the expansion of the container terminal, Port of Tauranga has acquired cargo storage space at the Mount Maunganui wharves. The Port has acquired a cold store, previously occupied by Fonterra. The 2.4 hectare warehouse will be converted into dry cargo storage suitable for vehicle imports and other bulk cargoes.

As well as the new container crane, Port of Tauranga has taken delivery of the first of seven new straddle carriers, three of which are hybrid models that are expected to be 30% to 40% more fuel efficient than the current diesel-electric models.

² Total exports for the six months ended 31 December 2018 were adjusted to 8.8 million tonnes following a change to the measurement of kiwifruit exports due to increased containerisation



As the Port continues its efforts to become more fuel efficient and reduce carbon emissions, it has added another three electric or hybrid vehicles to its light vehicle fleet. The Port sources biodiesel for its other operational equipment.

Shipping air pollution will be reduced by new low sulphur fuel limits introduced internationally on 1 January 2020. Ships must use compliant exhaust gas cleaning systems or use low sulphur fuel, which is now available at Port of Tauranga.

Appointment of new Commercial Manager

Port of Tauranga today announced the appointment of a new Commercial Manager. Blair Hamill, who is currently Zespri International's Chief Global Supply Officer, will join the Company in July after 20 years with the world's largest marketer of kiwifruit.

Outlook

The full impact on trade from the coronavirus outbreak is yet to be determined. We are in constant communication with our customers and the flow-on effect is likely to vary considerably by cargo.

Log exports have been hit hardest, as volumes were already impacted by lower international prices and demand since the middle of 2019. Log inventories in China have surged due to the extended Chinese New Year shutdown. There have been shipping cancellations and delays as a result and we expect this to continue into March.

Port of Tauranga continues to be well positioned to weather market fluctuations, as its customers are primarily large forest owners, who are less susceptible to commodity pricing volatility than smaller, at-wharf-gate log exporters.

The trade outlook for the second half of the 2020 financial year remains uncertain and dependent on the duration of the market shutdown in China and any slowdown in the other countries taking extreme measures to manage the coronavirus risk.

Given the market uncertainty, we are reducing our full year profit guidance from \$96 - \$101 million to \$94 - \$99 million.

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<http://www.port-tauranga.co.nz/category/current-news/>

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

Leading through Innovation and Commitment



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