



Dear Investor(s)

2020 Annual Report

South Port New Zealand Limited’s Annual Report for the year ended 30 June 2020 is now available on our website. You can view the Report at:

[http:// \[URL\]](#)

South Port achieved an after-tax profit of \$9.43 million (2019 - \$9.79 million), a 3.6% decline on last year’s result in line with guidance provided in our 2019 Annual Report. This is a very pleasing result considering total cargo was 3,269,000 tonnes (2019 – 3,520,000 tonnes) representing a 7.2% decrease in cargo volumes on the previous period. Volumes were impacted by a softening of the international commodity markets and the COVID-19 pandemic, with the Company like the rest of the economy, affected most noticeably during the Alert Level 4 lockdown period in April 2020.

Forestry was the main contributor to the decline in cargo with both logs and woodchips down on past season. Log volumes in particular were affected by an oversupply of Spruce logs into the China market as a result of a bark beetle infestation in Europe which accelerated the harvesting of that species. This was compounded during the lockdown when forestry cargoes were not considered an essential industry, therefore all log and woodchip exports (including containerised timber products) ceased during this period. However, record volumes of bulk stock food products were imported due to a late season surge of shipments through the Port.

While bulk cargoes are the backbone of the Company’s trade, the standouts this past financial year were the cold storage facility and the container activities effectively making up for any shortfalls in bulk volumes.

Last year we reported that the Company had gone through extensive consultation with staff to select a core set of values. These values are now becoming part of our normal daily language, processes and routines. They have also been an excellent resource to reflect on during the COVID-19 pandemic and have served us well when making decisions during this period.

Safety First is our most important core value at the Port. Safety continues to be our highest priority, both as one of our core values and also incorporated into our strategic planning. This past year the performance of the team has been up to a high standard which is a tribute to the hard work and buy-in of all staff.

Strategic Initiatives

Consistent with our purpose to facilitate the best logistic solutions for the region, the Board has the following initiatives to consider:

Entrance Channel

The Company is reviewing the characteristics of our entrance channel and whether there are options to remove the high spots, predominantly located on the eastern side of the channel. The benefits of achieving this would be that an increased operating draft would improve the safety margins for ship movements and provide greater capacity for vessels to take additional cargo. This is an exciting prospect however consideration of the project is still in the early stages and stakeholders will be consulted as we move through the process towards making a final decision.

New Tug

South Port is undertaking an investigation into the purchase of a new tug. Currently the Port has two tugs, MV Hauroko and MV Te Matua with a combined bollard pull of 75 tonnes. With an increase in size of vessels calling at Bluff, the Company would like to increase the bollard pull capacity to provide an additional safety margin for the marine team. The investigation includes reviewing both the size and type of tugs currently on the market compared with the commissioning of a new build, with a view to making a decision about an acquisition.

Outlook

The significant announcement by New Zealand’s Aluminium Smelter (NZAS) of a potential closure in August 2021 is a concern for both the Port and the Southland economy. As reported in our recent NZX release, NZAS represents one-third of the Port’s cargo base and approximately 18-20% of our NPAT. The full impact of this will not be felt for a number of years should a decision be made to close, however the Port will continue to closely monitor the progress of negotiations in the coming months.

There is still considerable uncertainty moving forward as to how international markets are going to hold up during this turbulent time. Our customers have indicated they have good visibility of sales out to the end of the third quarter (October 2020) however, beyond this timeframe there is some doubt.

Despite all this uncertainty the Company is optimistic about the future. The possibility of the tug purchase and entrance channel deepening provides a pathway of growth for the Company. The Southland region is working hard to establish both new industry in aquaculture and preserve the life of the Smelter for another four to five years as well as evaluating other opportunities.

Based on all known factors at the date of compiling this Report, South Port estimates that earnings in the next financial year are likely to reduce by approximately 2%. With this lower earnings profile and in the absence of any unforeseen circumstances, the Directors will still be endeavouring to maintain the current level of dividend payment.

Financial Performance

Dividends per share	26 cents	No change
Total Cargo	3,269,000 tonnes	▼ 7.2%
Operating Revenue	\$44.62 million	▲ 1.3%
NPAT	\$9.43 million	▼ 3.6%
Earnings per share	35.9 cents	▼ 3.7%

Annual NPAT to 30 June 2020

\$9.43M

FY20 Dividend consistent at

26 cents  
per share

Final Dividend

The final dividend declared of 18.5 cents per share takes the full year dividend for FY20 to 26.0 cents per share which leaves the dividend at the same level that was paid for FY19. The final dividend will be paid on 10 November 2020.

Yours sincerely

Nigel Gear  
Chief Executive  
South Port New Zealand Limited



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