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Port of Tauranga Improves Performance as Covid Disruption Continues

Port of Tauranga Limited (NZX:POT) today reported an increase in profits for the first six months of the 2022 financial year as it deals with ongoing cargo volume volatility.

Group Net Profit After Tax for the six months to December 2021 was \$56.3 million, a 15.6%¹ increase on the same period the previous year, as cargo volumes remained steady at 13.0 million tonnes. Container numbers increased 1.5% in volume to 622,271 TEUs².

Highlights and Challenges

For the six months to 31 December 2021:

- Group Net Profit After Tax increased 15.6% to \$56.3 million
- Total trade remained steady, decreasing by just under 0.3%
- Imports increased 2.7% to 5.0 million tonnes
- Exports decreased 2.0% to 8.0 million tonnes
- Container volumes increased 1.5% to 622,271 TEUs
- Transhipped containers decreased 21.4% to 143,339 TEUs
- Subsidiary and Associate Company earnings decreased 11.2%
- Log exports decreased 6.1% to nearly 3.1 million tonnes
- Direct dairy exports increased 2.3%
- Direct kiwifruit exports increased 16.0%
- Interim dividend of 6.5 cents per share, an 8.3% increase on the same period last year.

Port of Tauranga Chair, David Pilkington, said the mid-year financial results reflected the resilience offered by the Port's diverse portfolio of cargoes and varied income streams, as well as changes to container mix.

"We are still experiencing disruption across the supply chain and this will be exacerbated by the Omicron outbreak," said Mr. Pilkington.

"With the support of our service providers and business partners, we have managed to keep congestion to a minimum and keep cargo moving through this challenging period."

"Unreliable shipping schedules, constrained capacity in the system and labour shortages continue to be commonplace."

¹ Port of Tauranga's profit for the six months to December 2020 has been restated

² TEUs = twenty foot equivalent units, a standard measure of shipping containers





Mr. Pilkington said the current supply chain challenges made it even more important to build future resilience for New Zealand. Port of Tauranga has applied for resource consent to increase capacity by extending its container berths to the south of the existing wharves.

Detailed planning and consultation for the project began in 2019. It was disappointing that the project was declined for the Government's shovel-ready and fast-track resource consent programmes in 2020 and 2021 respectively, despite no funding being sought from Government. Subsequently, we have sought direct referral to the Environment Court. The case is now waiting for a court date.

Mr. Pilkington said the glacial pace of the regulatory process was extremely frustrating.

"The Resource Management Act processes fail to recognise the critical nature of this infrastructure project and the Government's unwillingness to expedite the resource consent is very disappointing," he said.

Port of Tauranga Chief Executive, Leonard Sampson, said the Company continued to grapple with the global supply chain disruption caused by Covid-19, while preparing for possible operational disruption should the Omicron outbreak spread in the Bay of Plenty.

He said shippers were playing their part in helping the Port avoid the extensive delays experienced in late 2020.

"Importers and exporters have been very cooperative in helping us improve terminal productivity by ensuring the terminal is not congested by cargo in storage for excessive periods," said Mr. Sampson.

"Congestion during the traditionally busy month of December was considerably less than in 2020, in part as KiwiRail were able to reinstate the number of MetroPort trains to 92 per week from 72 the previous year."

Financial Results

Operating revenue increased 16.7% to \$186.0 million due to changes in container mix and higher per container revenue. Operating expenses increased 17.5% due to increased rail, labour, fuel and electricity costs.

Subsidiary and Associate Company earnings decreased 11.2% overall on the previous corresponding period, partly due to changes in the Group's accounting for the Timaru Container Terminal. Coda Group's performance improved significantly from the previous year and Quality Marshalling also produced strong financial results.

The Port of Tauranga Board has declared a fully imputed interim dividend of 6.5 cents per share, an 8.3% increase on the previous corresponding period.





Cargo Trends

Log exports decreased 6.1% to nearly 3.1 million tonnes for the six month period as a result of softening international pricing and strong demand domestically.

Direct dairy product exports increased 2.3% to just over 1.0 million tonnes.

Dry conditions and high commodity prices were reflected in increases in fertiliser import volumes of 11.9%. Grain and feed imports increased 22.1% in volume.

Direct kiwifruit exports increased 16.0% compared with the same six months the previous year.

Oil product imports decreased 10.4% in volume.

Import demand remains elevated with the number of containers transferred by rail, to and from Auckland, increasing nearly 21.0%.

Ship visits increased 3.5% to 684 vessels. However, transshipment rates continue to be suppressed due to limited shipping options, changes to vessel rotations, delays and congestion.

Outlook

The outlook for the second half of the year is uncertain, as supply chain remains vulnerable and the full effects of the Omicron outbreak are unknown.

“We believe we have done everything we can to prepare for the inevitable disruption of a large Covid outbreak. However, the upheaval of widespread illness and employee isolation requirements is being felt worldwide, not just in New Zealand,” said Mr. Sampson.

Based on the first half performance, full year earnings are expected to be in the range of \$103 million to \$110 million (compared with \$102.4 million in the 2021 financial year).

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