

NZX AND MEDIA RELEASE

22 May 2024

UNAUDITED FINANCIAL RESULTS FOR THE HALF YEAR TO 31 MARCH 2024

Napier Port delivers strong earnings recovery with first half result

Napier Port (NZX.NPH), the freight gateway for the central and lower North Island, today reports robust earnings growth for the six months to the end of March 2024 linked to the recovery of volumes, particularly log exports and cruise, growth in revenue yields, together with focused cost management and efficiencies from the investments made in infrastructure.

HIGHLIGHTS

- Revenue rose 10.1% to \$70.6 million from \$64.1 million in the same period last year and was led by significant growth in export log and cruise revenue
- Result from operating activities¹ increased 25.1% to \$27.4 million from \$21.9 million in the same period last year
- Underlying net profit after tax² increased 48.3% to \$11.1 million from \$7.5 million in the same period a year ago
- Reported net profit after tax increased 64.8% to \$14.3 million from \$8.7 million in the same period last year
- Post-Cyclone Gabrielle business interruption insurance claim contributes \$7.2 million to reported net profit
- Container volumes decreased 17.3% on continued post-Cyclone Gabrielle effects and weaker economic activity
- Directors declare a fully imputed interim dividend of 3.0 cents per share, increased from the interim dividend in the prior year of 1.7 cents per share
- Expected underlying result from operating activities for the year to 30 September 2024 of between \$50 million and \$53 million

Chair, Blair O’Keeffe said: “The 2024 financial year has started well for Napier Port and many of our region’s cargo owners. While regional recovery is ongoing following Cyclone Gabrielle, trade by key customers and cargoes have begun to return towards former levels. Napier Port has provided operational capacity and flexibility during this traditionally busy harvest period, while retaining cost and capital discipline. In doing so, the management team has delivered a good half year result.”

Chief Executive, Todd Dawson said: “The half year result demonstrates Napier Port’s capability to be adaptable and underscores the benefit of having a diverse and resilient cargo base, with log export and cruise earnings up, against reduced container and general import volumes.

“The recovery of trade volumes together with effective cost control and yield management, is working well for us alongside the investments in infrastructure we have made and additional customer services we are providing. We are demonstrating the positive operating leverage that is supporting this positive half year result for Napier Port.

¹ Result from operating activities is an alternative non-NZ GAAP measure and represents core underlying operating earnings. For further information please refer to Note 24 of the 2023 Annual Consolidated Financial Statements and the Supplemental Selected Financial Information.

² Underlying net profit after tax is an alternative non-NZ GAAP measure that comprises reported net profit after tax adjusted for certain non-recurring and unrealised fair value revaluation items to provide consistency and comparability of the financial information over the periods presented. For further information please refer to the Supplemental Selected Financial Information.

“Despite softer market demand in China, log volumes were strong during the half year with good momentum sustained from our immediate catchment areas and additional contributions coming from Pan Pac and central North Island windthrown forests.

“Container volumes reduced during the period, as a result of Cyclone Gabrielle’s impact on Pan Pac’s production facilities and lower overall economic activity, however during the second quarter we welcomed a bounce back in refrigerated exports of horticulture, meat and other chilled produce as growing conditions across the spring and summer have been favourable.

A record number of cruise vessel visits and passenger numbers visited Napier Port, due to the resurgence of cruise post-pandemic. The addition of Te Whiti Wharf has enabled greater berth availability including the capability to accommodate several cruise vessels simultaneously, alongside container and bulk cargo ships.

FINANCIAL RESULTS

Revenue for the half year rose 10.1% to \$70.6 million from \$64.1 million in the same period last year.

Container services revenue for the half year decreased 7.8% to \$33.6 million from \$36.4 million following a 17.3% decrease in container volumes to 98,000 TEU³, which was partially offset by a 11.5% increase in average revenue per TEU.

Bulk cargo revenue for the half year increased 27.1% to \$26.2 million from \$20.6 million as export log volume increased 35.7% to 1.55 million tonnes and total bulk cargo volume increased 21.6% to 1.88 million tonnes.

Cruise revenue for the first half increased 74.3% to \$8.9 million from \$5.1 million. There were 88 cruise vessel calls in the half year, compared to 62 in the prior year.

As a result of disciplined cost management operating expenses were contained to an increase of 2.2% on the same period last year. The increase resulted from higher insurance and transport costs.

Positive operating leverage was evident from the volume return in bulk and cruise, together with cost management, with the result from operating activities increasing 25.1% for the half year to \$27.4 million from \$21.9 million reported for the first half of the last financial year.

Underlying net profit after tax increased 48.3% to \$11.1 million from \$7.5 million in the same period last year. Reported net profit after tax was \$14.3 million, a 64.8% increase on the prior year’s \$8.7 million, which included a \$7.2 million contribution from the Cyclone Gabrielle business interruption insurance claim and \$2.0 million of additional deferred tax expense arising from the removal of tax depreciation on commercial buildings.

OUTLOOK AND DIVIDEND

Mr Dawson said: “It is pleasing to deliver a solid half year result for our region and for our shareholders. I acknowledge the efforts by the whole Napier Port team in achieving this, with less resourcing than we would normally deploy during the first half year.

“During the second half of the year, we anticipate Central North Island windthrow volumes will reduce as cyclone-damaged logs diminish and unprocessed logs from Pan Pac will also reduce as they are redirected to pulp manufacturing operations. Correspondingly, as pulp production increases during this calendar year, wood pulp and timber container volumes should return to historical levels towards the end of this calendar year.

“With the 2024 cruise season now complete we currently have 90 forward bookings for the upcoming 2025 season commencing in October.

“While we expect ongoing inflationary cost pressures, uncertain economic activity, and export log market conditions to remain challenging, we look forward to the continuing ramp up of cargo volumes post Cyclone Gabrielle and continued earnings growth momentum.” Mr Dawson said.

³ Twenty-foot equivalent container unit

Napier Port expects an underlying result from operating activities for the year to the end of September 2024 of between \$50 million and \$53 million, assuming a continuation of current operating conditions and excluding insurance claim income.

The Board has resolved to pay a fully imputed interim dividend of 3.0 cents per share, which is increased from the 1.7 cents per share paid at the same time last year. The record date for the interim dividend entitlement is 14 June and the payment date will be 27 June.

We expect to provide a further update to the market regarding our June quarter trading results during August.

Conference Call

Napier Port will hold a conference at 11:00am (NZT) (9.00am, AEST) today. To attend to the conference call participants must pre-register at the following link:

<https://s1.c-conf.com/diamondpass/10038339-6wnhy6.html>

Registrations can be taken right up to the commencement of the call.

ENDS

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About Napier Port

Napier Port is New Zealand's fourth largest port by container volume. We are the gateway for Hawke's Bay and lower North Island's exports and operate a long-term regional infrastructure asset that supports the regional economy. Our strategic purpose is to collaborate with the people and organisations that have a stake in helping our region grow. View Napier Port's investor centre: www.napierport.co.nz/investor-centre/