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2018 ANNUAL MEETING NZX AND MEDIA STATEMENT

South Port forecasts steady trade

Having marked its 30th anniversary with a record after tax profit of \$9.66 million, a million dollars higher than the prior year, South Port New Zealand Ltd told shareholders attending today's Annual General Meeting held at Bluff, the importance of its diversified trade.

This was in the context of South Port recently completing a review of its longer term strategy, and the wider background of worldwide apprehension as to what effect the trade war between the US and China might have on global trade.

"The impact on other exporting nations such as New Zealand is unknown," said South Port Chairman, Rex Chapman.

"However, for the moment trade forecasts for the Port remain steady with forestry exporters still predicting strong demand in China, India and Japan."

"The softening in the forecast farm gate milk price for the coming season could have an impact on farm inputs such as fertiliser and stock food but this will not be known until later in the year."

"Increased expenditure on port assets will continue to be a factor that will have a bearing on profitability," he added.

At this stage South Port's Board expect that earnings in FY2019 will be approximately 10% lower than this year.

"Notwithstanding slightly lower earnings, the Board will be endeavouring to maintain the current level of dividend payment unless unforeseen circumstances prevent that." For the past three years, South Port has paid a 26 cents per share dividend.

"We will be in a better position to provide more accurate profit guidance at the time of our Interim Report in February," said Mr Chapman.

He noted that total cargo this year was 3,445,000 tonnes representing another record volume adding 400,000 tonnes of volume to the previous year's tonnage.

"Notwithstanding the port industry's focus on container volumes, the mainstay of our business continues to be bulk cargos."

“These bulk cargos represent 87% (2,719,000 tonnes) of all of the volume handled across the wharves,” he said.

For the first time in the Port’s history, bulk forestry cargos, which include both logs and woodchips, reached the 1 million tonne mark. “These bulk forestry cargos are now the largest contributor to the Port’s volume and profit.

South Port, like other New Zealand ports, has benefited from strong increases in log volumes with demand in India and particular China remaining strong. “A well-established export of eucalyptus woodchips to Japan adds diversification to our forestry cargos.”

The early season drought conditions in Southland resulted in an 80% increase of imported of stock food compared to the previous year.

Fertiliser and petroleum, the other two main bulk cargos had similar volumes in percentage terms to previous years.

Container volumes were also steady this year with 39,100 TEU handled. These containers represented 431,000 tonnes which is just under 13% of the Port’s total cargo volume.

The southern regional economy received a very welcome boost when the New Zealand Aluminium Smelter confirmed the restart of its fourth pot line, following completion of a power contract with Meridian for an additional 50 MW until 2022 with potential to renew the contract past this date. The extra pot line will lift annual production by 31,000 tonnes.

Activity at South Port’s Intermodal Freight Centre based at Invercargill is growing and exceeds expectations in terms of the cargo opportunities that it is presenting. The Company believes that this freight hub and the possibility of future businesses associated with it will play an important part in South Port’s future growth and operational diversification.

South Port Chief Executive, Nigel Gear said, “the Company operates a rail shuttle service linking Bluff with the Intermodal Freight Centre in coordination with KiwiRail. 10,000 TEU had been moved on this service over the last 12 months from the Port to Invercargill and return, the equivalent to taking 7,000 truck movements off roads and improving safety and achieving better environmental outcomes.”

South Port Management continues to look for opportunities to grow container and bulk cargos.

Mataura Valley Milk has very recently commissioned their new plant near Gore producing premium nutritional milk powders and creams for high end markets. “The location of the plant gives Mataura Valley Milk options to use either Port Otago or South Port. We continue to work with Mataura Valley Milk to promote South Port as an efficient and cost competitive distribution option for their cargos.”

Australian company, Plaman Global plans to mine more than 30 million tonnes of a rare organic black diatomite from its quarry near Middlemarch in Central Otago. Although closer to Otago, the Port will take a watching brief to determine whether we can play any part in this operation.

REVIEW

The Company expects that the recent strategic review facilitated by an external consultant will result in a revised strategic framework, identifying the Company's purpose, values and strategic focus.

"Out of this we are going to identify five year goals for the Company and a clear Business Plan towards achieving those goals," said Mr Chapman.

One clear theme that has emerged is that South Port aspires to provide and facilitate the optimal logistics solution for the region.

"In order to achieve this, we need an appropriate and resilient infrastructural base; we need to keep our people safe and engaged in a shared vision for the Company; we need to be guardians of the environment in which we operate; and we need to be engaged with the community and to earn the community's support for the business."

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