

MEDIA/NZX STATEMENT

11 February 2019

South Port's half year result eases

The operating performance for the half year was strong with total revenue increasing by 7.4% to \$20.90 million. However increased repairs and maintenance, including the scheduled five yearly dry docking of the tug Hauroko (\$838K expenditure) led to a reduction of 7.1% in net profit after tax.

South Port New Zealand Ltd's NPAT in the period was \$4.55 million (FY2018 - \$4.90 million), the Company has advised NZX.

At the 2018 Annual Meeting, the Directors advised that 2019 earnings were likely to be approximately 10% lower than in FY2018. The result is consistent with that guidance.

In the current half yearly Report, Mr Chapman says, "Over the coming months it is expected that there will be a number of fluctuations in each bulk cargo category however by year end the total volume is forecast to be in line with budgeted expectations.

"Container volumes are tracking 10% ahead of the previous period and this positive trend is expected to continue through to the end of the financial year. Increased maintenance expenditure on the infrastructure and floating plant, as noted in previous commentary, will continue to have an impact on profitability going forward."

Based on all known factors at the date of its 2019 interim result, South Port estimates full year earnings should fall in the range of \$8.60 million to \$8.90 million (FY2018 - \$9.66 million).

After assessing the anticipated year end result, the Directors have declared a fully imputed interim dividend of 7.50 cents per share (2018 – 7.50 cents) payable on 6 March 2019.

In the event that the Company's FY2019 profit falls within the above forecast range the Directors are confident that the full year dividend payment will be consistent with the previous year. For the past three years, South Port has paid a 26 cents per share dividend.

Key factors impacting on this year's interim result included:

- Increased maintenance expense with the scheduled dry docking of the harbour tug Hauroko.
- Expectations of dry weather led to an increase of stock food imports for the dairy industry.
- New exports of containerised Medium Density Fibreboard (MDF) being packed at the Intermodal Freight Centre (IFC) and shipped on the Mediterranean Shipping Company (MSC) service through Bluff.
- Increased storage and packing activities in the warehousing division.

Maintained Cargo Growth

The Chief Executive, Mr Nigel Gear says, “Total cargo activity was 1,772,000 tonnes compared with 1,754,000 tonnes in the prior year interim period. This represents an increase in cargo flows of 18,000 tonnes or 1%.

“However revenue was up by 7.4% due to a favourable cargo mix, strong performance in the warehousing division and increased marine activity.

“Bulk cargoes continue to be the backbone of the business. Volumes were comparable to the same period last year with the exception of fertiliser (-34,000) and stock food (+22,000).

“Fertiliser imports were lower than in the previous period due to large volumes being carried over from last season. Volumes are however expected to meet budgeted expectations by year end which will be slightly down on the previous period result.

“MSC continues to be an important contributor to the Port and to the region’s exporters/importers, providing a competitive alternative to shipping lines calling at other ports.

“A record volume of 19,800 TEU was handled on MSC during this interim period, 10% above last year’s throughput as noted above.

“The newly paved log storage area on the Island Harbour has been operating for the past nine months. The improvements that this piece of infrastructure brings are clear with safer working conditions, better utilisation and an improved environmental outcome.

“Log volumes are similar to last season. However, there has been a slowdown of exports to the Indian market. Volumes have also been impacted by poor ground conditions in certain areas within Southland affecting the ability of logging crews to harvest their forestry blocks.”

Mr Gear said “these two factors are expected to lead to a reduction in throughput by year end of approximately 10% compared with last season.

“The most recent global dairy trade (GDT) auctions have delivered small increases which is a reflection of the tightening in supply of global milk production.

“Although New Zealand supply has increased this season there has been a decline in production in both Europe and Australia which has impacted positively on the recent auction events.”

Port operational highlights included completion of construction of Maitai Valley Milk’s (MVM) infant formula plant, which was commissioned in the second quarter with processing beginning in August 2018. MVM’s initial export of cargo through Bluff on MSC occurred in November 2018.

The fourth potline at New Zealand Aluminium Smelter (NZAS) was officially opened on 6 December 2018. This potline when fully operational will consume an additional 60,000 tonne of alumina and increase aluminium production by 30,000 tonne per annum.

Over the coming year, South Port will be working with NZAS to determine whether there are additional services the Port can provide to handle and/or pack any of this finished cargo into containers for export through Bluff.

The recent completion of the Cold Store environmental loadout area and blast freeze is already delivering operational efficiencies, improving the safety of the operation while meeting the expectations of the Ministry of Primary Industries.

Intermodal Freight Centre

The IFC is into its third full year of operation. Initially set up for the receipt, handling and unpacking of imported goods, containers are now also being packed for export with MDF at this location for shipment through Bluff.

“Serviced by rail from ports, we estimate that on an annual basis the use of this facility has taken 7,000 truck movements off the road which has delivered improved environmental outcomes through reduced emissions while also improving the safety of our road networks,” said Mr Gear.

“There has been increased handling, packing and storage of meat, fish and dairy products in both the cold store and dairy warehouses during the past six months.”

Maintenance

During the period the scheduled docking of the harbour tug Hauroko was completed in August, a significant project that occurs every five years. This occasion involved the removal and overhaul of one Voith unit (propulsion/drive system), a complete strip down of a main engine, hull painting / repair work and replacement of a stern fender.

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