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NZX Announcement / Media Release

SOUTH PORT NEW ZEALAND LIMITED

FULL YEAR 2023 RESULTS

South Port maintains profitability on the back of a diverse cargo base

South Port New Zealand Ltd has reported a record normalised profit for the year ended 30 June 2023, despite some headwinds facing the primary sector. This result has been backed by a diverse range of cargoes being handled through the Port.

South Port's FY23 reported after-tax profit of \$11.71 million represents an 8.7% decrease on the 2022 result (\$12.83 million) but is ahead of the guidance provided in the Company's 2023 interim report (\$11.1 – \$11.6 million).

Normalised profit was \$11.50 million (2022 - \$11.16 million), a 3.1% increase on last year and a record for South Port.

"This is an excellent result, taking into consideration the decrease in cargo volumes," said South Port Chair Rex Chapman.

The Board is pleased to confirm a consistent second-half dividend of 19.5 cents per share. In addition to the 7.5 cents per share interim dividend, this takes the full-year dividend to 27.0 cents per share (FY22 – 27.0 cents). Full imputation credits will be attached to all distributions.

The dividend payment represents a gross return of 5.1% (net yield 3.6%), based on a share price of \$7.43 as at 30 June 2023. A dividend payout ratio of 60% results for 2023 (using reported NPAT) and equates to 59% of free cash flow.

Earnings per share were 44.6 cents per share (FY22: 48.9 cps).

Chief executive Nigel Gear noted that trade results have been mixed in the second half.

"A number of bulk cargo volumes were down, led by decreases in fertiliser, stock food, and woodchip volumes imported and exported through South Port."

These decreases were balanced out by a 9% increase in logs, at 720,000 tonnes (2022 – 659,000 tonnes).

Container volumes handled at Bluff totalled 41,700 TEU (FY22: 44,000 TEU). This partly reflects the continued disruption to calls by Mediterranean Shipping Company's "Capricorn" container service with 38 calls recorded for FY23 (FY22: 35 calls). This is still significantly down from pre-COVID levels of 52 calls per annum.

Overall, this has resulted in a 2.0% decrease in cargoes being shipped through the Port at 3,480,000 tonnes (2022 – 3,550,000 tonnes).

The marine division has had a productive year, with a 14% increase in activity at 349 vessel calls for the Port (2022 – 305 calls). This was reflected in a 26% increase in small vessels, and an 11% increase in large vessels calling at Bluff.

Stage one of Mercury Energy's Kaiwera Downs wind farm, 10 turbines equivalent to an output of 40MW, was recently discharged at the Port. The equipment was stored on the Island Harbour before being transported to the site over a period of six weeks. A decision on the second stage is expected in the coming 12 months.

Contact Energy's proposed development of a Southland wind farm east of Wyndham was accepted for fast-track consenting process and if consent is granted, has the potential to produce up to 300MW from 50 turbines.

Infrastructure

Several important infrastructure projects were completed during the year.

- A four-year project to install impressed current cathodic protection (ICCP) on the Island Harbour access bridge has now been completed.
- Construction of the Town Wharf fuel berth accessway, pipeline corridor, and discharge platform has now also been completed and was officially opened in November 2022.
- Development of 17,000m² log yard hardstand at "South Rail" was completed and opened in October 2022, improving operations, and creating better environmental outcomes.

On 31 August 2022, South Port was granted resource consent by Environment Southland for project Kia Whakaū. The removal of fragmented rock to achieve a draft of 9.7m CD in the harbour entrance channel is almost completed.

The successful completion of the Kia Whakaū project will provide additional capacity to load more cargo on vessels calling at the Port, increase efficiencies, and provide a safer transit through the entrance channel. The completion of the project will also enable the Port to service future growth opportunities.

Outlook

"There is uncertainty over a number of cargoes in the current year," said Mr Chapman.

“The log market and farming sector are both going through a difficult period due to lower export prices and high interest rates. This is likely to impact log exports and expenditure on the farm, which will have a flow-on effect for the use of fertiliser and stock feed.”

In the coming twelve months, NZAS is expected to decide on the future of their operation past December 2024. NZAS represents 20% of South Port's NPAT and 30% of the cargo base.

Based on all the factors currently known, South Port estimates that earnings for FY2024 will be in the range of \$11.70 - \$12.30 million (2023 - \$11.71 million).

In the absence of unforeseen circumstances, earnings within this range should allow the current level of dividend payment to be maintained.

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