



NAPIER
PORT

FACT SHEET

INITIAL PUBLIC OFFERING OF ORDINARY SHARES
IN NAPIER PORT HOLDINGS LIMITED

15 JULY 2019

JOINT LEAD MANAGERS

Deutsche
CRAIGS

Goldman
Sachs

CO-MANAGER

 **FORSYTH BARR**

IMPORTANT NOTICE

Napier Port Holdings Limited (**Napier Port Holdings**) is the issuer of the shares to be issued under the offer (**Offer**) to which this fact sheet (**Fact Sheet**) relates. A product disclosure statement dated 15 July 2019 (**PDS**), which sets out the terms and conditions of the Offer, is available, and can be obtained from www.business.govt.nz/disclose, offer number (OFR12679).

You should read the PDS and the Offer Register information contained on the Offer Register before applying for any Offer Shares. You can also seek advice from a financial adviser to help you to make an investment decision. You should seek your own tax advice in relation to the Offer Shares.

Nothing in this Fact Sheet constitutes an invitation to subscribe for, or an offer of, shares, securities or financial products to any person, in any country in which it would be unlawful to do so. No information set out in this Fact Sheet will form the basis of any contract. This Fact Sheet is not a product disclosure statement, prospectus or other offering document and is for information and reference only.

The information set out in this Fact Sheet does not constitute investment advice, or a recommendation, on whether you should acquire any security or product, is in summary form, does not

purport to contain all of the information that may be relevant to any investment decision and does not take into account your specific financial, investment, taxation or other circumstances. You should consult your own advisers before making any financial decision.

Napier Port Holdings, its shareholder, the Joint Lead Managers, the Co-Manager, their respective affiliates and advisers, and each of their respective directors, shareholders, employees and representatives make no representation, warranty or undertaking, express or implied, as to the fairness, accuracy, reliability or completeness of, and to the maximum extent permitted by law hereby disclaim and shall have no liability for any loss arising from, this Fact Sheet. This Fact Sheet is not intended for release outside of New Zealand.

Application has been made to NZX Limited (**NZX**) for permission to list Napier Port Holdings and to quote its shares on the NZX Main Board. However, NZX accepts no responsibility for any statement in this Fact Sheet. The NZX Main Board is a licensed market operated by NZX, which is a licensed market operator, regulated under the Financial Markets Conduct Act 2013.

Capitalised terms used in this Fact Sheet but not defined have the meanings given to those terms in the PDS.



NAPIER PORT AT A GLANCE

Napier Port is a port located in Hawke's Bay and is New Zealand's fourth largest port by container volume.¹ Napier Port provides a range of port and logistics services (marine, handling and value-add services), with its core revenue streams arising from container services, bulk cargo and cruise. In FY2018 Napier Port managed the arrival and departure of over 680 ships, carrying over five million tonnes of cargo and over 100,000² cruise passengers.

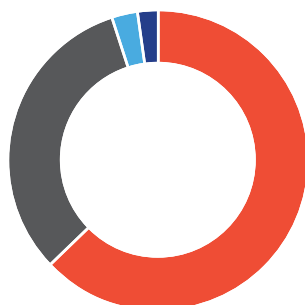
Napier Port Holdings will be the parent company of the Napier Port group on completion of the Offer. Napier Port Holdings is currently a wholly-owned subsidiary of Hawke's Bay Regional Investment Company Limited (HBRIC), the investment arm of Hawke's Bay Regional Council. Port of Napier Limited is the operating company of the Napier Port group and will be acquired by Napier Port Holdings prior to Listing.

KEY STATISTICS (FY2018)

Cargo handled	~5 million tonnes
Containers handled	~260,000 TEU
Bulk cargo handled	~3 million tonnes
Revenue	~\$92 million ³
Pro forma EBITDA	~\$37 million ⁴
Employees	>280 ⁵

REVENUE BREAKDOWN FY2018

- CONTAINER SERVICES
63%
- BULK CARGO
32%
- CRUISE
3%
- OTHER INCOME
2%



EXPORT / IMPORT SPLIT FY2018, BY WEIGHT

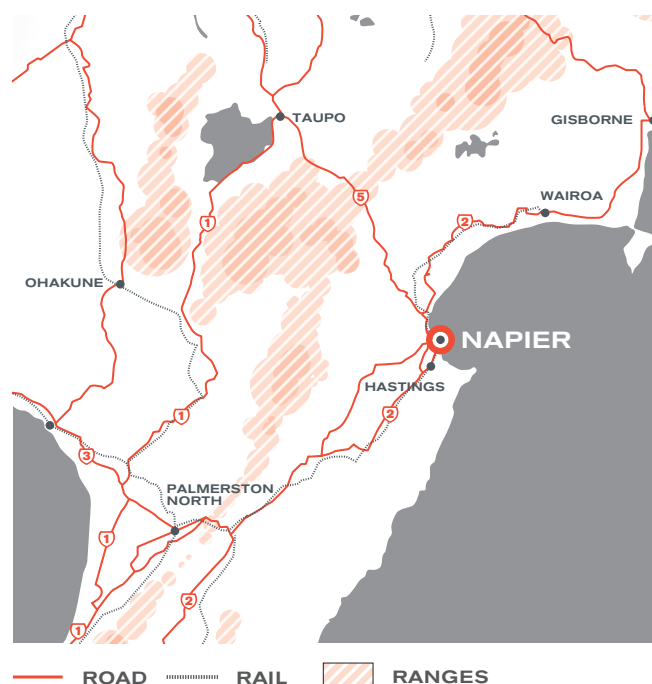
- EXPORTS
79%
- IMPORTS
21%



KEY DATES FOR THE OFFER

Priority Offer	23 July – 5 August 2019
Institutional Offer and Bookbuild	6 August – 7 August 2019
Final Price announced and allocation	7 August 2019
Broker Firm Offer	8 August – 16 August 2019
Settlement and allotment	19 August 2019
Listing, expected commencement of trading on the NZX Main Board	20 August 2019
Earliest expected mailing of holding statements for Shares to be traded on the NZX Main Board	20 August 2019
Expected payment of first dividend following the Offer	December 2019

The above dates are indicative only and may change.



- Deloitte Freight Yearbook 2019.
- 2017/2018 cruise season.
- Revenue relates to operating income as disclosed for the Historical Periods in the audited financial statements for Napier Port.
- Pro forma EBITDA is a non-NZ GAAP measure that includes pro forma adjustments as described in Section 7.9 of the PDS (*Reconciliation of Pro forma EBITDA to Statutory NPAT*).
- As at 31 March 2019.

KEY BUSINESS STRENGTHS

1 LONG-TERM INFRASTRUCTURE ASSET

- Napier Port is an established long-term infrastructure asset that provides a key gateway linking Hawke's Bay and its surrounding regions to global markets.
- The majority of our exporters are located within 100 kilometres of the Port, providing a nearby, cost effective route to market.
- The Port is positioned on New Zealand's main shipping route with core national rail and road network connectivity.
- A number of the world's largest shipping lines regularly call at the Port.



2 SUPPORTIVE REGIONAL ECONOMIC GROWTH DRIVERS

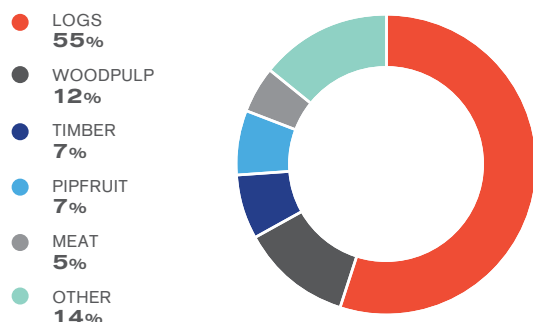
- Napier Port's 6.5% compound annual growth in combined export and import cargo throughput (by weight) over the last 10 years has been primarily driven by trade destined for, or originating from, Hawke's Bay and its surrounding regions.
- Hawke's Bay is an \$8.1 billion⁶ economy which has experienced 4.4%⁶ compound annual growth in its gross regional product over the last 10 years. It produces some of New Zealand's main primary sector commodities, having approximately 61%⁷ of New Zealand's total planted area of pipfruit and approximately 8%⁸ of New Zealand's total planted forest area.
- Hawke's Bay's growing profile as a tourism destination has supported growth in cruise ship visits through the Port, a trend that is expected to continue into the 2019/2020 cruise season.



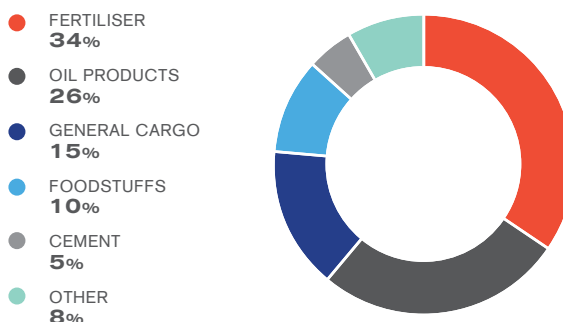
3 DIVERSIFIED TRADE PORTFOLIO

- We are primarily export focused (with exports making up 79% of all cargo by weight processed through the Port in FY2018) but imports also contribute to our diversified trade portfolio.
- A number of different revenue streams across container services, bulk cargo, cruise and other income.
- Over 30 export and import commodity products are handled through the Port.

NAPIER PORT EXPORT PRODUCT MIX
FY2018, BY WEIGHT



NAPIER PORT IMPORT PRODUCT MIX
FY2018, BY WEIGHT



6. StatsNZ; nominal gross regional product for the year ended March 2018; compound annual growth of nominal gross regional product for the years ended March 2009 to March 2018.

7. Hawke's Bay Regional Council - Regional Pest Management Plan 2018 - 2038.

8. The Ministry of Primary Industries, Te Uru Rakau, the New Zealand Farm Forestry Association and the New Zealand Forest Owners Association - National Exotic Forest Description as at 1 April 2018.

4 | STRONG RELATIONSHIPS WITH OUR CUSTOMERS, PEOPLE AND COMMUNITY

- We have formed partnerships with a wide range of cargo owner customers over many years, integrating ourselves into their supply chains. These include providing port services for over forty years to each of Pan Pac (a forestry products business) and Ravensdown (a fertiliser business).
- We work hard to maintain relationships with a number of global shipping lines in order to provide a range of options for our cargo owner customers. We currently have ten international container shipping lines operating through the Port, across six scheduled weekly services.
- We maintain collaborative relationships with our customers, people, unions, local iwi and central and local government.

- We recognise and respect the importance of the local and wider Hawke's Bay community to us. We acknowledge:
 - the need to generate trust and support in our operation of the Port;
 - the benefit our customers receive from their use of local infrastructure, including roads; and
 - our role in supporting Hawke's Bay and its surrounding regions.
- Napier Port has a sponsorship programme that supports community initiatives, sporting events and environmental projects, including the Napier Port Hawke's Bay Primary Sector Awards, the Napier Port Harbour to Hills multi-sport event and the Waitangi-Lower Tūtaekuri Wetland.

5 | 6 WHARF EXPANSION PROJECT

- 6 Wharf is a long-term solution which will enable us to capitalise on future growth opportunities and continue to support our customers, and therefore Hawke's Bay and its surrounding regions.
- Benefits include reduced congestion, an ability to handle larger vessels and growth in cruise ship demand,

extending the Port's capacity to handle container vessels, an ability to provide 24-hour berthing of larger container vessels and increased operational agility and resilience.

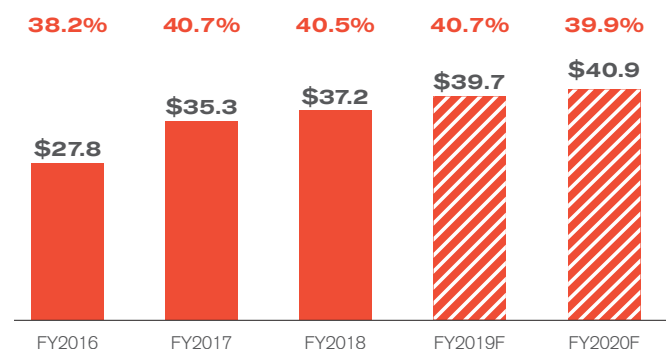
- HEB, which is a member of the VINCI Group (as part of the VINCI Construction International Network), has been engaged as the main construction contractor so that the project can commence shortly after completion of the Offer.



6 | STABLE GROWTH

- Napier Port has delivered compound annual revenue and EBITDA growth of 8.1% and 8.7% respectively, over the last ten years (FY2009 – FY2018).
- Forecast to deliver compound annual revenue growth of 5.7% from FY2018 – FY2020F and consistent Pro forma EBITDA margins of approximately 40% in FY2019F and FY2020F.
- Forecast to deliver a gross dividend yield of between 4.0% and 4.6% in FY2020F.

NAPIER PORT PRO FORMA EBITDA
FY2016 TO FY2020F, \$ MILLION AND % MARGIN



THE OFFER

Offer size

- The Offer comprises an offer by Napier Port Holdings of 90 million Shares, representing an Offer size of between \$204.3 million and \$234.0 million based on the Indicative Price Range.
- On Listing, HBRIC will hold 55% of the Shares.

Use of proceeds

- | | |
|--|---|
| • \$110.2 million | • Amount to be retained by Napier Port to repay Napier Port's existing debt (including the forecast cost of \$6.6 million to close out its interest rate swap liabilities) and provide Napier Port with cash and undrawn debt facilities sufficient to meet its future capital requirements, including the development of 6 Wharf. |
| • \$13.7 million – \$14.3 million | • To fund Offer costs. |
| • \$1.7 million | • To fund loans to Eligible Employees to purchase Shares under the Priority Offer under the Employee Share Loan and to acquire Shares for the purposes of the Executive LTI Plan. |
| • \$78.7 million – \$107.9 million | • To enable HBRIC to realise a portion of its investment in Napier Port comprising: <ul style="list-style-type: none"> – \$44.0 million to pay HBRIC a special dividend in order to utilise substantially all of Napier Port's imputation credit balance (which would otherwise be lost due to the change in ownership following completion of the Offer); and – \$34.7 million – \$63.9 million to enable Napier Port Holdings to pay the cash component of the consideration due to HBRIC for the acquisition of Port of Napier shares under the Acquisition Agreement. |
| • \$204.3 million – \$234.0 million | • Gross proceeds from the Offer. |

Structure of the Offer

The Offer comprises:

- the Priority Offer, which is available to Local Residents or Non-Resident Ratepayers, Eligible Employees and Eligible Iwi;
- the Broker Firm Offer, which is available to New Zealand resident retail clients of NZX Firms who have received an allocation from their NZX Firm; and
- the Institutional Offer, which is an invitation to selected NZX Firms and Institutional Investors to apply for Shares.

HBRIC will hold 55% of the total Shares immediately after Listing.

There is no general public offer or a public pool. Members of the public wishing to subscribe for Shares must be allocated Shares by an NZX Firm or must be offered Offer Shares by Napier Port Holdings as part of the Priority Offer.

Napier Port intends to quote its Shares on the NZX Main Board only.

Offer pricing

The Indicative Price Range is \$2.27 to \$2.60 per Offer Share. All Offer Shares will be issued at the Final Price. The Final Price will be set by way of a Bookbuild. The Bookbuild will take place from 6 August to 7 August 2019. The Bookbuild is a process through which selected Institutional Investors, and selected NZX Firms, submit bids for the number of Shares they wish to purchase across a range of prices for the Shares. That information is then used to assist with the determination of the Final Price and allocations of the Offer Shares.

Napier Port, in consultation with the Joint Lead Managers, will set the Final Price following completion of the Bookbuild. Napier Port reserves the right to set the Final Price within, above or below the Indicative Price Range.

The Final Price is expected to be announced and posted on www.napierportshareoffer.co.nz on or about 7 August 2019.

NAPIER PORT FINANCIAL INFORMATION

SELECTED FINANCIAL INFORMATION

NZ\$m	FY2016	FY2017	FY2018	FY2019F	FY2020F
Revenue ⁹	72.7	86.7	91.7	97.4	102.5
Pro forma EBITDA ¹⁰	27.8	35.3	37.2	39.7	40.9
Net profit after tax	11.5	16.7	17.6	5.6	20.0
Pro forma net profit after tax ¹¹				19.2	20.0

KEY OFFER STATISTICS

Indicative Price Range	\$2.27 – \$2.60 per Offer Share
Total number of Shares being offered	90 million, representing 45% of the 200 million Shares on issue immediately after Listing
Implied market capitalisation	\$454.0 million – \$520.0 million
Net Debt / (Cash) on completion of the Offer	\$(22.4) million
Implied enterprise value	\$431.6 million – \$497.6 million

Key Investment metrics	FY2019F	FY2020F
Implied enterprise value / Pro forma EBITDA	10.9x – 12.5x	10.6x – 12.2x
Price / Pro forma earnings per Share	23.6x – 27.1x	22.7x – 26.0x
Pro forma earnings per Share	\$0.10	\$0.10
Price / Earnings per Share	81.2x – 92.9x	22.7x – 26.0x
Earnings per Share	\$0.03	\$0.10
Dividends declared per Share ¹²		\$0.07
Implied dividend yield – cash dividend declared ¹²		2.9% – 3.3%
Implied dividend yield – gross dividend declared ¹²		4.0% – 4.6%

9. Revenue relates to operating income as disclosed for the Historical Periods in the audited financial statements of Napier Port.

10. Pro forma EBITDA is a non-NZ GAAP measure that includes pro forma adjustments as described in Section 7.9 of the PDS (*Reconciliation of Pro forma EBITDA to Statutory NPAT*).

11. Pro forma net profit after tax is a non-NZ GAAP measure. This measure reflects the pro forma adjustments reflected in Pro forma EBITDA, the impairment of the investment in the Longburn Intermodal Freight Hub joint venture and the overlay of Napier Port's capital structure following completion of the Offer as if it had been in place since 1 October 2018. The pro forma tax expense has been adjusted to reflect the tax implications of the pro forma adjustments. A reconciliation to statutory net profit after tax is included in Part B of the Supplementary Financial Information set out on the Offer Register.

12. Dividends declared per Share, implied dividend yield – cash dividend declared and implied dividend yield – gross dividend declared for FY2019F have not been included as Napier Port considers these metrics are not comparable due to the \$44.0 million special dividend which has been declared and will be paid to HBRIC on completion of the Offer. See Section 3.1 (*Purpose of the Offer*) and Section 7.6 (*Dividends*) of the PDS.

KEY RISKS

Investments in shares are risky. You should consider if the degree of uncertainty about Napier Port's future performance and returns is suitable for you. The price of these Shares should reflect the potential returns and the particular risks of these Shares. Napier Port considers that the most significant risk factors that could affect the value of the Shares are:

6 Wharf construction risk	We are committed to constructing a new sixth wharf (as detailed in Section 2.7 of the PDS (<i>6 Wharf expansion project</i>)), which is planned to commence at the end of 2019 and be completed at the end of 2022. There is no assurance that the construction of 6 Wharf will complete on time and on budget, or at all. In addition, the construction may have an adverse impact on our operations.
Significant asset damage and interruption risk	A major natural event, such as a tsunami or a significant earthquake, could destroy or damage our assets, which are essential to our operations. If such an event was to occur, it is unlikely that our insurance policies would cover us for all of the damage.
Major Shareholder risk	Following completion of the Offer, the Council (through HBRIC) will control 55% of the shares in Napier Port Holdings. The Council will have material influence over Napier Port. There is a risk that the Council's interests may conflict with the interests of other Shareholders.
Forestry sector risk	Our business is heavily dependent on the forestry sector, particularly logs, woodpulp and timber. Any decrease in the supply or demand for New Zealand or Hawke's Bay and surrounding areas' forestry products could have a significant adverse impact on our financial position and performance. An example of this is the recent reduction of log prices being paid by Chinese buyers.
Biosecurity risk	Our exports are primarily made up of primary produce, including forestry products, pipfruit and meat. Any significant biosecurity event could result in the supply or demand for primary produce exported through the Port being materially reduced, and could also increase the production costs for growers and producers associated with ongoing quarantine and monitoring processes.
China and other Asian market risk	Exports to Asian markets made up 84% of our total exported cargo volume by weight in 2018 (65% to China). ¹³ If access to these key markets was impaired, or some other event occurred that resulted in demand for cargo passing through the Port decreasing, it could have a material adverse impact on our financial position and performance.
Cargo owner customer concentration risk	A significant proportion of our revenue is from a small number of cargo owner customers. Any loss, or decrease in demand from, key customers may have a materially adverse effect on our financial performance.

This summary does not cover all of the risks of investing in the Shares.

You should also read Section 2 of the PDS (*Napier Port and what it does*), including Section 2.7 (*6 Wharf expansion project*), Section 2.8 (*Capital management*), Section 2.9 (*Industry overview*) and Section 2.20 (*Other material governance disclosures*), and Section 8 of the PDS (*Risks to Napier Port's business and plans*) for more information.

13. Ministry of Transport (Freight Information Gathering System); 2018.