

## **MARSDEN MARITIME HOLDINGS LTD – ANNUAL SHAREHOLDERS MEETING 5 NOVEMBER 2020**

### **CHAIRMAN’S ADDRESS**

#### **WELCOME AND INTRODUCTION**

Nau Mai Tēnā koutou katoa. Good afternoon everyone. Welcome to Marsden Maritime Holdings’ Annual Meeting for 2020. My name is Murray Jagger and I am the chairman of Marsden Maritime Holdings.

Welcome to the fellow shareholders, our Audit Partner, Lloyd Bunyan from Ernst & Young, Legal Counsel, David Jones, and Angela Hansen from Heimsath Alexander, and Share registrar, Computershare Investor Services, represented by Andrew Mather.

I would like to introduce Felix Richter, Marsden Maritime Holdings’ CEO.

And welcome to Marsden Maritime Holdings six Directors in attendance: Elena Trout, Mark Boyle, Tony Gibson, Benoit Marcenac, Rabin Rabindran and Hamish Stevens.

#### **FINANCIAL OVERVIEW**

Marsden Maritime Holdings has had a successful financial year. The continued expansion of Marsden Maritime Holdings non-port related activities has resulted in an increased trading surplus for the year ended 30 June 2020.

The Company continues to invest significantly in developments that will support the growth of Northport and help transform the Northland economy, while generating sustained long-term returns.

#### **FINANCIAL HIGHLIGHTS**

Marsden Maritime Holdings’ total revenue was \$15.1 million this year. This was an increase of 2.2% from \$14.8 million at full year 18/19.

The Company had a successful financial year and the continued expansion of Marsden Maritime Holdings’ non-port related activities has resulted in an increased trading surplus for the year ended 30 June 2020 by 4.6% to \$9.7 million, up \$400k on last year.

The Company paid a fully imputed final dividend of 9.25 cents per share on 25 September 2020. This will bring the total dividend distribution for the year to 16.00 cents per share, the same total as last year. The interim dividend was 6.75 cents per share.

The reported after-tax profit of \$6.7 million for the year ended 30 June 2020 is down \$3.0 million compared to last year. This is the result of a lower valuation of its investment property assets.

The \$3.0 million valuation adjustment is non-cash and represents 3.8% of total investment property value. The valuation took into consideration the level of uncertainty that existed due to Covid-19.

### **IMPACTS OF COVID-19**

I would like to take a moment to recognise the impact of Covid-19 and our ability to deliver a strong result to you, our shareholders, and to Northland, despite the difficult and uncertain trading environment during the final quarter of our financial year.

On behalf of the Board, thank you to Marsden Maritime Holdings and Northport management and staff who worked hard to ensure business continuity and for managing our people and customers through all alert levels and level 4 lockdown.

Cargo throughput at Northport was affected during the Covid-19 level four lockdown period but has since returned to expected levels.

We also had six cruise ships scheduled for the upcoming summer season. Unfortunately, these have all been cancelled.

However, the level of commercial interest we see in the Marsden Point area, despite the effects of the global Covid-19 pandemic, continues to bode well for the future growth of the Company.

### **STRATEGIC ROADMAP**

Marsden Maritime Holdings is in an important phase of growth that with careful thought and consideration will shape the future of the Company.

There are a number of significant infrastructure projects that have been proposed for the region and for Northport which, if enacted, will be an important catalyst for growth within Marsden Maritime Holdings.

We've done a lot of important work for the business this year and have a lot in the pipeline that will allow Marsden Maritime Holdings to grow and succeed.

We've developed this roadmap to show you the milestones we have achieved, what's in progress, and what's on the horizon.

This year we have completed three important pieces of work. We've completed and defined a purpose for Marsden Maritime Holding, and we have completed redefining vision and core values – I will provide an update on the purpose, vision and values work shortly.

We've also completed designing our ecosystems – I will also provide some insight into this work, Felix will then run through an operational update of the ecosystems

We are currently working on a land use and development strategy. Together with Northport we are allocating the different ecosystems into different zones on our current landholdings.

Our next step is to begin looking at options for a capital funding structure.

## **PURPOSE VISION AND CORE VALUES**

This year Felix and I have led the Board and the management team through a process to define the Company's purpose and to create a new vision and core values.

We began the process by reviewing the Company's reason for being and focus on what Marsden Maritime Holdings' purpose should be going forward.

Following the development of Marsden Maritime Holdings' purpose statement we then reviewed the Company's vision and core values to align to the Company's purpose and business strategy.

### **PURPOSE**

This is a quote from Larry Fink, the CEO of BlackRock Investment. It shows the importance of a robust purpose.

*'A Company cannot achieve long-term profits without embracing purpose and considering the needs of a broad range of stakeholders. Ultimately, purpose is the engine of long-term profitability.'*

Marsden Maritime Holdings has never had a clear and defined purpose. In February we began the process of defining our reason for being and developing a purpose statement.

Operating in such fast-changing ecosystems with multiple stakeholders, we needed this purpose to guide strategy and allow Marsden Maritime Holdings to stay relevant.

The process of developing the purpose statement came down to the why. Why does Marsden Maritime Holdings exist, and what is our reason for being?

### **VISION**

Following a thorough process we have defined the purpose of Marsden Maritime Holdings': *Transforming Northland's economy.*

Our purpose is clear and it's strong. It is a unifying principle that drives what we do at Marsden Maritime Holdings, it is our reason for being.

Following the development of the purpose statement, the Company then reviewed its vision and values to align with its purpose.

Our vision is: *We will enable Northport's growth and actively invest in business ecosystems to transform Northland's economy.*

This is a vision that is inspiring and energising for the whole Company. Importantly, we know we have the strategy and expertise to achieve it.

Our previous values were not at the heart of the business, they were at an operational level.

True core values are the handful of guiding principles by which a Company navigates.

They are a small set of timeless guiding principles, that are of value and importance to those inside the organisation.

### **CORE VALUES**

Our core values, all about people, community at our heart, driven by success, excited every day, and to be brave, are honest and real, and reflect the culture at Marsden Maritime Holdings. They are at the heart of our business.

The next step on our roadmap was to develop a framework to guide future development on Marsden Maritime Holdings land through master planning and identifying ecosystems that define conditions for growth in each zone.

This allows land to be protected for the growth of Northport while making other areas available for rapid development and investment.

### **BUSINESS STRATEGY REFRESH**

The next step on our roadmap was to develop a framework to guide future development on Marsden Maritime Holdings land through master planning and identifying ecosystems that define conditions for growth in each zone.

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### **ECOSYSTEMS ENABLING GROWTH**

I will briefly run through each of these ecosystems and how they are defined.

We have designed six ecosystems. Four of these ecosystems represent the core of our business.

Firstly, the port ecosystem with the strategic priority to enable Northport's growth.

Also at the core are the industrial, commercial and marine ecosystems. The priority for these is growth of the ecosystem.

We have designed two additional ecosystems, these expand our core ecosystems. These are the port network and MMH investment network. The strategic priority for these two ecosystems is to develop opportunities that support growth off campus.

Felix will then give an update on key projects under these ecosystems in his update.

### **PROPERTY HOLDINGS**

There continues to be a high level of business interest in relocating to Marsden Maritime Holdings land. The Company has undertaken a number of consenting and planning projects over the course of the 2020 financial year to ensure that it is prepared for potential development opportunities.

Occupation of our marina is at an all-time high. The Company has renewed its resource consent for the marina operation, enabling it to continue selling berths over the next 30 years.

The Company will continue with its strategic objective to develop a marine hub adjacent to Marsden Cove Marina by expanding the services provided to the boating community and will endeavour to establish new marine industry-related tenants on our land.

### **NORTHPORT**

Northport is a significant piece of infrastructure for Northland which is nationally important and strategically critical.

A key piece of work for Northport this year was its position statement that Marsden Maritime Holdings developed with its joint venture partner Port of Tauranga. The position states that:

*Northport has a greater role to play in the development of resilient upper North Island supply chain alternatives. It has a vision for growth which takes advantage of significant development opportunities and available land holdings.*

To meet the future freight needs and support both Northland and North Auckland's growth, it's clear that Northport must expand.

As one of New Zealand's key ports, we must keep up with global shipping trends. That means being able to handle more freight, offer more diverse services and adapt to changing freight needs.

Development of supply chain alternatives will take time, collaboration and considerable investment in infrastructure to achieve an outcome that has both regional and national significance.

The Government announcements to date and future announcements surrounding upper North Island infrastructure are positive and necessary first steps to facilitate any shift of cargo handling activities north to Northport.

Northport's growth opportunities and supply chain alternatives have the ability to relieve the pressure on Ports of Auckland Ltd (POAL).

We see realising Northport's significant growth opportunities as a staged and complementary process to supporting POAL rather than an unrealistic complete relocation of the Auckland port.

I'd like to share with you a video to show Northport's strong vision and potential.

<https://vimeo.com/370246535>

## **ENVIRONMENTAL, SOCIAL AND GOVERNANCE**

The final milestone for the year was the development of the Company's Environmental, Social and Governance framework which was adopted in June 2020.

Implementation of this framework will enable the Company to realise, in every aspect of its operations, its expectations around environmental sustainability, social license and excellence in governance.

While we have developed the ESG framework we are currently working through measurements and reporting requirements, we look forward to presenting this in the new year.

## **GOVERNANCE**

As I covered earlier, this year we have undergone a strategic refresh, including the development of a new purpose statement, vision and core values and long-term business strategy.

In November 2019, the Company welcomed Mr Benoît Marcenac and Mr Rabin Rabindran as new directors on the Board.

Benoît has 30 years' experience in the logistics, agri-food processing and trading sectors, through a number of executive positions held in Europe, the Middle-East, Africa, the Indian Ocean and South Pacific regions.

Rabin is a professional director and also practices as a commercial barrister and international legal consultant specialising in the fields of construction, infrastructure development, energy and transport.

Both added to the breadth and depth of skills on the Board. Marsden Maritime Holdings is at a critical point in its growth. As a board we will continue to add the very best governance skills and expertise to drive the strategic direction of the Company, and to meet the NZX requirements for diversity on the board.

I would also like to recognise the contribution of Elena Trout who has been a director of MMH since 2011 and is completing her tenure on the board. Elena has been Chair of the Audit and Risk Committee and on the Board Nominations Committee.



Thank you for all your work Elena, we wish you all the very best for the future. I'm sure you'll watch Marsden Maritime Holdings' progress with interest.

## **OUTLOOK**

Northland has the space, the people and the cost-base to deliver real competitive advantage, and to help trigger decisions to shift commercial and industrial operations to the region.

While the national and international economic outlook remains challenging, the Company has remained resilient and will continue to seek opportunities that serve its long-term ambitions.

The continued investment in the diversification of the business is delivering results and the Company is well placed to take advantage of the increased interest in locating to Marsden Point from exporters and manufacturers who are currently based in Auckland.

Marsden Maritime Holdings' commercial, retail and manufacturing developments continue apace. This has been, is, and will remain an area of great interest to organisations wanting to take advantage of the space, flexibility, port access, competitive property prices and general quality of life the Northland offers. We are ready to welcome those organisations who are considering a move north.

Myself and the other Directors are available to talk with you throughout the year.

Thank you all for attending the Annual Meeting, and for your support over the last year to help us achieve the great result we have shared today.

Haere rā ka kite anō.

## **CHIEF EXECUTIVE'S ADDRESS**

Good afternoon everyone. It's great to have shareholders here with us today. As Murray has already shown, it has been busy and productive year for Marsden Maritime Holdings.

We have made significant progress developing a number of strategic projects on our land across all of our ecosystems.

Over the past 12 months Marsden Maritime Holdings has successfully completed its largest construction project to date, extended the boatyard and established a smart shelter on the port ecosystem. We also started construction on three exciting new projects.

Our drive to diversify is delivering results and we believe we are well placed to take advantage of increased interest in Marsden Point among exporters and manufacturers currently based in Auckland.

Discussions around growth, expansion and investment on Marsden Maritime Holdings land are underway with several large organisations – both existing tenants and potential ones.

The Company continues to invest significantly in developments that will support the growth of Northport and help transform the Northland economy, while generating sustained long-term returns.

Today I'll give you an overview on some of our recently completed projects.

## **STRATEGIC PROJECTS UPDATE**

### **FOUR SQUARE SUPERMARKET**

Firstly, sitting under our commercial ecosystem is the Four Square Supermarket. In July 2020, the Company broke ground on an exciting new project, a 900m<sup>2</sup> Four Square Supermarket at Marsden Cove Village and 900m<sup>2</sup> Office Space.

The new supermarket is an important step to provide increased services to the local community and the beginning of further improvements on the Marsden Cove Village.

The supermarket is expected to open in January next year with the final completion of the building expected in March 2021. The capital budget for this project is \$5.1m.

### **COMMERCIAL UNITS**

The Company has also started the construction of two further projects in our commercial ecosystem, which were started in September 2020.

The first is a 2,400m<sup>2</sup> multi-unit (4 x 600m<sup>2</sup>) building on Marsden Bay Drive



Three of the Units have already been rented out, providing for light manufacturing, commercial cool storage and bulk retail.

### **COMMERCIAL UNITS**

The second project involves building 24 commercial units at 150m<sup>2</sup> each, in two buildings of 12 units each.

The units will provide for economic growth under our commercial ecosystems, giving small businesses a place to grow and do business.

Marsden Maritime Holdings has received strong interest from local businesses and with seven Units leased at this stage, we expect to push the start button on the second building early next year.

Both commercial unit projects are due to be completed in May 2021.

### **HARDSTAND EXTENSION**

In January, the Company completed a one-hectare extension to the boatyard. This was a \$2.3 million project over a five month construction period.

This development in our Marine ecosystem has been driven by healthy growth and was completed in time to take advantage of demand.

The marina team are making ongoing improvements to the services offered on the yard, such as the construction of a sandblasting area and equipment hire.

Marsden Maritime Holdings is providing boatbuilding, painting and chandlery services at the yard, enhancing and enabling our drive to be the premier boatyard in Northland.

### **MARINA EXTENSION**

Also in the marine ecosystem, we have been working on a Marina Extension which will open just before Christmas.

Seven new large berths each 22 to 24m will be located at the Marsden Cove Marina.

We are continuing to develop the marina into a marine hub, and will continue to look for opportunities that establish Marsden as a marine destination.

### **LARGE SMART SHELTER**

The final project I will update on is the establishment of a large smart shelter on our land for South Pacific Industrial (SPI).

SPI are building the pontoons for the new ferry terminal in Auckland. Since these are too large for road transport, they manufacture parts within their facility and transport them to the Smartshelter on our land where they are welded together and painted.

The elements are then barged to Auckland via Northport.

## **FINANCIAL DETAIL**

### **TRADING vs NET SURPLUS**

The Company's trading surplus has always been the indicator of the underlying performance of the Company. As you can see, there has been consistent growth over the past few years which has continued through the last year despite challenges.

The net surplus was negatively affected by the revaluation of the Company's investment property holdings to the tune of \$3 million. This was mainly a result of the current economic uncertainty.

### **FINANCIAL PERFORMANCE RELATIVE TO DIVIDENT DISTRIBUTION**

Due to the continued growth of the Company's trading surplus we are pleased to have been able to maintain a fully imputed dividend of 16 cents per share.

### **TRADING SURPLUS**

This year we reported an increased trading surplus for the year ended 30 June 2020 by 4.6% to \$9.7 million, up \$400k on last year.

While port surplus was down this year, overall trading surplus has increased. This is due to an increase in non-port related surplus representing just over 9% of trading surplus, up from less than 3% in the same period last year.

### **REVENUE BY OPERATING SEGMENT**

Looking further into the different operating segments of the Company, the growth in the Property and Marina Segments becomes clearer.

There is sustained growth in the Marina segment underpinned by the recent boatyard extension and the ongoing expansion of the Marsden Cove Marina.

The increase in revenue from the property holdings of \$690k was mostly generated by last year's completion of the Agrifeeds project. The majority of this investment was actually done in 2019 which highlights the fact that there will always be a delay between the capital investment for a project and the increase in revenue for the Company due to the construction time.

### **CARGO VOLUMES**

Northports Cargo volumes reduced over the last financial year as a result of the worldwide pandemic.

Log volumes were at 2.25MT down from 2.65MT last year and other forestry product reduced accordingly as well.

On a positive note, other trade (which includes the containers) increased from 300,000T last year to 420,000t.