

# **Hutchison Port Holdings Trust**

## **2018 Full-Year Financial Results Presentation**

**AGM - 26 April 2019**

# 1 Key Highlights

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- 2018 full year throughput of HPH Trust's ports was 1% below last year. YICT's throughput was 4% above last year. Combined throughput of HIT, COSCO-HIT and ACT (collectively "HPHT Kwai Tsing") was 7% below last year
- The overall trend in outbound cargoes to the US was positive in 2018. Full year growth in US outbound cargoes was 5%; with 2018 fourth quarter growth increasing to 10% driven by the frontloading of cargoes in anticipation of the 25% tariff implementation originally scheduled in January 2019 by the US to Chinese exports. On the other hand, outbound cargoes to the EU was weak in 2018 and below 2017 by 1%. YICT's full year throughput growth was mainly attributed to growth in the US and transshipment cargoes. The drop in HPHT Kwai Tsing's throughput was mainly due to reduction in transshipment cargoes
- Following the asset impairment assessment performed during the period and in view of the mounting global trade uncertainties, the behavioural changes in multinational corporations caused by the current trade tensions, including accelerating the diversification of production bases outside of China and the effects stemming from the structural changes within the shipping line industry, the Group has recognised non-cash impairment losses of HK\$12,289.0 million
- Excluding the impairment impact, 2018 full year NPAT was HK\$2,043.0 million, 8% below last year. NPAT attributable to unitholders was HK\$737.7 million, 22% below last year

## Key Highlights (cont'd)

- NLAT for the year was HK\$10,246.0 million, HK\$12,463.5 million or 562% below last year. NLAT attributable to unitholders was HK\$11,551.3 million, HK\$12,495.5 million or 1,323% below last year, mainly due to the aforementioned non-cash impairment losses
- 2018 full year Distribution Per Unit (“DPU”) is 17.00 HK cents
- On 8 January 2019, HIT, COSCO-HIT, ACT and Modern Terminals Limited entered into a Hong Kong Seaport Joint Operating Alliance Agreement regarding the terms on which they will collaborate with each other for the efficient management and operation of the 23 berths in Kwai Tsing
- Since the formation of the Hong Kong Seaport Alliance (“HKSPA”) in January 2019, HKSPA has finalised its berth and yard planning strategies to provide enhanced services to customers. The Joint Operating Agreement of HKSPA has been progressively implemented from 1 April 2019, bringing efficiency enhancements and cost synergy to shipping lines

## 2 Outlook and Prospects

# Outlook and Prospects

## *Overview*

- Fiscal 2019 has commenced with forecasts of slower international trade and further structural changes to container shipping lines. These developments make forecasting cargo volumes challenging and consequently the Trustee-Manager will continue to focus on cost discipline and efficiency improvements to better serve its customers and protect the business from any downturn in cargoes handled
- A number of macro-economic and political uncertainties are believed to be behind the forecast international trade slowdown including:
  1. A slowing Chinese economy, mainly attributable to Government policy to address the growth of debt;
  2. A slowing EU economy;
  3. The absence of a parliamentary approved agreement on Britain's withdrawal from the EU and its effect on business sentiment; and
  4. Uncertainty as to whether trade negotiations will result in the normalisation of US/China trade. Regardless of the outcome of the negotiations, there is a risk that long established supply chains in southern China will be altered over time to the detriment of HPH Trust

# Outlook and Prospects (cont'd)

## *Overview*

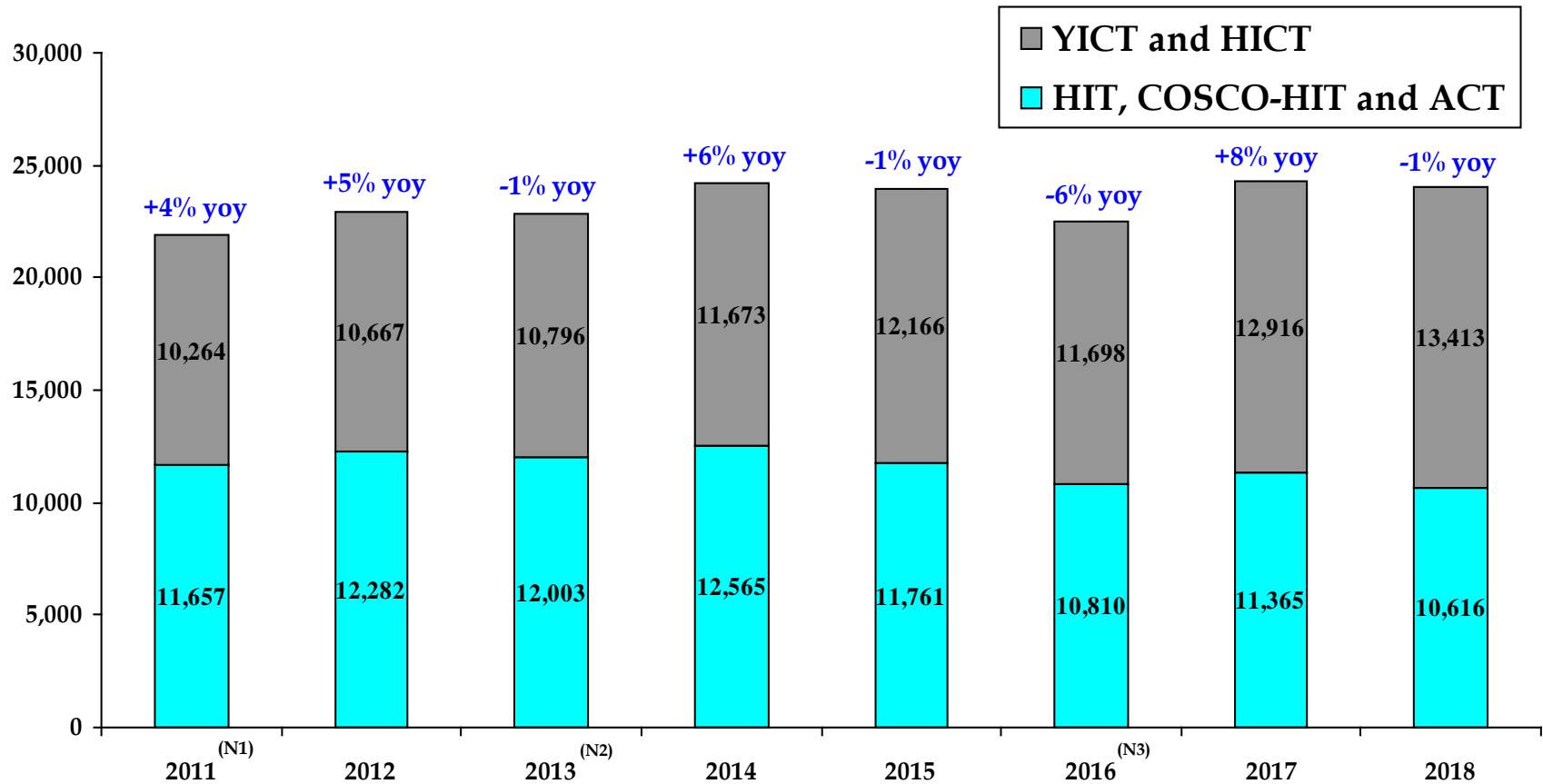
- Further structural changes to container shipping lines are anticipated. While the creation of further cost sharing alliances is not expected, further deployment of mega vessels will continue necessitating investment in port equipment and processes by deep water port operators handling these vessels. HPH Trust is committed to serving its customers with ongoing investment in facilities and services. In Hong Kong, the Trustee-Manager believes the formation of the Hong Kong Seaport Alliance, announced in January 2019 between HIT, COSCO-HIT, ACT and Modern Terminals Limited will enable better vessel berth planning and deployment and cost efficiencies to be achieved

## 3 Key Financial Performance



# Key Business Update

*Throughput Volume (TEU in thousand)*



N1 2011 throughput volume is on full year basis (i.e. include the throughput volume before listing) for comparison purpose

N2 Includes throughput volume of ACT after the acquisition in March 2013

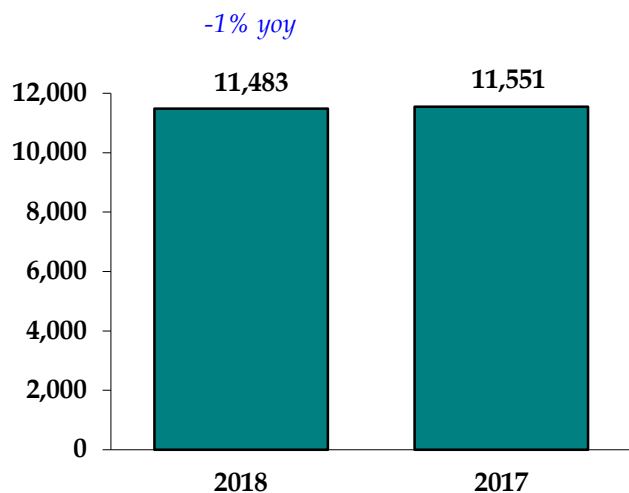
N3 Includes throughput volume of HICT after the acquisition in December 2016

# Key Financial Performance

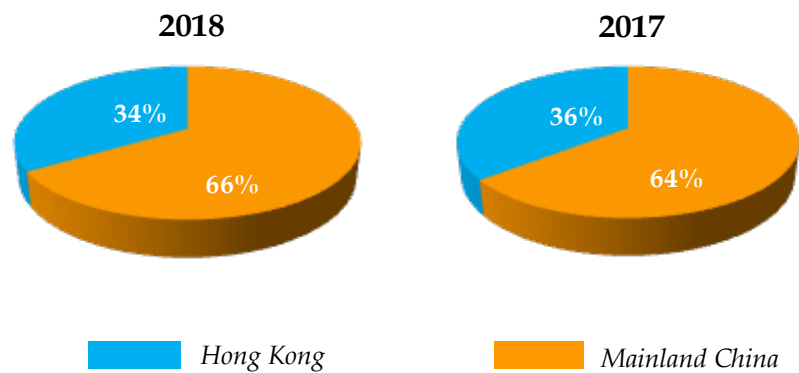
## Revenue and other income

For the year ended 31 December 2018

(HK\$'Million)



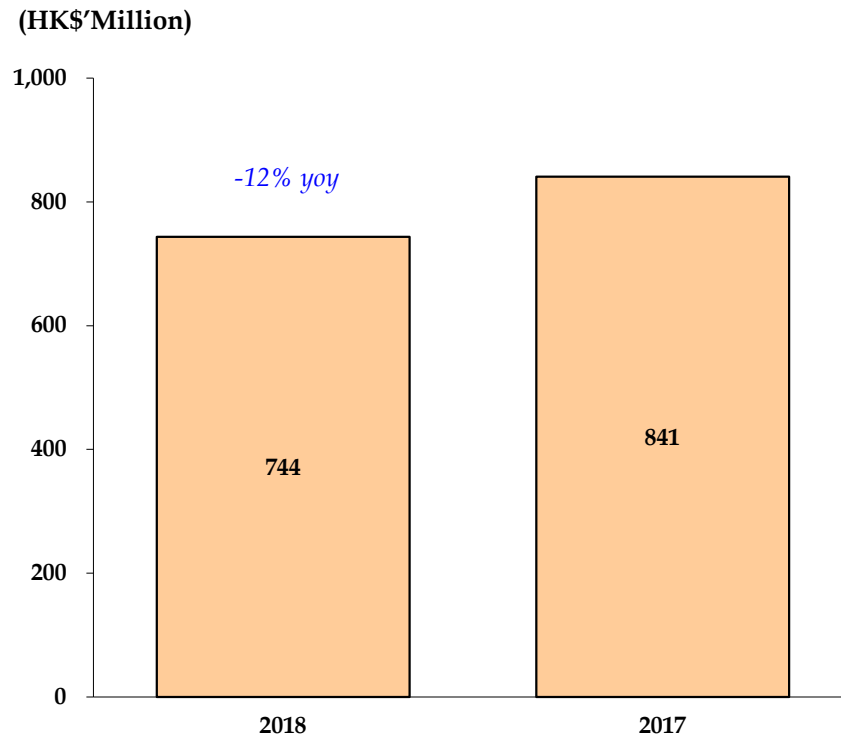
### Segment Information



# Key Financial Performance

## Total Capex

For the year ended 31 December 2018



# Key Financial Performance

## *Financial Position*

	At 31 December 2018 HK\$'Million	At 31 December 2017 HK\$'Million
Short Term Debt	\$2,519.1	\$4,247.1
Long Term Debt	\$29,170.4	\$28,452.4
Total Consolidated Debt	\$31,689.5	\$32,699.5
Total Consolidated Cash	\$6,566.4	\$6,768.1

# HPH Trust's Results

## Full Year 2018 against Last Year

	1 January to 31 December		
	2018 <u>Actual</u>	2017 <u>Actual</u>	% variance <u>Fav/(Unfav)</u>
(HK\$'Million)			
<b>Revenue and other income</b>	<b>11,482.6</b>	<b>11,551.0</b>	<b>(1%)</b>
Cost of services rendered	(4,143.5)	(4,131.6)	-
Staff costs	(286.5)	(288.0)	1%
Depreciation and amortisation	(3,076.0)	(3,003.3)	(2%)
Other operating income	129.1	25.4	408%
Other operating expenses	(553.9)	(552.0)	-
<b>Total operating expenses</b>	<b>(7,930.8)</b>	<b>(7,949.5)</b>	<b>-</b>
Operating profit	3,551.8	3,601.5	(1%)
Interest and other finance costs	(1,021.8)	(856.9)	(19%)
Share of profits/(losses) after tax of Associated Cos/JVs	(52.6)	(40.0)	(32%)
<b>Profit before tax</b>	<b>2,477.4</b>	<b>2,704.6</b>	<b>(8%)</b>
Taxation	(434.4)	(487.1)	11%
<b>Profit after tax before impairment losses (a)</b>	<b>2,043.0</b>	<b>2,217.5</b>	<b>(8%)</b>
Impairment losses (N1)	(12,289.0)	-	N/A
<b>(Loss)/profit after tax (b)</b>	<b>(10,246.0)</b>	<b>2,217.5</b>	<b>(562%)</b>
<b>Profit after tax attributable to non-controlling interests (c)</b>	<b>(1,305.3)</b>	<b>(1,273.3)</b>	<b>3%</b>
<b>Profit after tax attributable to unitholders of HPH Trust before impairment losses (a) - (c)</b>	<b>737.7</b>	<b>944.2</b>	<b>(22%)</b>
<b>(Loss)/profit after tax attributable to unitholders of HPH Trust after impairment losses (b) - (c)</b>	<b>(11,551.3)</b>	<b>944.2</b>	<b>(1,323%)</b>

N1 An asset impairment assessment was performed during the period which resulted in non-cash impairment losses of HK\$12.3 billion in 2018

There are no material differences between HKFRSs and IFRSs and no material adjustments are required to restate the financial statements of HPH Trust in accordance with IFRSs

# Statements of Financial Position as at 31 December 2018 and 31 December 2017

(HK\$'Million)	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Fixed assets	24,629.6	24,626.4
Projects under development	996.4	1,970.2
Leasehold land and land use rights	38,373.3	39,724.2
Railway usage rights	11.6	12.7
Customer relationships	5,836.0	6,170.2
Goodwill	11,270.0	22,629.0
Associated companies	945.3	754.2
Joint ventures	2,683.8	3,835.9
Other non-current assets	560.9	739.3
Deferred tax assets	18.5	22.7
<b>Total non-current assets</b>	<u>85,325.4</u>	<u>100,484.8</u>
<b>Current assets</b>		
Cash and bank balances	6,566.4	6,768.1
Trade and other receivables	3,060.9	3,446.2
Inventories	103.1	109.7
<b>Total current assets</b>	<u>9,730.4</u>	<u>10,324.0</u>

# Statements of Financial Position as at 31 December 2018 and 31 December 2017 (cont'd)

(HK\$'Million)	<u>2018</u>	<u>2017</u>
<b>Current liabilities</b>		
Trade and other payables	5,928.2	6,741.6
Bank and other debts	2,517.5	4,241.2
Current tax liabilities	358.2	409.6
<b>Total current liabilities</b>	<u>8,803.9</u>	<u>11,392.4</u>
<b>Net current assets/(liabilities)</b>	<u>926.5</u>	<u>(1,068.4)</u>
<b>Total assets less current liabilities</b>	<u>86,251.9</u>	<u>99,416.4</u>
<b>Non-current liabilities</b>		
Bank and other debts	28,974.2	28,248.9
Pension obligations	56.6	80.6
Deferred tax liabilities	10,290.9	10,635.1
Other non-current liabilities	262.1	129.9
<b>Total non-current liabilities</b>	<u>39,583.8</u>	<u>39,094.5</u>
<b>Net assets</b>	<u>46,668.1</u>	<u>60,321.9</u>
<b>EQUITY</b>		
Units in issue	68,553.8	68,553.8
Reserves	(41,786.1)	(28,260.3)
<b>Net assets attributable to unitholders of HPH Trust</b>	<u>26,767.7</u>	<u>40,293.5</u>
Non-controlling interests	19,900.4	20,028.4
<b>Total equity</b>	<u>46,668.1</u>	<u>60,321.9</u>

# Statements of Cash Flows

## Full Year 2018 and 2017

(HK\$'Million)	<u>1 January to 31 December 2018</u>	<u>1 January to 31 December 2017</u>
<b>Operating activities</b>		
Cash generated from operations	6,055.3	7,143.4
Interest and other finance costs paid	(984.7)	(757.9)
Tax paid	(825.5)	(645.5)
<b>Net cash from operating activities</b>	<u>4,245.1</u>	<u>5,740.0</u>
<b>Investing activities</b>		
Purchase of an associated company	-	(672.8)
Loan to an associated company	(40.1)	(315.4)
Purchase of fixed assets, projects under development, leasehold land and land use rights	(743.6)	(841.4)
Proceeds on disposal of fixed assets	22.1	2.2
Dividends received from investments	48.8	21.6
Dividends received from associated companies and joint ventures	78.5	130.8
Interest received	100.0	64.5
Repayment of loans by joint ventures	181.7	1.6
<b>Net cash used in investing activities</b>	<u>(352.6)</u>	<u>(1,608.9)</u>
<b>Financing activities</b>		
New borrowings	5,040.8	11,736.8
Repayment of borrowings	(6,077.0)	(12,746.7)
Upfront debt transaction costs and facilities fees of borrowings	(8.8)	(29.3)
Distributions to unitholders of HPH Trust	(1,709.1)	(2,273.6)
Dividends to non-controlling interests	(1,340.1)	(1,050.1)
<b>Net cash used in financing activities</b>	<u>(4,094.2)</u>	<u>(4,362.9)</u>
<b>Net changes in cash and cash equivalents</b>	(201.7)	(231.8)
Cash and cash equivalents at beginning of the year	6,726.1	6,957.9
Cash and cash equivalents at end of the year	<u>6,524.4</u>	<u>6,726.1</u>