# 2019 Full Year Summary

## Investor Presentation

Year ended 31 December 2019

Published: 30 April 2020

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# Agenda

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1. Business Overview

2. Trading Update (2019, Q1 2020 and COVID-19)

3. Recent Major Investments

4. Funding and Treasury Update

5. Upcoming STID Proposal

# Business Overview

**Our mission is ‘Keeping Britain Trading’. We will utilise our strong port locations to drive increased value for our customers, optimising their supply chain solutions in a safe and sustainable manner.**

# Senior leadership

**Henrik L. Pedersen**
Chief Executive Officer

**Marina Wyatt**
Chief Financial Officer

**Simon Bird**
Director, Humber

**Alastair Welch**
Director, Southampton

**Andrew Harston**
Director, Wales & SSP

**Julian Walker**
Chief Commercial Officer

**Mike McCartain**
Director, Marine, Compliance & Engineering

**Alison Rumsey**
Chief Human Resources Officer

**Angela Morgan**
General Counsel and Company Secretary

**Harm van Weezel**
Chief Information Officer

# Long term shareholders

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Collaborative, experienced and well resourced shareholder group focused on stable long term returns and are fully supportive of management initiatives.

- Canada Pension Plan Investment Board is a professional investment management organisation that invests funds on behalf of its 20 million contributors and beneficiaries. At 31 December 2019, the CPP Fund totalled C$420.4 billion.
- OMERS Infrastructure is the infrastructure investment arm of the Ontario Municipal Employees Retirement System (OMERS), a Canadian pension fund with Net Assets of C$109 billion.
- Cheyne Walk Investment Pte Ltd is an affiliate of GIC Pte Ltd, the Singapore Sovereign Wealth Fund. GIC was set up in 1981 to manage Singapore's foreign exchange reserves and currently manages over US$100bn of assets in more than 40 countries worldwide.
- Wren House Infrastructure acts as the global direct infrastructure investment vehicle of the Kuwait Investment Authority (KIA). The KIA is the oldest sovereign wealth fund in the world and manages certain assets and funds on behalf of the State of Kuwait.
- Hermes Infrastructure has over £4bn in assets and is ultimately owned by Federated Hermes, Inc., a leading US investment manager founded in 1955 and with $575.9bn in assets under management.

BEYOND ZERO

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# Strategy

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## Offshore wind

## Containers

## Energy generation and storage

## RoRo

## Port-centric manufacturing

## Vehicles

## Dry bulks

## Rail

## Cruise

# Business strengths will support our success

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| | |
|---|---|
| **Asset Ownership** | • Freehold ownership of port assets<br>• Landlord business model underpinning business strategy |
| **Business Strategy** | • Clear focus on strategic growth areas<br>• Low exposure to lower margin stevedoring activities<br>• Focus on “value add” opportunities to support customers |
| **Locations** | • Ports well positioned on key global trade routes<br>• Geographically diversified with close proximity to important industrial sites<br>• Strategic links to logistic chains |
| **Customers and their Cargo** | • Highly diversified cargo and customer base<br>• Many long dated customer contracts, typically with minimum volume guarantees or fixed revenue arrangements.<br>• High customer renewal and retention rates |
| **Financing** | • Diversified debt funding sources<br>• Investment grade secured covenanted financing structure |

# Government priorities and ABP

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- **UK - EU Trade Negotiations:** The UK formally left the EU on 31 January 2020, entering into a transition period until 31 December 2020. Events relating to a future trade deal will continue to unfold and the political situation remains uncertain . ABP continues to engage with government departments, industry stakeholders and customers to ensure trade continues to flow between the UK and the EU.
- **Freeports:** On 10 February 2020, the Government launched a consultation on its policy to establish freeports. ABP is supportive of the policy which has the potential to enhance the ability of ports to attract new investment in port-centric manufacturing and other economic activity, boosting trade and spurring regeneration in port locations. ABP is engaging on the development of the policy and will respond directly to the consultation as well as providing guidance to inform responses from the UK Major Ports Group and the British Ports Association.
- **Infrastructure Investment:** ABP welcomes the Government's focus on investment in transport infrastructure, which can unlock the potential of regions across the country, boosting productivity and economic growth. Improving road and rail links to ports is part of this, as set out in the 2018 Port Connectivity Study, and major infrastructure projects such as Northern Powerhouse Rail and HS2 will have a transformative effect by improving connectivity for trade and provide significant opportunities for supply chains supporting construction.
- **Environment:** The UK's ports have a role to play in supporting the Government's ambition to reach net-zero carbon emissions by 2050. ABP's ports are particularly well-placed in relation to energy production and the growing offshore wind sector. ABP has engaged closely with Government in delivering the shared agenda mapped out in the Clean Maritime Plan launched in 2019, including finalising clean air strategies for those ports within the scope.

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# Trading Update

## Year ended 31 December 2019, Q1 2020 and COVID-19

# 2019 Key Figures

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## Volumes

**Tonnage**
**80.9Mt (-7.6%)**

**Passengers**
**2.9m (-6.0%)**

## Financials

Revenue
£611.6m (+4.2%)

Consolidated EBITDA
(pre exceptional costs)
£331.0m (-1.7%)

Consolidated EBITDA
(post exceptional costs)
£315.4m (-4.9%)

Consolidated EBITDA Margin
(pre exceptional costs)
54.1% (-4.2%)

Underlying Operating Profit
£242.0m (-7.5%)

## Covenant Ratios

**Interest Cover**
**2.24x**

**Leverage**
**(pre exceptional costs)**
**6.59x**

**Leverage**
**(post exceptional costs)**
**6.92x**

Source: ABPA Holdings Annual Report and Accounts and Investor Report

# Lower volumes but EBITDA resilient

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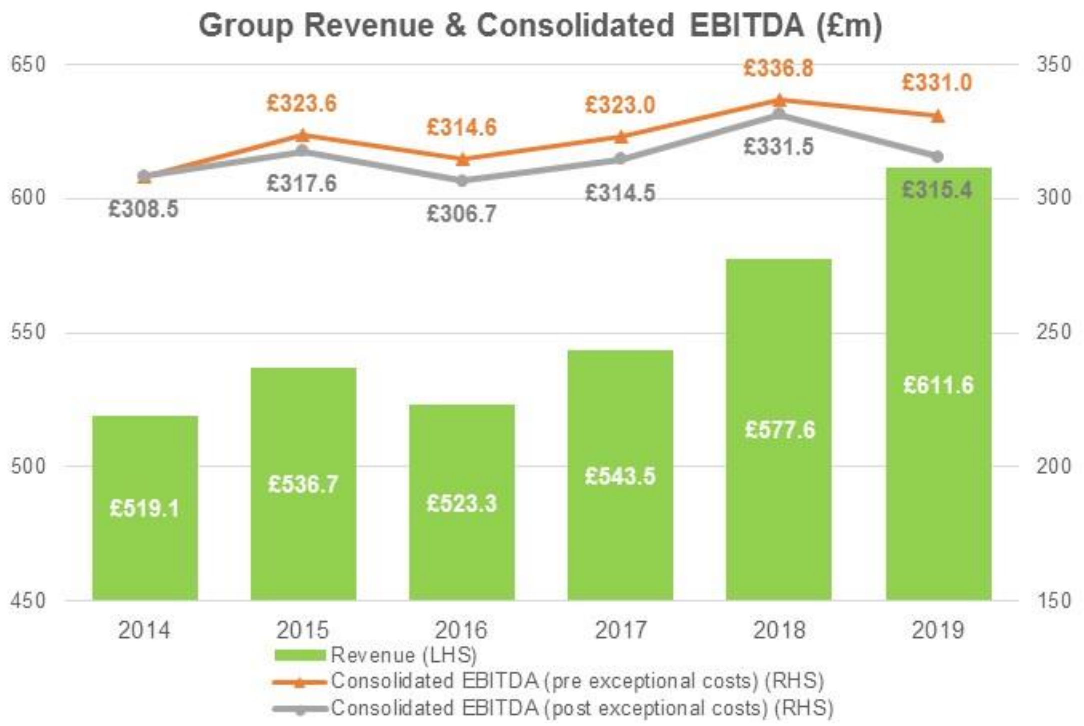
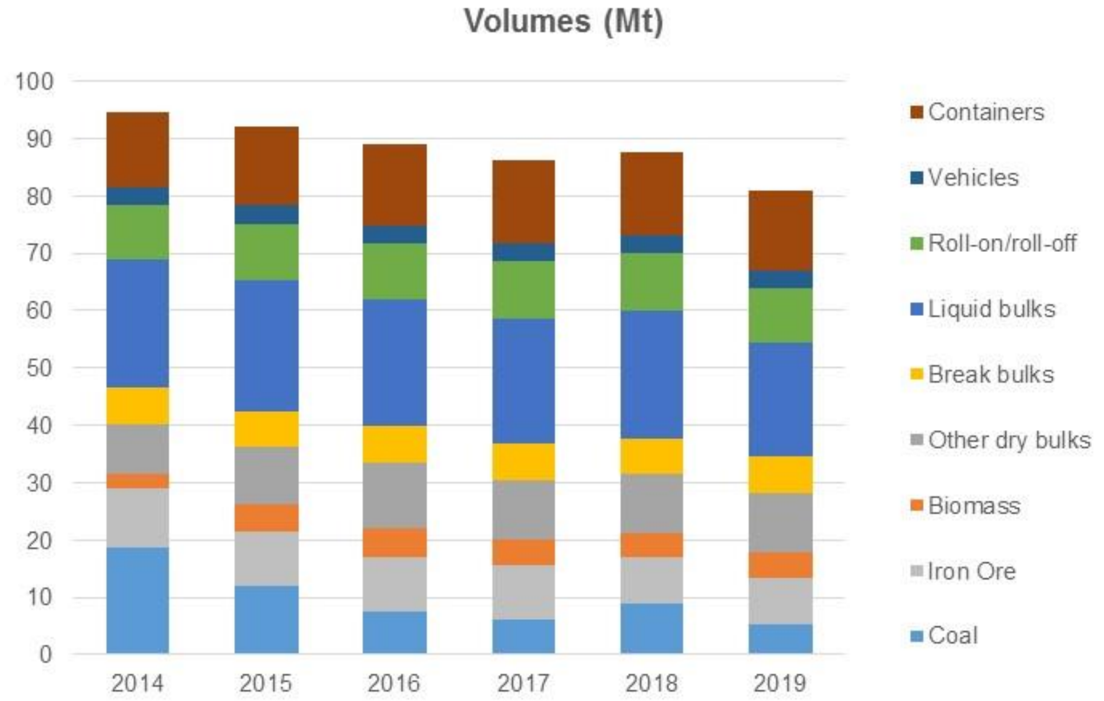
- Volumes were soft throughout 2019 in particular during the second half of the year with significant falls in Electricity Supply Industry Coal and Oil with other commodity volumes generally flat or slightly down on 2018.
- EBITDA (pre-exceptional costs) down 1.7% versus a volume fall of 7.6%.
- 2019 exceptional costs significantly higher, a result of a restructuring programme launched in November 2019 that was undertaken to reduce the Group's base line operating costs. Exceptional costs increased in 2019 to £15.6 million (2018: £5.3 million).




Source: ABPAH Annual Report and Accounts, Company Information

# Diversified customer base and contracts

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**No reliance on any one customer**

- Over 500 different customers.
- Largest single customer represented less than 9% of total 2019 revenues.
- 54% of revenue from 20 largest customers.
- Many contracts have minimum volume or revenue guarantees which protect against downside risk with c.45% of 2019 actual revenues on a fixed or guaranteed basis.

**British Steel Update**

- In December 2018, ABP took over the operation of Immingham Bulk Terminal (the port based coal and iron ore handling facility) from British Steel. This saw increases in revenue and direct operating costs. ABP had planned to invest £57m over several years upgrading the Terminal.
- Investment was placed on hold when British Steel entered insolvency in May 2019. Control of British Steel passed to the Official Receiver who continued to operate the business whilst a buyer was sought.
- In March 2020, the Jingye Group acquired the steel operations. ABP has agreed Heads of Terms with Jingye for a long-term agreement which will see direct operation of the Immingham Bulk Terminal returning to the steel manufacturer.
- This will reduce ABP’s revenue but also the direct operating costs and associated capital investment requirements.

Source: Company Annual Report and Accounts, Company Information

# 2019 operating and exceptional costs

| Operating costs | 2019 | 2018 | Var to 2018* | % Var to 2018* |
|---|---|---|---|---|
| Labour | 174.4 | 153.5 | (20.9) | -13.6% |
| Maintenance | 12.5 | 10.0 | (2.5) | -25.0% |
| Fuel | 10.0 | 8.9 | (1.1) | -12.4% |
| Dredging | 5.9 | 2.8 | (3.1) | -110.7% |
| Utilities | 20.5 | 19.1 | (1.4) | -7.3% |
| Other operating and administration costs | 57.2 | 56.1 | (1.1) | -2.0% |
| **Operating costs excluding fixed asset items** | **280.5** | **250.4** | (30.1) | -12.0% |
| Depreciation | 79.6 | 74.9 | (4.7) | -6.3% |
| Amortisation | 10.4 | 2.9 | (7.5) | -258.6% |
| Profit on tangible and intangible fixed assets | (1.0) | (2.9) | (1.9) | -65.5% |
| **Operating costs** | **369.5** | **325.3** | **(44.2)** | -13.6% |

*Increases in costs are shown as negative variances

- 2019 operating costs (before the impact of fixed asset items) were higher than 2018 but this reflects increases in related revenues.
- ABP taking over the operation of Immingham Bulk Terminal was the primary factor in higher labour, maintenance and fuel costs.
- Dredging costs were also higher reflecting dredging activities managed by the group on behalf of a major customer. The increased costs were again more than offset by the increased revenue received.

| Exceptional Costs | 2019 Actual (£m) |
|---|---|
| Strategy | 1.0 |
| Restructuring | 9.7 |
| Exceptional bad debt | 2.7 |
| Other | 2.2 |
| **Total** | **15.6** |

**Exceptional Costs include**

- ABP's major review of the Group's business strategy.
- Restructuring across all regions focusing on operational efficiencies to drive lower operating costs from 2020 onwards.
- One off bad debt in relation to the insolvency of British Steel.
- Other includes training related to the SAP business transformation project and property development project spend.

Source: Company Annual Report and Accounts, Company Information

# Q1 2020 Performance and COVID-19

- Q1 2020 results were in line with expectations prior to the outbreak of COVID-19 and supports the current projected EBITDA and covenant ratios. Q1 volumes were subdued with stronger volumes in March. Planned productivity savings are being achieved and are ahead of budget.
- As the UK's leading port operator with a critical strategic role in supporting the nation's supply chains, ABP's network of ports continues to operate as normal and support our customers' operational requirements despite reduced staffing in some locations.
- ABP is working closely with the UK Government to facilitate COVID-19 management and recovery plans and interfaces with local and central government departments on a daily basis.
- Employees directly involved in handling goods are designated as key workers by the government and remain working at our port and rail locations to keep goods moving that are vital to the UK economy.
- The situation with COVID-19 though continues to evolve and, whilst it is not possible to quantify the impact for ABP at this stage, management expect it to have a negative effect on overall performance for the year reflecting a slowdown in the UK economy.
- In order to mitigate the impact of any potential downsides, early action has been taken by ABP to reduce operating costs and defer non-essential capital expenditure, making use of government support schemes where appropriate.
- The projected EBITDA and covenant ratios reported in the investor report incorporate management's assessment of the potential impacts of COVID-19 and the mitigating actions currently identified to offset the potential downsides.

# Recent Major Investments

# Remodelling DFDS and ICT Expansion

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- ABP’s plans at Immingham for ‘Life after Coal’ included £36m to expand the operational footprint for DFDS and ABP’s capabilities at Immingham Container Terminal.
- DFDS operates 34 services a week into Immingham. DFDS have invested in new larger vessels which require additional land to allow for projected business growth.
- ABP’s overall deal with DFDS is to lease to them a further 28 acres of land, including the redevelopment of 3 acres currently occupied by another tenant.
- The ICT expansion includes investment in two ship to shore gantry cranes, six electric rubber tyre gantry cranes as well new tugs, trailers and empty handlers.
- Improvements in road layouts, automated traffic and terminal management systems to enhance overall site productivity.
- The combined investment enables a 50% growth in volumes through ICT and improved resilience of operations.


Photo: £7m investment in six electric rubber tyre gantry cranes arriving at Immingham (January 2020)

# Ocean Cruise Terminal Upgrade

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- £12 million partnership project with P&O Cruises upgrading the Port of Southampton’s Ocean Cruise Terminal.
- Phase one in winter 2018/19 included infrastructure upgrades on the quayside with 18 new 150 tonne bollards and significant improvements to the inside of the terminal to accommodate an increase in passenger capacity.
- Second phase of the project completing in early 2020 with the installation of two new airbridges and a further 2,000 roof-mounted solar panels.
- Southampton and Ocean Cruise Terminal will be the homeport for Iona, the first of two new ships of the XL class for P&O Cruises and the first British cruise ships to be powered by Liquefied Natural Gas.

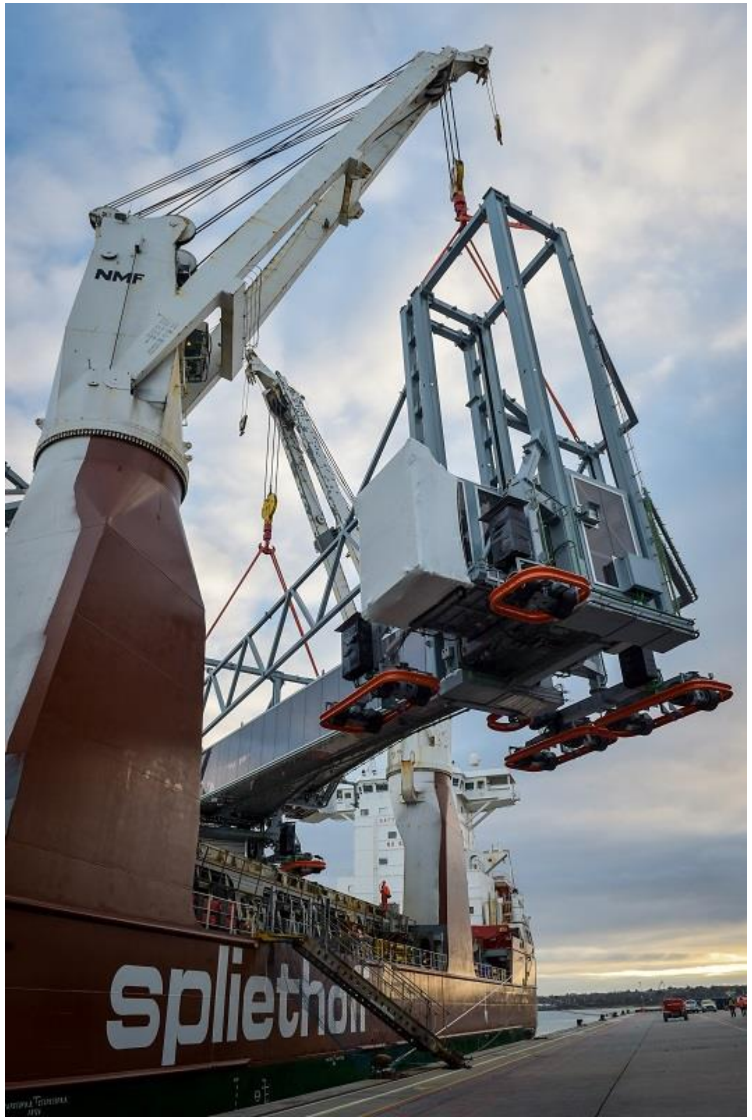


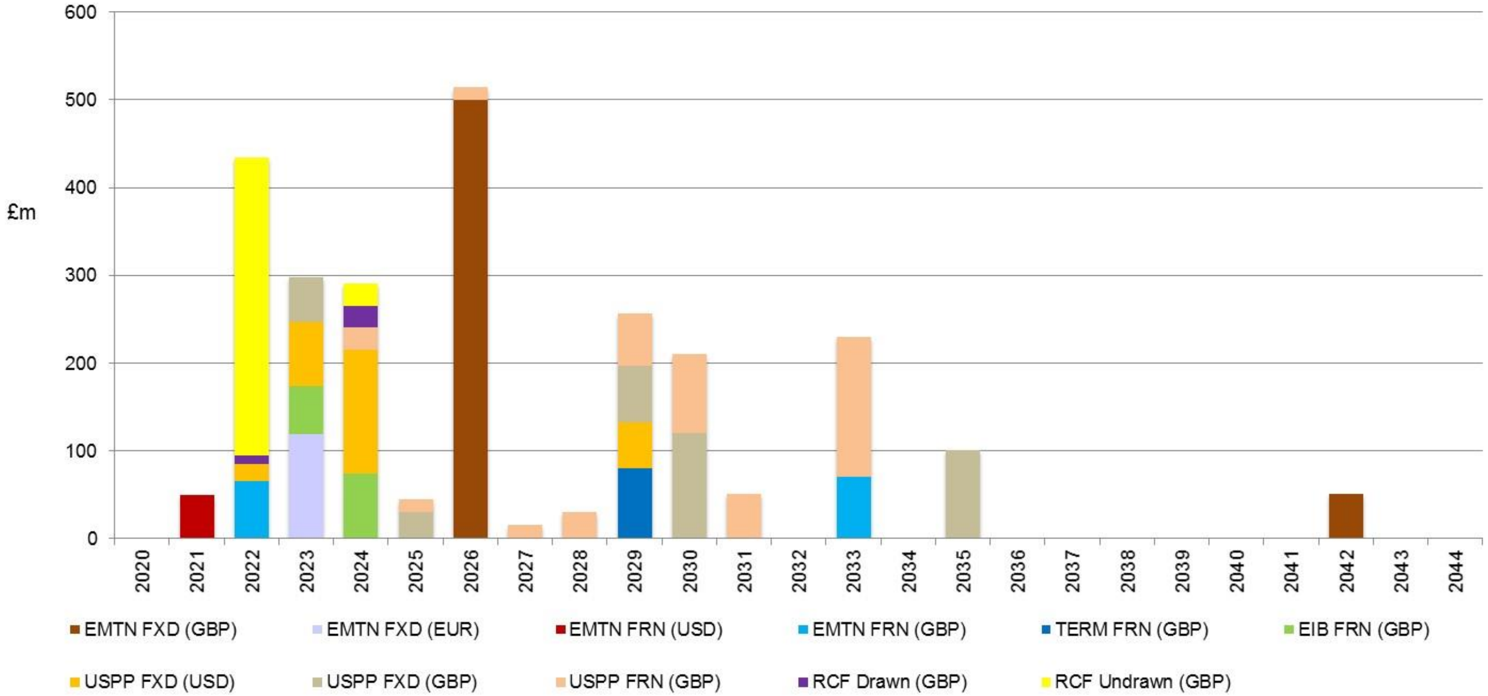

Photo: Ocean Cruise Terminal Airbridge being delivered (January 2020)

# Funding and Treasury Update

# Diverse funding sources and maturities



- Debt profile remained unchanged during 2019 with debt from a range of sources, basis types, currencies and maturities.
- Debt issued in a foreign currency is fully hedged back in to GBP.
- In addition to the facilities listed, £165m of committed liquidity facilities in place in accordance with creditor covenant package.



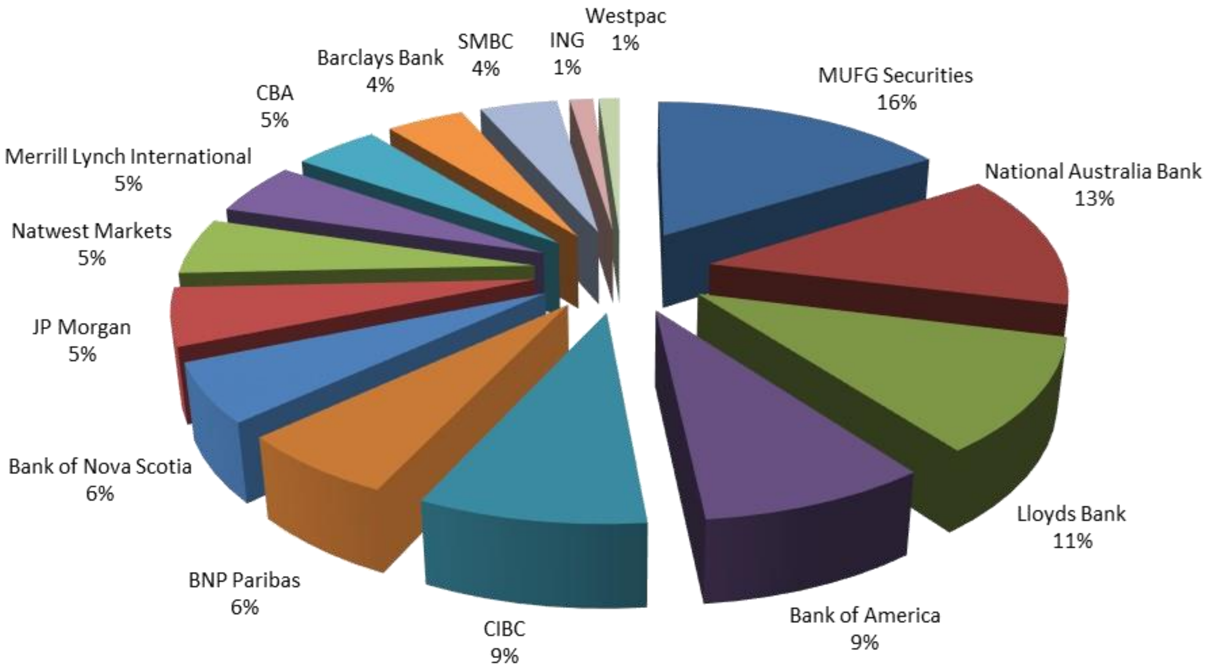

| Source (issuing currency) | Facility (£m) | Drawn (£m) |
|---|---|---|
| Revolving Credit Facilities (GBP) | 400.0 | 35.0 |
| Term Loans (GBP) | 80.0 | 80.0 |
| EIB Loans (GBP) | 129.0 | 129.0 |
| EMTN (GBP) | 685.0 | 685.0 |
| EMTN (USD) | 48.9 | 48.9 |
| EMTN (EUR) | 118.7 | 118.7 |
| USPP (GBP) | 825.0 | 825.0 |
| USPP (USD) | 285.8 | 285.8 |
| **Total** | **2,572.4** | **2,207.4** |

| Debt Basis | Drawn (£m) |
|---|---|
| Fixed Rate | 915.0 |
| Fixed Rate (swapped to floating) | 404.5 |
| Floating Rate | 887.9 |
| **Total** | **2,207.4** |

Source: Company Information as at 31 December 2019

# Debt hedging summary

- Net clean mark to market an out of the money position totalling £956.4m.
- Net mark to market position adjusted for counterparty risk (Fair Value as reported in the financial statements) totalling £797.5m (2018: £673.5m)




| Trade Type | Notional (£m) | Mark to Market (£m) | Fair Value (£m) |
|---|---|---|---|
| Interest Rate Swaps (pay fixed, receive floating) | 1,650.0 | (1,146.9) | (989.6) |
| Offsetting IRS (pay floating, receive fixed) | 335.8 | 82.7 | 83.8 |
| **Total Interest Rate Swaps** | **1,985.8** | **(1,064.2)** | **(905.8)** |
| **Basis Swap (pay floating, receive floating)** | **205.0** | **0.1** | **0.1** |
| CCS - pay floating, receive fixed (EUR/GBP) | 118.7 | 8.7 | 8.7 |
| CCS - pay floating, receive fixed (USD/GBP) | 285.8 | 91.3 | 91.6 |
| CCS - pay floating, receive floating (USD/GBP) | 48.9 | 7.8 | 7.8 |
| **Total Cross Currency Swaps** | **453.4** | **107.8** | **108.2** |
| **Total Derivative Position** | **2,644.2** | **(956.4)** | **(797.5)** |

Counterparty exposure mitigated with swaps diversified across ABP's core relationship bank group

Source: Company Information as at 31 December 2019

# LIBOR transition

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- FCA has stated that beyond 2021 it would no longer compel banks to make LIBOR submissions. This is to allow for transition to new risk-free rates between now and the end of 2021.
- ABP has significant exposure to GBP LIBOR covering a range of financial instruments (revolving credit facilities and term loans, US private placements, interest rate swaps, cross currency swaps and listed bonds) and has therefore taken an active role in global benchmark reform.
- Throughout 2019, ABP has continued to transition existing GBP LIBOR financial instruments to SONIA.
  - As at the 31 December 2019, ABP had completed the transition of bonds and swaps with a total nominal of £1,024 million.
  - The mark to market of swaps linked to SONIA was £350 million out of a total net exposure of £956 million.

# Interest rate swap mandatory breaks

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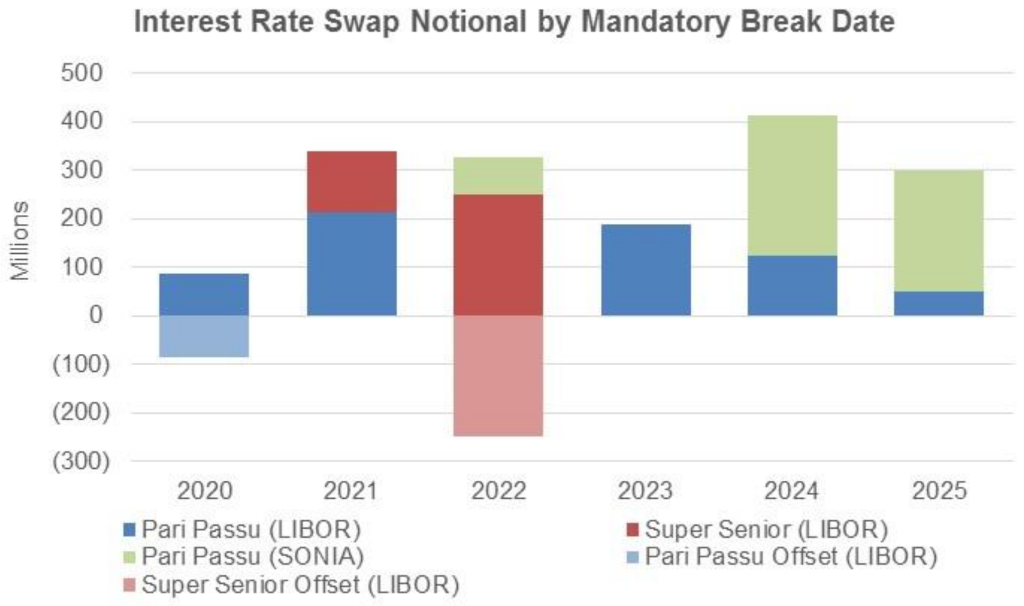
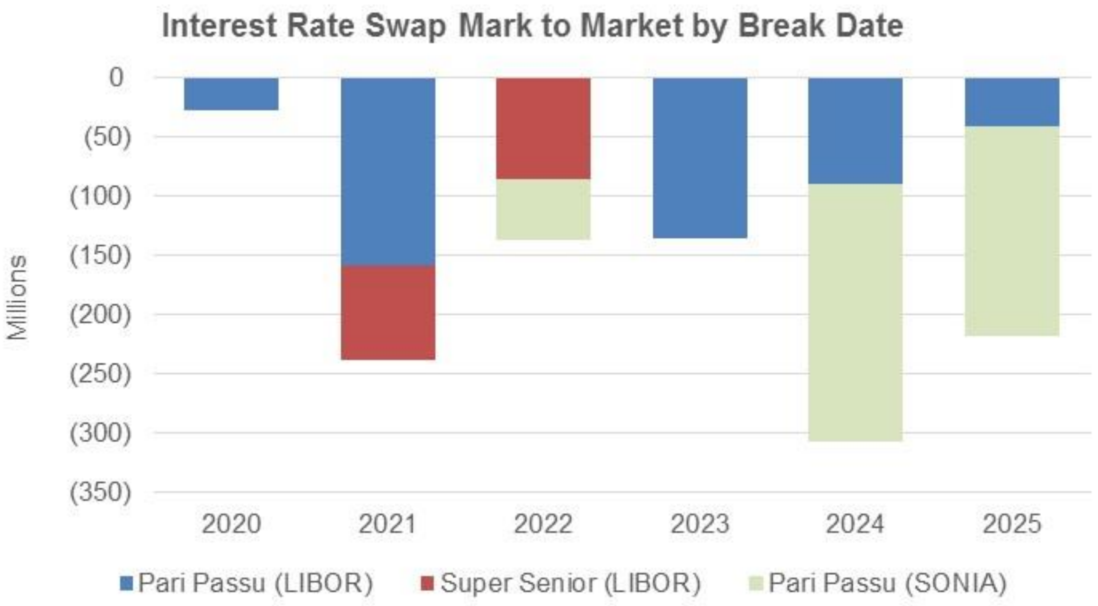
- Total net interest rate swap notional of £1,314.2 million hedging long-term floating rate debt of £1,257.4 million.
- Mandatory breaks spread over next 6 years. Final maturity dates range between 2036 and 2046.
- Small offset swap position in December 2020 has, since the year end, had mandatory breaks completely removed. No mandatory breaks now due until December 2021.
- During 2019, Super Senior swaps with 2020 mandatory breaks restructured to Pari Passu while being extended reducing Super Senior hedging mark to market to 7.5% of borrowings as at 31 December 2019 (2018: 10%).



# Upcoming STID Proposal

# STID Proposal

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- Given the global pandemic and resulting economic uncertainty, ABP has been reviewing the Common Terms Agreement in detail and in particular the important process that follows a Trigger Event including the required actions and the implications for our lenders.
- Trigger Events are important as they provide ABP's lenders with comfort that ABP's management is taking appropriate actions to remedy the situation that caused the relevant Trigger Event and importantly not lead to an Event of Default. A Trigger Event also prevents payments to shareholders ensuring cash remains trapped within the creditor ring-fence.
- ABP has identified two technical issues in the documentation that we intend to correct through a STID Proposal.

**Issue 1**

- The Common Terms Agreement includes a list of repeating representations. One of these is that a Trigger Event is not ongoing.
- The repeating representations are made every time ABP makes a payment under the debt documents. These therefore must be made when paying interest which occurs frequently.
- If a Trigger Event were to occur, then on the next payment date for any debt it would not be possible for ABP to make the 'no Trigger Event' representation. That would then cause a default for either non-payment or misrepresentation.
- This defeats the whole purpose of the Trigger Event regime and clearly contradicts other clauses set out in the documentation.

**Proposed Correction for Issue 1**

- ABP has proposed removing the word "Trigger Event" from the relevant representation as highlighted.
- This would allow ABP to pay interest during a Trigger Event.
- It would enable ABP to draw on existing loan facilities during a Trigger Event to meet capital expenditure agreed in a Remedial Plan.

5. **No Default or Trigger Event**

(a) No Default or Trigger Event is subsisting or will result from the execution of, or the performance of any transaction contemplated by, any Finance Document; and

(b) no other event or circumstance is outstanding which constitutes (or, with the expiry of a grace period, the giving of notice, the making of any determination or any combination of any of the foregoing, would constitute) a default or termination event (however described) under any other agreement or instrument which is binding on it or any of its Subsidiaries or to which its (or any of its Subsidiaries') assets are subject which has or is reasonably likely to have a Material Adverse Effect.

# STID Proposal cont.

**Issue 2**

- General Covenant 16 sets out all the types of Permitted Financial Indebtedness.
- There is no specific limb in the definition that allows for debt to be drawn under the Liquidity Facilities for servicing existing debt.
- The Liquidity Facilities are drawn on to pay interest to lenders in the event the cash is not available.
- The Liquidity Facilities have been in place since the structure was put in place in 2011 and have been renewed every year.

**Proposed Correction for Issue 2**

- ABP has proposed adding Liquidity Facilities as a new limb in the definition of Permitted Financial Indebtedness.
- This ensures that there is no doubt that they could be drawn if needed as anticipated under the documentation.


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