Global Ports Holding Plc

Q1 2020 Trading Statement

Global Ports Holding Plc ("GPH Plc" or "Group"), the world's largest independent cruise port operator, today issues a trading update for the period from 1 January to 31 March 2020.

Key Financials & KPI Highlights	Q1 2020 Reported	Q1 2020 Constant Currency[8]	Q1 2019 Reported	YoY Change
Passengers (m PAX) [1]	**1.3**		**0.5**	146%
General & Bulk Cargo ('000 tons)	**286.5**		**196.8**	46%
Container Throughput ('000 TEU)	**43.2**		**52.4**	-18%
Total Revenue ($m) [2]	**21.4**	**21.5**	**20.7**	3%
Cruise Revenue ($m) [3]	11.0	11.1	5.4	102%
Commercial Revenue ($m)	10.4	10.4	15.3	-32%
Segmental EBITDA ($m) [4]	**12.2**	**12.2**	**14.1**	-14%
Cruise EBITDA ($m) [5]	5.7	5.7	3.5	61%
Commercial EBITDA ($m)	6.5	6.5	10.6	-39%
Commercial EBITDA ex Project Cargo ($m) [6]	6.5		7.7	-16%
Adjusted EBITDA ($m)	**10.3**	**10.3**	**12.4**	-17%
Segmental EBITDA Margin	56.8%	56.7%	68.4%	
Cruise Margin	51.5%	51.4%	64.8%	
Commercial Margin	62.4%	62.3%	69.6%	
Adjusted EBITDA Margin	48.1%	48.1%	59.9%	
Profit/ (Loss) for the period ($m)	(16.5)		(13.8)	20%
Underlying profit/(Loss) for the period ($m) [7]	(1.3)		(1.6)	-17%

	Q1 2020	FY 2019
Net Debt	**401.1**	**389.2**
Net Debt ex impact of IFRS 16	**337.3**	**324.3**
Cash and Cash Equivalents	**56.0**	**63.8**

Mehmet Kutman, Co-Founder and Chairman said:

"The Covid-19 crisis continues to cause unprecedented disruption to both global economies and the global travel sector. As a result, we have taken decisive action to further reduce costs and preserve cash and we now believe that the group can withstand a scenario of no cruise ship calls until 2022 without having to raise capital.

While the crisis means cash preservation is currently the key focus, it is clear that as the cruise industry starts to exit this crisis, significant new port opportunities will present themselves. With a proven ability to bring global best practice and leading health and safety protocols to ports as well as the ability to raise financing for new projects even in the most challenging of times, Global Ports Holding is well positioned to play an active role as these opportunities arise."

Emre Sayin, Chief Executive Officer, said

"2020 was the year that the strategy we set at the IPO really started to deliver operational and financial results. Our successful expansion into the Caribbean caused a step change in our Cruise operations in Q1. Even though the Covid-19 crisis may have derailed this outcome since March, the evidence of this step change can still be seen in our first quarter trading.

As our commercial ports continue to trade in line with our expectations and there are signs that cruising could slowly start in Q3, management have recently implemented a further cost saving and cash preservation programme to help ensure the business remains in a strong position throughout this crisis. At the same time, we are working on enhancing our health protocols in all GPH ports, getting ready for the new normal. I believe the cruise industry will once again prove to be one of the most resilient and in demand sectors within the global tourism and travel industry."

Notes

[1] Passenger numbers refer to consolidated and managed portfolio consolidation perimeter, hence it excludes equity accounted associate ports La Goulette, Lisbon, Singapore and Venice
[2] All $ refers to USD unless otherwise stated
[3] Revenue allocated to the Cruise segment is the sum of revenues of consolidated and managed portfolio
[4] Segmental EBITDA figures indicate only operational companies; excludes GPH HQ expenses
[5] EBITDA allocated to the Cruise segment is the sum of EBITDA of consolidated cruise ports and pro-rata Net Profit of equity accounted associate ports La Goulette, Lisbon, Singapore and Venice and the contribution from the Havana and Ha Long Bay management agreements
[6] Commercial EBITDA Ex Project Cargo is EBITDA at Commercial Ports excluding the contribution from the oil services project
[7] Underlying Profit is calculated as profit / (loss) for the year after adding back: amortisation expense in relation to Port Operation Rights, non-cash provisional income and expenses, non-cash foreign exchange transactions and specific non-recurring expenses and income.
[8] Performance at constant currency is calculated by translating foreign currency earnings from our consolidated cruise ports, management agreements and associated ports for the current period into $ at the average exchange rates used over the same period in the prior year

Investor Conference Call

An analyst and investor call will be held today at 09.30am (BST).

Please email martinb@globalportsholding.com for details

Financial highlights

- The board and management have taken further action to reduce the cost base and conserve cash. Operating expenses across the group have now been reduced by 75% for May to Dec 2020, generating a full year 2020 operating expenses reduction of 60%.

- When combined with ongoing trading at the Commercial ports, management believe that GPH can continue to trade even under a scenario of no cruise ships until 2022, without the need to raise capital.

- Total consolidated revenues were $21.4m ($21.5m ccy) in the quarter, a rise of 3% yoy (4% ccy).

- Segmental EBITDA was $12.2m in the quarter, a 14% yoy decline (14% ccy), delivering a 56.8% Segmental EBITDA margin for the period.

- Adjusted EBITDA of $10.3m ($10.3m ccy) was down 17% yoy (17% ccy).

- Loss after tax for the period of $16.5m (2019: $13.8m) was impacted in Q1 2019 $10.5m of non-cash amortisation of port operating rights (2019: $8.4m) and non-cash FX charges totalling $3.9m (2019: $3.3m).

- Underlying loss for the period was $1.3m vs $1.6m in 2019 and reflects loss after tax for the period after adding back $10.5m of port operating rights amortisation vs $8.4m in 2019.

Cruise

Passengers ('000 PAX)	Q1 2020	Q1 2019	PAX Change (%)
Creuers (Barcelona/Malaga)	119	252	-53%
Valletta	40	78	-49%
Ege Port	1.8	5.1	-66%
Nassau	834	0	n/a
Other Cruise Ports	258	174	48%
Total Cruise Ports	1,253	506	146%

- Total cruise revenue rose by 102% yoy to $11.0m ($11.1m ccy) for the period vs $5.4m in Q1 2019.
  - The first time contribution of our new ports in Nassau and Antigua drove this strong revenue growth compared to Q1 2019 despite the negative impact of Covid-19 across our cruise port portfolio towards the end of the quarter.
- Passenger volumes rose 146% yoy to 1.25m, driven by the first time contribution from the new Caribbean ports.
  - The Covid-19 pandemic had a significant impact on passenger volumes towards the end of the quarter, with the global cruise industry effectively ceasing operations globally for the first time in its history.

- Cruise EBITDA was $5.7m ($5.7m ccy) in the period, up 61% vs the $3.5m reported in Q1 2019.
    - Cruise EBITDA margin fell to 51.5%, reflecting the reduction in contribution from equity associate ports, which are only accounted for at the EBITDA level.
- The EBITDA growth, despite the negative impact of Covid-19, in the period was driven by the first time Q1 contribution from our new Caribbean ports. Excluding these new ports, EBITDA fell by $3.1m yoy.
- Despite the Covid-19 impact, the reported passenger volumes and revenue and EBITDA figures highlight the strong contribution that our new Caribbean ports are expected to make to the portfolio in the years ahead. Both in terms of financial contribution and in terms of the geographic and seasonal balance that they bring to the portfolio.
- Nassau Cruise Port's recent successful $150m 8.0% coupon private bond offering, underpins the strength and attractions not only of this project but of the global cruise industry. The proceeds will support the significant planned investment into transforming Nassau Cruise Port into one of the iconic cruise destinations in the world. Transforming the experience for cruise passengers, locals and the cruise lines, generating jobs and driving economic growth.
- Since the onset of the Covid-19 crisis, management have taken a number of actions to reduce costs and preserve cash across the cruise port portfolio, more details on these actions and measures can be found below.

Commercial

Volumes	**Q1 2020**	**Q1 2019**	**Change (%)**
Port Akdeniz-Antalya			
General & Bulk Cargo ('000)	268	144	86%
Throughput ('000 TEU)	31.4	39.3	-20%
Port Adria			
General & Bulk Cargo ('000)	18.6	52.9	-65%
Throughput ('000 TEU)	11.8	13.1	-9%
Total General & Bulk Cargo ('000)	**286.5**	**196.8**	**46%**
Total Throughput ('000 TEU)	**43.2**	**52.4**	**-18%**

- Total commercial revenues declined by 32% yoy to $10.4m for the period ($10.4m ccy) vs $15.3m in Q1 2019. Excluding the impact of the previously disclosed oil services contract in Q1 2019, revenue fell 16%.
- Total Container volumes declined by 18% yoy, in line with management expectations. Q1 2020 Container performance compares to a positive comparative period performance. Q1 2019 Container volume growth was +2.6% yoy compared to steep volume declines in Q4 2018, Q2 2019 and Q3 2019.
- Total General & Bulk cargo volumes rose 46% yoy.
    - This rise was driven by the strong performance at Port Akdeniz, where a new volume focussed pricing structure helped to deliver an 86% yoy increase in General & Bulk volumes. With this strong performance partially offset by a sharp decline in volumes at Port of Adria where volumes declined by 65%, driven by a decrease in general cargo volumes.
- Commercial EBITDA fell 39% in the period to $6.5m ($6.5m ccy) vs $10.6m in 2019. Excluding the oil services contract effect at Port Akdeniz in Q1 2019, Commercial EBITDA fell by 16% in the period.
- While management believe year to date Container throughput volumes have been affected by the Covid-19 crisis, the strong performance from General & Bulk cargo volumes have largely offset this impact. As a result, year to date, our Commercial port operations continue to trade in line with our financial expectations.
- On 11 March 2020 GPH announced that following a competitive sales process conducted in the second half of 2019, it had entered exclusive negotiations with a potential buyer of Port Akdeniz. As a result of these negotiations the board recently received a firm offer for Port Akdeniz. The board is currently assessing the terms of this offer

and expects to provide an update in due course. There can be no certainty as to the timing or that the terms of a sale will be agreed. A further announcement will be made when it is appropriate to do so.

- On the 29th April 2019, the Competition Authority of the Republic of Turkey notified Global Ports Holding's subsidiary in Turkey, Ortadoğu Antalya Liman İşletmeleri A.Ş ("Port Akdeniz"), that it has commenced an investigation into Port Akdeniz due to an alleged breach of Article 6 of the Law on the Protection of Competition, Law No. 4054 due to excessive pricing concerns on certain services. On 28th May 2019, Port Akdeniz engaged legal representation and submitted a full defence against all allegations. Subsequently, the investigation report issued by the Competition Authority was received by Port Akdeniz on 15th April 2020 notifying that the Competition Authority would be continuing its investigation. The next stage in the process may take up to an additional 6 to 12 months, excluding any form of appeal. A further announcement will be made when it is appropriate to do so.

Balance Sheet

At 31st March 2020 net debt was $401.1m (Ex IFRS 16 Net Debt: $337.3m) compared to year end 2019 net debt of $389.2m (Ex IFRS 16 $324.3m). The increase in net debt at the end of Q1 vs year end is primarily due to interest accruals related to the Eurobond and a decrease in cash and cash equivalents in line with the operating performance in Q1. The group's Net Debt/EBITDA ratio was 5.4x times as at 31st March 2020, 4.5x Ex IFRS 16.

Capital expenditure during the period was $8.4m, an increase on the $3.5m incurred in Q1 2019. The yoy increase was driven by planned investment into the new Caribbean ports of $6.0m. With the exception of the Caribbean ports, all but essential maintenance capex has been suspended and will remain suspended until the cruise industry starts to return towards normal.

Gross debt at period end was $457.1m (Ex IFRS16 Gross Debt: $393.4m) vs $453.0m (Ex IFRS16 Gross Debt: $388.6m) at 31st December 2019. The Leverage Ratio as per GPH's Eurobond (excluding Unrestricted Subsidiaries) was 5.06x at 31st March 2020, compared to 4.65x 31st December 2019.

The Group's $250m 2021 Eurobond has a covenant of five times Gross Debt to EBITDA. As an incurrence covenant and not a maintenance covenant, Gross Debt to EBITDA above five times means that cash outflow from Global Liman to other Group subsidiaries or dividend distributions to GPH Plc becomes restricted until such time as the Gross Debt to EBITDA leverage falls below five times.

At the end of December 2019, GPH had cash and cash equivalents of $63.8m, as at the end of March 2020 this figure was $56.0m, including a debt repayment of $6.5m. At the end of May 2020 cash and cash equivalents, excluding the funds recently raised by NCP had fallen to $43.1m, with this reduction primarily driven by c$11m of debt financing costs, including the Eurobond coupon payment in May 2020.

Covid-19 crisis management and actions

As previously disclosed at the time of GPH full year results on the 14th April 2020, in light of the exceptional circumstances that are currently engulfing the cruise industry and with such uncertainty over when cruise travel might return to normal, the board and management took several significant actions to protect the balance sheet and long term future of the business.

The Board believe that the actions taken up to the 14th April 2020 would have meant that even under a severe downside scenario the Group would have sufficient cash resources to remain in operation at the end of April 2021. Under this scenario, as well as no cruise calls for the remainder of 2020, marble container throughput volumes were assumed to fall by 75% compared to management expectations between April and September 2020, and a 25% drop vs management expectations thereafter. Current volumes in Q2 are significantly better than those implied by the severe downside scenario. In order for this outcome to be realised marble volumes between June and September 2020 would need to fall by 85% compared to management expectations at the time of full year results.

Revenue generation

While under a no cruise environment, there is clearly no revenue from normal cruise activity, a number of ports will continue to generate revenue from other activities. For example, a number of our cruise ports currently have cruise ships laid up at their berths until cruise activity resumes, while others have been involved in the safe offloading and repatriation of passengers and crew. Other ship focussed activities will include the handling of military vessels and mega-yachts. In addition, a number of the ports have commercial activities that are normally open to the public as well as cruise passengers, such as retail areas and restaurants. While in most cases these are operated by concessionaires, with lockdown restrictions easing, many of these areas have now reopened and are trading.

Despite the Covid-19 crisis, our commercial ports continue to trade in line with management expectations, generating strong levels of EBITDA and cash.

Cost reductions

Looking into Q3 2020 there are tentative signs of cruise ships setting sail, however, this is clearly open to further delay and when ships do set sail, the number of ships, their occupancy rates and the itineraries that will be implemented remain uncertain. As a result, management and the board have taken further action to manage the business for a no cruise environment for the foreseeable future, reducing costs and conserving cash.

The inherent flexibility in GPH's business model, including the extensive use of outsourced service providers, means that many costs expand and contract in line with cruise traffic or cargo volumes. Clearly in the current circumstances such costs in our Cruise operations have dropped to almost zero.

In terms of the costs that are more fixed in nature, measures that have now been taken include a significant reduction in employee costs through the implementation of a reduced working week for some employees, salary deferrals, and suspension of board members' salaries and fees until 2021. While marketing costs, new port project costs and consultancy fees have been significantly reduced. In addition, at a number of ports minimum concession fees have either been discounted or deferred, while all but essential maintenance capital expenditure has been suspended, yielding a significant saving.

These actions have resulted in cash costs in a no cruise environment being reduced to such an extent that management believe GPH can remain in operation even under a scenario of no cruise ships calling at its cruise ports until 2022. While on a port by port basis, individual ports representing c95% of Cruise EBITDA, based on full year 2019 figures, can survive until 2022 with no cruise ships and no requirement for financial support from the group.

Cruise Port Operations in a no cruise environment	**Survivability in months***
Creuers	36
Ege	29
Valletta	20
Other Cruise	16
Cruise	**20**

*Assumes loans at operating company level are repaid, survivability could be significantly extended if loans are rolled over

Outlook & current trading

Before the outbreak of Covid-19, 2020 was going to be the year when the strategy we have been delivering on since IPO really started to deliver operational and financial results, with our successful expansion into the Caribbean driving a step change in our Cruise operations.

However, while 2020 began well and operational results were in line with management expectations at both the Cruise and Commercial divisions, the outbreak of the Covid-19 virus has had a significant impact on our cruise operations. With travel restrictions implemented across the world, cruise itineraries that were cancelled for a number of weeks or months have been pushed out even further and in some cases until 2021.

Against the backdrop of the Covid-19 outbreak, the underlying performance of our Commercial operations has been positive year to date, delivering in line with our financial expectations, despite the crisis. While it remains unclear when cruise activity will recover to previous levels, the major cruise lines have made plans to commence sailings in Q3 2020 and they have reported very strong booking patterns for 2021.

As a result of the crisis, the board and management have implemented a wide ranging cost saving and cash preservation program to protect the balance sheet and preserve the Group's liquidity position. As a result of these measures the board believes that GPH has sufficient liquidity to meet all its financial liabilities and to continue to operate even in a no cruise activity until 2022 environment.

While it is encouraging to see that there are tentative signs of some cruise activity resuming in Q3 2020, what the near term outlook will be for multi-destination and multi-country cruise itineraries and indeed cruise ship occupancy rates remains uncertain. It therefore, remains impossible in the current environment to forecast what the path to recovery and a new normal may look like. However, we are working with all the relevant authorities and the cruise lines to welcome the return of passengers to our ports as and when it is appropriate to do so.

The inherent flexibility in GPH's business model, including the extensive use of outsourced service providers, and the significant cost savings implemented by management means that GPH remains in a strong position to weather the current storm and when the time is right to be in a position to welcome the return of cruise passengers.

While there is a high level of uncertainty over the trading outlook for 2020, the Board and Senior Management remain confident in GPH's long-term strategy and its ability to navigate through this crisis.

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APPENDIX

Consolidated statement of comprehensive income data ($m)	**Q1 2020**	**Q1 2019**
Revenue	**21.4**	**20.7**
Operating Expenses	(25.9)	(17.7)
Depreciation and Amortization	(13.6)	11.7
Other Operating Income	0.6	0.9
Other Operating Expense	(2.4)	(6.9)
Operating profit	**(6.3)**	**(3.0)**
Finance Income	12.9	4.7
Finance Expenses	(25.7)	(12.6)
Profit/ (loss) before income tax	**(18.8)**	**(12.6)**
Income tax expense	2.3	(1.2)
Profit/ (loss) for the period	**(16.5)**	**(13.8)**
Underlying profit/(loss) for the period	**(1.3)**	**(1.6)**
Other financial data (USD millions actual)		
EBITDA	**10.3**	**12.4**
EBITDA margin	48.1%	59.9%

Cash flow (USD Million)	**Q1 2020**	**Q1 2019**
Adjusted EBITDA	**10.3**	**12.4**
Working Capital	(0.1)	(1.3)
Other	(2.9)	(5.0)
Operating Cash flow	**7.3**	**6.1**
Net interest expense	(3.1)	(0.9)
Tax	0.1	(1.7)
Net Capital Expenditure	(8.6)	(3.7)
Free cash flow	**(4.3)**	**(0.2)**
Investments	(1.6)	(0.2)
Exceptionals	--	--
Dividends	--	2.9

Other	--	--
Net Cash flow	**(5.9)**	**2.5**
Net Debt start of period	**389.1**	**267.1**
Net Cash flow	(5.9)	2.5
FX	(7.1)	(7.9)
Net Debt End of Period	**337.3**	**272.6**
IFRS 16 impact	**63.7**	**63.3**
Net debt incl. IFRS 16	**401.1**	**335.9**

Consolidated statement of financial position data ($m)	**Q1 2020**	**Q1 2019**
Cash and cash equivalents	56.0	78.9
Total current assets	94.1	106.7
Total assets	**777.3**	**736.0**
Total debt (including obligations under leases)	**457.1**	**414.8**
Net debt (including obligations under leases)	**401.1**	**308.1**
Total equity	**138.5**	**200.1**
of which retained earnings	61.1	97.9