# Global Ports Holding Plc

## 9 Month 2020 Trading Statement

### Global Ports Holding announces Q3 2020 and 9 month results

Global Ports Holding Plc ("GPH" or the "Group"), the world's largest independent cruise port operator, today announces its unaudited results for the nine months ending 30 September 2020.

| Key Financials & KPI Highlights | 9M 2020 | 9M 2020 CCY[5] | 9M 2019 | YoY Change | Q3 2020 | Q3 2019 | YoY Change |
|---|---|---|---|---|---|---|---|
| Passengers (m PAX)[6] | 1.3 | | 3.7 | -64% | 0.01 | 1.6 | -99% |
| General & Bulk Cargo ('000 tons) | 871 | | 580 | 50% | 288 | 122 | 136% |
| Container Throughput ('000 TEU) | 133 | | 155 | -14% | 42 | 50 | -15% |
| **Total Revenue ($m)[1]** | **84.1** | **84.1** | **91.5** | **-8%** | **29.9** | **36.9** | **-19%** |
| Cruise Revenue ($m)[7] | 53.8 | 53.8 | 46.1 | 17% | 19.9 | 22.2 | -10% |
| *Ex IFRIC 12 Cruise Revenue ($m)[9]* | *13.7* | | *46.1* | *-70%* | *1.9* | *22.2* | *-92%* |
| Commercial Revenue ($m) | 30.3 | 30.3 | 45.4 | -33% | 10.0 | 14.7 | -32% |
| **Segmental EBITDA ($m)[2]** | **20.6** | **20.6** | **66.3** | **-69%** | **3.7** | **27.2** | **-86%** |
| Cruise EBITDA ($m)[8] | 0.9 | 0.9 | 32.6 | -97% | (2.9) | 15.7 | -118% |
| Commercial EBITDA ($m) | 19.6 | 19.6 | 33.7 | -42% | 6.7 | 11.4 | -42% |
| **Adjusted EBITDA ($m)[3]** | **16.5** | **16.5** | **61.0** | **-73%** | **3.0** | **26.2** | **-89%** |
| Segmental EBITDA Margin | 24.4% | 24.4% | 72.4% | | 12.3% | 73.7% | |
| Cruise Margin | 1.7% | 1.7% | 70.6% | | -14.6% | 70.8% | |
| Commercial Margin | 64.8% | 64.8% | 74.2% | | 67.1% | 78.0% | |
| Adjusted EBITDA Margin | 19.6% | | 66.7% | | 10.0% | 71.0% | |
| Operating (Loss)/Profit ($m) | **(26.2)** | | **10.3** | | **(6.6)** | **9.0** | |
| (Loss)/Profit for the period ($m) | **(47.7)** | | **(14.8)** | | **(12.6)** | **0.9** | |
| **Underlying profit for the period[4]** | **0.1** | | **17.3** | | **3.2** | **11.3** | |

| | 9M 2020 | Dec 2019 |
|---|---|---|
| Gross Debt | 575.1 | 453.0 |
| **Gross Debt ex IFRS 16 Finance Lease** | **508.8** | **388.2** |
| Net Debt | 466.2 | 389.1 |
| **Net Debt ex IFRS 16 Finance Lease** | **399.8** | **324.3** |
| **Cash and Cash equivalents** | **108.9** | **63.8** |

### Key Financials and KPIs

- Total consolidated revenues were $84.1m for the 9M period, down 8% yoy. Excluding the impact of Nassau Construction revenues (IFRIC-12), total consolidated revenues were $44.0m, down 52%
  - Q3 Revenues fell 19% yoy to $29.9m, excluding IFRIC-12, Q3 Revenues were $11.9m
  - Q3 Cruise Revenue fell 10% yoy to $19.9m, excluding IFRIC-12, Q3 Cruise Revenue fell 92% to $1.9m
  - Q3 Commercial Revenue fell 32% yoy to $10.0m
- Segmental EBITDA for the 9M period was down -69% at $20.6m
  - Q3 Segmental EBITDA fell 86% to $3.7m
  - Q3 Cruise EBITDA fell 118% to a loss of $2.9m
  - Q3 Commercial EBITDA was down 42% to $6.7m

- Adjusted EBITDA of $16.5m for the 9M period down 73%
    - Q3 Adjusted EBITDA fell 89% to $3.0m
- Cruise passenger volumes for the 9M period fell by -64%, Q3 volumes fell by -99%, with only a few thousand passengers handled in the period
- Container Throughput was -14% and General & Bulk Cargo was +50% for the 9M period
- The increase in Gross Debt was principally a result of the issue of the Nassau Cruise Port bond in the period

### Emre Sayin, Chief Executive Officer, said:

"As 2020, a year the global cruise industry and many of us will want to forget, comes to an end, the global cruise industry remains in near shutdown and the outlook for 2021 remains uncertain for the sector.

While cruise activity has restarted in the Mediterranean and Asia, levels of activity remain very low. As we head into Winter in the Northern Hemisphere, the potential end of the significant travel restrictions in Europe cannot be assessed with certainty due to the ongoing and even increasing impacts of Covid-19.

In North America and the Caribbean, the cruise lines and cruise ports have put in place extensive Covid-19 protocols and the industry is ready to set sail once again. However, while the Centers for Disease Control and Prevention (CDC) has effectively replaced its no sail order with a "Framework for Conditional Sailing Order for Cruise Ships", we do not expect there will be a meaningful return to cruising in the near-term.

The near-term outlook for the industry looks more challenging than we had expected at the time of half year results in August 2020. The first quarter is normally an important trading period for our Caribbean ports and no meaningful cruise activity in this period will have a negative impact to full-year 2021 trading. We continue to manage the Group carefully by focusing on reducing costs and preserving cash during this difficult period.

We continue to work with all stakeholders towards the successful financial close for the sale of Port Akdeniz. The successful conclusion of this process will effectively complete our strategic ambition of creating a pure play cruise port operator. While we continue to believe in the long term strength of the global cruise industry, all stakeholders should remain alert to the fact that the disposal of Port Akdeniz will occur during a period of continued uncertainty around a meaningful return to cruising."

### Disposal of Port Akdeniz

Following a period of exclusive negotiations, on 21st October 2020, GPH entered into a conditional sale and purchase agreement to sell Ortadoğu Antalya Liman Işletmeleri ("Port Akdeniz") to QTerminals W.L.L. ("QTerminals"), a Qatari commercial port operating company, for an enterprise value of $140m. The net cash proceeds for GPH from this transaction at closing will be determined by deducting net debt and debt like items of Port Akdeniz at closing as well as paying transaction-related costs and taxes. A small portion of the purchase price will be withheld by QTerminals and paid 12 months after closing of the transaction.

The sale remains conditional, inter alia, upon obtaining certain regulatory clearances and approvals from various Turkish governmental authorities. Management is focussing on the completion of this transaction. The successful closing of the sale will be an important factor when addressing the upcoming maturity of the $250m Eurobond due November 2021, for which GPH continues to assess a range of options but no decision has been made on timing and structure. An update will be provided when it is appropriate to do so.

Management believes the Group has sufficient resources to withstand an extended cruise shutdown into 2021. However, following the sale of Port Akdeniz maintaining sufficient liquidity is pivotal to the Group's ability to trade through this extended cruise shutdown, particularly as the threat of a second wave of Covid-19 cases and a return to severe travel restrictions sweeps across Europe.

### Financial Review

- Operating loss of $26.2m for the first 9 months of the year compares to an operating profit of $10.3m for 9M 2019. This was largely driven by the $43.7m fall in Adjusted EBITDA. The operating loss is calculated as Adjusted EBITDA after port operating rights amortisation expense of $27.2m (9M 2019: $25.2m), amortisation of $9.0m (9M 2019: $9.7m) and one off adjustments and non-operating expenses of $6.6m (9M 2019: $11.4m), the majority of which were project expenses of $4.5m (9M 2019: $7.1m).

- Loss after tax for the period was $47.7 million (9M 2019: -$14.8m), due to the operating loss and further driven by an increase in net finance costs to $32.7m (9M 2019: $27.0m) and a decrease in income from equity accounted associates to just $0.6m (9M 2019: $4.4m), while the losses in the period generated a tax income of $10.6m compared to a tax expense of $2.6m in 9M 2019. The increased net finance costs are due to non-cash loss when revaluing the Eurobond debt, along with non-cash revaluation losses on Turkish entities foreign currency dominated liabilities and the increase in net interest expenses, including interest expense on IFRS 16 lease obligations, to $22.3m (9M 2019: $20.2m).
- Underlying profit for the 9-month period of $0.1m (9M 2019: $17.3m) reflects the loss after tax in the period of $47.7m after adding back amortisation of port operating rights of $27.2m (9M 2019: $25.2m) and non-cash foreign exchange transactions of $19.6m (9M 2019: $5.0m), non-cash provisional expenses of $1.9m (9m 2019: $2.0m) and subtracting IFRIC-12 non-cash construction margin of $0.8m (9M 2019: n/a).

## Cruise Port Review

| Passengers (m PAX) | 9M 2020 | 9M 2019 | YoY Change (%) | Q3 2020 | Q3 2019 | YoY Change (%) |
|---|---|---|---|---|---|---|
| Creuers | 0.14 | 1.9 | -93% | 0.003 | 0.86 | -99.7% |
| Valletta | 0.047 | 0.7 | -93% | 0.007 | 0.32 | -97.8% |
| Ege Port | 0.007 | 0.2 | -97% | 0.000 | 0.12 | -100% |
| Nassau | 0.835 | n/a | n/a | 0.000 | n/a | n/a |
| Antigua | 0.256 | n/a | n/a | 0.000 | n/a | n/a |
| Other Cruise Ports | 0.016 | 0.8 | -98% | 0.002 | 0.29 | -99.5% |
| **Total Cruise Ports** | **1.3** | **3.7** | **-64%** | **0.011** | **1.59** | **-99%** |

- Cruise Revenue excluding IFRIC-12 for the 9 months fell 70% to $13.7m, while Cruise EBITDA fell 97% $0.9m.
- Passenger volumes for the 9 months fell 64%, falling by 99% yoy in Q3. The better relative performance in the 9M period vs Q3 reflects the first time contribution from Nassau Cruise Port and Antigua in Q1 2020, before the onset of the Covid-19 crisis.
- Q3 passenger volumes of just 11k passengers reflected the effective global shutdown of cruise industry in the period and the very modest return to cruising in the Mediterranean towards the end of the period.
- Q3 Cruise Revenue excluding the impact of IFRIC-12 collapsed by -92% to $1.9m and Q3 Cruise EBITDA fell -118%, to -$2.9m.
- 2020 was a year that was meant to be transformational for the Group, with our new Caribbean ports driving a step change in the scale of our cruise operations. Unfortunately, the onset of the Covid-19 crisis turned a year that promised so much into one of unprecedented challenges as the global cruise industry effectively went into global shutdown.
- As previously disclosed the combination of our flexible cost base and decisive action taken to reduce costs and conserve cash has helped to protect the business and preserve cash during the Covid-19 crisis.
- As previously disclosed, all but essential maintenance capex was suspended across the group in Q2 2020. However, Capex in the 9M period was $64.2m as in our new ports in the Caribbean the investment programs continued, financed by committed loans at Antigua Cruise Port and Nassau Cruise Ports bond issued in May 2020. The total capex at these ports in the 9M period was $57.8m of which $19.8m was spent during Q3 2020. The investment into Nassau will continue throughout 2021 and into 2022, however, the investment in Antigua into a new pier will be completed by the end of this year.

## Commercial Port Review

| | 9M 2020 | 9M 2019 | Yoy Chge |
|---|---|---|---|
| **Port Akdeniz** | | | |
| General & Bulk Cargo ('000 tons) | 835 | 445 | 88% |
| Throughput ('000 TEU) | 94 | 119 | -21% |
| **Port Adria** | | | |
| General & Bulk Cargo ('000 tons) | 37 | 136 | -73% |
| Throughput ('000 TEU) | 39 | 36 | 8% |
| **Total General & Bulk Cargo ('000 tons)** | **871** | **580** | **50%** |
| **Total Throughput ('000 TEU)** | **133** | **155** | **-14%** |

- The performance at our Commercial ports in Q3 2020 largely reflected a continuation of the trends experienced in the first half of the year.
- For the 9M period, Throughput Container volumes fell 14% and General & Bulk Cargo volumes rose 50%
- Commercial Revenue and EBITDA for the 9 months were down 33% and 42% respectively, to $30.3m and $19.6m
  - Q3 Commercial Revenue and EBITDA fell 32% and 42% respectively, to $10.0m and $6.7m.
- On 21st October 2020 GPH announced that following a period of exclusive negotiations it had entered into a conditional sale and purchase agreement to sell Port Akdeniz to QTerminals, a Qatari commercial port operating company, for an enterprise value of $140m. The net cash proceeds from this transaction will be determined by deducting net debt and debt like items of Port Akdeniz at closing as well as transaction-related costs and taxes. A small portion of the purchase price will be withheld by QTerminals and paid 12 months after closing of the transaction.
- As previously announced, on 29 April 2019 the Competition Authority notified Port Akdeniz, that it had 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. While the reasoned decision is yet to be received, Port Akdeniz has been notified by the Competition Authority that an administrative fine will be imposed. The administrative fine is based on the Turkish Lira turnover of Port Akdeniz in the fiscal year 2019 and represents up to USD 1.5m at today's exchange rate. Port Akdeniz will file an administrative lawsuit against a such decision of the Competition Authority and the Group's lawyers believe that, based on precedents, such lawsuit has the potential to revert the decision, however such process may take up to 18 to 24 months.

## Balance Sheet

Gross debt at period end was $575.1m (31st December 2019: $453.0m), with this increase driven largely by the issuing of the Nassau Cruise Port bond in the period. As at 30th September 2020 net debt was $466.2m (31st December 2019: $389.1m). The Group's Net Debt/EBITDA ratio was 14.0x (FY 2019 4.3x).

Excluding IFRS 16 finance leases, the gross debt at the end of the period was $508.8m (31st December 2019: $388.2m), net debt at the end of the period was $399.8m (31st December 2019: $324.3m) and Net Debt/EBITDA was 12.0x. The leverage ratio as per GPH's Eurobond remains above the incurrence covenant of 5.0x. As an incurrence covenant, the impact is that incurrence of additional debt at Global Liman and its subsidiaries and dividend distributions from Global Liman are restricted.

Operating cash flow was $20.6m (9M 2019: $24.8m). The decline in operating cash flow was driven by lower EBITDA partially offset by a working capital movement that resulted in a positive cash flow of $11.5m in the period, primarily as a result of the unwind in trade and other receivables in the absence of cruise calls in Q2 and Q3 2020 and following the peak cruise season in the Caribbean.

Net capital expenditure during the period was $64.4m, a significant increase on the $5.9m incurred in 9M 2019. $57.8m was spent on the Caribbean ports in Antigua and Nassau. $3.8m was spent across the rest of the cruise portfolio earlier this year, with $2.0m spent in Barcelona on terminal improvements and $1.5m in Valletta on investment into the waterfront infrastructure. $2.7m was spent on capex at the Commercial ports, with the vast majority of this spent at Port Akdeniz.

## Outlook & current trading

The near term outlook for Cruise over the remainder of 2020 and 2021 is highly uncertain and looks more challenging than the outlook at the time of half year results in August 2020.

While a number of cruise lines have commenced sailing in the Mediterranean and Asia, volumes remain very low. In North America and the Caribbean, there remains uncertainty as to when cruising will recommence in a meaningful way.

The recent issuing of a "Framework for Conditional Sailing Order for Cruise Ships" by the Centers for Disease Control and Prevention (CDC) provides a more formal structure for the return to cruising. However, we do not expect there will be a meaningful return to cruising in the near term.

The first quarter is normally an important trading period for our Caribbean ports therefore no meaningful cruise activity in this period will have a negative impact on our overall trading in 2021.

While from an operating cash flow perspective management believe the Group has sufficient resources to withstand an extended cruise shutdown into 2021, the successful sale of Port Akdeniz will effectively create a pure play cruise port group during a period of continued uncertainty around a meaningful return to cruising in 2021. Therefore, maintaining sufficient liquidity is pivotal to the Group's ability to trade through this extended cruise shutdown, particularly in the context of a Covid-19 second wave and as a return to severe travel restrictions sweeps across Europe.

## Conference call

A conference call for investors only will be held at 4.00pm today.

Please register in advance at:

https://us02web.zoom.us/webinar/register/WN_escuppCxR-KGEmZ0FMn2Vw

## Notes

1. All $ refers to United States Dollar unless otherwise stated
2. Segmental EBITDA is calculated as income/(loss) before tax after adding back: interest; depreciation; amortisation; unallocated expenses; and specific adjusting items including Nassau construction services margin (IFRIC-12)
3. Adjusted EBITDA calculated as Segmental EBITDA less unallocated (holding company) expenses
4. 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, as well as non-cash margin from Nassau construction services (IFRIC-12) accounting. Adjusted earnings per share is calculated as underlying profit divided by weighted average number of shares

5. 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.
6. Passenger numbers refer to consolidated and managed portfolio consolidation perimeter, hence it excludes equity accounted associate ports La Goulette, Lisbon Singapore and Venice.
7. Revenue allocated to the Cruise segment is the sum of revenues of consolidated ports and from management contracts
8. 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, as well as the contribution from management agreements
9. Revenue and EBITDA Ex IFRIC 12 refers to exclusion of the impact of IFRIC 12 construction revenue accounting at Nassau Cruise Port.

## Appendix

| Consolidated statement of comprehensive income data | 9M 2020 | 9M 2019 |
|---|---|---|
| **Revenue** | **84.1** | **91.5** |
| Operating Expenses | (91.3) | (61.6) |
| *of which Depreciation and Amortization* | *(36.3)* | *(34.9)* |
| Other Operating Income | 2.4 | 3.0 |
| Other Operating Expense | (21.4) | (22.6) |
| **Operating profit** | **(26.2)** | **10.3** |
| Finance Income | 16.5 | 5.6 |
| Finance Expenses | (49.2) | (32.5) |
| Share of profit of equity accounted investees | 0.6 | 4.4 |
| **Profit before income tax** | **(58.3)** | **(12.3)** |
| Income tax expense | 10.6 | (2.6) |
| **Profit for the period** | **(47.7)** | **(14.8)** |
| Other financial data (USD millions actual) | | |
| **Adjusted EBITDA** | **16.5** | **61.0** |
| *EBITDA margin* | 19.6% | 66.7% |

| Cash flow (USD Million) | 9M 2020 | 9M 2019 |
|---|---|---|
| **Net cash from operating activities** | **20.6** | **24.8** |
| *of which change in working capital* | *11.5* | *(14.7)* |
| **Net Cash used in investing activities** | **(66.9)** | **(2.9)** |
| *of which CAPEX* | *(64.4)* | *(5.9)* |
| **Net cash from / (used in) financing activities** | **92.4** | **(28.6)** |
| *of which interest paid* | *(16.4)* | *(14.1)* |
| *of which net dividends received / (paid)* | *(0.2)* | *(22.3)* |
| **Net (decrease) / increase in cash and cash equivalents** | **46.1** | **(6.7)** |

| Consolidated statement of financial position data ($m) | 30.09.2020 | 30.09.2019 | 31.12.2019 |
|---|---|---|---|
| Cash and cash equivalents (including short term investments) | 108.9 | 66.2 | 63.8 |
| Total current assets | 135.5 | 115.5 | 102.8 |
| **Total assets** | **879.4** | **699.8** | **794.9** |
| **Total debt (including obligations under financing leases)** | **575.1** | **411.1** | **453.0** |
| **Net debt (including obligations under financing leases)** | **466.2** | **324.3** | **389.1** |
| **Total equity** | **124.6** | **171.2** | **155.3** |
| of which retained earnings | 32.5 | 74.4 | 61.1 |

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