



Annual general meeting – June 2024

Victor Pang, chief financial officer

Welcome remarks

Good afternoon. Thanks for joining us for the Vancouver Fraser Port Authority's annual general meeting. I'm Victor Pang, chief financial officer; I'll be leading today's meeting on behalf of Peter Xotta, our president and CEO, who is away due to a knee surgery.

I'd like to acknowledge, with gratitude, that the Port of Vancouver operates on the traditional territories of the Coast Salish Peoples, including the Musqueam, Squamish, and Tsleil-Waututh Nations. At the port authority, we recognize the enduring presence and stewardship of these First Nations over these lands and waters, and we are working to foster meaningful relationships and partnerships with First Nations, whose rich cultural heritage and connection to the land continue to shape the region. We are committed to ongoing collaboration, reconciliation, and mutual understanding as we strive for sustainable and inclusive stewardship of this shared environment. I'd also like to acknowledge and thank all Nations from whose traditional territories our participants are joining today.

We're now pleased to share a video segment with traditional welcomes provided by Councillor Gordon Grant of Musqueam Indian Band, Syexwaliya of Squamish First Nation, and Sam George of Tsleil-Waututh First Nation.

Thanks very much to our friends and neighbours at Musqueam, Squamish and Tseil-Waututh First Nations for the warm welcome to their territory.

For our meeting today, I'm joined by our board chair, Cathy McLay, and our executive leadership team and board are here and can answer questions during our Q&A. On a housekeeping note, if anyone needs technical support, there are call-in numbers on the event invitation and our team is happy to help. Additionally, we have French-language translation available in real-time for this meeting, which you can activate by clicking on the interpretation icon at the bottom of your screen.

Turning to our meeting, under the *Canada Marine Act*, Canada Port Authorities are required to hold an AGM every year that's open to the public and held in the municipality where the port is located. We're pleased to do that today, and to offer this virtual format, to support geographically-diverse participation, given the Port of Vancouver's role and reach as Canada's largest port. To fulfil additional requirements, we'll also release audited financial statements and announce our auditor for the current year.

To give you our run-of-show, we'll begin with remarks from our chair, Cathy McLay; then, via video segment, we'll hear remarks from our president and CEO, Peter Xotta, to review our activities in 2023; next, I'll present the port authority's 2023 financial results; and lastly, we'll move to a Q&A period, and we'll alternate between pre-submitted questions and your questions coming in live. To submit a question, please use the Q&A function at the bottom of your screen.

Financial results

In my role as chief financial officer, I'll now present the port authority's 2023 financial results. What I hope you'll take away is that record 2023 port performance and the port authority's consistent financial strength continues to enable capital investment, centrally in infrastructure, to support the gateway's future.

In reporting out today, I'll start with our earnings model. Then, I'll talk about 2023 port cargo results, the port authority's financial results, some capital investment highlights, and some measures of the organization's financial performance. Lastly, I'll announce our auditor for this year.

Starting with the port authority's earnings model, we have two main sources of revenue. First, we generate rental revenue from our land portfolio based on market principles. Second, we collect a number of fees from users of the port to recover our costs on the specific operations and investments from which the users enjoy benefits.

Unlike many other ports around the world, tax dollars are not a source of revenue for us. In fact, we pay a certain percentage of our revenue to the federal government in the form of stipends, and we also make payments called 'payments in lieu of taxes' to our local municipalities. For 2023, these government payments make up approximately 8% of our total operating expenses. As a Canada Port Authority, we are set up to be financially self-sufficient: that means that our earnings form the financial capacity that we use to invest in the gateway's growth and sustainability.

Now, I'll turn to the Port of Vancouver's cargo volume results. In 2023, as Peter noted, despite a challenging trade backdrop, port terminals, shippers and supply-chain partners moved a record 150.4 million metric tonnes of cargo, which is outstanding!

If we zero in on the sectors:

- bulk volumes were up 11%, including a 39% increase in grain, specialty crops and feed after the drought-affected harvest last year and a 7% increase in coal;
- container volumes were down 12%, in line with trends seen across North America's West Coast, as a cooling global economy and overstocked retailer inventories impacted imports and laden inbound containers were down 13%;
- breakbulk volumes decreased 7%, including a 25% drop in foreign breakbulk volumes due largely to the cooling economy and a fall in metals imports, as well as exports of forestry products shifting to containers;
- automobile volumes were up 36% as the sector returned to pre-pandemic volumes, with supply-chain and production issues easing and consumer demand for vehicles remaining resilient; and
- the Port of Vancouver saw a 53% increase in cruise passengers last year, to set a new record of 1.24 million passengers, and vessel calls increased 8% to 332.

With that backdrop, I will now present a summary of the comparative results of our financial statements for 2023 versus 2022. These financial statements were audited by our auditor, PriceWaterhouseCoopers, who opined on their Independent Auditor's Report that the financial statements present fairly, in all material respects, the financial position of the port authority and its subsidiaries as of December 31, 2023, in accordance with the applicable accounting standards.

In 2023, the port authority's revenues increased about 18% to \$359 million. That was supported by strong rental revenues as well as robust cruise revenues, given record passenger numbers. Moving to operating expenses, last year we increased our operating spending by about 19% to \$231 million. This increase was primarily due to additional costs to advance the port authority's strategic initiatives such as the Active Vessel Traffic Management Program, Truck Licensing System, the Supply Chain Visibility Program, plus other operational needs. EBITDA for 2023 was \$177 million, an increase of about 19%, which again,

primarily reflects strong rental and fee revenues, partially offset by higher operating expenses as mentioned above.

I'll turn now to capital investment, which is a core way we enable Canada's trade through this gateway. In 2023, our capital spending was \$142 million. As Peter mentioned, we completed the Centerm Expansion Project and South Shore Access Project, which is essentially two adjoined projects: the Centerm component, in partnership with DP World, increases the terminal's container capacity by 600,000 TEUs to meet growing trade; and the South Shore Access Project component removes road and rail conflicts in the area and connects terminals directly to the Trans-Canada Highway.

We also progressed construction on the Annacis Auto Terminal Optimization Project, which increases terminal efficiency and capacity and efficiency—and by consolidating two terminals, it frees up land for future export trade. Additionally, we started construction on the Fraser Surrey Port Lands Transportation Improvements Project, which alleviates traffic congestion and rail-crossing delays to support trade movement. And of course, we secured federal and provincial approvals for the Roberts Bank Terminal 2 project, and we continued to advance permitting and consultation with First Nations. All these projects support Canada's trade capacity, efficiency and resilience.

Now, I'll highlight a few metrics and trends that underline the port authority's financial strength, which, in turn, allows us to deliver on our purpose.

First, we have a solid EBITDA trend. On screen, the blue bars show our positive revenue trend over the past five years, supported by the return of cruise revenue in 2022. The heavy black line shows our EBITDA-to-revenue percentage, which is solid and supports investments in a growing gateway.

Turning to another important metric, we have consistent and predictable revenue. Here again, the blue bars show revenue. The purple line shows fixed rent as a percentage of revenue; that's quite steady at around 60%. Having 60% of our revenues coming from a consistent and predictable revenue source creates a strong foundation for the port authority's enduring financial strength.

Turning to a last metric that I'd highlight, the port authority has a low debt burden. Here, the red bars show our gross debt outstanding. The dark blue line shows debt as a multiple of EBITDA which has been relatively low over the past five years. That underlines our low debt burden, which supports a healthy liquidity position. This metric supports our strong (AA) credit rating from S&P Global.

To summarize, the port's record cargo volumes in 2023, and the port authority's financial management and strength are continuing to enable capital investment to support this gateway's future.

I'd like to thank port customers, all workers at the port including our own employees, and all our partners and stakeholders in the industry, communities, governments and Indigenous Groups for their fantastic work and collaboration—to benefit this port, Canadian families, and businesses.

Finally, I'd like to announce that our board of directors have reappointed PriceWaterhouseCoopers (PWC) as our 2024 auditors. Thank you.

Closing remarks

That concludes our AGM. Thanks for joining us, and a big thank you to everyone who plays a role in this gateway's success, with a particular thank you to the port customers. We look forward to continuing to work alongside the full port community, and all our partners and stakeholders, to advance a strong, sustainable future for this gateway and for Canada.

Thank you and good afternoon.