

Keeping Freight Moving

2015 State of the Port

Jim Newsome
President and CEO
South Carolina Ports Authority



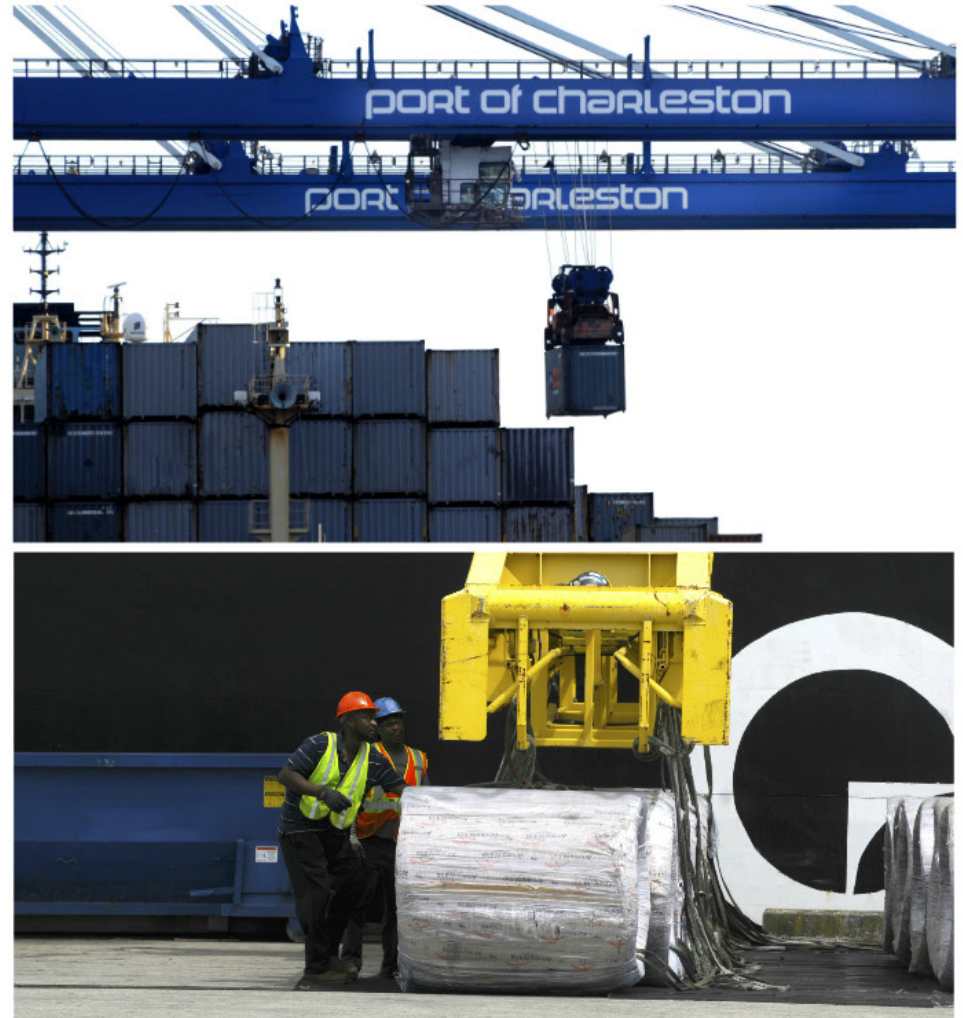


- A \$200 million business.
- Top 10 container port in the U.S.
- People of S.C. are our shareholders.
- Economic driver & strategic asset.
- Best product at lowest cost.
- Highly skilled and talented workforce.

FY2015

A Very Good Year

- Almost 2 million TEU, up 14.5%.
- \$30 Million in earnings on cash flow of \$65 million.
- 900,000 Breakbulk pier tons.
- 190,000 Cruise passengers.
- 250,000 Containers by rail.
- Longshore man-hours at record levels.



FY2010 - FY2015 Marks An Important Turnaround

Measure	FY2010	FY2015	% Change	
Revenue	\$112,000,000	\$196,000,000	↑	75%
Pier Containers	741,000	1,095,000	↑	48%
Operating Earnings	\$8,400,000	\$30,000,000	↑	357%
Return On Capital	1%	3%	↑	2%
Container Rail	12%	22%	↑	10%

SC Inland Port

Firing On All Cylinders

- A worthwhile \$50 million investment.
- 58,000 Lifts in just the second year of operation.
- On track for 100,000 lifts.
- 7,500 Lifts in July.
- First retail DC tied to SC Inland Port.
- Likely expansion in 2017.
- More such facilities are needed.



Manufacturing Is Critical To Port Growth





One Last Look In The **Rear View Mirror**

- Strong, visible global brand.
- Positioned for growth 2X the market.
- Bold steps to bolster intermodal rail.
- Contract simplification.
- Operating earnings improvement.

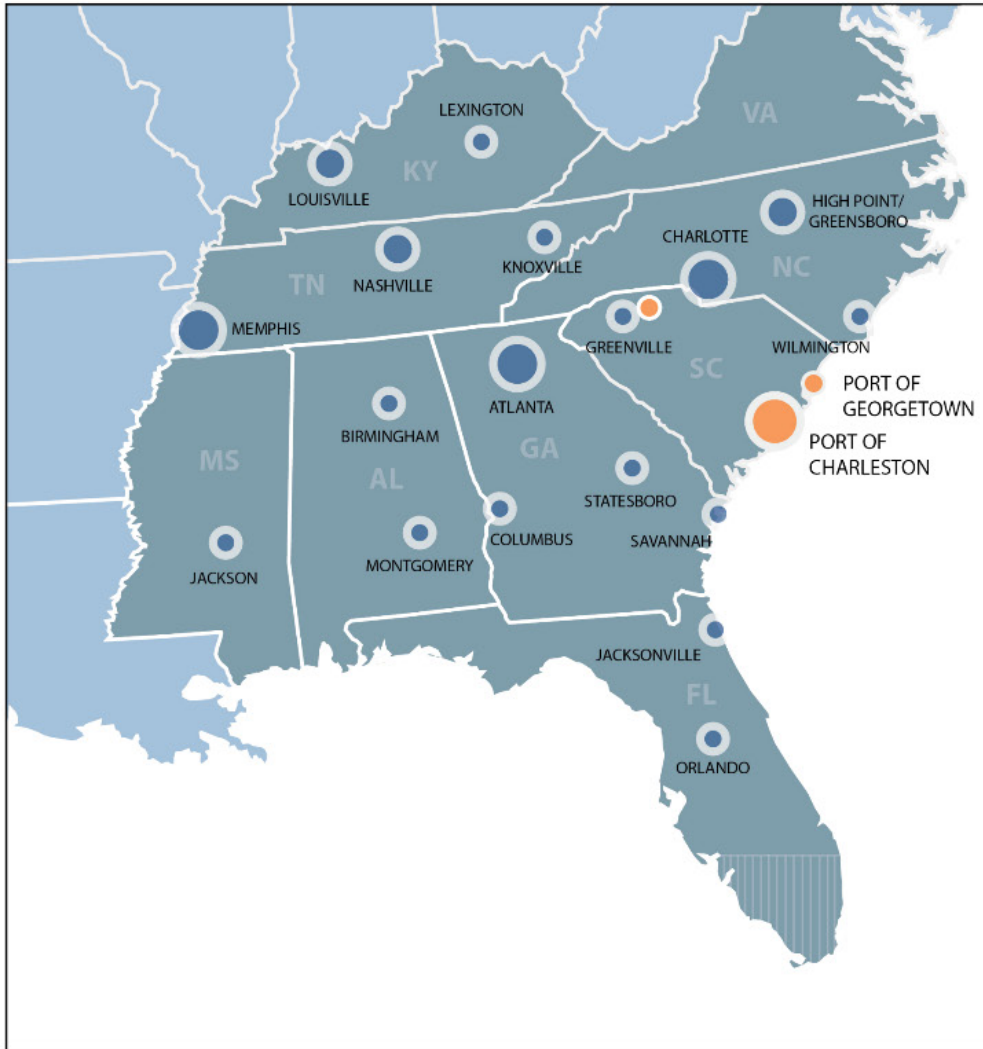
A strong value proposition.

The Next 5 Years Will Be Decisive

- Competitiveness.
- Big ships.
- Harbor deepening.
- Infrastructure.
- Improving earnings.



- Borrowing ability.
- Intermodal growth.
- Cargo base.
- Human capital.
- Jasper Ocean Terminal.



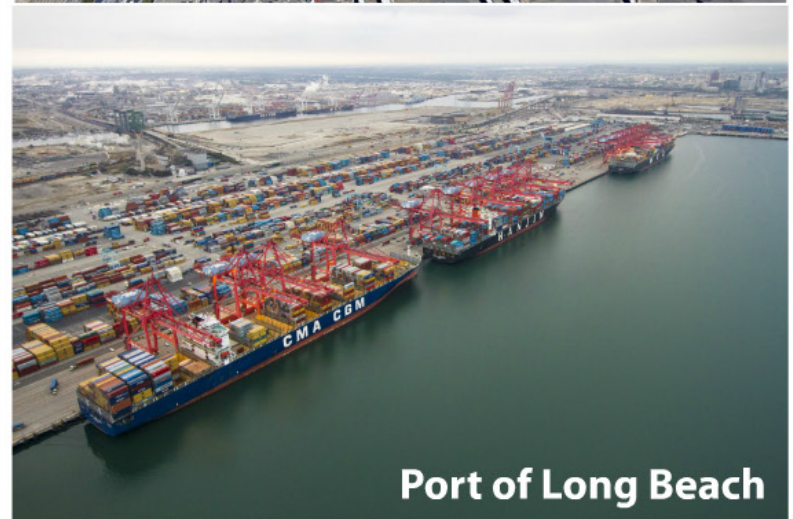
The Southeast is the best U.S. port market.

- Population.
- Manufacturing.
- Exports.
- Terminals.
- Land.
- Canal & bridge.

Global logistics is a cost-focused game.

Being A Top 10 Port Is Critical To Invest

U.S. Port	TEUs
Los Angeles	8.3 million
Long Beach	6.8 million
NY/NJ	5.8 million
Savannah	3.3 million
Oakland	2.4 million
Norfolk	2.4 million
Houston	2.0 million
Seattle	2.0 million
Charleston	1.8 million
Tacoma	1.5 million





Big Ships

A Compelling Opportunity

- 60% Of the global container fleet will be 7,500 TEU or larger by 2017.
- 90% Of all vessels on order are 7,500 TEU or larger.
- 14,000 TEU to the USEC soon.
- These big ships require deep, wide channels for reliable access.

Big ships can get in and out fast in Charleston.



8,750 TEU

Typically calling
USEC ports
today.



13,800 TEU

Soon to be
common vessel
on USEC.

Deepest Harbor On The USEC By 2020

- Chief's report received today.
- Project on-schedule (4 years).
- Reasonable cost of \$510 million.
- Legislative support is strong.
- Handle ships drafting 48' with no tidal restrictions.






SC Ports Must Invest \$1 Billion By 2020.

- Navy Base Terminal
- Wando wharf strengthening.
- Taller container cranes.
- Other projects.

State of South Carolina A Committed Partner

- Harbor deepening.
- Port access road to NBT.
- New intermodal rail terminal.



All-Tide Access for Vessels Drafting 48-Feet

52 Feet @ MLW

**An ambitious plan, but a
requirement to be a major
container port.**

How do we pay for it?

Value engineering.



Earn it.

Borrow it.

The Math Of Terminal Investments:

Percentage Return On Capital Employed

	FY2015 Actual	FY2015 Required	FY2020 Required
Operating Earnings	\$30 Million	\$60 Million	\$120 Million
Asset Base	\$1 Billion	\$1 Billion	\$2 Billion
Percentage ROCE	3%	6%	6%

Private sector terminal operator would require >12%.



Actions Required to Realize Investments

Above Market
Growth

Improved Revenue
Model

Strong Value Proposition
Based On Cost

Prioritization Of
Capital Expenses

Organizational Streamlining & Effectiveness.



Improving Intermodal Infrastructure Is Key

- Freight moves on lowest inland cost.
- Truck productivity key to truck capacity.
- Port has acted decisively:
 - Extended gate hours.
 - Good turn times.
 - RapidRail 2.0.
- More predictability needed (Pre-Notify).
- Road infrastructure must be improved.
- Two engaged Class 1 railroads.



Expanding Our Cargo Base Is Essential

Win our "home" market.

Win more discretionary business.

Private investment in public infrastructure.

More inland port facilities.

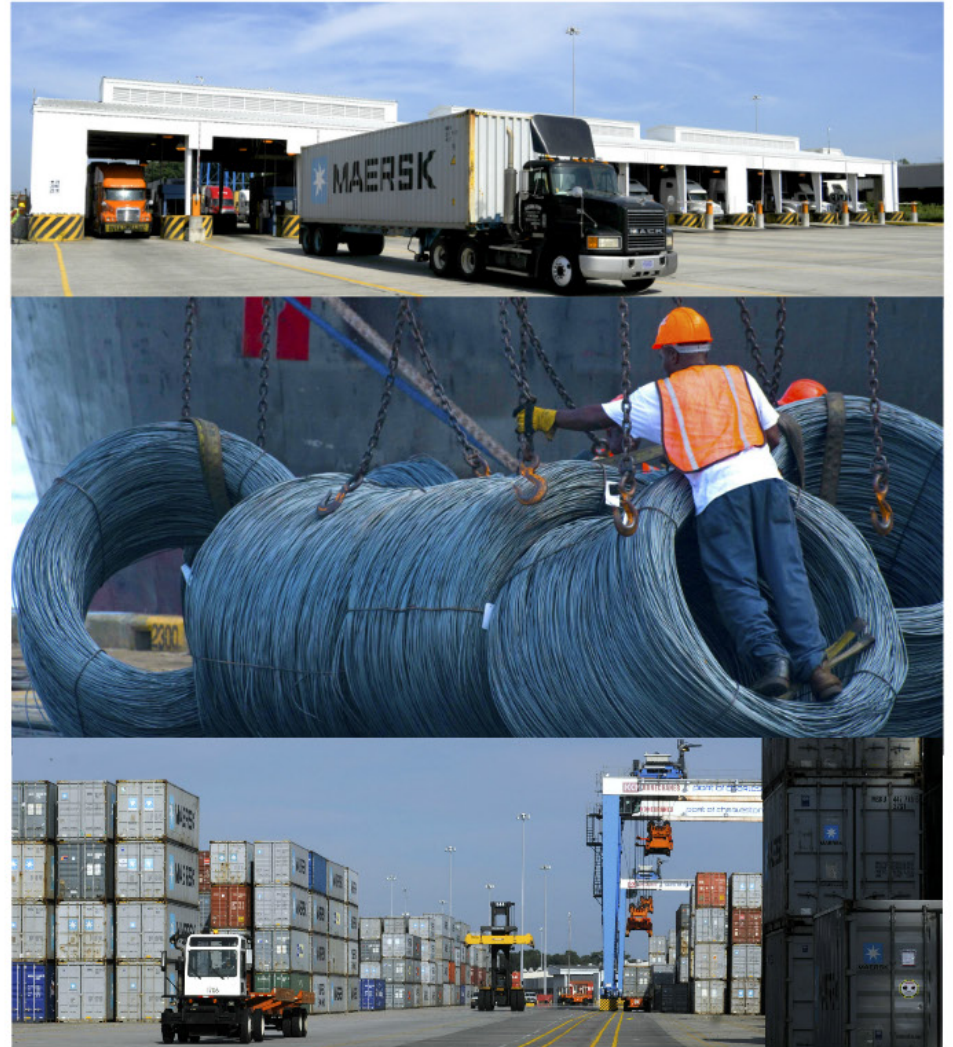
Cargo from ports not working big ships.

Win major economic development projects.

Renewing Our Human Capital

- We have great people.
- Transportation is an aging workforce.
- Attracting and retaining good people.
- Modern approaches to organizing and attracting talent.
- Understanding millennials.
- Alignment with education resources.

Leadership makes a big difference.





Jasper Ocean Terminal

- Charleston & Savannah may near capacity between 2030 and 2035.
- A massive endeavor. \$5 Billion.
- Will handle the largest containerhips.
- Significant requirements remain.
- Dredging, rail and highway access, financing.

Permitting process to begin later in 2015.



The next **5 years** will
bring great opportunity...

Above Market
Growth

Strengthen Our
Value Proposition
To Clients

Earnings That
Justify Required
Investments


Infrastructure
That Is A Catalyst
For Investment

A Lucrative
Industry In
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Co-Existence With
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Keep Our
**Eyes On
The Prize**



The commitment of this
maritime community is
the key to realizing this
success.

How?

Broad, creative thinking.

Aggressive action.

Intelligent risk-taking.

Great leadership.

Collaboration & cooperation.



SOUTH CAROLINA PORTS

Keeping freight moving.