

## NZX RELEASE

25 November 2024

### Bitumen import terminal for Higgins, and \$50 million equity raise

Channel Infrastructure NZ Limited (**Channel Infrastructure**) (NZX:CHI) announces today that it has entered into a 15-year contract to develop a bitumen import terminal for Higgins, a subsidiary of Fletcher Building Limited, at Marsden Point. This represents a significant milestone in Channel Infrastructure's growth strategy by diversifying the company's customer base and expanding its product handling set. Over the course of 2024, including the Higgins contract, Channel Infrastructure has entered into three new storage contracts that it expects will deliver an estimated ~\$120 million (before PPI indexation) in incremental revenue over a 15-year period for an investment of between \$55-66 million of incremental growth capital expenditure.

In order to fund these growth initiatives at the pace at which Channel Infrastructure is delivering them, and help position Channel Infrastructure to participate in additional on-strategy growth opportunities should they eventuate, Channel Infrastructure today also announces its intention to raise approximately \$50 million of new equity capital, through a 1 for 12.12 underwritten pro rata accelerated renounceable entitlement offer (the **Offer**). The new growth contracts are expected to deliver above WACC returns and, once operational, when combined with the equity raise under the Offer, are expected to be revenue, free cash flow and earnings per share accretive.

#### Purpose of the Offer

Channel Infrastructure continues to make significant progress towards its strategy of becoming a world-class energy infrastructure company. Over the course of 2024 it has continued to execute on its growth strategy by entering into three new growth contracts to deliver a number of brownfields conversion and repurposing opportunities at its Marsden Point Energy Precinct:

- Announced today, a 15-year contract to provide bitumen terminalling services for Higgins at Marsden Point. The capacity-based contract is expected to generate total revenue over the term of the contract of ~\$45 million (prior to PPI indexation) commencing in the second half of 2026, and is expected to require growth capital expenditure of between \$17-21 million across FY25 and FY26 to deliver the required infrastructure. The project will require incremental operating expenditure of ~\$0.2 million per annum;
- Announced on 23 August 2024, a 10-year jet fuel storage contract with Z Energy at Marsden Point requiring \$26-30 million of growth capital expenditure across FY24-FY26, and generating incremental revenue of ~\$55 million (prior to PPI indexation) over the term of the contract commencing in Q1 2027; and
- Announced on 1 May 2024, a 7-year customer contract to store and export transmix<sup>1</sup> for bp, Mobil and Z Energy, requiring between \$12-15 million of growth capital expenditure in 2024, and generating total revenue over the term of the contract in excess of \$20 million (prior to PPI indexation) commencing in late Q4 2024.

Collectively, Channel Infrastructure expects the three contracts will deliver more than ~\$120 million (before PPI indexation) in incremental revenue over a 15-year period, excluding any contract renewals. Funding of these growth projects over FY24-26 is expected to total between \$55-66 million.

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<sup>1</sup> A mix of petrol/jet/diesel that results from operation of terminals and multi-product pipelines.



The equity raise will assist Channel Infrastructure in funding the growth capital investment to deliver significant returns to shareholders, whilst remaining committed to its capital management framework, including a dividend policy of paying 60-70% of normalised free cash flow and maintaining credit metrics consistent with a BBB+ shadow credit rating, including maintaining leverage between 3 to 4 times EBITDA.

Chair James Miller said “The Board of Channel Infrastructure is delighted to see the Marsden Point Energy Precinct begin to take shape with growth opportunities servicing new customers being delivered to shareholders. In order to ensure existing shareholders can participate in supporting the company’s growth on a fair and equitable basis, the Board selected a pro rata accelerated renounceable entitlement offer. This provides those shareholders who are not in a position to participate in the offer the opportunity to get value for their entitlements through the shortfall bookbuilds.”

Chief Executive Officer Rob Buchanan, said “The agreement we are announcing today with Higgins reflects our vision to be a world-class energy infrastructure company and the significant growth opportunities we have ahead of us to provide additional storage, develop the Marsden Point Energy Precinct and explore acquisition of other terminal assets outside Marsden Point. The Higgins contract further adds to our long-term, diversified, contracted revenue that is not dependent on fuel volume. Higgins will be our first new customer since the conversion to an import terminal, and we are delighted to be able to support their infrastructure needs by establishing a new bitumen import terminal in Northland.”

### Equity raising overview

The Offer is an underwritten pro rata accelerated renounceable entitlement offer of new ordinary shares to existing eligible shareholders, to raise approximately \$50 million.

Under the Offer, eligible shareholders are entitled to subscribe for 1 new share for every 12.12 existing Channel Infrastructure shares held as at 5.00pm (NZ time) on the record date of Tuesday, 26 November 2024, at an offer price of \$1.60 per share (**Offer Price**).

The Offer Price reflects a 10.1% discount to the closing price of \$1.78 on Friday, 22 November 2024 and a 9.4% discount to the Theoretical Ex-Rights Price<sup>2</sup> of \$1.77.

### Equity raising details

The Offer will comprise the following four separate components:

- **Institutional Entitlement Offer:** firstly, a pro rata offer of shares to Channel Infrastructure’s eligible institutional shareholders (with a registered address in New Zealand and selected other jurisdictions as at 5.00pm on the Record Date of Tuesday, 26 November 2024). The Institutional Entitlement Offer will be accelerated and will open at 10.00am on Monday, 25 November 2024 (immediately after the Offer is announced) and close at 6.00pm that day;
- **Institutional Bookbuild:** secondly, a bookbuild of shares representing the shortfall from the Institutional Entitlement Offer (i.e., where institutional shareholders either did not participate or were ineligible to participate). Institutional investors (including eligible institutional shareholders who take up all of their entitlements in the Institutional Entitlement Offer) and brokers will be invited to participate in the bookbuild. Any surplus subscription monies above the Offer Price realised in the Institutional Bookbuild will be returned pro rata to non-participating and ineligible institutional shareholders (net of any applicable withholding tax).

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<sup>2</sup> The Theoretical Ex-Rights Price (**TERP**) is the theoretical price at which Channel Infrastructure shares should trade immediately after the ex-date of the Offer. The TERP is a theoretical calculation only and the actual price at which Channel Infrastructure shares trade immediately after the ex-date for the Offer will depend on many factors and may not equal the TERP. TERP is calculated by reference to Channel Infrastructure’s closing price of \$1.78 on Friday, 22 November 2024.



There is no guarantee that any surplus will be realised through the Institutional Bookbuild. The Institutional Bookbuild will open at 10.00am on Tuesday, 26 November 2024 and close at 3.00pm that day;

- **Retail Entitlement Offer:** thirdly, a pro rata offer of shares to Channel Infrastructure's eligible retail shareholders (with a registered address in New Zealand or Australia as at 5.00pm on the Record Date of Tuesday, 26 November 2024). The Retail Entitlement Offer will open at 10.00am on Thursday, 28 November 2024 and close at 5.00pm on Monday, 9 December 2024; and
- **Retail Bookbuild:** finally, a bookbuild of shares representing the shortfall from the Retail Entitlement Offer (i.e., where retail shareholders either did not participate in full or were ineligible to participate). Institutional investors and brokers will be invited to participate in the bookbuild. In addition, eligible retail shareholders who take up their entitlements in full may apply for additional new shares (i.e. shares in excess of their pro rata entitlements) that will be offered for sale under the Retail Bookbuild. Any surplus subscription monies above the Offer Price realised in the Retail Bookbuild will be returned pro rata to non-participating and ineligible retail shareholders (net of any applicable withholding tax). There is no guarantee that any surplus will be realised through the Retail Bookbuild. The Retail Bookbuild will open at 10.00am on Wednesday, 11 December 2024 and close at 3.00pm that day.

Eligible shareholders can choose to take up their entitlements in full, in part or not at all. Those shareholders who do not take up their entitlements in full, or who are ineligible to do so, will have their shareholding diluted. Entitlements cannot be traded on the NZX Main Board or privately transferred.

The Board may, at its discretion, allocate shares from the Institutional Bookbuild and Retail Bookbuild to senior executives of Channel Infrastructure at the clearing price for the relevant bookbuild. It is currently anticipated that any such allocation would not exceed \$300,000 of new shares in aggregate. The Board considers that to do so is in the best interests of Channel Infrastructure and is fair and reasonable to existing shareholders because it demonstrates that those senior executives are supportive of, and committed to, the company and its strategy, it assists to align the interests of senior executives with those of shareholders, and the price for the shares (the clearing price for the relevant bookbuild) will be at or above the Offer Price.

The new shares issued under the Offer will rank equally with existing Channel Infrastructure shares then on issue and will be eligible for future dividends.

### Underwriting

The Offer is fully underwritten by Forsyth Barr Group Limited.

### Offer timetable

<b>Institutional Entitlement Offer and Institutional Bookbuild</b>	
Channel Infrastructure enters trading halt, announcement of Offer and cleansing notice released to the NZX	Monday, 25 November 2024
Institutional Entitlement Offer opens	10.00am (NZ time), Monday, 25 November 2024



Institutional Entitlement Offer closes	6.00pm (NZ time), Monday, 25 November 2024
Institutional Bookbuild opens	10.00am (NZ time), Tuesday, 26 November 2024
Institutional Bookbuild closes	3.00pm (NZ time), Tuesday, 26 November 2024
Trading halt lifted	Wednesday, 27 November 2024
Settlement of Institutional Entitlement Offer and Institutional Bookbuild, allotment of new shares under the Institutional Entitlement Offer and the Institutional Bookbuild and trading commences on the NZX	Tuesday, 3 December 2024
<b>Retail Entitlement Offer and Retail Bookbuild</b>	
Record date	5.00pm (NZ time), Tuesday, 26 November 2024
Retail Entitlement Offer opens	10.00am (NZ time), Thursday, 28 November 2024
Retail Entitlement Offer closes	5.00pm (NZ time), Monday, 9 December 2024
Trading halt commences (for Retail Bookbuild)	Wednesday, 11 December 2024
Retail Bookbuild opens	10.00am (NZ time), Wednesday, 11 December 2024
Retail Bookbuild closes	3.00pm (NZ time), Wednesday, 11 December 2024
Trading halt lifted	Thursday, 12 December 2024
Settlement of Retail Entitlement Offer and Retail Bookbuild, allotment of new shares under the Retail Entitlement Offer and the Retail Bookbuild and trading commences on the NZX	Monday, 16 December 2024

These dates are subject to change and are indicative only. Channel Infrastructure reserves the right to alter the key dates, subject to applicable laws and the NZX Listing Rules. Channel Infrastructure reserves the right to withdraw the Offer at any time prior to the issue of the shares under the Offer at its absolute discretion.



## **Additional information**

Additional information regarding the Offer is contained in the Offer Document and the investor presentation accompanying this announcement and available at [www.shareoffer.co.nz/channel](http://www.shareoffer.co.nz/channel). The investor presentation contains important information including key risks and foreign selling restrictions with respect to the Offer.

The lead manager will seek to contact eligible institutional shareholders to inform them of the terms and conditions of participation in the Institutional Entitlement Offer, to confirm their entitlements under the Institutional Entitlement Offer, and to confirm the application process.

Shareholders are encouraged to read the Offer Document and seek advice from a suitably qualified professional adviser before investing in new shares. Shareholders who have questions regarding such an investment should raise those questions with their professional adviser.

If you have any questions about the process for participating in the Offer, please visit the Offer website at [www.shareoffer.co.nz/channel](http://www.shareoffer.co.nz/channel) or call the Channel Infrastructure Investor Information Line on 0800 650 034 (toll free within New Zealand) from 8.30am to 5.00pm Monday to Friday (excluding public holidays).

## **Conference Call**

Channel Infrastructure's Chief Executive Officer, Rob Buchanan and Chief Financial Officer, Alexa Preston will provide some commentary around the Bitumen import terminal for Higgins, and \$50 million equity raise at 10.30am today. To access the audio call dial 09 929 1686 (New Zealand) or 1800 954 501 (Australia) and ask to be connected to the Channel NZ briefing. To pre-register for direct access to the call go to <https://s1.c-conf.com/diamondpass/10043577-hjuy78.html>.

**-ENDS-**

## **Authorised by:**

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## **About Channel Infrastructure NZ**

Channel Infrastructure is New Zealand's largest fuel import terminal, storing and distributing 40% of New Zealand's transport fuel, including 80% of New Zealand's jet fuel. We receive, store, test and distribute petrol, diesel, and jet fuel that our customers import and supply to Auckland and Northland.

Fuel is imported via our deep-water harbour and jetty infrastructure at Marsden Point and stored in more than 290 million litres of contracted storage tanks on site. The fuel is then distributed via our 170-kilometre pipeline to Auckland, or by our customers (bp, Mobil, and Z Energy) via truck into Northland. We underpin the resilience of New Zealand's fuel supply chain with our tank capacity, which enables increased storage of fuel in New Zealand, and through efficient, low-emission



distribution of the fuel into the Auckland market. Given our proximity to Auckland, and critical role in the jet fuel supply chain, Channel is well positioned to support the renewable fuel transition in New Zealand.

Our plan for growth includes supporting fuel resilience for New Zealand through additional fuel storage on our site, unlocking the strategic value of the Marsden Point Energy Precinct Concept which reflects the significant role Channel could play in supporting New Zealand's energy transition – through potential opportunities including supporting the manufacture of lower-carbon future fuels, as well as a range of potential energy security opportunities, and exploring expansion beyond Marsden Point through the acquisition of other terminals infrastructure in New Zealand.

Channel Infrastructure's wholly-owned subsidiary, Independent Petroleum Laboratory Limited, provides fuel quality testing services throughout New Zealand.

For more information on Channel Infrastructure, please visit: [www.channelnz.com](http://www.channelnz.com)