2025 Annual Shareholders Meeting of Channel Infrastructure NZ Limited

Chair and CEO speeches

23 May 2025 at 2.00pm

James Miller, Board Chair

Good afternoon, everyone and welcome to the Channel Infrastructure Annual Shareholder meeting. I am James Miller, Chair of the Board.

I declare that we have a quorum of shareholders and the meeting is now open.

This afternoon I will update you on our Board refresh process, our long-term vision for the Marsden Point site as an Energy Precinct and the increased dividend pay out which we have announced today. CEO Rob Buchanan will then run through the significant progress we have made delivering on our strategy, our FY24 financial results and the number of growth and energy resiliency initiatives that we are progressing. We will then address the resolutions of the meeting, before we have time for Q+A at the end.

Joining me here today are my fellow directors Angela Bull, Andrew Holmes, Anna Molloy, Andrew Brewer and Felicity Underhill.

I want to start by acknowledging Paul Zealand and Vanessa Stoddart who are not able to join us today. Paul and Vanessa have signalled their intention to step down from the Board today, and I want to take this opportunity to acknowledge them both for their incredible service to the Company over many years.

Paul has been on the Board since 2016, and served as Managing Director for three-months in 2020. He has also chaired the Health, Safety, Environment and Operations Committee, bringing his expertise in high hazard facilities management.

Paul has made an enormous contribution to the Company during his tenure, and his experience and passion for this business will be missed.

Vanessa Stoddart has made an equally impressive contribution to the Company since her appointment to the Board in 2013. She has brought world-class governance expertise, with a particular focus on people and culture matters.

Personally, I have appreciated her guidance, and her commercial and common-sense judgement.

I join with my fellow directors in wishing Paul and Vanessa all the best for the future.

With the import terminal conversion successfully completed, it is the right time to move to a six-member Board. We have a new mix of skills and experience aligned with our strategy of world-class import terminal operations and pursuit of growth. I'm confident we have the right size Board with the right mix of skills, experience and tenure to support the management team to deliver Channel's ambitions for the future.

We are also joined today by members of the management team, led by Rob, who you will hear from shortly, as well as representatives from our auditors EY, and our share registrar Computershare.

Shareholders will be familiar with Channel's vision to be a world-class energy infrastructure company. This drives all that we do in our pursuit of delivering resilient infrastructure solutions to meet changing fuel and energy needs.

The successful execution of this strategy will create value for our shareholders, our people, our community and New Zealand by driving economic growth, creating jobs and supporting the country's energy resilience and transition.

This is good for Northland and New Zealand.

I know however, there are some shareholders in the room with us this year who would like to see the oil refinery conversation debated again today.

While we are aligned on the importance of fuel security, we are not aligned on how best to practically and economically achieve it.

Fuel security is an issue that the Company takes very seriously, and we are very aware of our role in ensuring that New Zealand has a stable and secure fuel supply chain.

Last year, the Government appointed experts to undertake a Fuel Security Study, including investigating re-establishing an oil refinery at Marsden Point. Re-establishing an oil refinery at Marsden Point would cost up to $7.3 billion, and Fuel Security Study experts concluded it is the least efficient option and would have limited effectiveness across all fuel types in providing additional fuel security for New Zealand.

From our perspective, the question of an oil refinery at Marsden Point is now closed and we are working hard to deliver on our positive future vision.

Turning now to what that future vision might look like.

Channel's Marsden Point Energy Precinct Concept, which we released in October last year, provides a long-term pathway to unlock significant value. It is a clear and strategic direction for the best use of our site by attracting high-quality tenants to the 120 hectares of unutilised land.

As we have discussed with Shareholders, Channel's primary role would be as landlord and provider of the infrastructure and services at Marsden Point. Our attractiveness to potential partners comes from the assets, connections, people, and location of our unique site. The Energy Precinct aims to build additional long-term, diversified, contracted revenues for the Company that are not dependent on fuel volume.

It is also a reflection of our vision for Marsden Point as the location of nationally critical infrastructure that supports fuel and energy resilience for New Zealand. Through the precinct, we expect to have a significant role to play in supporting New Zealand's energy transition over the longer term, ensuring that no matter what type of fuel or energy powers New Zealand in the future, we will play a role in its delivery.

The Energy Precinct benefits shareholders, our people, our community and New Zealand, and I'd like to now play a short video which articulates our vision for the precinct.

I think we can all agree, that vision presents an exciting future for the company.
This is a once in a generation opportunity for Northland.

Additional projects of the scale contemplated here would see fuel manufacturing restored at Marsden Point and could also bring important investment, and economic growth to the region.

PwC has estimated that the delivery of the precinct could generate GDP of around $3.3 billion, and contribute around 20,000 full time jobs over the 10-15 year construction phase.

Once operational, the projects in the precinct could see another 1,150 full time jobs in Northland, and generate an annual GDP contribution of $290 million.

This could be a game changer for Northland and New Zealand, not just in the contribution to energy resilience, but also in boosting our GDP and creating more highly skilled jobs.

It is important to also acknowledge that the New Zealand Government is supportive of Channel's Marsden Point Energy Precinct concept and is considering creating a Special Economic Zone at Marsden Point, recognising its exciting potential and strategic importance. We would welcome Marsden Point being designated a Special Economic Zone.

It's interesting to note that we have had a number of inbound approaches from various international parties about how they could become involved in the precinct and its exciting potential.

I'm proud to say that our business model and continued execution of our strategy has seen us continue to deliver for our shareholders. Alongside investing in the resilience of our terminal and further growth, we paid out a total ordinary dividend of 11 cents per share in 2024, up from 10.5 cents in 2023.

Reflecting the progress we have made in executing on our strategy, we have continued to outperform the NZX50. In 2024 we delivered a total shareholder return of 37.4% compared to the total shareholder return of the NZX50 of 11.4%. Channel is now a 100% independent energy infrastructure company, following Ampol's exit from its shareholding in March 2025.

Rob will run through our financials and Q1 operational update in a moment, but I will take this opportunity to say that our year to date performance is in line with our expectations and tracking towards our 2025 EBITDA guidance of $89 million to $94 million that we released in February this year.

Since 1 April 2022, Channel Infrastructure has undergone a significant transformation and is now a growth focused infrastructure business with stable earnings, long-term customer contracts with PPI indexation, and we have credit metrics consistent with a shadow BBB+ investment grade credit rating.

The conversion project is substantially complete, with only $33 million of capital expenditure left relating to the bunding work which will be complete by 2027.

We have successfully secured new growth projects which is expected to increase revenue by around $8.5 million by 2027, with limited additional operational expenditure.

We have strong access to capital. The successful $100 million unsecured, unsubordinated retail bond issued in November 2023, refinancing of the bank facilities and $50 million equity capital raise in November 2024 demonstrated the debt and equity markets have confidence in the company's business model, strategy and our ability to execute that strategy.

The Channel Infrastructure Board has reviewed the Company's dividend policy to reflect its confidence in the business outlook and access to capital for growth initiatives, while seeking to be efficient with shareholder's capital.

With a focus on a stable and growing dividend for you, the Board will today increase the dividend policy payout to 70-90% from 60%-70% of Normalised Free Cash Flow.

Reflecting that 50% of Channel's revenue is fixed (other than PPI indexation) and not subject to fuel throughput variability, over the coming months the Board will undertake a review of Channel's target leverage range to determine whether additional leverage can be accommodated whilst ensuring the right balance between the funding of growth opportunities, enhancing shareholder returns and safeguarding Channel's financial resilience is preserved.

The Board recognises that some shareholders would prefer the opportunity to increase their investment in Channel Infrastructure instead of receiving a cash dividend. Therefore, the Board intends to introduce a Dividend Reinvestment Plan ahead of the interim dividend payment in September. The details of the plan and amount of the discount (if any) are yet to be determined and will be released at the time of the half year results in August 2025.

In addition, should we convert one of the significant growth opportunities in the next 12 to 24 months, the Board will actively consider a foreign exempt dual-listing on the ASX to provide access to a broader pool of institutional and retail investors.

I will now hand over to Rob to talk about how our dedicated team has made significant progress towards our vision of becoming a world-class energy infrastructure company in 2024.

Rob Buchanan, Chief Executive

Thanks James and welcome everyone.

I am Rob Buchanan, Channel's Chief Executive Officer.

With me today are members of our management team, including:

- Alexa Preston, our CFO
- Jack Stewart, our General Manager of Operations
- Peter van Cingel, our Business Development Manager
- Steve Levell, General Manager of IPL
- And you have already met Chris our General Counsel.

As James said, the critical role we play in providing resilience for New Zealand's fuel supply chain is something we take exceptionally seriously at Channel.

Here you can see just a few of the headline numbers that demonstrate how we achieved that in 2024, and I'd like to draw out a couple of these points.

Total fuel throughput for the year was up 3% to 3.5 billion litres. Jet fuel throughput was up 12% on 2023, reflecting the continued growth in jet fuel demand – which is now at the highest level since 2019, combined with stable demand for diesel and petrol.

Despite a busy year, as well as a number of conversion and growth projects underway at Marsden Point, we have once again maintained our strong safety record, and saw zero process safety incidents at Marsden Point across the year.

We updated our Envisory fuel demand outlook last year and it continues to show that Channel's business will be underpinned by jet fuel demand and the need for a liquid fuel decarbonisation pathway for aviation in the long-term. However, as we saw in our first quarter update and signalled in our guidance update at the full year results in February, in the short-term we are seeing growth in jet fuel demand slowing, reflecting Air New Zealand's well signalled aircraft availability issues over the coming year.

Turning now to our financial performance. For 2024, we delivered a revenue increase of 7% to $139.8 million and EBITDA growth of 9% to $95.1 million, which is in line with the upper end of guidance. We delivered 11 cents per share in ordinary dividends, up from ten and a half cents in 2023.

We successfully refinanced our bank debt in 2024, expanding our lender group, extending the tenor of our facilities and increasing our headroom. Importantly, it lowered our cost of drawn facilities by 0.6% per annum.

Our $50 million capital raise in December was strongly supported by both existing and new shareholders and demonstrated investor support of our company strategy as well as our proven track record of delivery, which I will discuss in more detail shortly.

Lastly, on the numbers, given the increased confidence in the long-term outlook and recognition of the port-adjacent nature of our unutilised land, the 2024 accounts reflect a $381 million uplift in fair values of the import terminal system and unutilised land, resulting in Net Tangible Assets per share of $1.98 as at 31 December.

At Channel, we are extremely proud of our proven track record delivering large scale capital projects safely, on budget, and on time.

In 2024, we invested $55 million into our Marsden Point infrastructure, across the multi-year conversion project and our various growth initiatives. This is part of our company-wide drive for world-class operations.

I'd like to pause now and show you another short video that demonstrates this investment in action. This timelapse captures the upgrade of one of our jet fuel tank compounds, bringing them up to a world-class standard.

What you just saw is an example of our team, and contractors, converting the compound around the largest of our Jet Fuel tanks, with new concrete bunds and world-class firefighting systems. You also may have spotted the hydro testing within that video, where we make sure that the upgraded tank compounds can contain any spills, preventing any fuel from entering the ground or harbour.

Alongside this work, we also contracted the Transmix project in May 2024 and delivered it to customers by the end of the year safety, on-time and on budget.

And, our private storage project to support Z Energy's jet fuel resilience is now 30% complete and remains on track to be delivered Q1 2027.

At the same time as delivering on the extensive work programme on site, our team has been busy delivering growth opportunities for the Company.

In 2024, we secured three major projects. This will deliver around $120 million (before PPI indexation) in incremental revenue over 15 years. The incremental growth investment for this project will be between $55 and $66 million.

As I mentioned, the Transmix project has been delivered and is now in use.

We currently have work underway on the new jet fuel tank for Z Energy. This tank alone will provide storage of enough fuel for around 10,000 flights between Auckland and Wellington – providing a significant boost to New Zealand's jet fuel supply chain resilience.

In November, we were pleased to welcome the first new customer to Channel, with the new bitumen import terminal announced with Higgins Contractors. For us, this project represents a significant milestone in the Company's growth strategy, as we diversify our product handling set. Work on this project is underway, and we have just in the last few days awarded the construction contract following a competitive tender process. This project, once delivered, will enhance New Zealand's bitumen supply chain, allowing Higgins to supply the wider construction industry in the upper North Island.

Turning now to the future. There are a number of pieces of work underway already towards achieving our growth ambitions.

At the core of these is the role we play in providing resilience for New Zealand's energy supply chain.

Just a few weeks ago, the Government confirmed plans to require fuel importers to hold more diesel in New Zealand, increasing the minimum requirement from 21 to 28 days' worth of diesel demand. This increase equates to an additional 70 million litres of storage. Channel is strategically positioned to support fuel importers to meet these increased stockholding obligations when they come into force, with around 350 million litres of additional tank capacity at Marsden Point that can be repurposed.

We have also progressed work on the proposed diesel-fuelled electricity peaker, by commencing front-end engineering and design for the project, which has been funded by two electricity market participants. If the project goes ahead, it would provide electricity peaking capacity to help smooth New Zealand's winter electricity peaks. The project would make use of the available capacity in the 220kv transmission system to Marsden Point, Channel's existing diesel infrastructure, and the significant in-country reserves of fuel already stored at Marsden Point.

Shareholders will be aware that last year, we entered into a conditional project development agreement with Seadra Energy, who are looking to develop a biorefinery at our site. There is a lot of work being done on this complex, but very exciting project. As previously announced we intend to retain a significant proportion of the potential asset sale proceeds to reinvest in additional infrastructure and storage assets for the biorefinery on which we would earn an above WACC return with long-term contracted revenues.

Should the project go ahead, this would represent a huge opportunity for Channel, and for Northland, restoring fuel manufacturing at Marsden Point, and bringing a huge number of highly skilled jobs, and investment into the region. It would also support fuel resilience for New Zealand, by establishing domestic manufacturing for biodiesel and other fuel products from domestically-sourced feedstock.

Finally, Channel remains committed to pursuing the acquisition of terminal assets outside Marsden Point. Any acquisitions would remain subject to our disciplined investment criteria of generating above WACC returns and having contracted customer revenues.