Channel
Infrastructure NZ

NZX RELEASE

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Channel Infrastructure NZ Limited (**Channel** or **Channel Infrastructure**) (NZX: CHI), New Zealand's largest fuel import terminal business, has today released its financial results for the year ended 31 December 2024 (FY24).

Highlights

- Strong safety track record maintained
- Throughput up 3% to 3.5 billion litres, reflecting continued growth in jet fuel demand and relatively stable diesel and petrol demand
- Updated Envisory outlook 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
- Continued world-class delivery of capital projects with the Transmix project completed, and the multi-year conversion project and private storage projects on track to complete safely, within budget and to schedule
- Three new storage contracts signed delivering ~$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
- Successful bank refinancing and $50 million capital raise lowers Channel's WACC and positions it to deliver on future growth opportunities
- Marsden Point Energy Precinct Concept released which outlines a range of potential energy projects that would boost New Zealand's energy resilience. Being considered by the New Zealand Government as a potential Special Economic Zone
- Entered into a conditional project development agreement with Seadra Energy Inc, who is partnering with consortium members Qantas, Renova Inc, Kent Plc, and ANZ, to develop a biorefinery at Channel's Marsden Point site
- $381 million uplift in fair values of import terminal system and unutilised land resulting in an uplift in Net Tangible Assets to $1.98 per share
- The Board has declared an unimputed ordinary final dividend of 6.6 cents per share taking total dividends for the year to 11 cents per share for FY24, representing a dividend payout ratio of 69%
- FY25 EBITDA guidance of $89-$94 million, stay-in-business capex guidance of 8-10% of revenue and Normalised Free Cash Flow conversion in line with FY24

Key Financial Highlights – Continuing Operations

	FY24 $m	FY23 $m	% change
Revenue	**139.8**	130.7	+7%
EBITDA	**95.1**	87.2	+9%
EBITDA Margin	**68%**	67%	n/a
Growth Capital Expenditure	**29.3**	30.6	-4%
Free Cash Flow Conversion	**67%**	71%	n/a
Normalised Free Cash Flow	**63.4**	61.8	+3%
Total Ordinary Dividend	**11 cps**	10.5 cps	+5%

Commenting, Chair James Miller said "Channel has made significant progress towards our vision of becoming a world-class energy infrastructure company. Delivering resilient infrastructure solutions to meet changing fuel and energy needs guides how we have approached our growth opportunities for the benefit of our shareholders, our people, our community, and New Zealand in 2024.

"Our infrastructure and facilities play a key role in providing fuel security and fuel resilience for New Zealand. As New Zealand's strategic fuel storage reserve, with assets, capabilities, and the capacity for growth, we are looking forward to progressing the Marsden Point Energy Precinct concept in the year ahead.

We are delighted that the Government has indicated it would consider the Marden Point Energy Precinct as a potential Special Economic Zone, which could include business-friendly regulations, infrastructure and facilities, investment support and customs and trade facilitation. All of the potential options noted by the Minister as forming part of a potential Special Economic Zone would help us to deliver our vision for Marsden Point as an Energy Precinct, grow our operations, and create new jobs in Northland."

CEO Rob Buchanan said "Alongside the successful and safe running of the import terminal to keep New Zealand supplied with fuel, our team has continued the safe, on-time and on-budget delivery of a number of capital projects, with $55 million invested into Channel's infrastructure across 2024.

"Throughout 2024, we have made excellent progress towards our plan to meet New Zealand's changing fuel and energy needs by maximising the value of our highly strategic assets and increasing the proportion of our revenue that is independent of fuel demand. We signed three significant contracts with current and new customers in 2024 with revenues of ~$120 million (before PPI indexation) in incremental revenue over 15 years.

"There are many opportunities for Channel to support New Zealand's energy transition, and the Energy Precinct concept outlines the exciting potential for these to fit together on our highly strategic site. These include opportunities for additional fuels storage, lower-carbon future fuels manufacture, as well as a range of energy security projects such as electricity firming and storage opportunities that are good for New Zealand."

Strong financial result in line with guidance

Revenue increased 7% to $139.8 million, with higher terminal fees, reflecting a 3% increase in fuel throughput, PPI indexation and additional private storage revenue. EBITDA from continuing operations was $95.1 million (up 9%) and Normalised Free Cash Flow was $63.4 million (up 3%), which represents a 67% Free Cash Flow conversion. Channel Infrastructure continues to target credit metrics consistent with a BBB+ shadow credit rating and net debt finished the year at $296 million (31 December 2023: $315 million).

Stay-in-business capital expenditure was $12.3 million[1] with ongoing investment in upgrading terminal control systems, scheduled jetty upgrades and statutory tank inspections. Conversion capital expenditure of $12.9 million reflected completion of the firefighting upgrades and continued work on upgrading the bunds. Growth capital expenditure of $29.3 million reflected the private storage bund upgrades, the recently commissioned Transmix storage upgrades and works associated with the Z Energy jet storage contract.

Following more confidence in the long-term fuel outlook and increased recognition of the strategic value of the land, the 2024 financial accounts reflect a combined $381 million uplift in fair values of import terminal system and unutilised land resulting in Net Tangible Assets per share of $1.98 at December 2024.

In November 2024, Channel's bank debt was refinanced lowering our cost of capital and in December, $50 million of capital was successfully raised to fund the future growth of the company and position the company to execute on further growth opportunities.

Board declares final dividend of 6.6 cents per share

The Board is committed to delivering stable ordinary dividends over time, while maintaining credit metrics consistent with a shadow investment grade credit rating of BBB+. Channel Infrastructure's dividend policy is to pay-out 60-70% of normalised Free Cash Flows.

With steadily increasing and stable cash flows, alongside investing in the resilience of the import terminal and further growth, Channel continues to pay out increasing dividends. The Board has declared a final unimputed ordinary dividend of 6.6 cents per share, which will be paid on 27 March 2025. This brings the total FY24 dividend to 11 cents per share.

Operational excellence and delivery of capital projects

Over 2024, customers imported 3.5 billion litres of fuel through Channel's infrastructure. This was up 3% on 2023, reflecting continued growth in jet fuel demand and relatively stable diesel and petrol demand. There has been an increased number of long-range vessels, resulting in fewer ship movements overall, following the commissioning of more storage last year.

Channel Infrastructure has continued the safe, on-time and on-budget delivery of a number of capital projects with $55 million invested in Channel's infrastructure across 2024, including the new automatic firefighting equipment, bund upgrades, and upgrades to our infrastructure to enable Transmix to be stored and exported from Marsden Point was completed.

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[1] *Capital expenditure on an accrual basis, $11 million on a cash basis*

Investing in growth

Throughout 2024, Channel has made excellent progress towards our plan to meet New Zealand's changing fuel and energy needs by maximising the value of our highly strategic assets and increasing the proportion of our revenue that is independent of fuel demand.

Three significant contracts were signed with current and new customers in 2024 with revenues commencing over 2025 to 2027, together these deliver an additional $11 million per annum of revenue a year by 2027 and a total of ~$120 million (before PPI indexation) in incremental revenue over 15 years.

An Energy Precinct for New Zealand

The Marsden Point Energy Precinct Concept outlines a range of opportunities for Channel Infrastructure to support New Zealand's energy transition. We are already making exciting steps towards the delivery of the Energy Precinct.

In October, we announced that Seadra, and consortium partners Qantas, Renova Inc, Kent Plc, and ANZ, were actively considering development of a biorefinery at Marsden Point. While still at the early stages of assessment, should it go ahead, this project would create value for shareholders through the sale of decommissioned assets and revenue from long-term contracts for the use of our land, and other infrastructure. The Seadra consortium continue to make good progress towards a final investment decision. Should the biorefinery proceed, a substantial proportion of the asset sale proceeds is likely to be reinvested by Channel in early demolition (already provisioned in the balance sheet), and growth capital expenditure associated with the construction of infrastructure and storage assets to the biorefinery, for above WACC returns with long-term contracted revenues.

Work continues on the e-Sustainable Aviation Fuel (e-SAF) project, with Fortescue progressing its study to the pre-feasibility phase, including more detailed engineering and design studies and developing further detail on the economic viability of the project. Reflecting the significant advantage of investment already made into diesel infrastructure at Marsden Point, Channel completed a scoping study on a potential diesel peaker to support resilience by creating a buffer in dry-years in the electricity system. The proposed model for the project would result in Channel receiving capacity payments for making the plant available to potential customers. This model ensures the wholesale market risk is appropriately passed to industry players who can offset the risk. Channel would only proceed with building the plant if there is contracted interest from electricity market participants.

FY25 guidance

Looking forward to FY25, EBITDA from continuing operations is expected to be in the range of $89-94 million. This compares to $95.1 million for FY24 or $89.1 million excluding the legacy Wiri lease revenue which will end at the expiry of the lease in February 2025. This principally reflects the benefit of PPI indexation on all contracted revenue and a full year contribution from the Transmix contract signed May 2024 and the contracted step down of the fixed fee portion of the import terminal revenue. Stay-in-business capital expenditure for FY25 is expected to around 8-10% of revenue and the Normalised Free Cash flow conversion factor expected to be broadly in line with FY24.

- ENDS -

Conference Call

Channel Infrastructure's Chief Executive Officer, Rob Buchanan and Chief Financial Officer, Alexa Preston will give a presentation on the Company's financial and operational performance at 10:30am today.

To access the audio call, dial 09 929 1687 (New Zealand) or 02 9007 3187 (Australia) and ask to be connected to the Channel Infrastructure results briefing. To pre-register for direct access to the call, go to Event Registration

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About Channel Infrastructure

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