



Channel

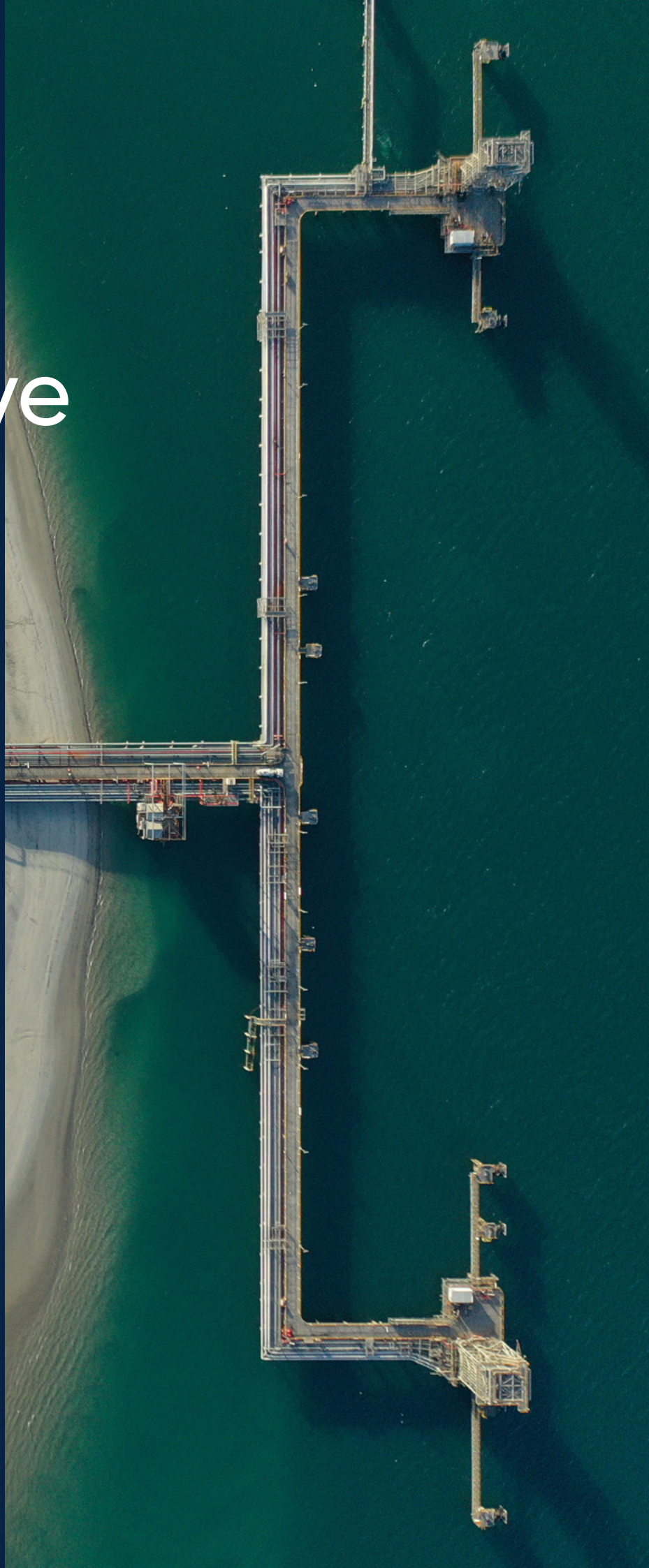
Infrastructure NZ

Indicative Terms Sheet

Unsecured, unsubordinated,
fixed rate 5 year bonds

6 May 2022

Joint Lead Managers



Indicative terms sheet for an offer of up to NZ\$100,000,000 (with the ability to accept oversubscriptions of up to an additional NZ\$25,000,000 at Channel Infrastructure's discretion) of unsecured, unsubordinated, fixed rate bonds.

This indicative terms sheet ("**Terms Sheet**") should be read together with the product disclosure statement ("**PDS**") dated 28 April 2022 for the offer of unsecured, unsubordinated, fixed rate bonds ("**Bonds**") by Channel Infrastructure NZ Limited ("**Offer**"). The PDS is available at www.business.govt.nz/disclose and can also be obtained from the Joint Lead Managers or your usual financial advice provider. Investors must obtain and read a copy of the PDS before they apply for any Bonds.

Capitalised terms used but not defined in this Terms Sheet have the meaning given to them in the PDS.

Issuer	Channel Infrastructure NZ Limited (" Channel Infrastructure ").
Description of the Bonds	Unsecured, unsubordinated, fixed rate bonds.
Offer amount	Up to \$100 million (with the ability to accept oversubscriptions of up to an additional \$25 million at Channel Infrastructure's discretion).
Term	5 years maturing on 20 May 2027.
Opening Date	Friday, 6 May 2022.
Closing Date	11:00am on Friday, 13 May 2022.
Rate Set Date	Friday, 13 May 2022.
Issue Date	Friday, 20 May 2022.
Maturity Date	Thursday, 20 May 2027.
Issue price	\$1.00 per Bond, being the Principal Amount of each Bond.
Purpose of the Offer	The net proceeds of the Offer are to be applied towards repaying a portion of Channel Infrastructure's existing bank debt and will also provide diversification of funding that aligns with an infrastructure business.
Who may apply for Bonds	The Offer is open to investors resident in New Zealand and institutional investors. There is no public pool for the Bonds. All Bonds (including any oversubscriptions) have been reserved for subscription by clients of the Joint Lead Managers, Primary Market Participants and other approved financial intermediaries invited to participate in a bookbuild conducted by the Joint Lead Managers.

Security	The Bonds are not secured against any assets of Channel Infrastructure or the Channel Infrastructure Group.
Guarantee	<p>The Bonds will be guaranteed by the Guarantors under the Negative Pledge Deed. As at the date of this Terms Sheet, Channel Terminal Services Limited is the only Guarantor.</p> <p>Under the Negative Pledge Deed, Channel Infrastructure has agreed that:</p> <p>(a) at all times the Total Tangible Assets of the Guaranteeing Group will not be less than 85% of the Total Tangible Assets of the consolidated Channel Infrastructure Group; and</p> <p>(b) on each test date, EBITDA of the Guaranteeing Group will not be less than 85% of EBITDA of the consolidated Channel Infrastructure Group.</p>
Ranking of the Bonds	<p>On a liquidation of Channel Infrastructure, each Bond will rank as unsecured and unsubordinated debt obligations of Channel Infrastructure, ranking:</p> <ul style="list-style-type: none"> • behind any secured liabilities and liabilities which are preferred by law; • equally with other Bonds and equally among the rights and claims of equal ranking obligations including the lenders of Channel Infrastructure's bank debt and all other unsecured, unsubordinated obligations, including trade creditors; and • ahead of holders of subordinated debt (including the Subordinated Notes) and ahead of Shareholders.
Interest Rate	<p>The Bonds will pay a fixed rate of interest until the Maturity Date.</p> <p>The Interest Rate will be determined by Channel Infrastructure in conjunction with the Joint Lead Managers following the bookbuild and set at the sum of the Swap Rate and the Issue Margin or, if greater, the minimum Interest Rate of 5.80% per annum.</p> <p>The Interest Rate will be announced by Channel Infrastructure via NZX on or about the Rate Set Date.</p>
Indicative Issue Margin	<p>The indicative Issue Margin range is 1.80% to 2.10% per annum.</p> <p>The Issue Margin (which may be above or below the indicative Issue Margin) will be announced via the NZX on or about the Rate Set Date.</p>
Swap Rate	The mid-market swap rate of a term matching the period from the Issue Date to the Maturity Date, as calculated by Channel Infrastructure in conjunction with the Joint Lead Managers, according to market convention, with reference to Bloomberg page 'ICNZ4' (or any successor page) on the Rate Set Date and expressed on a quarterly basis (rounded to 2 decimal places, if necessary, with 0.005 rounded up).
Interest Payment Dates	Interest shall be paid quarterly in arrear in equal amounts on 20 February, 20 May, 20 August and 20 November in each year, (or if that day is not a Business Day, the next Business Day) until and including the Maturity Date, with the First Interest Payment Date being 20 August 2022 (with payment on 22 August 2022, being the first Business Day following the First Interest Payment Date).
Record date	The record date for each Interest Payment Date is 5.00pm on the date that is 10 Business Days before the relevant Interest Payment Date. If the record date falls on a day which is not a Business Day, the record date will be the immediately preceding Business Day.
Business Day	A day (other than Saturday or Sunday) on which registered banks are generally open for business in Auckland and Wellington, except that in the context of the Listing Rules it means a day on which the NZX Debt Market is open for trading.

Financial covenants	<p>The Supplemental Trust Deed contains the following financial covenants:</p> <p>(a) the ratio of EBITDA of the consolidated Channel Infrastructure Group to Net Interest Expense of the consolidated Channel Infrastructure Group (calculated for the 12 month period ending on each relevant test date) will not be less than 2.5:1 on two successive semi-annual test dates (the "Interest Cover Ratio"); and</p> <p>(b) Net Debt of the consolidated Channel Infrastructure Group to Net Debt plus Equity does not at any time exceed 60% ("Gearing Ratio").</p>
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The first test date for the financial covenants is 31 December 2022.

Negative pledge	<p>The Negative Pledge Deed contains a negative pledge which provides that Channel Infrastructure and each Guarantor will not create or permit to subsist any security over their assets other than certain permitted security interests which are described in the Negative Pledge Deed. Channel Infrastructure and each Guarantor may, in addition, from time to time create or permit to subsist other security interests over their assets provided that the aggregate principal amount secured by all such other security interests does not exceed 7.5% of the Total Tangible Assets of the consolidated Channel Infrastructure Group.</p>
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Early redemption	<p>Bondholders have no right to require Channel Infrastructure to redeem the Bonds prior to the Maturity Date. However, Channel Infrastructure may be required to repay the Bonds early if there is an Event of Default (as described in the PDS and the Supplemental Trust Deed). The Events of Default are:</p> <ul style="list-style-type: none"> • failure by Channel Infrastructure or a Guarantor to make a payment under a Transaction Document (which includes failure to make payment under the Bonds), subject to certain grace periods; • failure to comply with the Interest Cover Ratio or failure to comply with the Gearing Ratio; • any material misrepresentation by Channel Infrastructure or a Guarantor under a Transaction Document, subject to certain grace periods; • a breach by Channel Infrastructure or a Guarantor of a provision of a Transaction Document in a material respect, subject to certain grace periods; • indebtedness of Channel Infrastructure or any other Guarantor for borrowed money in excess of \$10 million in aggregate is not paid within any applicable grace period or (if no grace period applies) when due or is accelerated by being declared due and payable before it would otherwise have been due by reason of any event of default, termination event or equivalent or analogous event; and • an Insolvency Event occurs in respect of Channel Infrastructure or a Guarantor.
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Minimum application amount	<p>Minimum application of \$5,000 with multiples of \$1,000 thereafter.</p>
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Transfer restrictions	<p>Channel Infrastructure may decline to accept or register a transfer of the Bonds if the transfer would result in the transferor or the transferee holding or continuing to hold Bonds with a Principal Amount of less than \$5,000 (if not zero) or if the transfer is not in multiples of \$1,000.</p>
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Brokerage	<p>0.50% on firm allocations plus 0.50% brokerage, paid by Channel Infrastructure.</p> <p>You are not required to pay any additional brokerage or any other fee or charges to Channel Infrastructure to purchase the Bonds. However, you may have to pay brokerage to the firm from whom you receive an allocation of Bonds, or for the transfer of Bonds.</p>
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Quotation Application has been made to NZX for permission to quote the Bonds on the NZX Debt Market and all the requirements of NZX relating to that quotation that can be complied with on or before the date of distribution of this Terms Sheet or the PDS have been duly complied with. However, the Bonds have not yet been approved for trading and NZX accepts no responsibility for any statement in this Terms Sheet or the PDS. NZX is a licensed market operator, and the NZX Debt Market is a licensed market, under the FMCA.

NZX Debt Market ticker code NZX ticker code CHI020 has been reserved for the Bonds.

Expected date of initial quotation on NZX Debt Market Monday, 23 May 2022.

Governing law New Zealand.

Joint Arrangers Bank of New Zealand and Forsyth Barr Limited.

Joint Lead Managers Bank of New Zealand, Forsyth Barr Limited and Jarden Securities Limited.

Supervisor The New Zealand Guardian Trust Company Limited.

Securities Registrar Computershare Investor Services Limited.

Selling restrictions

You may only offer for sale or sell any Bonds in conformity with all applicable laws and regulations in any jurisdiction in which it is offered, sold or delivered.

Channel Infrastructure has not taken and will not take any action which would permit a public offering of Bonds, or possession or distribution of any offering material in respect of the Bonds, in any country or jurisdiction where action for that purpose is required (other than New Zealand).

Any information memorandum, disclosure statement, circular, advertisement or other offering material in respect of the Bonds may only be published, delivered or distributed in compliance with all applicable laws and regulations (including those of the country or jurisdiction in which the material is published, delivered or distributed).

By subscribing for Bonds, each investor agrees to indemnify, among others, Channel Infrastructure, the Supervisor, the Joint Arrangers and the Joint Lead Managers and their respective directors, officers, employees and agents in respect of any loss, cost, liability or damages suffered as a result of an investor breaching the selling restrictions referred to in this section.





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