



## NZX RELEASE

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### **New business model delivers first profit and dividend for shareholders**

Channel Infrastructure (CHI), New Zealand's largest fuel infrastructure business based at Marsden Point in Northland, has today released its financial results for the twelve-months ended 31 December 2022 (FY 2022).

#### **Highlights**

- Safely and successfully transitioned from refinery to terminal operations on 1 April 2022
- Conversion project remains to plan and to budget - with some 65% of the budget either spent or committed, the project is significantly de-risked
- Reset cost of funding with successful retail bond issue completed in May 2022 and bank refinancing completed in November 2022
- Transition to import terminal delivers first profit in three years
- New fuel demand outlook confirms stronger demand forecast for Channel Infrastructure over the long term
- Return to dividends for shareholders, with a fully imputed final dividend of 5 cents per share and a fully imputed special dividend of 2 cents per share (for 9 months of terminal operations)

#### **Key Financial Results, including for the 9 months of import terminal operations**

	<b>FY 2022</b>
<b>Continuing operations</b>	
EBITDA	\$57.5m
Net Profit before tax	\$23.1m
Dividend declared – final	5 cps
Dividend declared – special	2 cps
<b>Discontinued operations</b>	
EBITDA	\$24.0m
Net Profit before tax	\$2.4m

Commenting, Chair James Miller said: "During 2022 we successfully reset to our new sustainable business model, as New Zealand's leading fuel infrastructure company. As a result, we have today reported the Company's first profit in over three years and recommenced a dividend for shareholders. With the successful refinancing of debt lowering our cost of funding, the Company is well placed for the many opportunities that exist for future growth."

Commenting, CEO Naomi James said: “I’m proud that we have delivered in full on our commitments in 2022 and have successfully transitioned to our new business model, safely and to budget, while also supporting our workforce through significant changes. We now have a company with a long-term sustainable business model and a focused growth strategy.”

“The successful transformation of this business, the results we achieved in 2022, and the sustainable business model we now have in place would not have been possible without the hard work and dedication of the entire Marsden Point team. It has been a privilege to lead such a team over the last three years, and I know that under Rob’s leadership the Channel Infrastructure team will continue to work hard to make the most of the exciting growth opportunities ahead.”

Incoming CEO Rob Buchanan said “It will be my first priority to continue our focus on the safe, resilient and efficient operation of the terminal, while delivering on the strategy already set out for the company, seeking to grow shareholder value through continuing to optimise and grow our business following the commencement of import terminal operations last year. The importance of Channel’s critical fuel infrastructure has never been clearer, with the latest outlook for stronger future fuel demand and the New Zealand Government’s package of fuel security measures requiring additional fuel storage, which presents a great opportunity for our business. We have a big and exciting year ahead as we look to seize the compelling opportunities ahead of us, and deliver further shareholder value from our Marsden Point site.”

### **Successful nine months of import terminal operations and new business model in place**

On 1 April 2022, the business safely and successfully transitioned from refinery to terminal operations. Channel Infrastructure has successfully completed nine months of terminal operations with 56 import shipments discharged and over 2.2b litres of terminal throughput. With the closure of the refinery, Channel’s Scope 1 and 2 CO2 emissions have reduced by over 98% and we received the first shipment of sustainable aviation fuel through Marsden Point.

Through 2022, aviation demand had recovered to 70% of pre-COVID levels prior to the most recent weather impacts. Diesel demand has remained strong and petrol demand recovered through the year as COVID restrictions were lifted.

Channel Infrastructure successfully lowered its cost of funding, reflecting the reset of its business model to an infrastructure company with stable earnings and cashflows, with the refinancing of the bank debt in November 2022, together with the Retail Bond offer in May 2022.

The conversion project continues to track to plan and to budget, with project spend until the end of December 2022 of \$114 million. With some 65% of the budget either spent or committed, the project is now significantly de-risked.

In addition to 180m litres of shared terminal capacity, over half of the almost 100m litres of contracted private storage has now been commissioned, with the remainder anticipated to be available around mid-2023. Additional terminal storage was contracted in the second half of the year, which is expected to deliver c\$25m of additional revenue over 5 years.

### **Focused on delivering Growth Opportunities with stronger fuel demand outlook**

In November, the New Zealand government announced its package of fuel security measures, and detailed policy design is currently underway focused on increasing the amount of fuels held in country to support greater fuel supply chain resilience. With its tank capacity and pipeline direct to Auckland, Marsden Point is well placed to support the incoming minimum Domestic Stockholding Obligation (DSO) and 70m litre domestic diesel fuel reserve announced by Government to ensure New Zealand’s fuel security.

With more clarity around the COVID-19 recovery, late last year Channel Infrastructure sought to update its future fuel demand outlooks prepared by fuel industry experts Hale & Twomey. The throughput of

Channel's facilities is expected to change over time to meet changing consumer demands, with the shift to electric vehicles, biofuels and continuing growth in aviation. With the latest update showing stronger demand for jet fuel and diesel, this outlook confirms a clear path for long term utilisation of Channel's jetties, tanks, and pipeline direct to Auckland to supply increasingly renewable jet fuel and diesel to Auckland and Northland, long in the future.

Commenting, Naomi James said: "Improving supply chain resilience is a priority for New Zealand. With jet fuel demand forecast to recover from COVID impacts more quickly than previously expected, and to continue to grow, it is critical for Government and industry to work together to implement the Government's fuel security package and address the outstanding recommendations of the 2017 RAP disruption incident".

### **First Channel dividend will be paid less than a year after conversion**

With a strong normalised Free Cash Flows and net debt to EBITDA ratio within the targeted range, the Board today declared its first dividend as Channel Infrastructure. The Board have declared a fully imputed dividend at 70% pay-out applied for 9 months of terminal operations, resulting in a fully imputed final dividend of 5 cents and a fully imputed special dividend of 2 cents per share. The dividend declared implies an annualised dividend yield of 6.5%. The dividend will be paid on 20 March 2023, with a record date of 10 March 2023.

### **Upgraded FY23 guidance provided in November 2022 confirmed**

With funding costs reset and largely hedged in 2023 and long-term contracts indexed to PPI, Channel Infrastructure is protected and benefits in the current inflationary environment. PPI indexation on revenue is more than offsetting the inflationary impacts in the cost base, and with additional private storage contracted, in November last year Channel upgraded its 2023 financial guidance. For 2023 revenue is expected in the range of \$125 million to \$128 million and EBITDA guidance of \$82 - \$86 million, with an indicative dividend range of 9 – 11 cents per share.

### **Conference Call**

Channel Infrastructure's Chief Executive Officer, Naomi James, Chief Financial Officer, Jarek Dobrowolski and Incoming Chief Executive Officer Rob Buchanan, will give a presentation on the company's financial and operational performance for FY2022 via a teleconference commencing on Friday 24 February at 11:30am NZT. Participants need to pre-register for the conference by navigating to this [Link](#).

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**About Channel Infrastructure NZ**

Channel Infrastructure is New Zealand's leading fuel infrastructure company.

Channel Infrastructure owns critical infrastructure, supplying the Northland and Auckland markets, which make up 40% of New Zealand's liquid fuel demand and all of the jet fuel to Auckland International Airport. Utilising the deep-water harbour and jetty infrastructure at Marsden Point, as well as 280-million litres of storage tanks and the 170-kilometre pipeline from Marsden Point to Auckland, we receive, store, test and distribute fuel owned by our customers. Channel Infrastructure's wholly-owned subsidiary, Independent Petroleum Laboratory Limited, provides fuel quality testing services at Marsden Point and around New Zealand.

Channel Infrastructure is well positioned to support New Zealand's changing future fuel needs, with growth opportunities at the Marsden Point site including additional fuel storage to support fuel security, renewable electricity supply through the Maranga Ra solar project, and work underway with customers and partners on biofuel and hydrogen opportunities.

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