



Channel

Infrastructure NZ

Indicative Terms Sheet

Unsecured,
Unsubordinated,
6 year fixed
rate bonds

30 October 2023



Joint Lead Managers:



Indicative terms sheet dated 30 October 2023

Unsecured, unsubordinated, fixed rate bonds due 14 November 2029

This indicative terms sheet (**Terms Sheet**) is prepared in respect of an offer (**Offer**) by Channel Infrastructure NZ Limited (**Channel Infrastructure**) of up to \$75,000,000 of unsecured, unsubordinated, fixed rate bonds (**Bonds**) (with the ability to accept oversubscriptions of up to an additional \$25,000,000 at Channel Infrastructure's discretion) under its Master Trust Deed dated 20 November 2018 (as amended on 27 June 2019 and from time to time) (**Trust Deed**), as modified and supplemented by the supplemental deed dated 29 October 2023 (**Supplemental Deed** and, together with the Trust Deed, **Trust Documents**). Capitalised terms used but not defined in this Terms Sheet have the meaning given to them in the Trust Documents.

Important Notice

The Offer of debt securities by Channel Infrastructure is being made in reliance upon the exclusion in clause 19 of schedule 1 of the Financial Markets Conduct Act 2013 (**FMCA**). Except for the interest rate and maturity date, the Bonds will have identical rights, privileges, limitations and conditions as Channel Infrastructure's \$100,000,000 5.80% unsecured, unsubordinated, fixed rate bonds maturing on 20 May 2027 which are quoted on the NZX Debt Market under the ticker code CHI020 (**Existing Bonds**).

Accordingly, the Bonds are of the same class as the Existing Bonds for the purposes of the FMCA and the Financial Markets Conduct Regulations 2014.

Channel Infrastructure is subject to a disclosure obligation that requires it to notify certain material information to NZX Limited (**NZX**) for the purpose of that information being made available to participants in the market and that information can be found by visiting www.nzx.com/companies/CHI/announcements.

The Existing Bonds are the only debt securities of Channel Infrastructure that are currently quoted and in the same class as the Bonds. Investors should look to the market price of the Existing Bonds to find out how the market assesses the returns and risk premium for those bonds.

You must read this Terms Sheet (including the section "*Independent assessment and advice and further information*" on page 9 and all of the further materials and information referred to in that section) carefully and in full when considering the Offer.

Issuer	Channel Infrastructure NZ Limited (Channel Infrastructure).
Description	Unsecured, unsubordinated, fixed rate bonds.
Offer amount	Up to \$75 million (with the ability to accept oversubscriptions of up to an additional \$25 million at Channel Infrastructure's discretion). The Offer is not underwritten.
Term	6 years maturing on Wednesday, 14 November 2029.
Opening Date	Monday, 30 October 2023.
Closing Date	11.00am on Friday, 3 November 2023.
Rate Set Date	Friday, 3 November 2023.
Issue Date	Tuesday, 14 November 2023.
Maturity Date	14 November 2029.
Issue price	\$1.00 per Bond, being the Principal Amount of each Bond.
No credit rating	The Bonds will not be rated. Channel Infrastructure is not rated.
Purpose of the Offer	<p>The net cash proceeds raised under the Offer (excluding the value of any Subordinated Notes purchased under the Exchange Mechanism) are intended to be applied towards:</p> <ol style="list-style-type: none"> repaying a portion of Channel Infrastructure's existing bank debt; redeeming on 1 March 2024 any Subordinated Notes that are not otherwise purchased on the Issue Date under the Exchange Mechanism; and general corporate purposes. <p>The Bonds will also provide diversification of funding that aligns with an infrastructure business.</p>
Subordinated Notes	<p>The existing subordinated notes issued by Channel Infrastructure on 14 December 2018, which are quoted on the NZX Debt Market under the ticker CHI010.</p> <p>A trading halt in respect of the Subordinated Notes will occur from pre-market trading on Monday, 6 November 2023 (being the first trading day following the Rate Set Date) to pre-market trading on Wednesday, 15 November 2023 (being the expected date of initial quotation of the Bonds).</p>
Subordinated Noteholder	A holder of Subordinated Notes.
Redemption of Subordinated Notes on the first election date (1 March 2024) if the Offer is successful	If the bookbuild for the Offer is successful, Channel Infrastructure intends to issue a redemption notice in respect of the Subordinated Notes on or before 16 January 2024 in order to redeem any Subordinated Notes on 1 March 2024 (being the first scheduled election date) that are not otherwise purchased on the Issue Date under the Exchange Mechanism. For each Subordinated Note redeemed on 1 March 2024, Channel Infrastructure will pay to the relevant Subordinated Noteholder an amount equal to the principal amount of the Subordinated Note (\$1.00) plus the final semi-annual interest payment.

Exchange Mechanism

If the bookbuild for the Offer is successful, Subordinated Noteholders that hold Subordinated Notes through a custodial account and who wish to apply for the Bonds (**Custodial Subordinated Noteholders**) may be able to exchange all or some of their Subordinated Notes for an equal number of Bonds on the Issue Date (on a one-for-one basis at a face value of \$1.00).

This Exchange Mechanism will only be available to a Custodial Subordinated Noteholder if:

- a) the Custodial Subordinated Noteholder receives an allocation of Bonds from a participant in the bookbuild for the Offer; and
- b) Channel Infrastructure and the relevant participant (acting on the authorisation of the Custodial Subordinated Noteholder) have agreed to the exchange in respect of an agreed number of Subordinated Notes (**Exchanged Subordinated Notes**).

Channel Infrastructure will purchase the Exchanged Subordinated Notes on the Issue Date (14 November 2023) (rather than redeem them on 1 March 2024 as described above under the heading "Redemption of Subordinated Notes if the Offer is successful").

Channel Infrastructure will satisfy its obligation to purchase the Exchanged Subordinated Notes on the Issue Date by:

- a) issuing Bonds to the relevant custodian (that maintains the custodial account on behalf of its Custodial Subordinated Noteholder participating in the Exchange Mechanism) equal in number to the Exchanged Subordinated Notes purchased from the relevant custodian (on a one-for-one basis); and
- b) paying a final interest payment on the Exchanged Subordinated Notes for the period from (and including) the previous interest payment date for the Exchanged Subordinated Notes (1 September 2023) to (but excluding) the Issue Date.

No additional amounts are payable by a Custodial Subordinated Noteholder for any Bonds that are issued under the Exchange Mechanism.

Channel Infrastructure's obligation to purchase the Exchanged Subordinated Notes will be satisfied once it has issued the relevant number of Bonds and paid the final interest payment referred to in paragraph (b) above.

Any Exchanged Subordinated Notes purchased by Channel Infrastructure under the Exchange Mechanism will be cancelled in accordance with the Trust Documents. This will reduce the total amount of Subordinated Notes outstanding which may impact trading of the Subordinated Notes on the secondary NZX Debt Market.

For the avoidance of doubt, the Exchange Mechanism does not restrict:

- a) a Custodial Subordinated Noteholder from seeking to invest in more or less Bonds under the Offer than the number of Subordinated Notes beneficially held by the Custodial Subordinated Noteholder; or
- b) any other Subordinated Noteholder (that is not a Custodial Subordinated Noteholder) from seeking to invest in the Bonds under the Offer.

The Issue Price for each Bond that is not otherwise settled under the Exchange Mechanism must be cash settled on the Issue Date.

Retail investors (including Subordinated Noteholders) who wish to participate in the Offer and invest in the Bonds (including under the Exchange Mechanism, to the extent available to that investor) should contact their financial adviser, one of the Joint Lead Managers or another Primary Market Participant – see the sections below titled "Who may apply for Bonds" and "How to apply" for further information.

Channel Infrastructure Group

Channel Infrastructure and all of its subsidiaries, at that date.

Security

The Bonds are not secured against any assets of Channel Infrastructure or any other member of the Channel Infrastructure Group.

Guarantee	<p>The Bonds will be guaranteed by the Guarantors under the negative pledge deed dated 28 April 2022 granted by Channel Infrastructure and Channel Terminal Services Limited in favour of, among others, the Supervisor (the Negative Pledge Deed).</p> <p>As at the date of this Terms Sheet, Channel Terminal Services Limited (a wholly-owned subsidiary of Channel Infrastructure) and Channel Infrastructure are the only Guarantors.</p> <p>Under the Negative Pledge Deed, the Guarantors have agreed that:</p> <ol style="list-style-type: none"> 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 on each test date, EBITDA of the Guaranteeing Group will not be less than 85% of EBITDA of the consolidated Channel Infrastructure Group.
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 the Existing Bonds; and ahead of holders of subordinated debt (including the Subordinated Notes) and ahead of shareholders of Channel Infrastructure. <p>Amounts owing under the Guarantee constitute unsecured, unsubordinated debt obligations of each Guarantor and on a liquidation of a Guarantor, amounts owing to holders of Bonds under the Guarantee rank equally with all other unsecured unsubordinated obligations of that Guarantor.</p>
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 process and will be set as the sum of the Swap Rate and the Issue Margin, subject to the minimum Interest Rate of 6.75% 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 range	<p>The indicative Issue Margin range is 1.70% to 1.85% per annum.</p>
Issue Margin	<p>The Issue Margin (which may be above, within or below the indicative Issue Margin range mentioned above) will be determined by Channel Infrastructure (in consultation with the Joint Lead Managers) following the bookbuild process and announced via NZX on or shortly after the Rate Set Date.</p>
Swap Rate	<p>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).</p>
Interest Payments	<p>Interest shall accrue on each Bond from (and including) the Issue Date to (and excluding) the Maturity Date and shall be paid quarterly in arrear in equal amounts on each Interest Payment Date, being 14 February, 14 May, 14 August and 14 November in each year (or if that day is not a Business Day, the next Business Day) until and including the Maturity Date.</p> <p>The First Interest Payment Date is 14 February 2024.</p> <p>If any interest accrual period is shorter or longer than the other interest accrual periods because it starts on the Issue Date or ends the day prior to the Maturity Date, interest will be calculated on the basis of the number of days in the relevant period and a year of 365 days.</p>

Record Date	<p>The record date for each payment date under the Bonds (including in respect of any Principal Amount and each Interest Payment Date) is 5.00pm on the date that is 10 Business Days before the due date for such payment.</p> <p>Payment shall be made to the person whose name appears in the register as the Holder of the Bond on the relevant Record Date.</p>
Business Day	<p>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.</p>
Financial covenants	<p>The Supplemental Deed contains the following financial covenants:</p> <ol style="list-style-type: none"> 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 2.50:1 on two successive semi-annual test dates (the Interest Cover Ratio); and b) the ratio of Net Debt of the consolidated Channel Infrastructure Group to Net Debt plus Equity does not at any time exceed 60% (Gearing Ratio).
Negative pledge	<p>The Negative Pledge Deed contains a negative pledge which provides that Channel Infrastructure and each other 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 which include, for example, security interests arising by operation of law or securing certain taxes or other governmental or regulatory levies, duties or imposts, rights of set off and netting and deferred purchase or title retention in the ordinary course of business where the amount secured is not outstanding for more than 120 days. Channel Infrastructure and each other 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> <p>This is not a complete list of the circumstances in which Channel Infrastructure or a Guarantor may grant security. Full details can be found in the Negative Pledge Deed.</p>
Early redemption	<p>Holders of Bonds 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 Supplemental 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 an amount equivalent to \$10 million or more in aggregate is not paid when due (subject to any applicable grace periods) 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.
Further Indebtedness	<p>Channel Infrastructure may, without the consent of the Holders of the Bonds, issue additional securities or incur other debt obligations on such other terms and conditions as Channel Infrastructure may think fit subject to compliance with the Gearing Ratio and any other applicable restrictions in its other funding documents from time to time.</p>

Minimum application amount	Minimum application of \$5,000 with multiples of \$1,000 thereafter.
Transfer restrictions	<p>Holders of Bonds are entitled to sell or transfer their Bonds at any time subject to the terms of the Trust Documents and applicable securities laws and regulations. Channel Infrastructure or the Securities Registrar may decline to accept or register a transfer of the Bonds for the reasons set out in the Trust Documents.</p> <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>
Brokerage	<p>Channel Infrastructure will pay 0.50% brokerage plus a firm allocation fee of 0.25% on the aggregate principal amount of Bonds issued under the Offer. Such amounts will be paid to the Arranger, who will distribute the funds to Primary Market Participants and other approved financial intermediaries as appropriate.</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>
ISIN	NZCHIDT003C0.
Quotation	Channel Infrastructure will take any necessary steps to ensure the Bonds are, immediately after issue, quoted on the NZX Debt Market. 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 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. 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 CHI030 has been reserved for the Bonds.
Expected date of initial quotation on NZX Debt Market	Wednesday, 15 November 2023.
Who may apply for Bonds	<p>The Offer is open to investors resident in New Zealand and institutional investors.</p> <p>There is no public pool for the Bonds.</p> <p>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 the bookbuild process conducted by the Joint Lead Managers.</p>
How to apply	<p>Investors (including Subordinated Noteholders who wish to participate in the Offer) should contact a Joint Lead Manager, their financial adviser or any Primary Market Participant for details on how they may acquire Bonds. You can find a Primary Market Participant by visiting www.nzx.com/services/market-participants.</p> <p>Whether in respect of oversubscriptions or generally, any allotment of Bonds will be at Channel Infrastructure's discretion, in consultation with the Joint Lead Managers. Channel Infrastructure reserves the right to refuse all or any part of an application without giving any reason.</p> <p>Each investor's broker or financial adviser will be able to advise them as to what arrangements will need to be put in place for the investor to trade the Bonds including obtaining a common shareholder number (CSN), an authorisation code (FIN) and opening an account with a Primary Market Participant, as well as the costs and timeframes for putting such arrangements in place.</p>
Governing law	New Zealand.
Arranger	Forsyth Barr Limited.
Joint Lead Managers	ANZ Bank New Zealand Limited, Craigs Investment Partners Limited, Forsyth Barr Limited and Jarden Securities Limited.
Supervisor	The New Zealand Guardian Trust Company Limited.
Securities Registrar	Computershare Investor Services Limited.

Important information and disclaimer

The Arranger, Joint Lead Managers and Supervisor and their respective directors, officers, employees and agents: (a) have not authorised or caused the issue of, or made any statement in, any part of this Terms Sheet, (b) do not make any representation, recommendation or warranty, express or implied regarding the origin, validity, accuracy, adequacy, reasonableness or completeness of, or any errors or omissions in, any information, statement or opinion contained in this Terms Sheet, and (c) to the extent permitted by law, do not accept responsibility or liability for this Terms Sheet or for any loss arising from this Terms Sheet or its contents or otherwise arising in connection with the offer of Bonds.

This Terms Sheet does not constitute financial advice or a recommendation from Channel Infrastructure, the Arranger or the Joint Lead Managers or any of their respective directors, officers, employees and agents to purchase any Bonds.

You must make your own independent investigation and assessment of the financial conditions and affairs of Channel Infrastructure before deciding whether or not to invest in the Bonds.

The dates and times set out in this Terms Sheet are indicative only and are subject to change. Channel Infrastructure has the right in its absolute discretion and without notice to amend the indicative Issue Margin range and Offer amount, close the Offer early, to extend the Closing Date, or to choose not to proceed with the Offer. If the Closing Date is extended, subsequent dates may be extended accordingly. Channel Infrastructure reserves the right to cancel the Offer and the issue of the Bonds, in which case all application monies received will be refunded (without interest) as soon as practicable.

Any internet site addresses provided in this Terms Sheet are for reference only and, except as expressly stated otherwise, the content of any such internet site is not incorporated by reference into, and does not form part of, this Terms Sheet.

Investors are personally responsible for ensuring compliance with all relevant laws and regulations applicable to them (including any required registrations).

Selling restrictions and indemnity

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 does not intend that the Bonds be offered for sale, and 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, Channel Infrastructure and the other members of the Channel Infrastructure Group, the Supervisor, the Arranger and the Joint Lead Managers and their respective directors, officers, employees and agents (each an "Indemnified Person") in respect of any loss, cost, liability or damages suffered or incurred by that Indemnified Person as a result of an investor breaching the selling restrictions referred to in this section.

Independent assessment and advice and further information

Investors must, before deciding whether or not to invest in the Bonds:

- a) make their own independent investigation and assessment of the financial condition and affairs of Channel Infrastructure and the risks associated with an investment in the Bonds; and
- b) seek qualified, independent legal, financial and taxation advice; and
- c) carefully read and consider Channel Infrastructure's NZX announcements (together with the materials attached to those announcements), financial results, presentations and reports, available at www.channelnz.com/investor-centre/, including:
 - the investor presentation released on 30 October 2023 which provides further important information in relation to Channel Infrastructure and the Offer;
 - the analyst day presentation released on 19 October 2023;
 - Channel Infrastructure's half year report and results presentation for the six months ended 30 June 2023 released on 23 August 2023;
 - Channel Infrastructure's most recent annual report and annual results presentation for the year ended 31 December 2022 released on 24 February 2023; and
 - the product disclosure statement published on 28 April 2022 in respect of the offer of Existing Bonds (including, without limitation, Section 6 (*Risks of investing*)).

The full terms and conditions of the Bonds are set out in the Trust Documents, which are available at Channel Infrastructure's website at www.channelnz.com/investor-centre/bond-offer

For further information regarding Channel Infrastructure, visit www.nzx.com/companies/CHI

Contact Information

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