



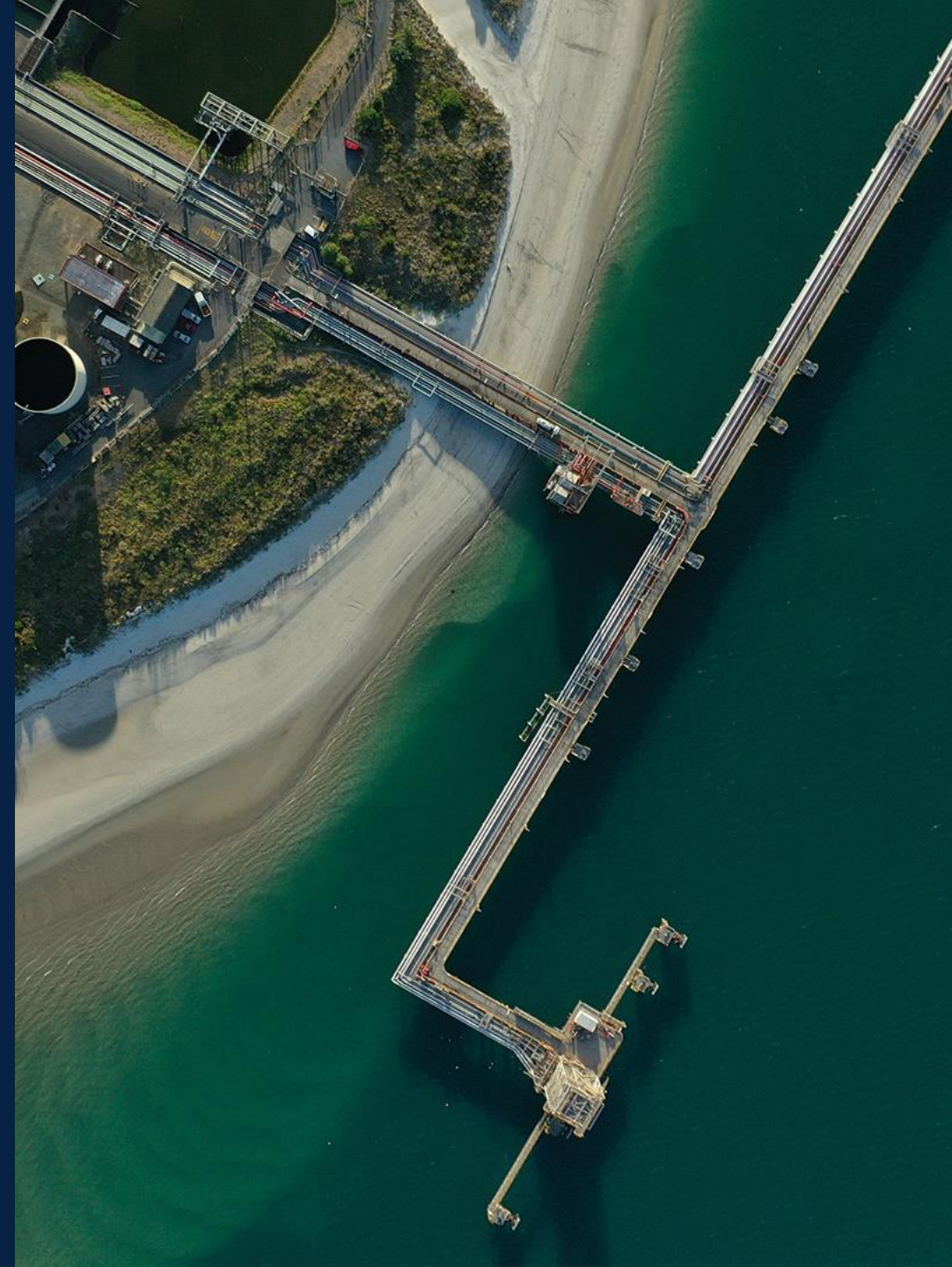
**Channel**

Infrastructure NZ

# Financial Results

**For the 12 months ended  
31 December 2022**

24 February 2023



# Important Information

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- Forward looking statements are subject to the risks and uncertainties associated with the fuels supply environment, including price and foreign currency fluctuations, regulatory changes, environmental factors, production results, demand for CHI’s products or services and other conditions. Forward looking statements are based on management’s current expectations and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in these statements.
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- Each forward-looking statement speaks only as of the date of this announcement, 24 February 2023.

## Delivering on our strategy

- ✓ Safely and successfully transitioned from refinery to terminal operations, with 56 import shipments discharged and over 2.2b litres of terminal throughput
- ✓ Conversion project remains to plan and budget - with 65% now spent or committed, the project is significantly de-risked
- ✓ New fuel demand outlook confirms stronger demand forecast for our infrastructure over the long-term
- ✓ Reset cost of funding with successful retail bond issue completed in May 2022 and bank refinancing completed in November
- ✓ Transition to import terminal delivers first profit in three years of \$17m from continuing operations (9 months of terminal operations)
- ✓ Return to dividends for shareholders, with a fully imputed final dividend of 5 cents per share and a fully imputed special dividend of 2 cps



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# Highlights and Operating Update

**Naomi James**

Chief Executive Officer



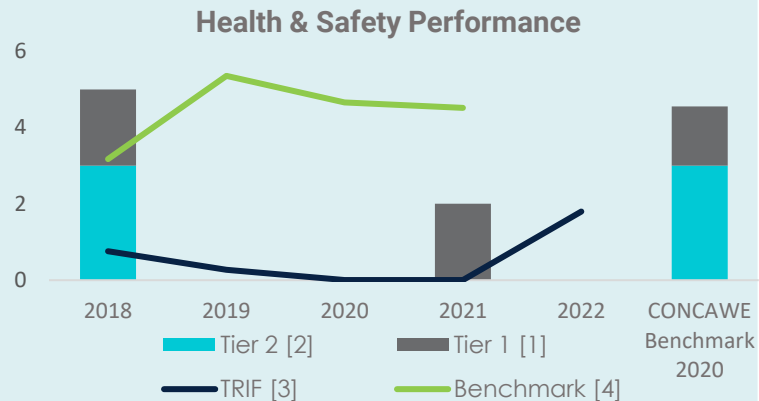
# All 2022 key priorities delivered

	<b>Safe, reliable and compliant refinery and terminal operations</b>	<ul style="list-style-type: none"><li>• Personal and process safety performance maintained through transition</li><li>• Strong terminal performance in first year of operation, with limited demurrage costs</li><li>• New terminal safety case approved by Worksafe</li></ul>
	<b>On time and on budget delivery of terminal conversion project</b>	<ul style="list-style-type: none"><li>• Successfully transitioned to terminal operations to plan on 1 April 2022</li><li>• Conversion project continues to track to budget with limited draw down of contingency</li><li>• Project significantly <u>derisked</u> with 65% now spent or committed</li></ul>
	<b>Retain and build organisation capability through the transition</b>	<ul style="list-style-type: none"><li>• Key talent retained, strong organisational capability developed through significant program of change</li><li>• New values developed by the team reflecting the change in organisational strategy and the new behaviours required to deliver on this</li><li>• CEO succession underway</li></ul>
	<b>Actively manage the transition to CHI with investors and debt providers</b>	<ul style="list-style-type: none"><li>• 52% share price increase in 2022 versus the NZX50 decline of 12%</li><li>• Reset cost of funding and access to capital markets with bond issue and bank refinancing</li><li>• First Sustainability Report published in April 2022, with climate position statement and transition targets set</li></ul>
	<b>Progress opportunities for growth, including repurposing of Marsden Point</b>	<ul style="list-style-type: none"><li>• Over half of contracted private storage agreements commissioned</li><li>• Additional \$25m of terminal revenue contracted over next 5 years</li><li>• Working closely with Government on fuel security measures with proposed 70ML strategic diesel fuel reserve and minimum domestic stockholding obligation a significantly opportunity for Marsden Point</li></ul>

# Strong safety and environmental record continues through transition

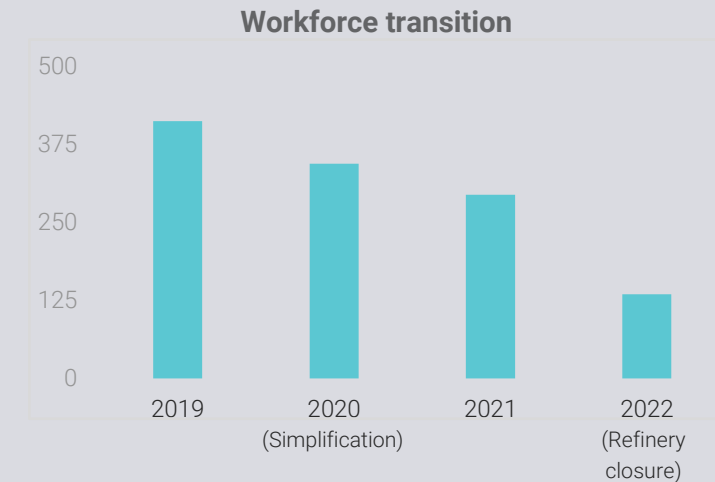
## Strong safety performance maintained

- Zero Tier 1 or Tier 2 process safety incidents in 2022 through refinery decommissioning
- Small number of recordable injuries, which did not involve significant harm, through significant decommissioning and conversion project activity
- Leading indicators actively monitored through transition



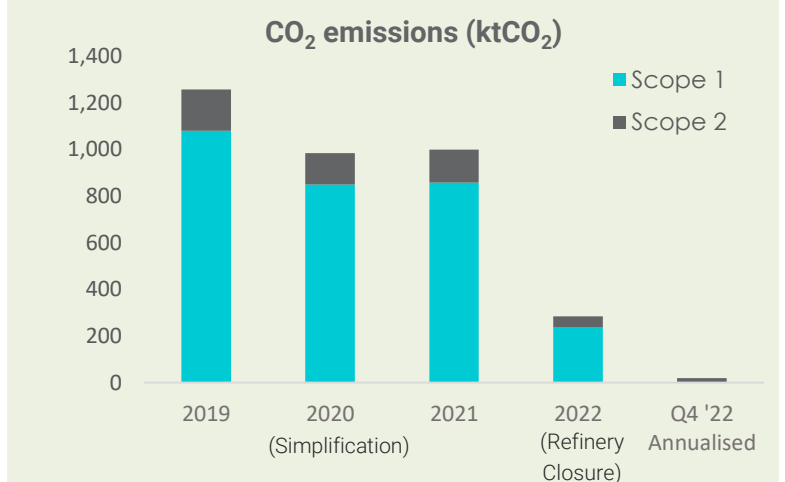
## Planned workforce transition

- 135 employees at the end of 2022 (2021: 294), with refinery decommissioning team to exit in 2023
- Key talent retained and increased gender diversity with 23% women (up from 18%)
- 97% of employees who have exited have found next opportunity within 6 months



## Significantly reduced environmental impact

- Reduction in site emissions (Scope 1 & 2) by 98% (>1 million tonnes of CO<sub>2</sub> per annum)
- Over 1,250 tonnes of decommissioning waste materials recycled
- 30% reduction in legacy groundwater contamination in the past 6 years






[1] Tier 1 Process Safety Event (API 754) – A tier 1 Process Safety Event (PSE) is an unplanned or uncontrolled release of any material, including non-toxic and non-flammable, from a process which results in one or more of the following: A LTI and/or fatality; A fire or explosion resulting in greater than or equal to \$100,000 of direct cost to the company; A release of material greater than the threshold quantities given in Table 1 of API 754 in any one-hour period; An officially declared community evacuation or community shelter-in-place  
 [2] Tier 2 Process Safety Event (API 754) – A tier 2 Process Safety Event (PSE) is an unplanned or uncontrolled release of any material, including non-toxic and non-flammable, from a process which results in one or more of the following: A recordable injury; A fire or explosion resulting in greater than or equal to \$2,500 of direct cost to the company; A release of material greater than the threshold quantities given in Table 2 of API 754 in any one-hour period  
 [3] TRIF – Total Recordable Injury Frequency per 200,000 hours (rolling 12-monthly average)  
 [4] NZ Business Leaders Health & Safety Forum Benchmark (injuries per 200,000 hrs)

# Limited impacts from Cyclone Gabrielle

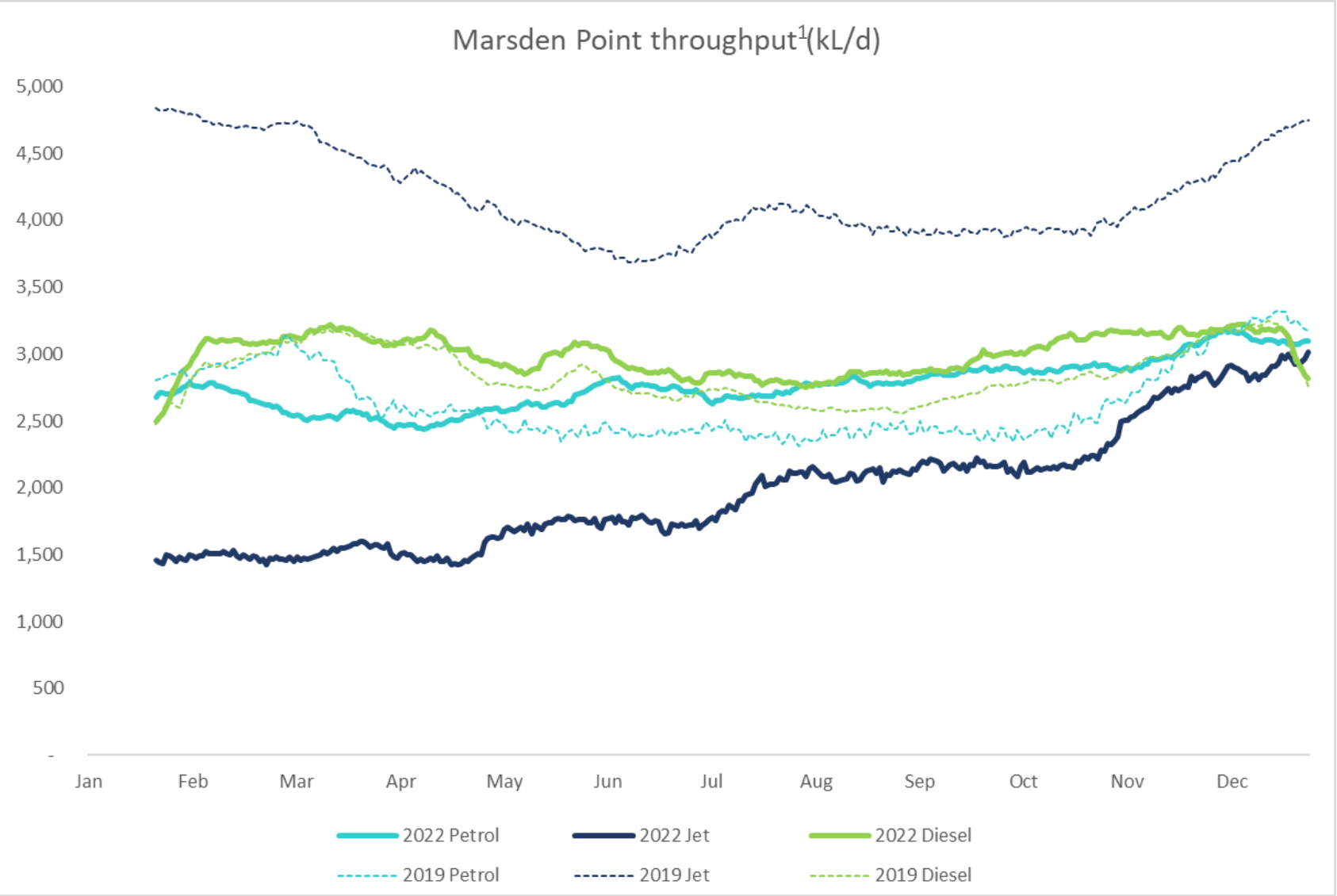
- Site well prepared ahead of arrival of Cyclone Gabrielle
- Stormwater systems have managed intensive periods of rainfall in recent months
- Coastal boundary and seawall resilient to storm surges – further review of coastal erosion management strategies planned for this year following recent coastal erosion survey
- No significant impacts to terminal or decommissioned refinery assets
- Pipeline operations continued through cyclone event and import operations have resumed since
- Assessing schedule impacts to crude tank conversions from minor damage to roofing under construction, delays caused by road closures
- Aerial inspections of the Marsden Point to Auckland pipeline undertaken following both the Auckland anniversary day floods and Cyclone Gabrielle to identify areas at risk of land instability – physical inspections and remediation being undertaken where needed
- Work to assess site resilience to extreme 4 degree warming scenario planned for 2023 to ensure robust long-term Asset Management Plans are in place

# Material progress made towards climate change targets

	TARGET	PROGRESS TO DATE	
Just Transition	At least 90% of employees seeking new employment find new roles, or have been retrained, within 6 months	<ul style="list-style-type: none"> <li>Extensive program of workforce transition support</li> <li>97% of staff who left in 2022 have found their next opportunity</li> <li>Additional (decommissioning and transition-related) staff due to exit in 2023, with transition support planned</li> </ul>	 <p><b>97%</b> of employees in new roles or retraining within 6 months</p>
Net Zero	Net Zero Scope 1 and 2 emissions by 2030	<ul style="list-style-type: none"> <li>Scope 1 and 2 emissions have reduced from 1,257,173 tonnes CO<sub>2</sub> in 2019 to 284,261 tonnes CO<sub>2</sub> in 2022 and c.20,000 tonnes (annualised) in Q4 2022 - equivalent to a 98% reduction in emissions following refinery closure (over 1 million tonnes CO<sub>2</sub> p.a.)</li> <li>Almost 90% reduction in electricity consumption and no natural gas requirements - reducing thermal generation demand</li> <li>Electricity RFI undertaken to explore long-term renewable electricity supply</li> </ul>	 <p><b>98%</b> reduction in Scope 1&amp;2 emissions &gt;1MT CO<sub>2</sub> p.a.</p>
Customer scope 3 emissions	Our infrastructure is utilised to support the decarbonisation of the transport sector and facilitate Scope 3 emissions reduction by 2030	<ul style="list-style-type: none"> <li>First SAF import received through Marsden Point in September 2022</li> <li>Hale &amp; Twomey long-term fuel forecasts updated to include biofuels volumes for the first time</li> <li>FFI green hydrogen study investigating e-SAF production at Marsden Point</li> </ul>	 <p>New Zealand's first shipment of <b>Sustainable Aviation Fuel</b> delivered through Marsden Point</p>



# Strong recovery from COVID fuel demand impacts through 2022

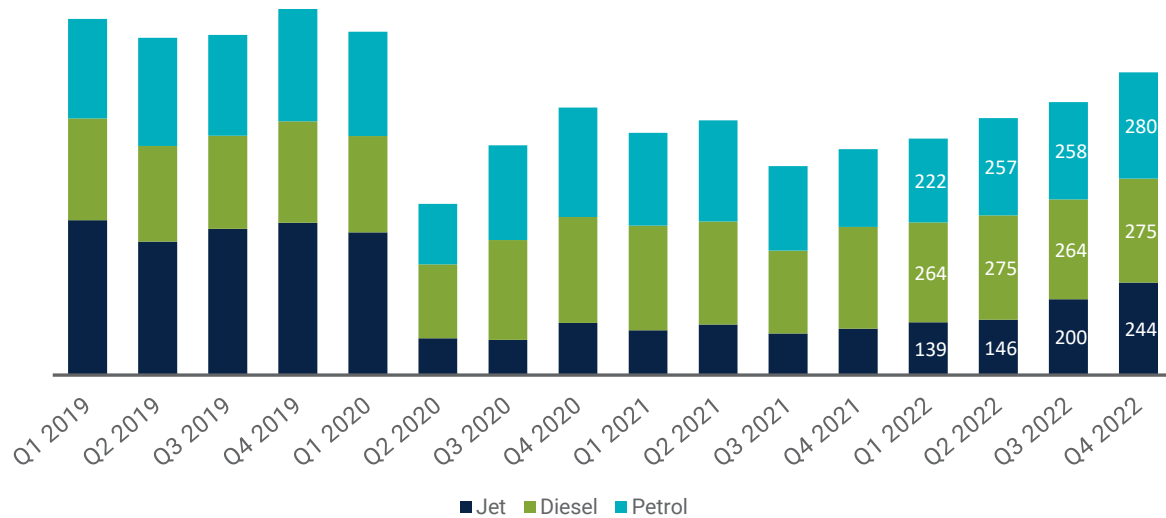


- Jet demand recovered to 70% of pre-COVID levels prior to most recent weather impact
- Diesel demand remained strong throughout 2022
- Improving petrol demand as COVID restrictions lifted and people return to the office

[1] Rolling 28-day average. Excludes Coastal Shipping volumes

# Increasing asset utilisation and storage capacity as demand recovers

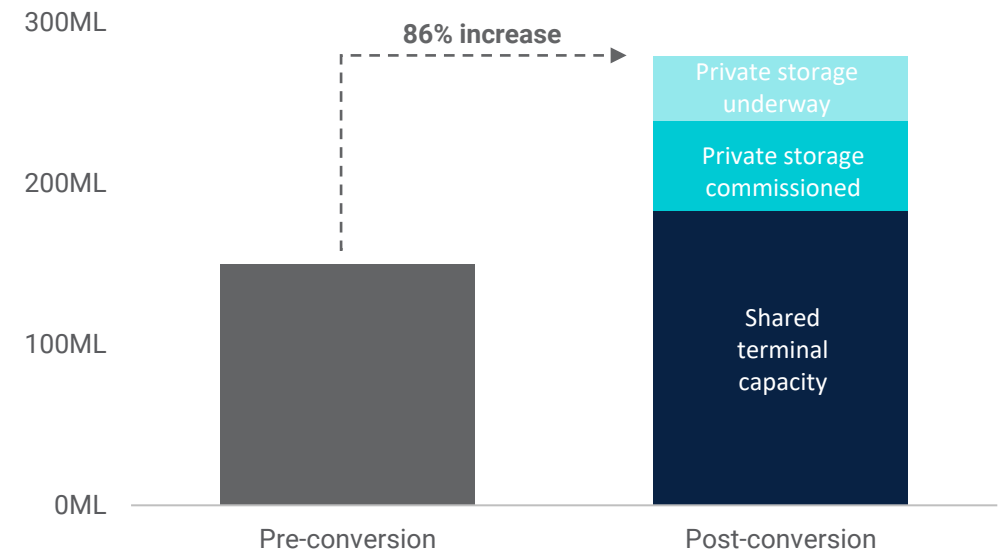
Pipeline and TLF volumes (ML)



- 56 import shipments discharged at Marsden Point since 1 April 2022
- Product delivered to the Auckland and Northland markets in Q4 2022 up 11% on previous quarter – highest since Q1 2020
- Significant pipeline capacity available to meet recovering and growing demand, with seasonal Q4 2022 utilisation at 78%

- Welcomed the largest refined product ship to ever be received in New Zealand - STI LILY (LR2 vessel) capable of handling up to 120ML
- Terminal conversion delivering increased fuel storage capacity – significant freight benefit for customers through terminal ullage
- Rigorous testing processes at Marsden Point identified off-spec jet import cargo in December, ensuring this fuel was not distributed along the supply chain and limiting broader impacts

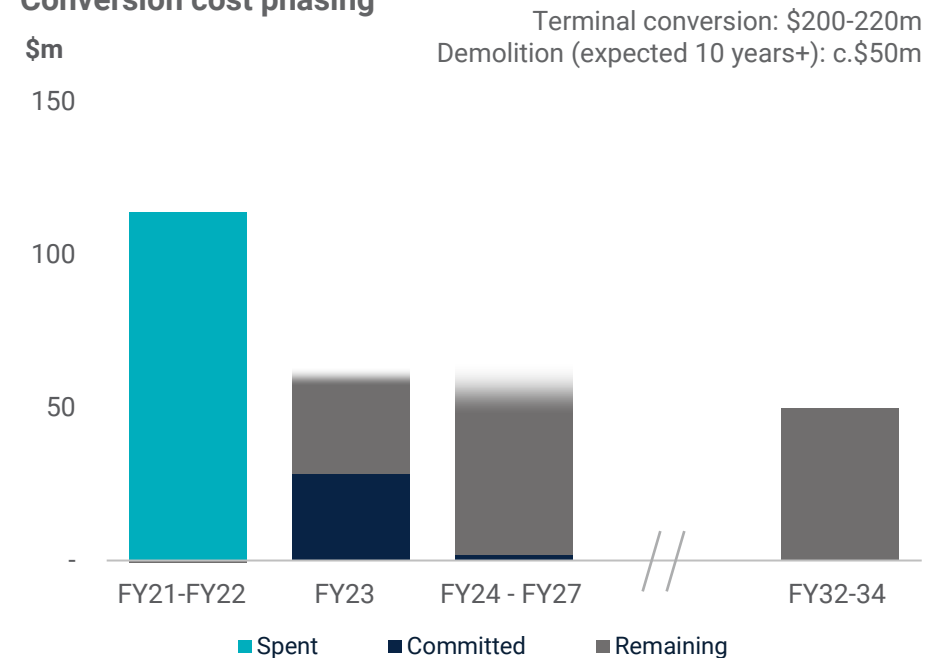
Marsden Point fuel storage capacity (ML)



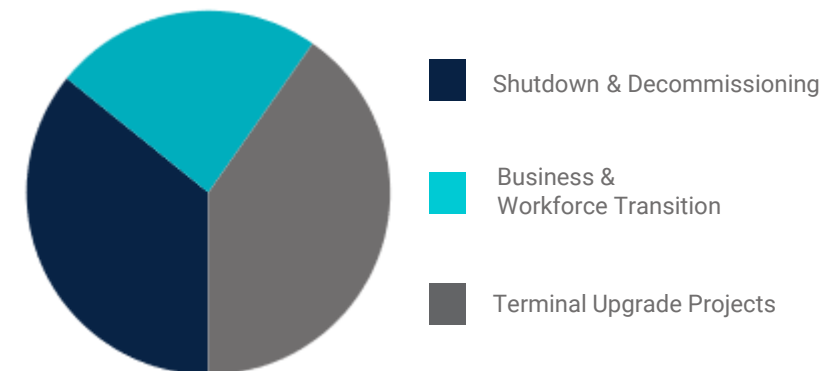
# Conversion project tracking to budget

- \$114m project spend to the end of 2022
- Project is now significantly de-risked with c\$143m (65% of budget<sup>[1]</sup>) spent or committed/contracted
- Refinery decommissioning and workforce transition are now substantially complete
- Successfully managed supply chain and inflation pressures with limited draw on the contingency
- c.\$30m spend moved from 2022 to 2023 (undrawn contingency and some terminal upgrade work rescheduled to 2023)

## Conversion cost phasing



## Allocation of Conversion Budget (\$200 - \$220m)



[1] Conversion project budget (opex and capex) of \$200 to \$220 million.

# Conversion project well progressed

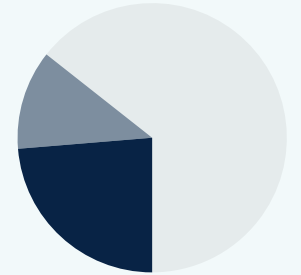
## COMPLETED TO DATE

## STILL TO COME

### Shutdown and Decommissioning

- Permanent decommissioning of refinery largely complete
- Waste equipment and materials removed for recycling, re-use or appropriate disposal
- Cleaning of tanks for terminal operation
- Completed the first exports of residual crude and inventory

- Final checks and handover of decommissioned plant
- Implement monitoring and inspection of decommissioned facilities for 10-year period
- Complete cleaning of decommissioned tanks and associated piping
- Export of remaining crude and inventory
- Site clean up (other facilities)



- Spent and committed
- Remaining to be spent

### Business & Workforce Transition

- Terminal staff transitioned to new contract terms and conditions
- Extensive transition program to support exiting staff, including career counselling and retraining
- Transitioned to simpler terminal IT systems (finance, maintenance, inventory management, compliance)

- Fixed-term decommissioning staff exiting through H1 2023
- Exiting staff will continue to have access to extensive transition programme for support in finding new roles
- Legacy refinery IT systems & infrastructure being progressively shut down



- Spent and committed
- Remaining to be spent

### Terminal Upgrade Projects

- Upgrade of safety systems, control system and installation of additive dosing facilities
- Reconfiguration of jetty facilities to provide greater flexibility
- All shared storage commissioned

- Complete site utilities modifications
- Upgrade of tank fire fighting and secondary containment systems

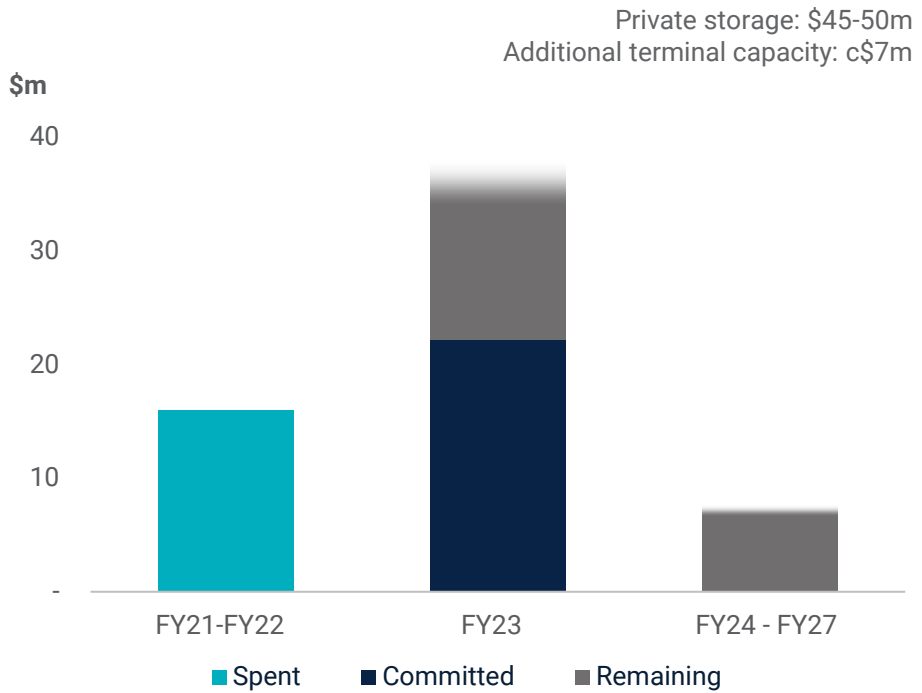


- Spent and committed
- Remaining to be spent

# Over half of private storage commissioned, with new contracts adding additional revenue

- Over half of original contracted private storage commissioned with c55ML of capacity available to date
- Two crude tank conversions, delivering a further c.45ML of capacity, now well advanced
  - Geodesic dome roofs under construction on site
  - Tanks due to be commissioned around mid-2023
  - Assessing schedule impacts from supply chain disruptions, abnormal levels of wet weather and Cyclone Gabrielle disruptions
- Contracted additional terminal storage during H2 2022
  - Capital works (tank and linework modifications) with an estimated cost of \$7m
  - New contract expected to deliver c.\$25m of additional terminal revenue over next 5 years - with c.\$4m in 2023

Growth capex phasing





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# Financial Update

**Jarek Dobrowolski**

Chief Financial Officer



# Financial Highlights

- ✓ Transition to import terminal delivers first profit in three years of \$17m (from continuing operations)
- ✓ Strong EBITDA margin from continuing operations of 65%, demonstrating improved financial performance under the new operating model
- ✓ Net assets up 5% from \$1.33 to \$1.39 per share
- ✓ Successful retail bond issue completed in May 2022 and bank refinancing completed in November 2022 to reset cost of funding
- ✓ Upgraded EBITDA guidance provided in November 2022 following PPI release and additional terminal revenue contracted
- ✓ With Net Debt to EBITDA<sup>[1]</sup> of 3.4x and strong cash flow generation, the Board recommenced dividends with a fully imputed final dividend of 5 cents per share and a fully imputed special dividend of 2 cps

[1] Based on annualised reported EBITDA for 9 months of terminal operations

# Import terminal delivers strong profit

Year ending 31 December 2022 <sup>[1]</sup>	(\$m)
Revenue	88.2
Operating costs	(30.7)
<b>EBITDA</b>	<b>57.5</b>
Depreciation	(24.6)
Financing costs	(9.8)
<b>Net profit before tax</b>	<b>23.1</b>
Income tax	(6.5)
<b>Net profit after tax from continuing operations</b>	<b>16.6</b>
Net loss from discontinued operations	(4.6)
<b>Net profit after tax</b>	<b>12.0</b>

- Strong revenue delivered for 9 months of terminal operations, including \$75m<sup>[2]</sup> terminal fees from new Terminal Services Agreements
- Operating costs reset for terminal business
- Strong EBITDA from Continuing Operations of \$57.5m
- Lower ongoing depreciation following the terminal asset useful lives' review
- 97% of end of year net debt fixed providing funding cost certainty
- Loss from discontinued operations reflective of the refinery run-down and conversion costs

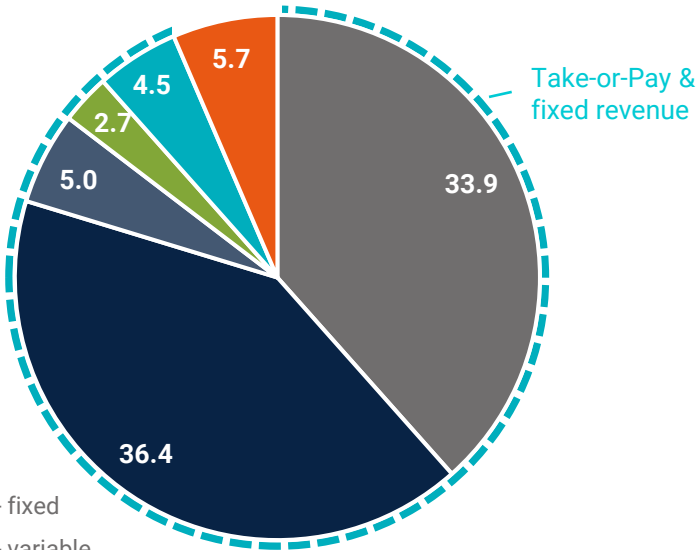
[1] The results from continuing operations include revenue from 9 months of terminal operations, and the associated operating costs, as well as the results of Independent Petroleum Laboratory for the full financial year.

[2] Equivalent to take-or-pay fee under the Terminal Services Agreements of \$100m p.a. (pre-indexation), pro-rated to 9 months.



# Revenue largely fixed with inflationary protections

**Revenue<sup>[1]</sup>**  
*(continuing operations)*  
**(\$m)**



- Terminal fees - fixed
- Terminal fees - variable
- Terminal - Take-or-Pay top up
- Private storage
- Wiri lease
- Laboratory testing and other

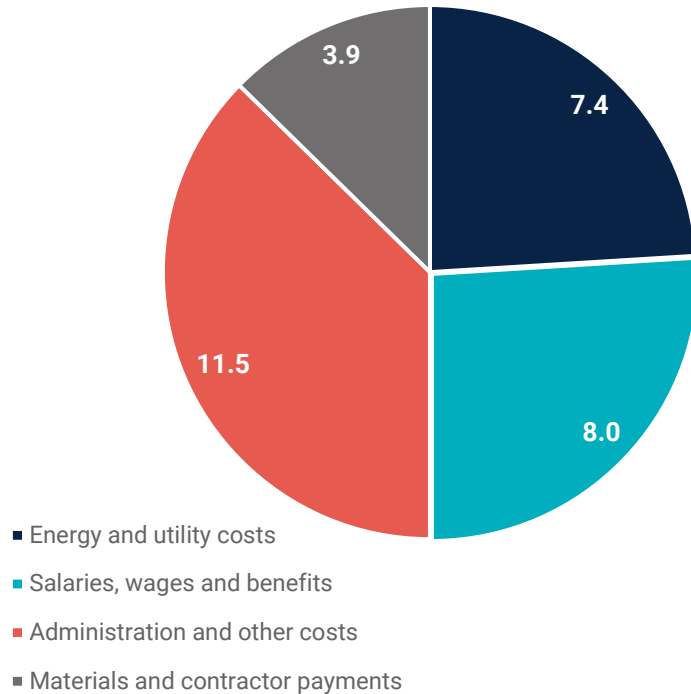
- Take-or-Pay commitments (\$75m for 9 months) underpinned revenue while jet demand continues to recover
- Take-or-Pay top up of \$5m for 2022 – take-or-pay volume equivalent to c2.5 billion litres for 9 months (or 12% increase in 2022 volumes)
- Together with private storage fees and Wiri lease<sup>[2]</sup>, 94% of total revenue was fixed or underpinned by Take-or-Pay commitments in FY22
- Almost 90% of FY22 revenue subject to PPI indexation in 2023

[1] Includes revenue from import terminal fees and Wiri land and terminal lease income is for the period from 1 April to 31 December 2022, and the revenue from laboratory testing is for the full financial year

[2] Wiri lease of \$6m p.a. continues until February 2025 when the lease expires

# Operating costs reset for simpler terminal operation

## Operating costs<sup>[1]</sup> (continuing operations) (\$m)



## Electricity costs

- Electricity consumption reduced through transition:
  - consumption of 25GWh over 9 months from 1 April to 31 December 2022
  - c.\$120/MWh fully hedged cost of supply in 2022
  - Transmission and distribution charges yet to reset from refinery levels – \$4m paid from 1 April to 31 December 2022
  - Electricity supply for 2023 fully contracted at \$215/MWh, and for 2024 c.2/3 hedged at c.\$145/MWh
- Site derating confirmed in principle and awaiting new cost allocation ahead of 1 April

## Other costs

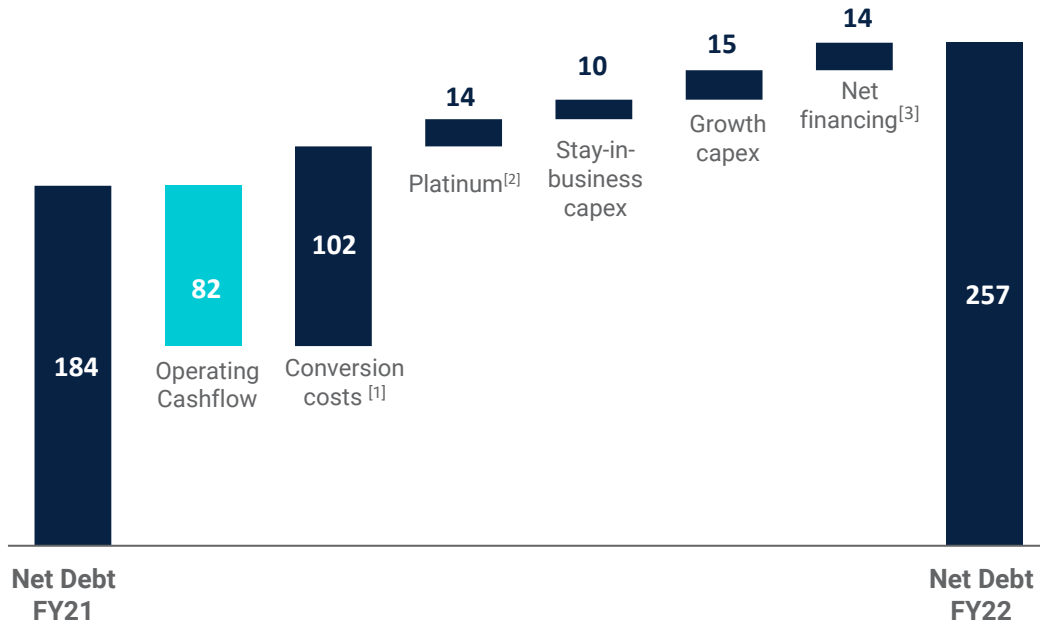
- Labour costs reflect c.70 import terminal staff and laboratory employees<sup>[2]</sup>
- Inflationary pressures on labour and contractor costs (1/3 of total opex) managed well
- Administration and other costs (including corporate and governance, insurance, rates, facilities management, IT) are largely fixed and independent of activity levels or terminal volumes

[1] Includes operating costs of import terminal operations for the period from 1 April to 31 December 2022, and the costs of laboratory testing is for the full financial year

[2] Note, employees involved in refinery decommissioning and transition are included in conversion costs (refer to 'Discontinued operations' and Provisions notes in the financial statements)

# Leverage remains within the targeted range

## Net debt movement



- Strong cash flows generated from operations, funded more than 3/4 of conversion spend
- Net debt increased to \$257m as expected with the conversion spend, including \$14m spent on closing out platinum leases in December 2022
- c.50% of \$14m funding cost in FY22 related to bank interest cost and line fees
- Leverage at 3.4x<sup>[4]</sup> as at 31 December, within the targeted range 3-4x
- Gearing at 33%<sup>[5]</sup> (vs covenants 55%)

[1] Includes operating and capital conversion costs (but excludes private storage capex which is included in growth capex).

[2] Platinum leases close-out, with recovery and sale of platinum expected to occur within 12 to 24 months.

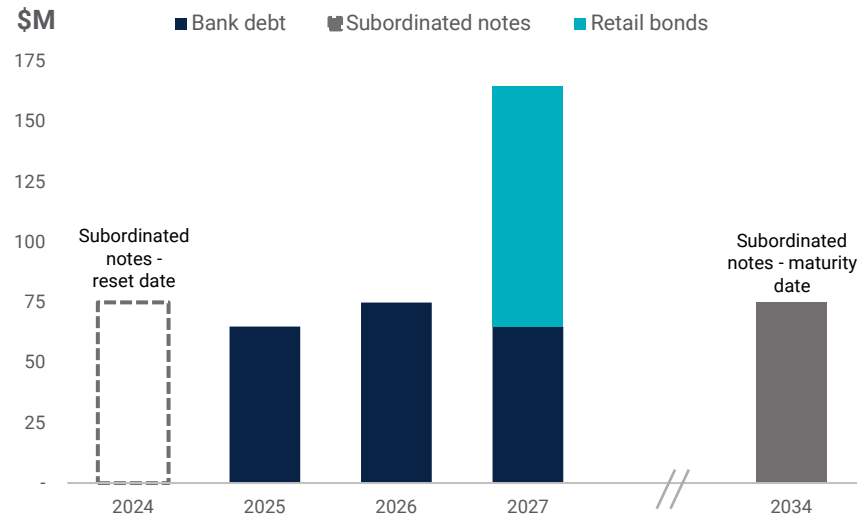
[3] Includes \$8m relating to continuing operations and \$5.4m relating to discontinued operations, and excludes non-cash financing costs (i.e. accrued interest and facility fees, discounting unwinding).

[4] Leverage calculated as Net Debt as at 31 December 2022 to the annualised EBITDA from continuing operations.

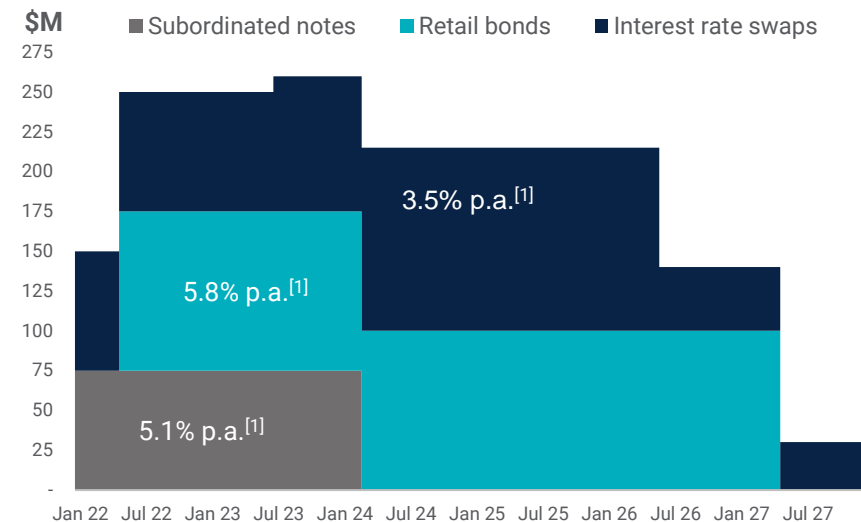
[5] Gearing calculated as Net Debt to Net Debt plus Equity as at 31 December 2022.

# Successful reset in funding structure and costs

## Debt maturity profile as at 31 December 2022



## Debt hedge



- Diversified funding sources and extended tenor
  - Successful \$100m unsecured retail bonds issued in May 2022
  - Refinanced \$205m of bank debt, achieving tenor spread across 3-5 years and a reduction in bank funding cost
- Debt facilities of \$380m with significant liquidity headroom available (\$123m as at 31 December 2022) – together with operating cash flows, this provides sufficient capacity to fund the remainder of conversion costs and investment in private storage
- Expected debt will peak at around \$70m to \$90m above 31 December 2022 level in next 12-18 months
- 97% of end of year net debt was fixed, with significant hedge protection in the following years
- Cost of higher drawn debt in 2023 will be mostly offset by lower bank margins and lower undrawn line fees
- Weighted average debt maturity (WADM) of c.3.5 years<sup>[2]</sup>

[1] Nominal interest rate, excluding the amortisation of upfront bank fees and bond issuance costs. Bank nominal interest rate represents a combination of bank margin and swap rate (note, drawn facilities in excess of fixed debt are subject to floating interest rates, i.e. Bank Bill Rate).

[2] WADM calculated on the assumption that the subordinated notes are paid at their reset in March 2024.

# FY23 EBITDA guidance range upgraded in November 2022

## Indicative FY23 Financial metrics<sup>[1]</sup>

	Previous (\$m)	Updated Nov '22 (\$m)
Terminal and other revenue	116-120	125-128
Operating costs	36-40	41-44
EBITDA	76-84	82-86
Depreciation	32	34-35
Financing costs <sup>[2]</sup>	15-18	c.16
Income tax payable	Nil	Nil
Stay-in-business capex <sup>[3]</sup>	-	c.8-10
Indicative Normalised Free Cash Flow	46-64	56-60
Indicative dividend range	8 -11 cps	9 -11 cps

FY23 guidance upgraded in November 2022<sup>[1]</sup>:

- \$106.3m terminal take or pay fees, expect to remain at ToP levels based on forecast aviation capacity
- Revenue reflects expected commissioning of remaining private storage tanks (around mid-2023), additional terminal fees contracted and the PPI impacts on take-or-pay fees
- Operating and capital expenditure<sup>[3]</sup> guidance reflects expected higher electricity prices<sup>[4]</sup>, anticipated activity and resourcing requirements and cost inflation
- Overall EBITDA uplift due to additional revenue contracted and inflationary value accretion
- Depreciation<sup>[5]</sup> guidance also updated to reflect continuing investment in terminal upgrades and private storage capacity
- Financing costs<sup>[2]</sup> updated post the debt refinancing activities, equivalent to an effective interest rate across all debt of c.5% to 5.5%

[1] Guidance is for terminal operations (classified as continuing operations) and excludes discontinued operations (i.e. one-off conversion cost opex and capex of \$200-220 million), private storage capex (\$45-50 million) and additional terminal storage (\$7m), with no change in guidance for these projects. Guidance also excludes any opex and capex associated with new growth opportunities.

[2] Based on expected average level of borrowings of c.\$300 million in FY23, debt hedge profile (refer previous page) and current Bank Bill Rate (BKBM) for unhedged debt. Excludes capitalised interest, amortisation of upfront bank fees and issue costs, and other non-cash financing costs (i.e. unwinding of interest associated with provisions)

[3] Previous capex guidance of \$5-12m reflected a range of capex expected across the initial 10-year contract term and excluded growth and one-off conversion capital expenditure

[4] Based on contracted electricity supply at an average cost of \$215/MWh and assuming transmission and distribution costs of \$4m

[6] Includes Wiri assets' depreciation of c\$6m p.a. until early 2025.



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# Strategy Update and Outlook

**Naomi James**

Chief Executive Officer





## Leverage Existing Capability

## Transform to Deliver Value

## Position for Future Growth

### Safe, reliable, low-cost operations

- Revised Safety Case for new import terminal accepted by WorkSafe
- New operating procedures and management system changes in place for terminal business model

### Competitive cost of capital

- Successful \$100m inaugural bond issued by Channel Infrastructure
- Completed bank refinancing with significant capacity offered and a reset in the cost of debt
- New Capital Allocation Framework adopted to deliver both dividends and growth with a focus on increasing shareholder value

### Support lower carbon fuels transition

- First Sustainability Report published aligned to TCFD reporting standards available on our website ([channelnz.com](https://channelnz.com))
- New Zealand's first shipment of SAF received through Marsden Point

### High performance culture

- Terminal organisation and management team in place
- Strong capability retained for terminal business and projects

### Realise Infrastructure Value

- Refinery closure safely completed to plan, conversion projects progressing to plan and budget
- Operating under new Terminal Services Agreements since 1 April 2022

### Grow and Diversify

- Private storage contracts signed with approx. \$9 million p.a. revenue (in real terms) over 10 years
- Additional terminal storage revenue contracted in H2 2022 with approx. \$25 million revenue expected over 5 years
- Over half of private storage capacity commissioned



## Leverage Existing Capability

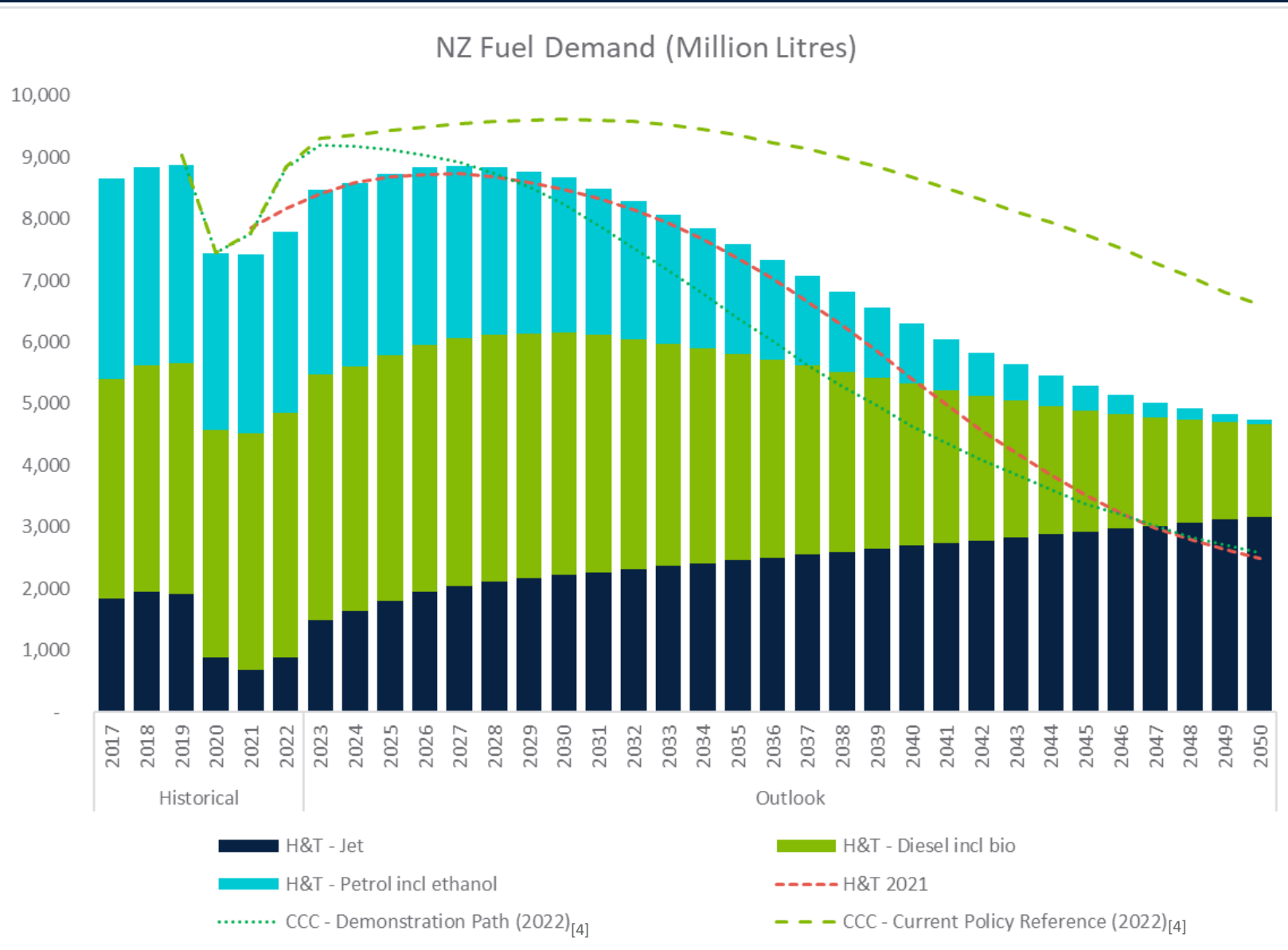
## Transform to Deliver Value

## Position for Future Growth

<p><b>Safe, reliable, low-cost operations</b></p>	<ul style="list-style-type: none"> <li>• New long-term Asset Management Plans in place to manage investment across the life of our assets</li> </ul>	<p><b>Competitive cost of capital</b></p>	<ul style="list-style-type: none"> <li>• Review options for \$75m subordinated notes due for renewal in March 2024</li> <li>• Release legacy value through sale of surplus assets and inventory</li> </ul>	<p><b>Support lower carbon fuels transition</b></p>	<ul style="list-style-type: none"> <li>• Fortescue Future Industries (FFI) to complete study of the potential for hydrogen / eSAF production at Marsden Point</li> <li>• Continue to assess SAF options for Marsden Point</li> </ul>
<p><b>High performance culture</b></p>	<ul style="list-style-type: none"> <li>• Terminal operations and Information Technology systems simplified with new systems and processes embedded and effective</li> <li>• Continue to build terminal culture and capability</li> </ul>	<p><b>Realise Infrastructure Value</b></p>	<ul style="list-style-type: none"> <li>• Remaining private storage and other contracted capacity brought online</li> <li>• Complete refinery facility decommissioning to plan and budget</li> </ul>	<p><b>Grow and Diversify</b></p>	<ul style="list-style-type: none"> <li>• Utilise Marsden Point facilities to support Government's 70ML domestic diesel fuel reserve and minimum Domestic Stockholding Obligation (DSO)</li> <li>• Reduce electricity costs through long-term supply</li> <li>• Work with Customers and Government to improve fuel resilience, ahead of expected strong growth in jet fuel demand</li> </ul>



# Hale & Twomey fuel demand outlook updated with more detailed, bottom-up modelling



- Hale & Twomey long-term fuel outlook<sup>[1]</sup> updated (last outlook January 2021<sup>[2]</sup>)
- First update since COVID recovery pathway has become more clear
- Jet fuel forecasts utilised long-term passenger number forecasts developed by DKMA<sup>[3]</sup> for Auckland International Airport
- Diesel forecasts have been modelled separately for each consumption sector (Agriculture, Industrial, Commercial, Residential, Transport & International shipping)
- Petrol forecasts have been modelled by vehicle type (light passenger, light commercial, motorbike, heavy transport & buses) to more accurately forecast electrification shift based on vehicle turnover rates and electrification trends and feasibility
- Biofuel volumes included for the first time

[1] Hale & Twomey modelling for petrol and diesel focused on NZ demand, whereas modelling for jet demand focused on Auckland consumption only (extrapolated to obtain NZ demand)

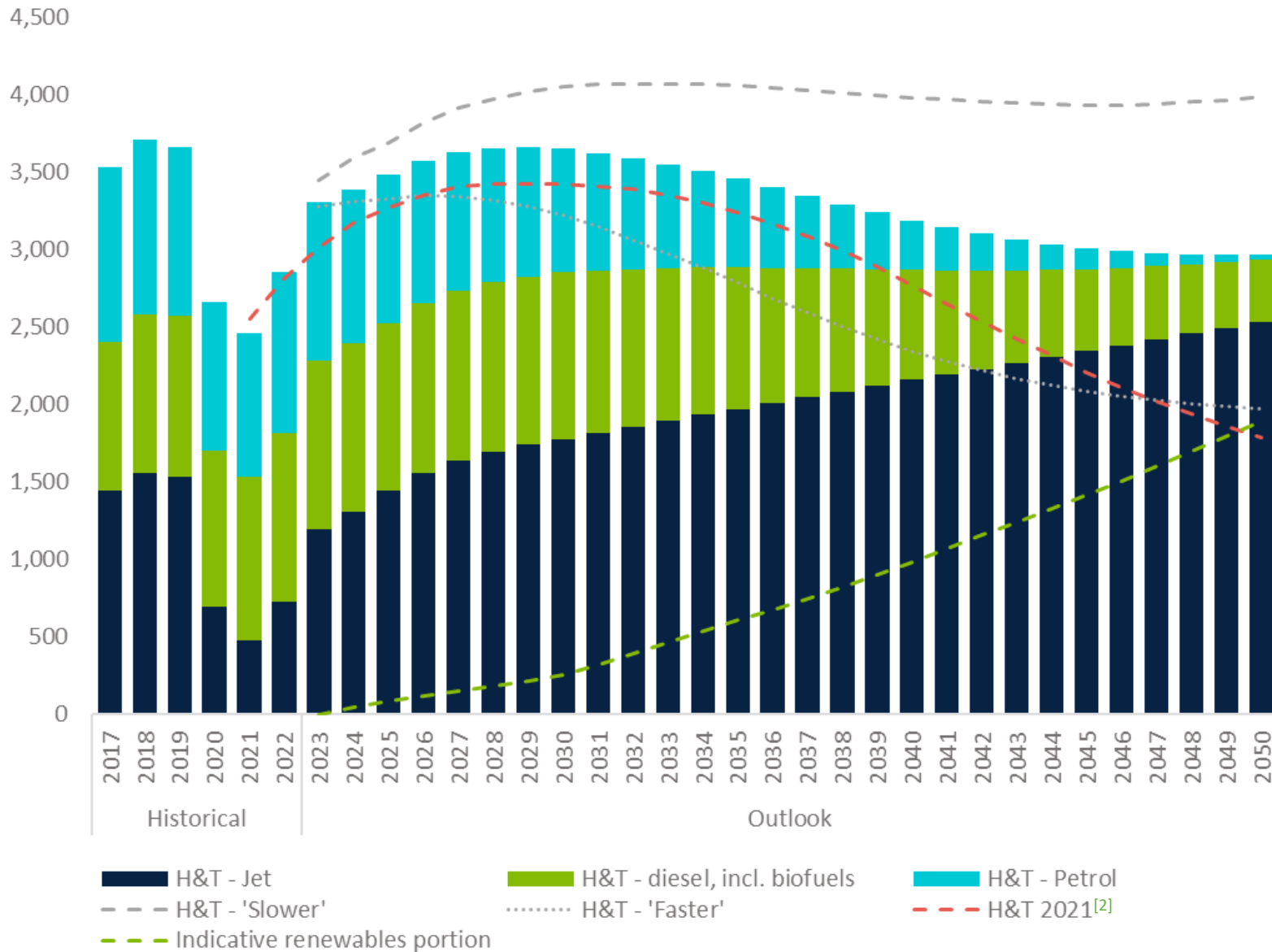
[2] 2023 forecast includes assumed SAF volumes, these were excluded in 2021 outlook

[3] DKMA: global airport market research consultancy

[4] From the scenarios' dataset for the Commission's advice on NZ ETS settings for 2023-2027

# Stronger demand expected for Channel's infrastructure over the long term

Marsden Point Throughput (Million Litres)



- Updated Hale & Twomey fuel outlook confirms a faster jet fuel demand recovery, and materially higher jet and diesel demand over the long-term
  - Strong growth in demand for jet fuel is expected to continue reaching pre-COVID levels by 2026
  - Diesel substitution likely to take longer than previously expected in some sectors
  - Petrol demand declines as previously forecast as light vehicle fleet electrifies
- Terminal revenue now estimated above Take-or-Pay in 2025 as terminal volumes rise above c.3.4 billion litres, with every 0.1 billion litres volume increasing revenue by c.\$1.6m p.a. (pre-inflation)
- Existing Marsden Point to Auckland pipeline capacity is sufficient to meet projected demand, with growth in aviation fuels offset by decline in land fuels
- Increasing volume of renewable fuels expected through Channel's infrastructure as biodiesel and SAF<sup>[1]</sup> – which can utilise existing infrastructure – enter the fuel mix

[1] The 'Indicative renewables portion' includes biodiesel volume impact if a mandate was to be implemented as initially proposed (now rescinded), and indicative SAF volumes (not provided by H&T) aligned with Air NZ targets (10% by 2030, and along with zero-emission aircraft contribute to 70% emission reductions by 2050)

[2] 2023 forecast includes assumed SAF volumes, these were excluded in 2021 outlook.

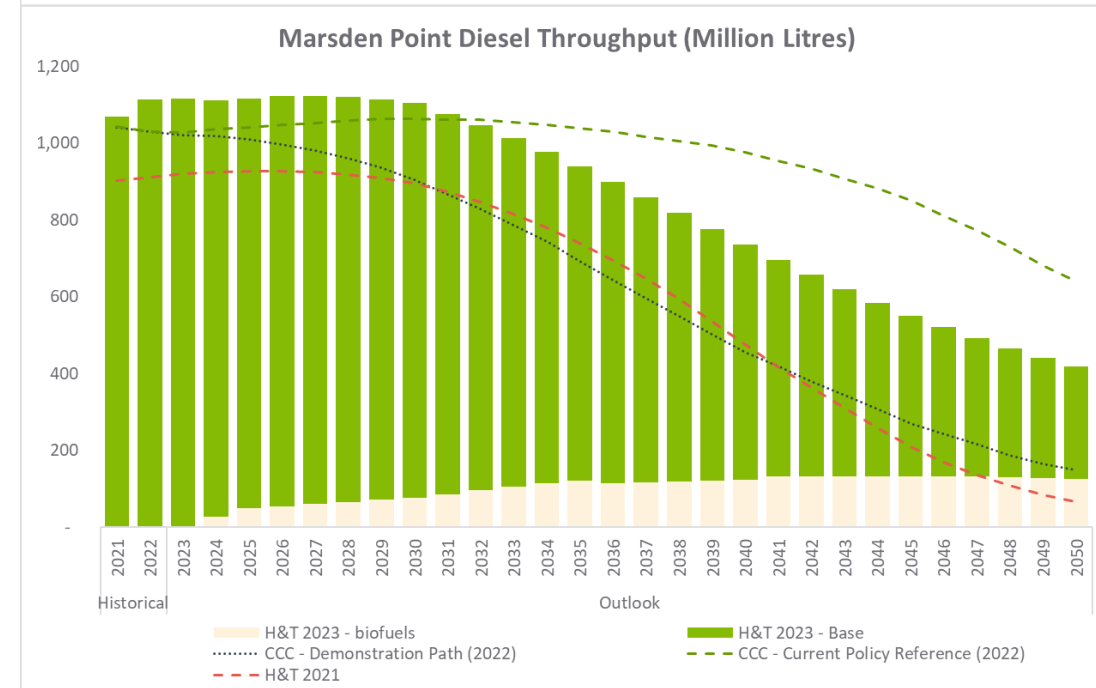
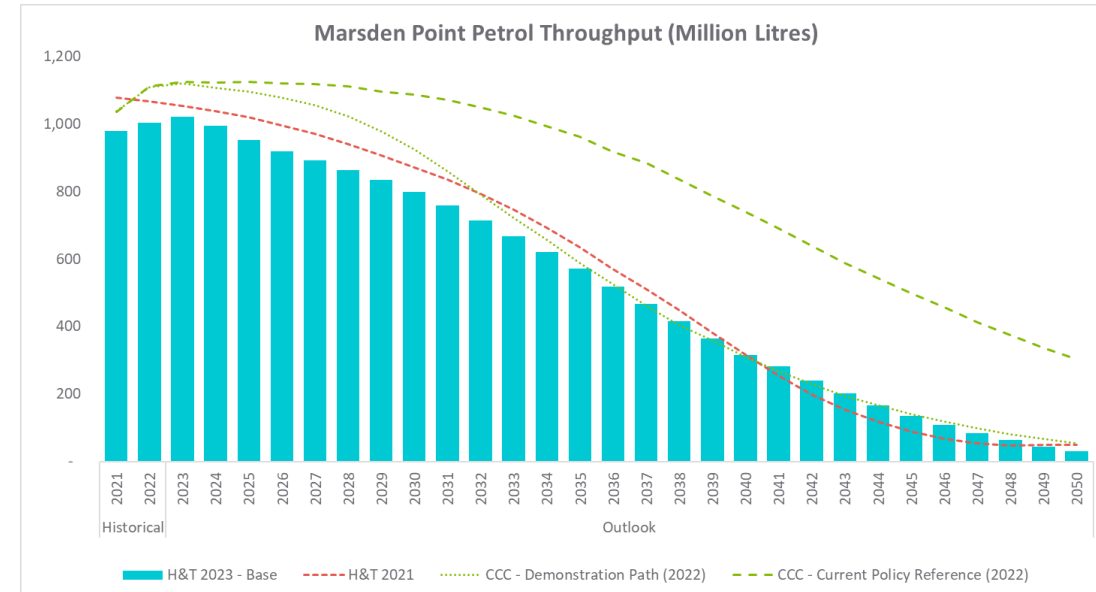
# Slower diesel substitution forecast

## Petrol

- Hale & Twomey outlook for petrol demand to peak in near-term - reflecting increasing electrification of the Light Vehicle fleet, and a gradual shift in travel behaviour
- Recent government incentives delivering faster electrification of light vehicle fleet than previously anticipated. Outlook assumes electrification rate consistent with 2022 CCC modelling
- Marsden Point volumes anticipated to be c.5% higher if ethanol not utilised in supply mix<sup>[1]</sup>

## Diesel

- Hale & Twomey outlook for higher near-term and longer tail of demand for diesel than previous outlook (2021)
  - slower transition than petrol – electrification to commence in the light vehicle fleet (utes and vans), followed by light trucks and buses
  - diesel substitution more challenging in agriculture, fishing & forestry and heavy transport sectors
- Biodiesel substitution possible - with second generation biodiesel utilising existing infrastructure<sup>[2]</sup>.

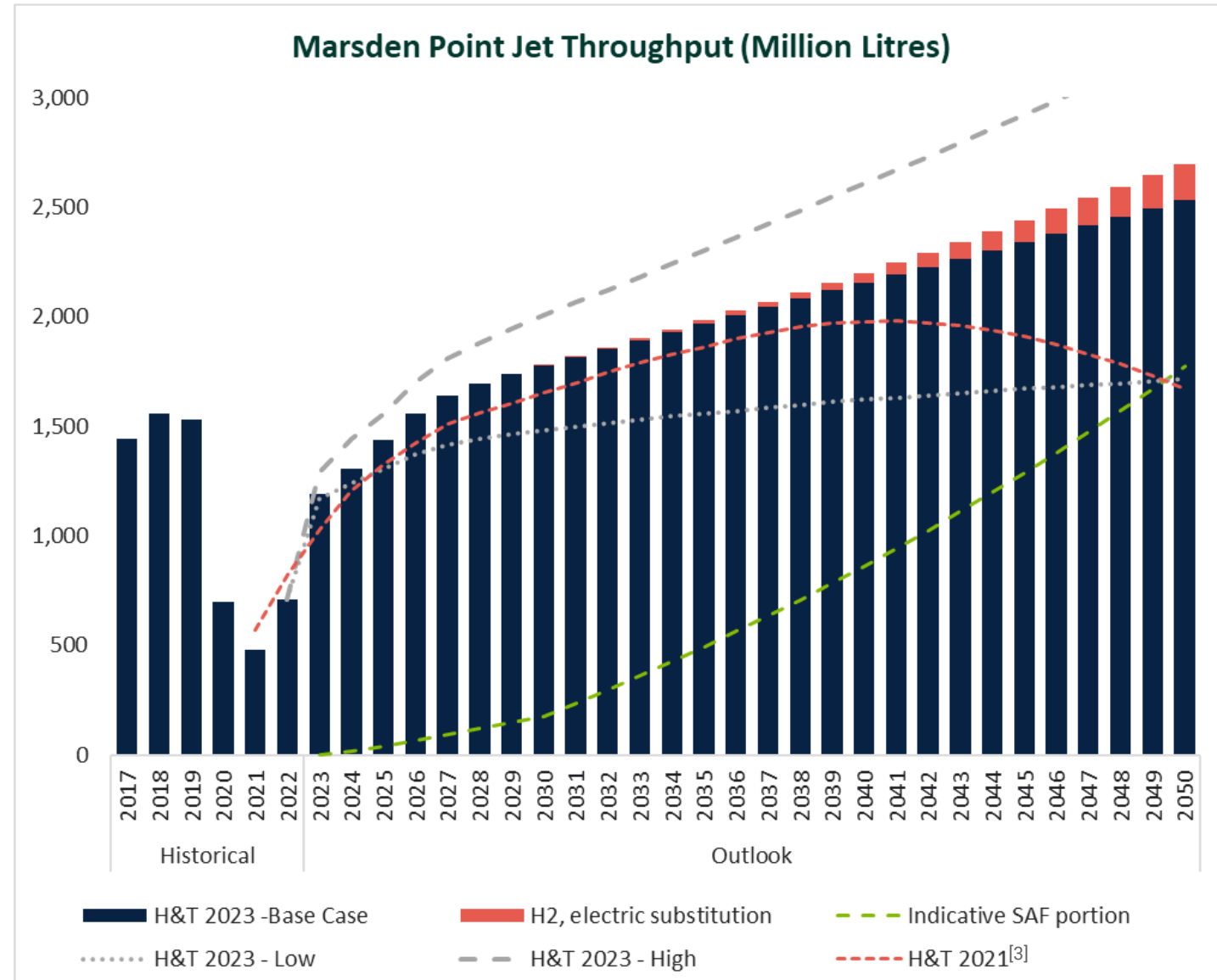


[1] Modelling assumption: biofuels obligation implemented (mandate currently rescinded, but improved transport intensity target remains) with ethanol blended at 10% into regular petrol, bypassing Channel's infrastructure

[2] Modelling assumption: biofuels obligation implemented with renewable diesel blended into pool, utilising existing infrastructure

# Faster than expected recovery in jet fuel

- Initial recovery in demand more than just a temporary release of 'pent up travel demand' from closed borders:
  - near doubling<sup>[1]</sup> in Auckland jet fuel demand as borders reopened from February 2022
  - Auckland International Airport expects recovery in passenger numbers to pre-COVID levels by 2025
  - Aligned with Hale & Twomey, who expect jet demand to return to pre-COVID levels by 2026, with lag reflecting fleet fuel efficiency improvements
- Forecasts assume 25% of regional jet demand to be electric by 2040, 10% of short-haul demand to be met by hydrogen by 2050 – limited impact on total jet fuel demand, which is driven by long-haul and extra-long-haul flights
- SAF<sup>[2]</sup> identified as the primary solution for decarbonising aviation – interchangeable with fossil jet and utilising same infrastructure



[1] December 2022 vs. January-March 2022

[2] Indicative SAF volumes (not provided by H&T) aligned with Air NZ targets (10% by 2030, and along with zero-emission aircraft contribute to 70% emission reductions by 2050)

[3] 2023 forecast includes assumed SAF volumes, these were excluded in 2021 outlook.

# Improving supply chain resilience is a priority for New Zealand

- Minimum domestic stockholding obligation (DSO) proposed by NZ Government has a key role to play in improving resilience
- Fuel storage capacity has increased through transition from refinery to import supply chain
  - Marsden Point fuel storage capacity is higher today than when operating as a refinery - 65% increase in diesel, 40% increase in jet
  - More jet storage capacity will be available once additional contracted private storage is commissioned later this year, with capacity to add more
- With strong jet recovery from COVID impacts underway, addressing 2019 RAP inquiry recommendations is now a priority
  - Recommendations sitting with Channel – to improve surveillance along the pipeline and improve communication with landowners, neighbours and the community - have been completed



# Government fuel security measures represent a significant opportunity

- In November 2022, the NZ Government announced its final resiliency plan designed to ensure fuel supply resilience by holding more stocks onshore
  - Government procurement of 70ML strategic diesel reserve
  - Minimum onshore fuel stockholding obligation for fuel wholesalers
- MBIE currently consulting with industry on the final policy design, and have issued RFI for 70ML Diesel reserve (storage and stock) that Government intends to procure
- Marsden Point is ideally placed to support fuel resilience measures:
  - working with government on accelerating the establishment of 70ML domestic diesel fuel reserve – timing & cost advantage from existing tank capacity and high throughput terminal (enables product turnover)
  - potential need for increased storage capacity to meet minimum stockholding policy and provide a resilient supply chain for growing jet fuel demand
  - Over 400ML of unutilised tank capacity available at Marsden Point



# RFI process has identified options for long-term electricity supply

- RFI undertaken seeking proposals for long-term supply
  - Range of offers received – from physical supply, development of Maranga Ra solar project, through to fully off-grid options
  - Competitive interest for the provision of a long-term grid supplied fixed price variable volume contract
  - Expecting to determine optimal electricity supply strategy and undertake a formal RFP to conclude arrangements during 2023
  - Targeting \$2+ million pa reduction in electricity costs (vs 2023)
- Focused on transmission and distribution cost savings opportunities
  - De-rating of Marsden Point site confirmed by Transpower in principle, with new allocation of transmission costs to be confirmed before 1 April (built into FY23 cost guidance)
  - Reviewing all options to reduce costs including Transpower revaluation of oversized connection assets, prudent discount application and/or by-pass





## Recommended dividends

Final **5 cps** and  
special **2 cps**  
payable  
20 March 2023  
(fully imputed)

- Dividend recommenced less than a year post-conversion – ahead of indications at the time of the August 2021 shareholder vote
- Strength of cash flows, de-risked conversion project, refinanced debt facilities and leverage within the targeted range provided Board with confidence in returning to dividends from FY22
- Board approved Dividend policy (a pay-out of 60-70% of normalised Free Cash Flows, being adjusted for net cash generated from operations less maintenance capex, excluding conversion costs and growth capex)<sup>[1]</sup>
- Declared a fully imputed dividend (at top end of pay-out of 70% applied for 9 months of terminal operations) of:
  - Final dividend of 5 cents,
  - Special dividend of 2 cents.
- Implied (annualised) dividend yield of 6.5%<sup>[2]</sup> as at 31 December 2022
- Dividend payable on 20 March 2023, with record date on 10 March 2023
- FY23 guidance implies an indicative dividend range of 9–11 cps, with targeted 40:60 split between interim and final dividend

[1] The dividend policy is subject to the Board's due consideration of the Company's medium term asset investment programme; a sustainable financial structure for Channel Infrastructure, recognising the targeted investment grade rating; and the risks from short and medium term economic and market conditions and estimated financial performance. It is the intention of the Board to attach imputation credits to dividends to the extent that they are available.

[2] Based on a dividend declared and annualised, and share price as at 31 December 2022 of \$1.43 per share





- CEO transition began November 2022 following the successful transition to Channel Infrastructure
- Rob Buchanan will become CEO on 6 March 2023
- Rob Buchanan joined the team on 31 January 2023, with Naomi James departing the company on 1 April 2023

# 2023 priorities



Safe, reliable, and cost-efficient terminal operation and maintenance



On-budget and on-time completion of the remaining conversion project works



Work with Customers and Government to improve supply chain resilience



Deliver on near-term growth opportunities (strategic diesel reserve, DSO, electricity)



Deliver increasing returns to shareholders through dividends in an inflationary environment

## Delivering on our strategy

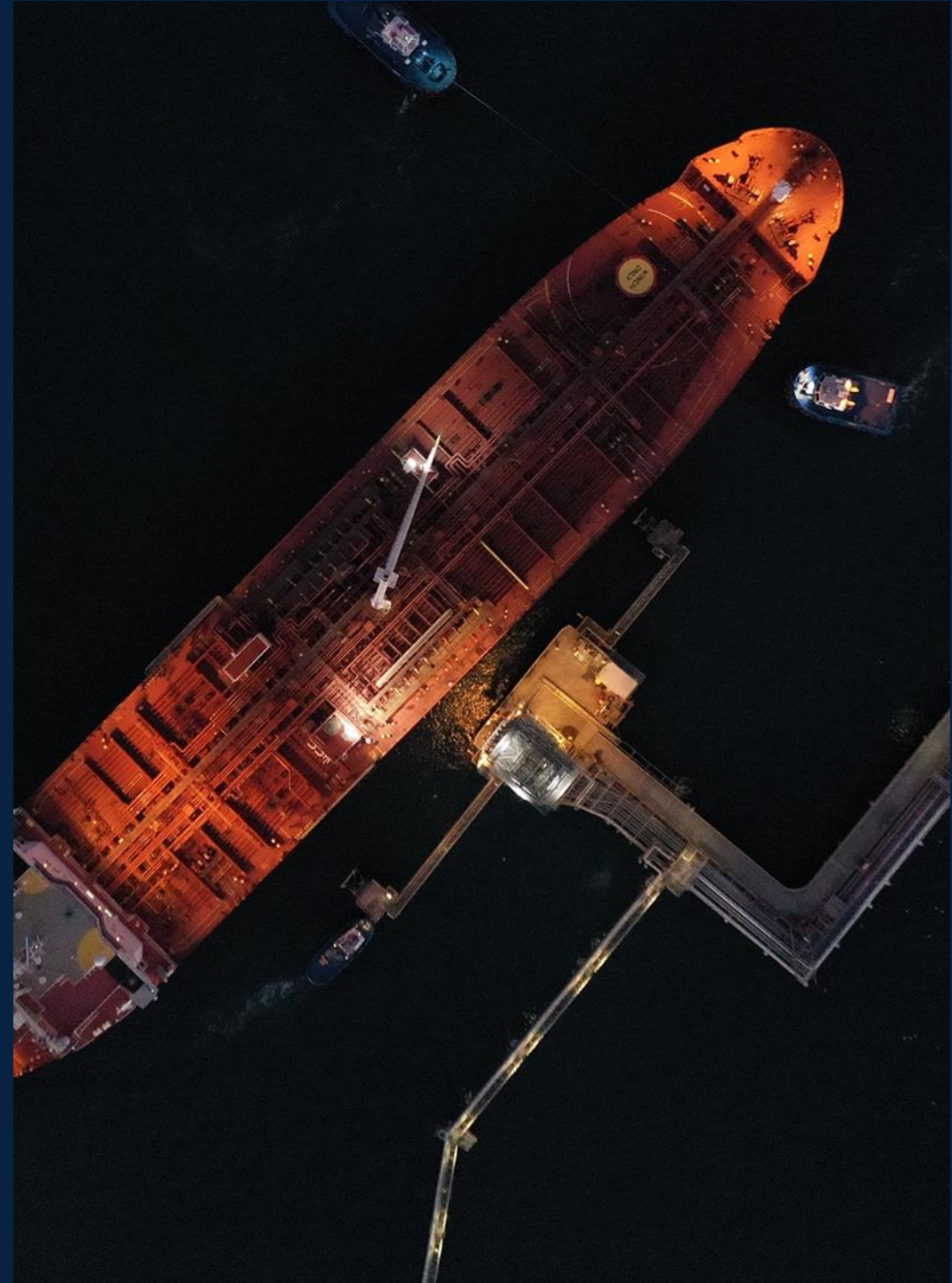
- ✓ Safely and successfully transitioned from refinery to terminal operations, with 56 import shipments discharged and over 2.2b litres of terminal throughput
- ✓ Conversion project remains to plan and budget - with 65% now spent or committed, the project is significantly de-risked
- ✓ New fuel demand outlook confirms stronger demand forecast for our infrastructure over the long-term
- ✓ Reset cost of funding with successful retail bond issue completed in May 2022 and bank refinancing completed in November
- ✓ Transition to import terminal delivers first profit in three years of \$17m from continuing operations (9 months of terminal operations)
- ✓ Return to dividends for shareholders, with a fully imputed final dividend of 5 cents per share and a fully imputed special dividend of 2 cps



Channel

Infrastructure NZ

Q&A

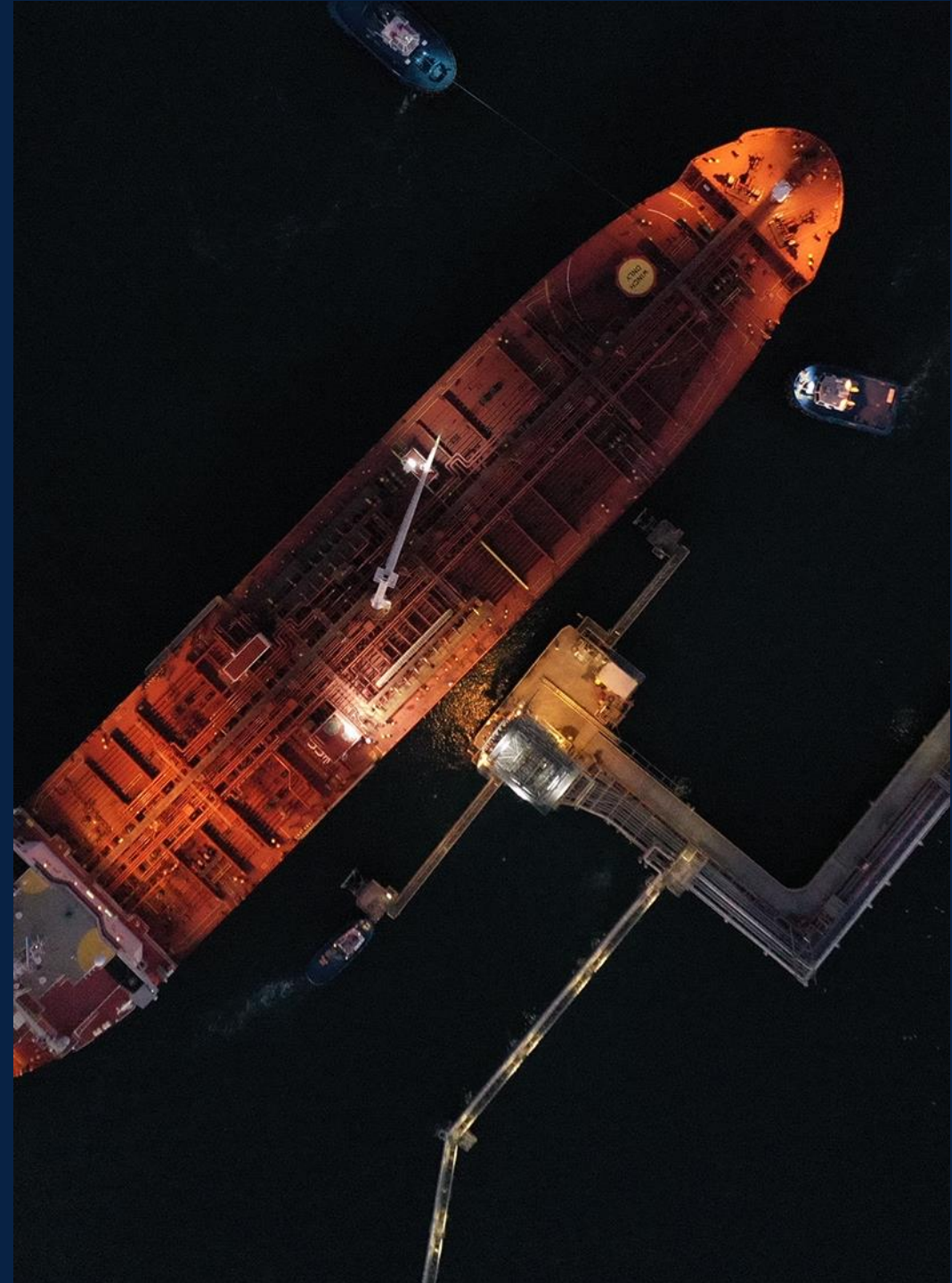




Channel

Infrastructure NZ

# Appendices



# Continuing operations – H1 vs H2

Year ending 31 December 2022 <sup>[1]</sup> (\$m)	H1	H2	FY22
Revenue	29.8	58.4	88.2
Operating costs	(10.1)	(20.6)	(30.7)
<b>EBITDA</b>	<b>19.7</b>	<b>37.8</b>	<b>57.5</b>
Depreciation	(8.3)	(16.3)	(24.6)
Financing costs	(3.6)	(6.2)	(9.8)
<b>Net profit before tax</b>	<b>7.8</b>	<b>15.3</b>	<b>23.1</b>
Income tax	(2.2)	(4.3)	(6.5)
<b>Net profit after tax from continuing operations</b>	<b>5.6</b>	<b>11.0</b>	<b>16.6</b>
Net profit/(loss) after tax from discontinued operations	11.6	(16.2)	(4.6)
<b>Net profit/(loss) after tax</b>	<b>17.2</b>	<b>(5.2)</b>	<b>12.0</b>

[1] Results of continuing operations include revenue from import terminal fees and Wiri land and terminal lease income is for the period from 1 April to 31 December 2022 and the revenue from laboratory testing is for the full financial year, and the associated operating costs.

# Discontinued operations

Year ending 31 December 2022 (\$m)	(\$m)
Revenue	70.0
Operating costs	(46.0)
<b>EBITDA</b>	<b>24.0</b>
Depreciation and disposal costs	(7.9)
Conversion costs <sup>[1]</sup>	(3.0)
Impairment / revaluation of assets	(5.0)
Net finance costs	(5.7)
<b>Net profit before tax</b>	<b>2.4</b>
Income tax	(7.0)
<b>Net loss after tax</b>	<b>(4.6)</b>

- Revenue received under Processing Agreements which concluded end March 2022:
  - \$47m processing fees
  - \$6m pipeline fees
  - \$17m of other refining income (including sulphur, natural gas and carbon pass-through, Wiri income and other revenue)
- FY22 operating costs include \$8m sulphur, natural gas and carbon pass-through costs
- Conversion costs<sup>[1]</sup> include ongoing conversion costs offset by impact of discount rate change on provisions
- Impairment / revaluation of assets (non-cash) reflects adjustment to residual values as at 31 December 2022
- Net finance costs includes non-cash conversion provision discount unwinding and bank and subordinated notes interest cost for the three months to 31 March 2022

[1] Note that conversion costs have been largely provided for in the financial year 2021, with ongoing income statement impacts from costs not eligible for recognition as a liability (noting that these costs are all within the overall conversion project budget of \$200 to \$220 million) and discount rate changes.