



## NZX RELEASE

23 August 2024

Channel Infrastructure (NZX: CHI), New Zealand's largest fuel import terminal, has today released its financial results for the six months ended 30 June 2024 (HY24).

### Highlights

- Strong safety track record maintained
- Total throughput up 8% to 1.8 billion litres, reflecting continued strong growth in jet fuel demand (up 22% on HY23)
- \$48.1 million EBITDA (+10% pcp), \$32.7 million Normalised Free Cash Flow<sup>1</sup> and an ordinary dividend declared of 4.4 cents per share
- Announced today 10-year jet fuel storage contract expected to generate ~\$55 million of additional revenue over the contract term (pre-PPI<sup>2</sup> indexation) from Q1 2027. Growth capital expenditure investment of \$26 - \$30 million across 2024 to 2026
- Significant progress made towards becoming a world-class infrastructure operator with excellent asset availability and completion of capability resourcing
- Work continues with Seadra and their consortium partners, including Qantas, Renova Inc, Kent Plc and ANZ Bank, for the conditional sale of the decommissioned hydrocracking assets. Seadra's option extended to 30 September 2024 for a further US\$0.2 million option fee (total non-refundable option fees of US\$4.7 million)
- FY24 guidance remains unchanged and the Board has declared an interim dividend of 4.4 cents per share, up 5% on the HY23 dividend

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<sup>1</sup> Adjusted for net cash generated from continuing operations less maintenance capex, excluding conversion costs and growth capex. 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

<sup>2</sup> Producer Price Index

## Key Financial Highlights – Continuing Operations

	<b>HY24</b> <b>\$m</b>	<b>HY23</b> <b>\$m</b>	<b>% change</b>
Revenue	<b>69.8</b>	64.4	+8%
EBITDA	<b>48.1</b>	43.5	+10%
EBITDA Margin	<b>69%</b>	68%	n/a
Free Cash Flow Conversion	<b>68%</b>	78%	n/a
Normalised Free Cash Flow	<b>32.7</b>	34.0	-4%
Total Ordinary Dividend	<b>4.4 cps</b>	4.2 cps	+5%

Commenting, Chair James Miller said “The past six months have been another busy period for the team at Channel Infrastructure. With our commitment to supporting resilience in New Zealand’s fuels supply chain, we welcomed further detail from the Associate Minister of Energy, Hon Shane Jones, about the Government’s Fuel Security Study. We remain committed to working constructively with the Government to deliver a good outcome for Northland and New Zealand. The study is a key focus for the Board.”

“A secure and reliable fuel supply chain is also good for shareholders, and we remain committed to lifting shareholder value and returns. With continued strong Normalised Free Cash Flow and net debt to EBITDA within the target range, the Board has declared an interim dividend of 4.4 cents per share, representing a 5% increase from last year.”

“The Board’s vision is for Marsden Point to be an energy precinct for New Zealand, and we have made good progress towards delivering on this vision including progressing opportunities with Fortescue on Sustainable Aviation Fuel manufacture. We are looking forward to presenting our vision for the future of our site, when we finalise the Marsden Point Energy Precinct Concept.”

CEO Rob Buchanan said “Channel has several near-term growth opportunities at Marsden Point. So far in 2024, we have signed two customer contracts that together deliver ~\$75<sup>3</sup> million of additional revenue across the contract term. There are many other opportunities ahead of us as we continue to look for innovative ways to support our customers and Government to deliver a resilient fuels supply chain and repurpose our land at Marsden Point in line with our strategy.”

“We have a critical role to play in providing resilience for New Zealand, and over the past two years we have commissioned over 100 million litres of storage for our customers. Adding to this, today we announced an additional jet fuel storage contract which will further support New Zealand’s resiliency.

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<sup>3</sup> Pre PPI indexation

## **Strong financial result**

Revenue increased 8% from \$64.4 million to \$69.8 million reflecting the benefit of PPI, higher throughput and increased private storage fees. Private and additional storage contributed \$8.1 million (HY23: \$5.1 million) with a full six-month contribution from the ~100 million litres of private storage coming into service over the last two years. Operating costs increased 4% to \$21.7 million with the benefit of the new fixed price variable volume electricity contract. This was offset by increased compliance costs and salaries and wages reflecting filling of vacancies in the second half of 2023 to deliver resilient terminal operations, and additional capability added for investment in world-class operations. EBITDA from continuing operations increased 10% to \$48.1 million, reflecting a strong EBITDA margin of 69%.

Stay-in-business capital expenditure was \$4.3 million (HY23: \$5.3 million), with spend expected to be second-half weighted, driven by tank statutory inspection outage dates aligned with the long-term Asset Management Plan.

Normalised Free Cash Flow remained strong at \$32.7 million, representing an EBITDA to Free Cash Flow conversion of 68%.

## **Board declares interim dividend of 4.4 cents per share**

With normalised Free Cash Flow of \$32.7 million and a net debt to EBITDA ratio of 3.4 times as at 30 June 2024, well within the targeted range of 3 to 4 times, the Board has declared an interim unimputed ordinary dividend of 4.4 cents per share. The interim dividend will be paid on 20 September 2024, with a record date on 6 September 2024.

The Board is committed to delivering stable ordinary dividends over time, while maintaining credit metrics consistent with a shadow investment grade credit rating of BBB+. Channel Infrastructure's dividend policy is to pay-out 60-70% of normalised Free Cash Flows<sup>4</sup>.

## **Increased imported fuel flowing through Channel's infrastructure**

During the first six months of the year, customers imported 1.8 billion litres of fuel through Channel's infrastructure. With continued growth in the number of international flights, Auckland jet fuel demand increased 22% on the same period last year and jet volumes are at 94% of pre-Covid levels. Diesel and Petrol demand remained relatively stable over the same period.

## **Growth opportunities secured to reinforce resilience for New Zealand's fuel supply chain**

Channel Infrastructure has several near-term growth opportunities at Marsden Point. So far in 2024, two customer contracts have been signed that provide additional revenue and additional fuel resilience for New Zealand. There are many other opportunities to support customers to meet the incoming minimum stockholding obligations and create supply chain efficiencies.

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As announced in May, Channel Infrastructure entered into a seven-year contract to upgrade Channel's Marsden Point infrastructure that will enable transmix<sup>5</sup> to be stored and exported. The upgrade involves incremental growth capital expenditure across 2024 of \$12-15 million and is expected to generate incremental revenue of approximately \$3 million per annum (commencing Q4 2024), indexed to PPI.

Channel Infrastructure today also announces that it has entered into a 10-year contract to store jet fuel for Z Energy Limited at Marsden Point. Upgrade works will begin in 2024 and involve incremental growth capital expenditure of \$26-30 million across 2024 to 2026. The contract is expected to generate incremental revenue of ~\$55 million over the contract term (pre-PPI indexation). Revenue from the new contract is anticipated to commence in Q1 2027.

### **Supporting New Zealand Government's fuel security ambitions**

Channel is committed to supporting New Zealand to build a resilient fuels supply chain. In the past two years Channel has commissioned over 100 million litres of storage for our customers, taking the total in-service storage to over 290 million litres today, with a further jet storage contract announced today significantly increasing jet fuel storage at Marsden Point. Channel's Marsden Point facility is strategically positioned to accommodate additional storage capacity, with ~400 million litres of former crude tank capacity that can be converted as needed. In addition, Channel's proximity and access to Auckland, New Zealand's largest fuel demand market, facilitates efficient turnover of fuel stocks to uphold product quality. The Government is currently undertaking a Fuel Security Study, including investigating the strategic importance of Channel's Marsden Point infrastructure and the role the business could play in underpinning New Zealand's fuel resilience. The Government is also investigating options to increase New Zealand's diesel reserves from 21 to 28 days cover and will consult on options later this year.

### **Supporting New Zealand's future fuels**

Channel has almost completed its Energy Precinct Concept, which takes a strategic approach to understanding the value of the 120 hectares of unutilised land at Marsden Point. This plan will highlight the significant role for our unique site in supporting New Zealand's energy transition through potential opportunities such as renewable fuels and other biofuels, LNG and energy storage.

Channel considers one of the highest and best potential uses of the available land is for onshore production of renewable fuels. Renewable fuels are a 'drop-in' fuel that would utilise the existing jet fuel supply chain, including Channel's existing infrastructure, airport infrastructure and existing aircraft fleets. Channel continues to work with Fortescue on its study of a 300MW ~60 million litre Sustainable Aviation Fuel production facility, which could restore manufacturing to Marsden Point, provide domestic resilience for New Zealand, and position us at the forefront of this emerging global industry. Channel's existing infrastructure and position in the jet fuel supply chain

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<sup>5</sup> Transmix is a mix of petrol/jet/diesel product that results from the operation of terminals and multi-product pipelines.

to Auckland Airport means we have a role in helping facilitate the renewable fuel transition in New Zealand, whether via onshore production or the import of alternative fuels.

Seadra's option has been extended to 30 September 2024 for a further US\$0.2 million option fee (total non-refundable option fee now US\$4.7 million). We are working with Seadra and their consortium partners including Qantas, Renova Inc, Kent Plc and ANZ Bank who are well advanced in exploring project alternatives for the use of the decommissioned hydrocracking assets.

### **FY24 Guidance and Outlook**

Channel Infrastructure is on track to deliver its FY24 guidance. While jet fuel demand has been tracking ahead of Envisory's fuel outlook for the first six months of the year, the Company remains cautious about the economic environment and the potential cost to respond to the Government Fuel Security Study.

<b>FY24 Guidance (updated at ASM)</b>		
EBITDA from continuing operations	<b>\$92-96 million</b>	No change
Stay-in-business capital expenditure	<b>\$11-12 million</b>	No change
Normalised Free Cash Flow	<b>\$62-\$66 million</b>	No change

**- ENDS -**

### **Conference Call**

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

To access the audio call dial 09 929 1687 (New Zealand) or 02 9007 3187 (Australia) and ask to be connected to the Channel NZ half-year results briefing. To pre-register for direct access to the call go to <https://s1.c-conf.com/diamondpass/10040380-hgy76t.html>

### **Authorised by:**

**Chris Bougen**

General Counsel and Company Secretary

### **Contact details**

Investor Relations contact:

Anna Bonney

[investorrelations@channelnz.com](mailto:investorrelations@channelnz.com)

Media contact:

Laura Malcolm

[communications@channelnz.com](mailto:communications@channelnz.com)

### **About Channel Infrastructure**

Channel Infrastructure is New Zealand's largest fuel import terminal, storing and distributing 40% of New Zealand's transport fuel, including 80% of New Zealand's jet fuel. We receive, store, test and distribute petrol, diesel, and jet fuel that our customers import and supply to Auckland and Northland.

Fuels are imported via our deep-water harbour and jetty infrastructure at Marsden Point and stored in more than 290 million litres of contracted storage tanks on site. The fuel is then distributed via our 170-kilometre pipeline to Auckland, or by our customers (bp, Mobil, and Z Energy) via truck into Northland. We underpin the resilience of New Zealand's fuel supply chain with our tank capacity, which enables increased storage of fuel in New Zealand, and through efficient, low-emission distribution of the fuel into the Auckland market.

Our plan for growth includes exploring the manufacture of lower-carbon fuels at Marsden Point to support the energy transition in New Zealand. Given our proximity to Auckland, and critical role in the jet fuel supply chain, Channel is well positioned to facilitate the renewable fuel transition in New Zealand.

Channel Infrastructure's wholly-owned subsidiary, Independent Petroleum Laboratory Limited, provides fuel quality testing services throughout New Zealand.

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