

## **Dear Financial Markets Authority,**

I am writing to express serious concerns regarding the recent equity raise announced by Channel Infrastructure (CHI) on November 25, 2024. As a shareholder and member of Collective Action For Energy Stability (C.A.F.E.S), I believe there are several issues that warrant your attention and investigation:

### **Questionable Necessity of the Equity Raise**

1. CHI's share price has performed well, up nearly 23% year-to-date as of November 2024. This positive performance raises questions about the urgent need for additional capital.
2. The company has secured three new storage contracts expected to deliver approximately \$120 million in incremental revenue over a 15-year period. This substantial future revenue stream could potentially fund growth initiatives without diluting existing shareholders.
3. The funding required for growth projects over FY24-26 is expected to total between \$55-66 million, while the equity raise aims to secure \$50 million<sup>1</sup>. This discrepancy suggests that the company might be able to fund a significant portion of its growth through existing cash flows or debt.
4. CHI maintains a dividend policy of paying 60-70% of normalised free cash flow. This generous dividend policy could be adjusted to retain more earnings for growth initiatives instead of raising equity.

### **Concerns About the Tender Process**

5. The contract for the bitumen import terminal was awarded to Fletcher Building's subsidiary, Higgins Contractors, without a competitive bidding process. This raises questions about the fairness and transparency of the selection process.
6. There are concerns about potential conflicts of interest, given the pre-existing relationship via Chris Bougen, General Counsel and Company Secretary at Channel Infrastructure NZ.
7. Fletcher Building's reported history of financial difficulties during Chris Bougen's tenure as Senior Legal Counsel raises concerns about the wisdom of this partnership.

## **Shareholder Communication and Fairness**

8. The accelerated nature of the offer and the short timeframe between announcement and implementation may not provide all shareholders, especially retail investors, sufficient time to make informed decisions.
9. While the offer is renounceable, which is more favorable to shareholders, those who cannot participate will still face dilution of their ownership percentage.
10. The company has not clearly explained why other funding options, such as debt financing or adjusting the dividend policy, were not pursued before opting for an equity raise.

**Given these concerns, I respectfully request that the Financial Markets Authority investigate:**

1. The necessity and timing of this equity raise
2. The fairness and transparency of the tender process for the bitumen import terminal
3. The adequacy of shareholder communication and protection of minority shareholder interests
4. Compliance with all relevant disclosure obligations and regulations

Thank you for your attention to this matter. I look forward to your response and any actions taken to ensure the protection of shareholder interests and market integrity.

Sincerely,

C.A.F.E.S Member and CHI Shareholder