

23 August 2023

ASX ANNOUNCEMENT

APA Group (ASX: APA)
also for release to APA Infrastructure Limited (ASX: AP2)

APA announces solid FY23 result as it continues to invest to support Australia's energy transition

Leading Australian energy infrastructure business, APA Group (ASX:APA) today announced its financial results for the full year ended 30 June 2023 (FY23).

The solid FY23 result included growth in earnings and distributions, and over \$1.2 billion of capital investment. The investments made in the business supported the delivery of our organic growth projects, the acquisition of Basslink, the maintenance of safe and reliable operations, and an uplift in capability across the Group, enabling a growing and resilient business over the long term.

Key highlights

- FY23 underlying EBITDA up 2.0% (up 3.5% excluding Orbost)¹ to \$1,725 million (FY22: \$1,692 million) driven by a solid performance from the Energy Infrastructure segment
- Statutory net profit after tax (including significant items) was up 10.4% to \$287 million (FY22: \$260 million)
- Free Cash Flow² was down 1.0% to \$1,070 million (FY22: 1,081 million) with growth in underlying EBITDA and lower cash tax offset by higher stay in business capital expenditure
- FY23 full year distribution of 55.0 cents per security, in line with guidance and up 3.8% on FY22. FY24 distribution guidance of 56.0 cents per security, forecast to be up 1.8% on FY23³
- Capital investment of ~\$1.2 billion which included \$845 million invested in critical infrastructure projects, including the East Coast Grid expansion (Stage 1), the Northern Goldfields Interconnect project (NGI) and Dugald River Solar Farm
- Strong progress on our FY23 Sustainability objectives, including progressing our Climate Transition Plan, developing our inaugural Reconciliation Action Plan and continuing to support our communities

CEO comments

APA CEO and Managing Director Adam Watson said:

"In FY23 we delivered another solid financial and operating result, with growth in earnings and distributions, milestones in our strategy to be the partner of choice in infrastructure solutions for the energy transition and continued investment in the capability of our people and systems.

"We completed the strategic acquisition of Basslink and progressed our significant pipeline of organic growth projects to support energy security and transition.

¹ Underlying FY23 EBITDA excluding the earnings from Basslink and the Orbost Gas Processing Plant was up 1.8% to \$1,697m (FY22: \$1,667m).

² Free Cash Flow is Operating Cash Flow adjusted for strategically significant transformation projects, less stay-in-business (SIB) capex. SIB capex includes operational assets lifecycle replacement costs and technology lifecycle costs.

³ Distribution guidance is subject to asset performance, macroeconomic factors, regulatory changes as well as timing of distributions from non-100% owned assets, with distributions to be determined at the Board's discretion. It does not take into account the impact of any potential acquisitions or divestments by APA and any associated funding arrangements, other than the acquisition of Alinta Energy Pilbara and the associated Placement and Security Purchase Plan announced today.

“We completed stage one of the East Coast Grid expansion, which will facilitate increased gas supply to meet projected shortfalls at times of peak demand in southern markets. We completed the NGI transmission pipeline in Western Australia, creating greater flexibility and security in energy supply to support the state’s ambition to be a world leading critical minerals producer.

“We also commissioned Australia’s largest remote-grid solar farm in Mount Isa, pairing renewables with gas fired generation to support our resources customers across Queensland’s North West Minerals Province.

“In FY23 we continued to take important steps to build the capability we need to deliver our strategy, refreshing and finalising appointments to our Executive Leadership Team and investing in capability in key growth areas, including electricity generation and transmission. We also maintained our safety performance and progressed key initiatives to improve employee inclusion and diversity.

“The need to bring new gas supply to market is growing as we transition away from diesel and coal-fired power generation to renewables fired by gas. And gas is critical to power Australian industry, manufacturing and minerals processing. With a unique ability to bundle energy solutions, APA is well placed to support our customers to meet their decarbonisation targets in the fastest and most efficient way possible.

“We are confident the energy transition will present attractive opportunities across our four strategic growth asset classes of renewable power generation and firming, gas transmission, electricity transmission and future fuels, and we are well placed to build further momentum over the year ahead.”

FY23 final distribution

The Directors have resolved to pay a final distribution for FY23 of 29.0 cents per security bringing total distributions to 55.0 cents per security. This represents a 3.8% increase on the FY22 final distribution of 53.0 cents per security.

The 29.0 cent final distribution is comprised of a distribution of 21.66 cents per security from APA Infrastructure Trust and a distribution of 7.34 cents per security from APA Investment Trust. The APA Infrastructure Trust distribution represents a 6.64 cents per security unfranked profit distribution and a 15.02 cents per security capital distribution. The APA Investment Trust distribution represents a 1.00 cents per security unfranked profit distribution and a 6.34 cents capital distribution. The final distribution is expected to be paid on 13 September 2023. The Distribution Reinvestment Plan remains suspended.

FY24 outlook

Based on current available information, FY24 distributions are expected to be 56.0 cents per security, an increase of 1.8% on FY23³. APA’s guidance on FY24 distribution growth compared to FY23 recognises the need to fund APA’s organic growth profile, ongoing foundation investment (includes technology, emissions reduction, physical asset security) and the expected resumption of cash tax payments for FY24 and later periods, while maintaining our investment grade credit ratings. APA’s FY24 distribution guidance is not affected by the acquisition of Alinta Energy Pilbara or the associated equity capital raising.

In FY24 APA will continue to invest across the business to ensure it has strong foundations to pursue its customer-led strategy in a sustainable and responsible way. This will see ongoing investment in corporate capability, progress on our sustainability initiatives and focus on our growth markets. APA will also continue to invest in its existing asset base.

CEO Adam Watson concluded:

“APA is well positioned to create long-term securityholder value as we pursue key growth opportunities created by the energy transition in select markets where we have a competitive advantage.

³ Distribution guidance is subject to asset performance, macroeconomic factors, regulatory changes as well as timing of distributions from non-100% owned assets, with distributions to be determined at the Board’s discretion. It does not take into account the impact of any potential acquisitions or divestments by APA and any associated funding arrangements, other than the acquisition of Alinta Energy Pilbara and the associated Placement and Security Purchase Plan announced today.

“As we deliver our strategy, we will continue to strike the right balance between distribution growth, investing in the business, and being positioned to capitalise on the significant opportunities ahead.”

Webcast and conference call

APA will hold a webcast call to provide further detail on the FY23 financial results and progress on strategic priorities at 10.30am (AEST). The webcast is accessible via a link [here](#).

END

Authorised for release by Amanda Cheney

Company Secretary
APA Group Limited

For further information, please contact:

Investor enquiries:

Andrew Gibson

General Manager Investor Relations
Telephone: +61 3 8416 2466
Mob: +61 437 169 292
Email: Andrew.Gibson@apa.com.au

Media enquiries:

Michael Cox

Head of Media Relations & Financial Communications
Telephone: +61 2 8044 7002
Mob: +61 429 465 227
Email: Michael.Cox@apa.com.au

Note: Further details regarding the FY23 results are provided in the Appendices and the Investor Presentation published alongside this release.

About APA Group (APA)

APA is a leading Australian Securities Exchange (ASX) listed energy infrastructure business. We own and/or manage and operate a diverse, \$22 billion portfolio of gas, electricity, solar and wind assets. Consistent with our purpose to strengthen communities through responsible energy, we deliver approximately half of the nation's gas usage and connect Victoria with South Australia, Tasmania with Victoria and New South Wales with Queensland through our investments in electricity transmission assets. We also own and operate renewable power generation assets in Australia, with wind and solar projects across the country. APA Infrastructure Limited is a wholly owned subsidiary of APA Infrastructure Trust and is the borrowing entity of APA Group. For more information visit APA's website, apa.com.au.

Appendix 1: Financial Results

Financial summary		FY23	FY22	% Change ⁽¹⁾
Revenue (excluding pass through) ⁽²⁾	\$m	2,401	2,236	7.4%
Segment revenue (excluding pass-through) ⁽³⁾	\$m	2,353	2,238	5.1%
Underlying EBITDA⁽⁴⁾	\$m	1,725	1,692	2.0%
<i>Underlying EBITDA (excluding Orbost)⁽⁵⁾</i>	\$m	1,726	1,667	3.5%
Non operating items	\$m	(39)	(62)	37.1%
Reported EBITDA ⁽⁶⁾	\$m	1,686	1,630	3.4%
Depreciation and amortisation	\$m	(750)	(735)	-2.0%
Net interest expense ⁽⁷⁾	\$m	(459)	(483)	5.0%
Income tax expense (excluding significant items)	\$m	(190)	(172)	-10.5%
NPAT (excluding significant items)	\$m	287	240	19.6%
Significant items after tax	\$m	-	20	n.m.
Statutory NPAT (including significant items)	\$m	287	260	10.4%
Free Cash Flow ⁽⁸⁾	\$m	1,070	1,081	-1.0%
Distribution per security	cents	55.0	53.0	3.8%
Cash and undrawn debt facilities ⁽⁹⁾	\$m	2,111	2,190	-3.6%

(1) Positive/negative changes are shown relative to impact on profit or other relevant performance metric; n.m. = not meaningful.

(2) Statutory revenue excluding pass-through. Pass-through revenue is offset by pass-through expenses within EBITDA. Any management fee earned for the provision of these services is recognised within total revenue.

(3) Segment revenue excludes: pass-through revenue; Wallumbilla Gas Pipeline hedge accounting unwind; income on Basslink debt investment; Basslink AEMC market compensation and other interest income.

(4) Underlying earnings before interest, tax, depreciation, and amortisation ("EBITDA") excludes recurring items arising from other activities, transactions that are not directly attributable to the performance of APA Group's business operations and significant items.

(5) Underlying FY23 EBITDA excluding the earnings from Basslink and the Orbost Gas Processing Plant was up 1.8% to \$1,697m (FY22: \$1,667m).

(6) Earnings before interest, tax, depreciation, and amortisation ("EBITDA") including non-operating items.

(7) Excluding finance lease and investment interest income, any gains or losses on revaluation of derivatives included as part of EBIT for segment reporting purposes.

(8) Free Cash Flow is Operating Cash Flow adjusted for strategically significant transformation projects, less stay-in-business (SIB) capex. SIB capex includes operational assets lifecycle replacement costs and technology lifecycle costs

(9) \$1.6b is required to be retained to meet APA's Treasury Liquidity Risk policy

- FY23 Segment revenue (excluding pass through) increased 5.1% to \$2,353 million. Underlying EBITDA was up 2.0% to \$1,725 million
- The result included a net loss from non-operating items of \$39 million (FY22: \$62 million). Adjusting for this, reported EBITDA was up 3.4% to \$1,686 million (FY22: \$1,630 million)
- Depreciation and amortisation expense increased with the acquisition of Basslink
- Net interest expense was lower largely due to higher interest income
- Tax expense increased reflecting higher earnings
- Statutory NPAT (including significant items) increased 10.4% to \$287 million (FY22: \$260 million). There were no significant items in FY23
- Free cash flow declined 1.0% to \$1,070 million (FY22: \$1,081 million), due to higher stay in business capex

Appendix 2: Financial Result – EBITDA by segment

EBITDA by segment		FY23	FY22	% Change ⁽¹⁾
Energy Infrastructure				
East Coast	\$m	645	646	-0.2%
<i>East Coast (excluding Orbost)</i>	<i>\$m</i>	<i>646</i>	<i>621</i>	<i>4.0%</i>
West Coast	\$m	305	289	5.5%
Wallumbilla Gladstone Pipeline ⁽²⁾	\$m	620	578	7.3%
Electricity Generation and Transmission	\$m	223	194	14.9%
Total Energy Infrastructure	\$m	1,793	1,707	5.0%
Asset Management	\$m	56	73	-23.3%
Energy Investments	\$m	23	28	-17.9%
Corporate Costs	\$m	(147)	(116)	-26.7%
Underlying EBITDA⁽³⁾	\$m	1,725	1,692	2.0%
<i>Orbost EBITDA (sale completed 28 July 2022)</i>	<i>\$m</i>	<i>(1)</i>	<i>25</i>	<i>n.m</i>
<i>Underlying EBITDA (excluding Orbost)⁽⁴⁾</i>	<i>\$m</i>	<i>1,726</i>	<i>1,667</i>	<i>3.5%</i>

(1) Positive/negative changes are shown relative to impact on profit or other relevant performance metric; n.m. = not meaningful.

(2) Wallumbilla Gladstone Pipeline is separated from East Coast Grid in this table as a result of the significance of its revenue and EBITDA in the Group. It is categorised as part of the East Coast Grid cash-generating unit for impairment assessment purposes.

(3) Underlying earnings before interest, tax, depreciation, and amortisation (EBITDA) excludes recurring items arising from other activities, transactions that are not directly attributable to the performance of APA Group's business operations and significant items.

(4) Underlying FY23 EBITDA excluding the earnings from Basslink and the Orbost Gas Processing Plant was up 1.8% to \$1,697m (FY22: \$1,667m).

- Total underlying EBITDA up 2.0% (up 3.5% excluding Orbost)
- Energy Infrastructure underlying EBITDA up 5.0% comprising:
 - East Coast broadly flat (up 4.0% excluding Orbost) benefitting from inflation linked tariffs, the new VTS access arrangement and some favourable short term contracting, offset by the divestment of Orbost, Young Lithgow repairs and growth in other costs including those associated with our emissions reduction program
 - West Coast up 5.5% largely driven by inflation linked tariffs. This was partly offset by emissions reduction program and other costs
 - WGP up 7.3% driven by inflation linkage, partly offset by FX
 - Electricity Generation and Transmission up 14.9% driven by a \$29 million contribution from Basslink (acquired October 2022). Inflation benefits were offset by lower operating revenue from Diamantina Power Station and Badgingarra Renewables as well as costs associated with business development capability
- Asset Management underlying EBITDA down 23.3% driven by lower customer contributions and a higher proportion of lower margin activities
- Energy Investments underlying EBITDA down 17.9% due to a lower SEAGas contribution
- Corporate costs up 26.7% with investment in capability to support growth initiatives and business resilience