



26 August 2020

ASX ANNOUNCEMENT

**APA Group (ASX: APA)**

## APA FY2020 RESULTS AND FY2021 GUIDANCE

APA Group (ASX: APA), a leading Australian energy infrastructure business, today announced solid results of \$1,653.9 million in earnings before interest, tax, depreciation and amortisation ("EBITDA") for the year ending 30 June 2020, an increase of 5.1% over the previous corresponding period (FY2019: \$1,573.8 million).

APA declared a final distribution of 27.0 cents per security consistent with the estimate announced on 24 June 2020, delivering a total distribution for FY2020 of 50.0 cents per security. This is an increase of 6.4% or 3.0 cents per security over the previous corresponding period (FY2019: 47.0 cents per security). Franking credits of 3.66 cents per security will be allocated to the final distribution, resulting in FY2020 franking credits totalling 7.31 cents per security.

### RESULT HIGHLIGHTS

#### Financial Results

- EBITDA up 5.1% to \$1,653.9 million
- Total revenue (excluding pass-through) up 4.8% to \$2,129.5 million
- Net profit after tax up 10.1% to \$317.1 million
- Operating cash flow up 8.3% to \$1,095.9 million

#### Distributions

- Final distribution of 27.0 cents, increasing total FY2020 distribution by 6.4% to 50.0 cents per security
- Final franking credits of 3.66 cents, increasing total FY2020 franking credits to 7.31 cents per security

#### Safety

- Total Reportable Injury Frequency Rate (TRIFR) for APA employees decreased to 3.82 per million hours worked, but increased overall (employees and contractors) to 9.09 per million hours worked

#### Operations and Investments

- Total FY2020 capital expenditure of \$427.1 million, of which \$287.7 million (67%) was organic growth capex
- First full year contributions from new growth assets in Queensland and Western Australia
- New asset commissioned in September 2019 - Badgingarra Solar Farm in Western Australia

APA Chairman, Mr Michael Fraser said, "This year marks the 20<sup>th</sup> anniversary of APA's listing on the ASX and it is pleasing to report that it also marks 20 years of growth in distributions to Securityholders. Over the last two decades, APA has maintained a consistent growth strategy and has prudently built a significant portfolio of energy infrastructure assets that are today essential to ensuring the ongoing supply of gas and electricity for Australians.

"FY20 will be remembered as a very tough year and it continues to be challenging into FY21. At APA, your CEO Rob Wheels and his team have responded exceptionally well to the many challenges faced during the year including bushfires, extreme weather events and the COVID-19 crisis. The Board is particularly pleased that they have done so with an absolute focus on our responsibilities to our customers, the communities in which we operate and our people.

"Despite these challenges, APA has delivered a very solid result for FY20 which underlines the strength and stability of our asset portfolio and low risk business fundamentals. The balance sheet also remains in very good shape."

## **FY2020 Overview**

APA Group Managing Director, Mr Rob Wheals said, "This has been one of the most challenging years Australia has faced in recent history, from devastating bushfires to the COVID-19 pandemic and the resulting impacts on people's lives and the economy. APA's focus has been the welfare of our people and our customers and on preserving business continuity in order to support our communities' changing needs and provide energy safely, reliably and efficiently.

"Our people have stepped up admirably to these challenges, and the strength and resilience of the business has prevailed, enabling APA to deliver a solid result for the 2020 financial year. The \$1.7 billion in growth capital invested over the last few years is contributing strongly to the business, resulting in uplifts in earnings, revenue, operating cashflow and distributions."

Revenue (excluding pass-through revenue) increased by \$98.5 million to \$2,129.5 million, an increase of 4.8% on the previous corresponding period (FY2019: \$2,031.0 million). EBITDA was up 5.1% to \$1,653.9 million. The increase is primarily as a result of full year contributions from new assets commissioned in FY2019, and continued reliable and efficient operation of all assets, as well as a reduction in corporate costs. This was somewhat offset by costs associated with delays in commencement of commercial operations of the Orbost Gas Processing Plant and the unfavourable exchange rate in relation to Wallumbilla Gladstone Pipeline revenues.

Net profit after tax increased to \$317.1 million (FY2019: \$288.0 million), an increase of 10.1% over the previous corresponding period. Operating cash flow increased 8.3% to \$1,095.9 million compared with the previous year (FY2019: \$1,012.1 million). Operating cash flow per security increased 8.3%, or 7.1 cents, to 92.9 cents per security (FY2019: 85.8 cents per security).

During the reporting period, APA continued to demonstrate its access to global debt capital markets and the strength of its business model with the issuance of over \$1 billion (€600 million) of long-term Medium Term Notes into the European market. The funds were used to enhance liquidity and pre-fund future debt maturities as well as assisting to reduce APA's average cost of debt.

Mr Wheals commented, "On 20 August we made a joint announcement with Cooper Energy on the execution of a Transition Agreement which outlines the terms for the parties to work together to complete the commissioning of the Orbost Gas Processing Plant. This recognises the joint effort required and affirms both parties' commitment to ensure the safe and reliable commissioning of the Orbost Gas Processing Plant, so that much needed additional gas can be delivered to the south-east Australian gas market

"Our ongoing commitment to investing for growth, in a prudent and well-executed manner, remains a priority. While COVID-19 has impacted the timing of some of our capital investment, including the US where our 'on-the-ground' investigations have necessarily slowed during this period, we continue to work with our customers and to work to take a long-term view of the opportunities inherent in the transition to a cleaner energy future."

## **Safety and Sustainability**

Safety is one of APA's core values. This year the safety results for our entire workforce, including employees and contractors were disappointing – Total Reportable Injury Frequency Rate (TRIFR) was 9.09 (target <5.5, FY2019 5.98) and Lost Time Injury Frequency Rate (LTIFR) was 1.21 (target <1.0, FY2019 0.86). A significant program of work has already commenced to improve safety performance of our contractors going forward whilst also looking to continue to improve APA employee safety performance.

During FY2020, to support APA's refreshed operating model, we took important action in our responsible energy journey by creating a new business division - Transformation and Technology (T&T). This new division will facilitate APA in identifying emerging market opportunities whilst delivering continuous business improvement, especially through technology. We are exploring and investing in new technologies such as renewable methane and hydrogen and considering how our existing infrastructure might adapt to accommodate them.

Much of our workforce moved to working from home, or more remotely in some way, during the pandemic and their resilience and adaptability has been well supported by technology, including the accelerated roll out of a number of tools.

APA is well placed to support Australia's successful transition over time to a lower carbon future, given our key role in the delivery of Australia's energy. During the year a dedicated Sustainability and Community function was established, and APA's first Climate Change Position Statement was published. This is available on APA's website ([www.apa.com.au](http://www.apa.com.au)), as is our Sustainability Report for FY2020 which we have released today. We are currently progressing the climate scenario analysis work commenced last year as part of adopting the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD). This includes testing the resilience of all our assets against extreme climate scenarios including a 1.5 C scenario. The results of the climate scenario analysis work is expected to be published in early October.

## **Distributions**

Directors have declared a final distribution for FY2020 of 27.0 cents per security which is payable on 16 September 2020. It is comprised of a distribution of 20.27 cents per security from APT and a distribution of 6.73 cents per security from APTIT. The APT distribution represents an 8.53 cents per security fully franked profit distribution and an 11.74 cents per security capital distribution. The APTIT distribution represents a 2.09 cents per security profit distribution and a 4.64 cents per security capital distribution. Franking credits of 3.66 cents per security will be allocated to the APT franked profit distribution.

This brings the total distribution applicable to the FY2020 year to 50.0 cents per security, a 6.4% increase over the total distribution of 47.0 cents per security applicable to FY2019. Franking credits allocated for the year ended 30 June 2020 distribution totalled 7.31 cents per security.

APA's Distribution Reinvestment Plan remains suspended.

## **Tax Statements and Tax Estimator Tool**

Tax statements will be available online or sent to Securityholders from 16 September 2020.

APA's online tax estimator tool is now available for Securityholders wishing to submit their tax returns on the basis of an estimated final distribution, prior to receiving their APA Tax Statement. The Estimator tool will generate pro forma tax return inputs based on information entered by Securityholders, and therefore should be considered "indicative only", as compared to the confirmed accurate information contained in the Annual Tax Statement. The Tax Estimator tool can be found on APA's website under the Investors section. (<https://www.apa.com.au/investors/my-securities/apa-annual-tax-statement-estimator/>).

## **APA welcomes new Leadership Team**

Mr Wheals said, "One of my first initiatives following my appointment as CEO was a 360-degree review of our operating model to ensure we are set up for success as Australia transitions to a cleaner energy future.

"I wanted to ensure we had an executive team with the capacity for innovation, agility and vision. The energy landscape is changing at a swift pace and at APA we want to be at the forefront of innovation and delivery of leading edge services in order to get more energy to markets.

"To this end, I'd like to welcome new members to my leadership team. Hannah McCaughey, Group Executive Transformation and Technology has been with us for five months now and is already full of new ideas and contribution. Julian Peck, Group Executive Strategy and Commercial officially started last week, replacing Ross Gersbach, who is leading our North American activities. I look forward to working with Adam Watson, who will start as our new Chief Financial Officer in mid-November. I would also like to take this opportunity to thank Peter Fredricson for his significant contribution to APA over his nearly 12 year tenure."

## **FY2021 Guidance and Outlook**

Mr Wheals said, "Looking ahead, we are confident that APA is in a strong position financially and operationally. Although APA is an essential part of the energy supply chain, no business is entirely immune from an economic downturn. APA is successful when our customers are strong. While our capacity contracts and regulated revenues mean that our business is somewhat resilient through economic cycles, APA's revenues are still subject to recontracting decisions by customers, throughput volumes on certain assets, the timing of customer FID decisions, as well as lower CPI across the contracts portfolio."

Further, APA's current operating plan for FY21 only includes around \$10 million of EBITDA contribution from the Orbest Gas Processing Plant under the recently announced Transition Agreement with Cooper Energy. This assumes Practical Completion is not achieved until the end of the financial year.

In this context, APA expects EBITDA for the full year to 30 June 2021 to be within the range of \$1,625 million to \$1,665 million. Total distributions for FY2021 are expected to be substantially in line with FY2020 distributions, with franking credits which may be allocated, depending on the amount of cash tax APA will pay during the year. Net interest costs are expected to fall within a range of \$490 million to \$500 million.

Commenting on APA's outlook Mr Wheals said, "The pool of investment opportunities available to us remains significant. The US remains an attractive opportunity and we remain focused on applying our disciplined approach to finding the right investment there.

"Importantly, the Australian Energy Market Operator is forecasting a 2023 winter gas supply shortfall in the south eastern market, which we consider is likely to require ongoing expansion of the East Coast Grid to supply the additional transportation capacity from northern markets to the south."

### **Webcast and Conference Call**

APA will hold a webcast to discuss these full year results at 10.00am (AEST) today. The webcast will be accessible via a link on APA's homepage at [www.apa.com.au](http://www.apa.com.au) or by using the following dial-in details.

<b>APA Group Conference Call Dial-in details:</b>	
Within Australia	1800 558 698
Outside Australia	+61 7 3145 4010
<b>Conference ID</b>	<b>10009174</b>

A replay of the webcast will be available from [www.apa.com.au](http://www.apa.com.au), shortly after the conclusion of the webcast.

### **FY2020 Annual Meeting - virtual format**

Safety is one of APA Group's core values and the health and well-being of our Securityholders is front of mind when it comes to hosting the APA Group annual meeting. Due to the potential health risks and the government restrictions in place for COVID-19, the APA Group annual meeting will be held this year as a virtual meeting, at 10:00am on 22 October 2020.

Securityholders and proxyholders will be able to participate online via our annual meeting platform or via telephone. This includes the opportunity to hear about the performance of the business for the financial year, as well as the opportunity to ask questions and vote on items of business as you would at any physical meeting. A letter from Michael Fraser has also been sent to Securityholders (13 August 2020) with details of the meeting access information.

Further information and clear instructions on using the virtual technology will be published on APA Group's website at [www.apa.com.au/investors/annual-meeting](http://www.apa.com.au/investors/annual-meeting), and will also be provided with the Notice of Meeting which will be sent out in September 2020.



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**About APA Group (APA)**

APA is a leading Australian energy infrastructure business, owning and/or operating around \$22 billion of energy infrastructure assets. Its gas transmission pipelines span every state and territory on mainland Australia, delivering approximately half of the nation's gas usage. APA has direct management and operational control over its assets and the majority of its investments. APA also holds ownership interests in a number of energy infrastructure enterprises including SEA Gas Pipeline, SEA Gas (Mortlake) Partnership, Energy Infrastructure Investments and GDI Allgas Gas Networks.

APT Pipelines Limited is a wholly owned subsidiary of Australian Pipeline Trust and is the borrowing entity of APA Group.

For more information visit APA's website, [apa.com.au](http://apa.com.au)