



23 February 2021

ASX ANNOUNCEMENT

APA Group (ASX: APA)

APA REPORTS SOLID 1H21 RESULTS AND FY21 DISTRIBUTION GUIDANCE UPGRADE

APA Group (ASX: **APA**) today announced its results for the six months ending 31 December 2020.

1H21 highlights

Solid financial performance and outlook in challenging market conditions

- Revenue⁽¹⁾, down 0.6% to \$1,072 million
- Strong volume growth in WA, NT and sections of the East Coast Grid offset by softer contract renewals and lower energy consumption in Vic
- EBITDA⁽²⁾, down 2.3% to \$823 million
- Loss after tax including significant item was \$11.7 million which includes a non-cash impairment recognised against the Orbest Gas Processing Plant of \$174.5 million
- Profit after tax excluding significant item, down 7.0% to \$163 million
- Operating cash flow, up 1.4% to \$519 million
- Reconfirmed FY21 EBITDA⁽²⁾ guidance within the range of \$1,625 million and \$1,665 million

Growing distributions

- Interim distribution, up 4.3% to 24.0 cents per security
- Upgraded FY21 distribution guidance of 51.0 cents per security, up 2.0% on FY20

Reliable operations

- Essential services delivery reliability, 99.92% against customer gas nominations
- Successful major overhaul of Diamantina Power Station despite COVID constraints
- Production from Orbest Gas Processing Plant improving from Phase 2 works

Continued growth and refreshed strategy

- Organic growth capital expenditure now expected to exceed \$1 billion over FY21-23
- Refreshed strategy leveraging APA's proven capability in energy infrastructure
- Ambition to achieve Net Zero operations emissions (Scope 1 and 2) by 2050

APA CEO and Managing Director, Rob Wheals, said, "APA has again delivered a solid first half performance, with strong volume growth in key markets against a backdrop of challenging market conditions. Our performance for the period demonstrates the underlying strength and resilience of the business and our decision to upgrade our FY21 distribution guidance to 51.0 cents per security reflects both our confidence in APA's outlook and the capacity that exists within our balance sheet.

"Our refreshed strategy positions the business for further growth, complementing our strong organic pipeline. Growth capex is now expected to exceed \$1 billion through to FY23, building on our recent investments in the Northern Goldfields Interconnect and the Gruyere Hybrid Energy Microgrid.

¹ Revenue excluding pass-through

² Excludes significant item

“APA will play a central role in supporting the Federal Government’s plans for a gas-led economic recovery, with staged expansion of the East Coast Grid the fastest and most efficient way to address forecast 2024 shortfalls. Early engineering work is already underway.

“At the same time, as we execute on our plan to be world class in energy solutions, we are also well positioned for growth in those areas where we either have or are rapidly developing capability, including renewables, firming, storage and electrification, in our chosen markets.

“We are pursuing opportunities in new and emerging technologies through our new Pathfinder Program. Leveraging our existing capability and assets in energy infrastructure, we will pursue opportunities in adjacent energy markets such as hydrogen, off-grid renewables and storage. The program will also be a key enabler in our efforts to support a lower carbon future and our ambition to achieve net zero operations emissions by 2050.

“As the energy transition gathers pace, we remain confident both in the important role gas will continue to play as well as in our ability to support the transition through the delivery of world class integrated energy solutions for our customers. With strong underlying business fundamentals, a clear strategy aligned to our vision and purpose, confidence in the outlook and a continued focus on strengthening our capabilities and systems, APA is well placed to prosper and continue delivering value for our Securityholders.”

Result Overview

APA revenue (excluding pass-through revenue) of \$1,071.8 million was relatively flat (1H20: \$1,077.8 million). Strong volume growth in Western Australia and Northern Territory was offset by softer contract renewals across certain East Coast pipelines and lower energy consumption in Victoria.

EBITDA⁽³⁾ decreased by 2.3% to \$822.8 million (1H20 EBITDA⁽³⁾ \$842.2 million), driven by an increase in compliance and insurance costs, and investment in strategic development opportunities and internal capability.

Loss after tax including significant item was \$11.7 million (1H20 profit after tax: \$175.0 million) primarily due to a non-cash impairment of \$249.3 million recognised against Orbost Gas Processing Plant during the period. Excluding the significant item, APA generated a profit after tax of \$163 million.

Operating cash flow increased by 1.4% to \$519.2 million (1H20: \$511.9 million) due to favourable working capital movements. Operating cash flow per security increased by 1.4%, or 0.6 cents, to 44.0 cents per security (1H20: 43.4 cents per security).

Growth capital expenditure increased by 6.3% to \$154.2 million largely due to capacity upgrades and extensions in Queensland, Western Australia and Northern Territory. Total capital expenditure increased by 17.8% to \$251.6 million (1H20: \$213.6 million) following the Diamantina Power Station major overhaul. Despite the disruptions caused by the COVID pandemic, the \$60 million major overhaul at the Diamantina Power Station was safely and successfully completed on time and budget.

Further works continued at the Orbost Gas Processing Plant with more testing and tuning planned during 2021 to achieve sustainable production rates.

Pleasingly, across APA’s pipeline portfolio, customer gas nomination delivery reliability remained high at 99.92%.

Interim Distribution

The Directors declared an interim distribution for 1H21 of 24.0 cents per security, an increase of 4.3% on the previous corresponding period (1H20: 23.0 cents). The distribution comprises 16.29 cents per security from APT and 7.71 cents per security from APTIT. The APT distribution represents 16.29 cents per security capital distribution. The APTIT distribution represents 1.97 cents per security profit distribution and 5.74 cents capital distribution. The interim distribution will be payable on 17 March 2021.

³ Excludes significant item

APA's Distribution Reinvestment Plan remains suspended.

Investment and Strategy Overview

APA's refreshed growth strategy creates a stronger alignment with its purpose and vision and enables access to the broader energy infrastructure opportunities available to APA as the energy market transitions. With a focus on expanding APA's capabilities into high growth infrastructure markets, APA will invest in contracted and regulated energy infrastructure (gas, electricity and renewables) in Australia and North America. Furthermore, APA has established the Pathfinder Program to explore a range of new energy technologies, many of which have the potential to leverage APA's existing assets.

APA continued to execute its growth strategy across core gas infrastructure and progressively into related energy infrastructure consistent with market and customer needs. Organic growth capital expenditure is now expected to exceed \$1 billion over FY21-23, building on the \$460 million Northern Goldfields Interconnect and \$38 million Gruyere Hybrid Energy Microgrid announced in the period.

APA continues to assess attractive energy infrastructure opportunities in North America. Factors such as COVID-19, and the US Federal election, have resulted in a number of opportunities being put on hold during 2020. More activity is expected in 2021 as conditions stabilise.

APA announces its ambition to achieve Net Zero operations emissions (Scope 1 and 2) by 2050. This is underpinned by its Climate Change Management Plan Framework and interim targets will be confirmed during FY22.

APA intends to host an investor day in May 2021 covering its refreshed strategy and capital management review.

FY21 Guidance and Outlook

Based on current operating plans and available information, APA today reaffirms its guidance that EBITDA⁽⁴⁾ for FY21 will be within a range of \$1,625 million and \$1,665 million. Net interest expense is expected to be in the range of \$490 million to \$500 million. Growth capital expenditure is now expected to exceed \$1 billion over FY21 to FY23.

APA also upgrades its guidance on FY21 distributions. Total distributions per security are expected to be 51.0 cents per security, with franking credits allocation to be determined by cash tax paid by APA during FY21. All distributions will be fully covered by operating cash flow, as per APA's Distribution Policy.

Commenting on APA's outlook, Mr Wheals said, "We have a significant pipeline of energy infrastructure growth opportunities that align with our purpose, vision and strategy. Our organic growth pipeline is healthy and we now expect to exceed \$1 billion of growth capex over the FY21-23 period. Further development of new technology projects under APA's Pathfinder Program will ensure APA can play a leading role in the energy transition."

Webcast and Conference Call

APA will hold a webcast to discuss these interim results at 10.00am (AEDT – Sydney) today. The webcast will be accessible via a [link here](#), on APA's home page or by using the following dial-in details:

APA Group Conference Call Dial-in details:

Within Australia	1800 558 698
Alternative Australia	1800 809 971 or 02 9007 3187
Outside Australia	+61 7 3145 4010
Conference ID	10011800

A replay of the webcast will be available our [website](#), shortly after the conclusion of the webcast.

⁴ Excludes significant item



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About APA Group (APA)

APA is a leading Australian energy infrastructure business. 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 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. APA is one of Australia's largest owners and operators of renewable power generation assets, with wind and solar projects across Western Australia, South Australia and Queensland. APA recently announced its first hybrid energy microgrid project at the Gruyere Gold Mine in Western Australia, combining solar energy with battery energy storage.

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