



23 February 2023
ASX Announcement
APA Group (ASX: APA)

APA delivers a solid 1H23 result

APA Group (ASX: APA), a leading Australian ASX-listed energy infrastructure business, today announced its financial results for the half year ended 31 December 2022 (1H23). The solid 1H23 result was coupled with \$465 million of investment in organic growth projects, expansion of APA's electricity transmission footprint with the acquisition of Basslink and uplift in capability, all of which supports APA playing a leading role in the energy transition.

Key highlights

- 1H23 Underlying EBITDA up 2.5% (up 4.0% excluding Orbost) to \$878.9 million (1H22: \$857.7 million). Reported NPAT was up 23.8% to \$190.7 million (1H22: \$154.1 million)
- A strong performance from the Energy Infrastructure segment, with underlying EBITDA up 5.9%, supporting ongoing investment across APA's internal systems and capability
- Free cash flow declined 6.0% to \$484.3 million (1H22: \$515.1 million), due to the timing of a large cash receipt (received at start of January 2023 rather than end of December 2022). Free cash flow was up 2.0% excluding this timing impact
- An interim distribution of 26.0 cents per security, up 4.0% on 1H22. FY23 distribution guidance of 55.0 cents per security reaffirmed⁽¹⁾, representing an increase of 3.8% on FY22
- A strong balance sheet with cash and undrawn debt facilities of \$2.3 billion (1H22: \$1.8 billion)
- Significant progress across the >\$1.4 billion pipeline of organic growth opportunities including the East Coast Grid expansion and Western Outer Ring Main (WORM), providing increased capacity ahead of winter 2023, as well as the Northern Goldfields Interconnect Project (NGI)
- Completion of the \$758.1⁽²⁾ million acquisition of Basslink, expanding APA's electricity transmission footprint
- Progressing APA's Climate Transition Plan, targeting a 30% reduction in operational emissions in APA's gas infrastructure portfolio by 2030⁽³⁾

APA CEO and Managing Director Adam Watson said, "Our 1H23 result reflects a solid first half outcome with a strong performance from our energy infrastructure portfolio, growth in distributions and a balance sheet that remains robust.

"Against a challenging backdrop of global pressures, weather events and the continued announcements of the accelerating exit of coal-fired generators from the NEM⁽⁴⁾, the first six months of FY23 has underscored the critical role of APA's gas infrastructure.

(1) 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 discretion of the board at the time. FY23 distribution guidance of 55.0 cps includes 26.0 cps of distribution for the six months ended 31 December 2022.

(2) Excludes cash balance acquired of \$25.3m.

(3) Further information in relation to APA's climate targets, goals and commitments can be located in the Climate Transition Plan.

(4) National Electricity Market (NEM).

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 assets. We are also an owner and operator of 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.

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“Within this environment we are building momentum across our business and investing in the capability, systems and processes necessary to be the partner of choice in delivering infrastructure solutions for the energy transition.

“Consistent with our growth agenda, we acquired Basslink – the 370km sub-sea electricity interconnector between Victoria and Tasmania – delivering a step change in our electricity transmission business and capability in this area.

“The development of our Mica Creek Solar Farm in Mount Isa, Queensland, is now more than 90% complete and when operational will be Australia’s largest solar farm outside the National and Western Australia electricity markets.

“Going forward we will maintain our disciplined approach to investment in selected market opportunities where we can capitalise on growth and maximise long term returns. We are well placed to achieve our ambition to be the Australian energy partner of choice, supporting the energy transition with our deep capabilities and expertise.”

1H23 interim distribution

The Directors have resolved to pay an interim distribution for 1H23 of 26.0 cents per security. This represents a 4.0% increase over the 1H22 interim distribution of 25.0 cents per security.

The 26.0 cent interim distribution is comprised of a distribution of 22.59 cents per security from APA Infrastructure Trust and a distribution of 3.41 cents per security from APA Investment Trust. The APA Infrastructure Trust distribution represents a 15.92 cents per security profit distribution and a 6.67 cents per security capital distribution. The APA Investment Trust distribution represents a 1.01 cent per security profit distribution and a 2.40 cents capital distribution. Franking credits of 3.64 cents per security are attached to these distributions. The distribution will be paid on 16 March 2023. The Distribution Reinvestment Plan remains suspended.

FY23 Outlook⁽¹⁾

Based on current available information, APA reaffirms previous guidance that distributions for FY23 are expected to be 55.0 cents per security, inclusive of the interim distribution of 26.0 cents per security for 1H23.

The expected FY23 distributions of 55.0 cents per security would represent an increase of 3.8% on FY22.

APA CEO and Managing Director Adam Watson said, “The fundamental strengths of APA’s business are compelling and in partnership with our customers, investors, government, communities and our people, we will continue to build on these as we pursue our growth and long-term value creation ambitions.

“We’re committed to ensuring the investments we’re making in renewables, gas and hydrogen infrastructure and electricity transmission all contribute to a reliable, affordable and lower emissions future for the Australian economy.”

Webcast and conference call

APA will hold a webcast call to provide further detail on the 1H23 financial results and progress on strategic priorities at 10am today. The webcast is accessible via a link [here](#).

Authorised for release by Amanda Cheney

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(1) 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 discretion of the board at the time. FY23 distribution guidance of 55.0 cps includes 26.0 cps of distribution for the six months ended 31 December 2022.

Appendix 1: Financial Results

| \$ million | | 1H23 | 1H22 ⁽¹⁾ | % Change ⁽²⁾ |
|---|------------|--------------|---------------------|-------------------------|
| Revenue (excluding pass through) ⁽³⁾ | \$m | 1,231.9 | 1,117.7 | 10.2% |
| Segment Revenue (excluding pass through) | \$m | 1,175.4 | 1,117.4 | 5.2% |
| Underlying EBITDA⁽⁴⁾ | \$m | 878.9 | 857.7 | 2.5% |
| Non-operating items | \$m | 11.7 | 5.5 | 111.2% |
| Reported EBITDA ⁽⁵⁾ | \$m | 890.6 | 863.2 | 3.2% |
| Depreciation and amortisation | \$m | (356.4) | (371.2) | 4.0% |
| Net interest expense ⁽⁶⁾ | \$m | (229.4) | (239.2) | 4.1% |
| Income tax expense | \$m | (114.0) | (98.7) | (15.5%) |
| Reported NPAT | \$m | 190.7 | 154.1 | 23.8% |
| Free Cash Flow ⁽⁷⁾ | \$m | 484.3 | 515.1 | (6.0%) |
| Distribution per security | cents | 26.0 | 25.0 | 4.0% |
| Cash and undrawn debt facilities | \$m | 2,268.3 | 1,774.6 | 27.8% |

Notes: Numbers in the table may not add up due to rounding

- (1) The comparative information has been restated as a result of the payroll review. For further information refer to APA Infrastructure Trust's 1H23 Financial Report.
- (2) Positive/negative changes are shown relative to impact on profit or other relevant performance metric.
- (3) Pass-through revenue is revenue on which there is no margin earned and is offset by corresponding pass-through costs.
- (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.
- (5) Earnings before interest, tax, depreciation, and amortisation ("EBITDA").
- (6) Excluding finance lease and investment interest income, any gains or losses on revaluation of derivatives included as part of EBIT for segment reporting purposes.
- (7) 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.

- Revenue (excluding pass through) for the six months to 31 December 2022 increased 10.2% to \$1,231.9 million. Underlying EBITDA was up 2.5% to \$878.9 million.
- The result included a net profit from non-operating items of \$11.7 million (1H22: \$5.5m). Adjusting for this, reported EBITDA was up 3.2% to \$890.6 million (1H22: \$863.2 million).
- Depreciation and amortisation expense was lower due to the non-recurrence of 1H22 accelerated depreciation as part of the replacement plan of certain assets. Net interest expense declined due to higher interest income. Tax expense increased reflecting higher earnings.
- NPAT increased 23.8% to \$190.7 million (1H22: \$154.1 million). There were no significant items in 1H23 or 1H22.
- Free cash flow declined 6.0% to \$484.3 million (1H22: \$515.1 million), due to the timing of a large cash receipt (received at start of January 2023 rather than end of December 2022). Free cash flow was 2.0% higher excluding this timing impact.

Appendix 2: Financial Result – EBITDA by segment

| EBITDA by segment (\$ million) | 1H23 | 1H22 | % Change ⁽¹⁾ |
|---|---------------|---------------|-------------------------|
| Energy Infrastructure: | | | |
| East Coast Gas | 344.7 | 341.0 | 1.1% |
| <i>East Coast Gas (excluding Orbost)</i> | <i>341.5</i> | <i>324.9</i> | <i>5.1%</i> |
| West Coast Gas | 152.0 | 136.7 | 11.2% |
| Wallumbilla Gladstone Pipeline ⁽²⁾ | 297.0 | 278.7 | 6.6% |
| Electricity Generation and Transmission | 112.8 | 99.7 | 13.2% |
| Total Energy Infrastructure | 906.6 | 856.0 | 5.9% |
| Asset Management | 32.9 | 41.1 | (19.9%) |
| Energy Investments | 11.5 | 16.2 | (29.2%) |
| Corporate Costs | (72.1) | (55.6) | (29.6%) |
| Underlying EBITDA⁽³⁾ | 878.9 | 857.7 | 2.5% |
| <i>Orbost EBITDA (sale completed 28 July 2022)</i> | <i>3.3</i> | <i>16.1</i> | <i>(79.7%)</i> |
| <i>Underlying EBITDA (excluding Orbost)⁽³⁾</i> | <i>875.6</i> | <i>841.6</i> | <i>4.0%</i> |

Notes: Numbers in the table may not add up due to rounding

- (1) Positive/negative changes are shown relative to impact on profit or other relevant performance metric.
- (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) 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.

- Energy Infrastructure delivered a strong performance largely benefitting from revenue linked to Australian and US inflation indices. The segment also saw an improved operating performance from a number of assets.
- Energy Infrastructure 1H23 underlying EBITDA included a -\$12.8 million reduction in earnings from Orbost compared to 1H22 following completion of the asset sale in July 2022 and an initial \$7.7 million contribution from Basslink that was acquired in October 2022.
- Softer earnings from Asset Management, which was impacted by a change in project mix with lower customer contribution projects compared to 1H22. Earnings from Energy Investments also declined due to a lower contribution from APA's 50% interest in SEA Gas Pipeline.
- Corporate costs increased with ongoing investment in the internal capability essential to supporting APA's growth strategy.