



ASX & Media Release

FY23 Results Announcement

10 August 2023

AGL Energy Limited (AGL) today announced its results for the financial year ended 30 June 2023 (FY23).

FY23 Results Highlights

- Statutory Loss after tax: \$(1,264) million, including \$(680) million of impairment charges (post-tax) due to targeted earlier closure dates of thermal assets in line with AGL's accelerated decarbonisation plan, as announced in September 2022, and a negative movement in the fair value of financial instruments of \$(890) million
- Underlying EBITDA: \$1,361 million, up 12% on FY22
- Underlying Net Profit after tax: \$281 million, up 25% on FY22
- Final dividend of 23 cents per share (unfranked) declared; total dividend for FY23 of 31 cents per share (unfranked); DRP suspended indefinitely
- Total AGL customer services: 4.3 million¹, up 56k on FY22; Strategic Net Promoter Score (NPS) remains positive at +5
- Total generation volumes: 36.9 TWh, down 9% on FY22, primarily due to the closure of the last three units at Liddell Power Station
- Fleet Equivalent Availability Factor (EAF) of 76.8% achieved, higher than the previous two financial years
- Total Injury Frequency Rate (TIFR) up to 2.8 (per million hours worked), driven by an increase in low-impact injuries
- Employee engagement score up 10-percentage points to 67%
- Liddell Power Station safely closed in April 2023 after almost 52 years of operation
- Development pipeline advanced by over 60% from 3.2 GW to 5.3 GW²:
 - 250 MW Torrens Island and 50 MW Broken Hill batteries near operational
 - Advancing 500 MW Liddell Battery (ARENA-backed) and 250 MW, 8-hour storage Muswellbrook Pumped Hydro
 - Signed PPA with Tilt Renewables for an offtake of 45% of Rye Park Wind Farm in NSW for 178 MW
- FY24 earnings guidance ranges maintained (as disclosed on 16 June 2023):
 - Guidance range for FY24 Underlying EBITDA between \$1,875 and \$2,175 million
 - Guidance range for FY24 Underlying Net Profit between \$580 and \$780 million

¹ Services to customers number is as at 30 June 2023 and excludes approximately 310,000 services to customers of ActewAGL.

² AGL's development pipeline was disclosed as 3.2 GW in the HY23 Result announcement on 9 February 2023



CEO Commentary

AGL Managing Director and CEO, Damien Nicks, said: “AGL’s financial result for FY23 reflects a strong second half following a challenging start to the year, which was impacted by volatile energy market conditions and forced plant outages, including the prolonged outage of Loy Yang Unit 2. We saw a significant improvement in plant availability as the year progressed, which contributed to the increase in earnings compared with FY22, along with the strong performance of our well risk managed gas portfolio and customer business. We expect this positive momentum to continue into FY24, as indicated by our earnings guidance which is unchanged from our announcement in June 2023.”

“In Customer Markets, we have seen continued organic customer service growth across both energy and telecommunications amidst a period of heightened market competition. We have also maintained a positive Strategic NPS, finishing the year with a score of +5.”

“We recognise that many Australians are struggling with broad cost of living pressures, including rising energy prices. We are committed to supporting our customers during this difficult time and will spend at least \$70 million over the next two years to help our customers to manage cost of living pressures.”

“In Integrated Energy, the strong performance of our generation portfolio following the return to service of AGL Loy Yang Unit 2 saw an increase in EAF to 76.8% - higher than the previous two financial years. Flexibility upgrades at Bayswater and AGL Loy Yang were completed during the year, which has seen benefits in gross margin and reductions in emissions.”

“Our people are critical to delivering on our strategy, and pleasingly we had a 10-percentage point improvement in our employee engagement score to 67%. There is still more work to be done but the momentum is positive. Disappointingly, TIFR increased to 2.8 (per million hours worked), up 0.7 from 2.1 in FY22, reversing a downward trend since FY20. The safety of our people is our number one priority and we have a number of initiatives focused on bringing this number down.”

Refreshed Strategy

“FY23 was a year of significant transformation in which we reset market and stakeholder confidence and progressed our strategy to connect our customers to a sustainable future and transition our energy portfolio.

“Our refreshed strategy and Climate Transition Action Plan were endorsed at our AGM in November 2022. A successful debt refinancing was completed in April 2023, reflecting the debt market’s confidence in AGL’s business fundamentals and decarbonisation plan.”

“The first major milestone of our decarbonisation journey was achieved in late April with the safe and respectful closure of the Liddell Power Station after almost 52 years of operation. Importantly, we maintained our commitment to no forced redundancies and transferred around one hundred employees from Liddell to Bayswater Power Station.”

“We’re already making good progress on our ambition to deliver 12 GW of new renewable generation and firming capacity by the end of 2035, increasing our development pipeline by 60% over the past six months from 3.2 GW to 5.3 GW. In addition, both the 250 MW Torrens Island Battery and the 50 MW Broken Hill Battery are expected to commence operations this year.”

“We also recently signed a 15-year PPA with Tilt Renewables for an offtake of 45% of Rye Park Wind Farm in NSW, which equates to a share of approximately 513 GWh of energy per year derived from 178 MW of capacity.”

“Central to the delivery of our strategy is connecting our customers to a sustainable future by supporting them to decarbonise the way they live, move and work. Our new partnership with bp pulse enables us to offer customers an affordable rate to charge their electric vehicle at home or when they are on-the-road. To equip customers with the information they need to electrify their home we launched a new platform, Electrify Now.”



Statutory and Underlying Profit

AGL's Statutory Loss after tax was \$(1,264) million. This included \$(680) million of post-tax impairment charges relating to the carrying value of the AGL Energy Generation Fleet cash-generating unit, predominantly a result of the decision to accelerate the targeted closure dates of AGL's thermal generation assets, as announced in September 2022.

In addition to the impairment, the Statutory Loss included a negative movement in the fair value of financial instruments of \$(890) million, primarily reflecting the impact of a drop in forward prices for electricity relative to AGL's hedging of its electricity generation position to manage pricing risk through forward contracts. This movement is non-cash, albeit required under Australian accounting standards.

Underlying Net Profit after tax, which excludes the movements in the fair value of financial instruments and Significant Items, was \$281 million, up 25%.

Dividends and Capital Management

AGL delivered net cash from operating activities of \$912 million, down 26 percent on FY22 due to working capital outflows during the year compared to large working capital inflows in the prior year. This was partly offset by an increase in Underlying EBITDA. The payables cash outflow of \$(206) million reflected payments made for electricity during the AEMO market intervention in June 2022 when AGL was a net purchaser in the market. The decline in forward electricity prices resulted in \$(103) million of margin variation outflows during the year, partly offset by a bank guarantee replacement for initial margin and changes in margin requirements. The rate of conversion of EBITDA to operating cash flow was 74 percent, down from 123 percent in the prior year, driven by the factors mentioned above. However, as anticipated, AGL's cash conversion rate for the second half of FY23 returned to historical levels as the wholesale pricing environment stabilised and generation improved.

At 30 June 2023, AGL had \$1,243 million of cash and undrawn committed debt facilities available.

AGL has declared a final unfranked dividend for FY23 of 23 cents per share. The final dividend is consistent with AGL's dividend policy to target a full-year payout ratio of approximately 75 percent of Underlying Profit after tax. As announced on 16 June 2023 at AGL's Investor Day, from the FY24 interim dividend AGL will be targeting a payout ratio of 50 to 75 percent of Underlying Profit after tax, which will be franked to the extent possible. Subject to AGL's taxable income and the recoupment of tax losses in the future, AGL may begin to pay partly franked dividends from the interim FY25 dividend.

The final dividend will be paid on 22 September 2023. The Dividend Reinvestment Plan (DRP) has been suspended indefinitely and will not operate for the final FY23 dividend.

Outlook

AGL has maintained its underlying earnings guidance ranges for FY24 as follows:

- Underlying EBITDA between \$1,875 and \$2,175 million
- Underlying Net Profit after tax between \$580 and \$780 million

As announced on 16 June 2023, the anticipated increase in AGL's earnings for FY24 (relative to FY23) reflects the following drivers:

- Sustained periods of higher wholesale electricity pricing, reflected in pricing outcomes and reset through contract positions
- Expected improved plant availability and flexibility of the asset fleet, including the commencement of operations of the Torrens Island and Broken Hill batteries, and the non-recurrence of forced outages and market volatility impacts from July 2022

This is expected to be partly offset by the closure of Liddell Power Station and higher operating costs, including:



- The impact of increased competition and higher revenue from pricing outcomes increasing variable costs such as net bad debt expense and channel and marketing spend
- Ongoing investment in growth and transformation in the business
- Increased maintenance spend to improve asset fleet availability and reliability; and
- Ongoing impacts of inflation on the cost of goods and materials

Wholesale electricity forward curves currently observable in the market for FY25 are broadly in line with FY24 pricing levels, noting that forward curves are subject to market conditions and can change.

All guidance is subject to any impacts arising from regulatory and government intervention, variability in trading conditions and plant availability.

Presentation, Webcast and Conference Call

AGL will hold a webcast and conference call to discuss the FY23 result at 11.00am (AEDT), today, Thursday, 10 August 2023. Questions will be taken at the conclusion of the webcast.

A copy of the presentation will be lodged with the ASX and made available on AGL's website.

All FY23 documents, the pre-recorded presentation and webcast are accessible via agl.com.au/fy23.

Pre-registration is required to access the conference call and the live question and answer session.

A transcript and archive of the webcast will be available on AGL's website in due course.

Authorised for release by AGL's Board of Directors.

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About AGL Energy

At AGL, we believe energy makes life better and are passionate about powering the way Australians live. Proudly Australian for 185 years, AGL supplies around 4.3 million^[1] energy and telecommunications customer services. AGL is committed to providing our customers simple, fair and accessible essential services as they decarbonise and electrify the way they live, move and work. AGL operates Australia's largest private electricity generation portfolio within the National Electricity Market, comprising coal and gas-fired generation, renewable energy sources such as wind, hydro and solar, batteries and other firming technology, and gas production and storage assets. We are building on our history as one of Australia's leading private investors in renewable energy to now lead the business of transition to a lower emissions, affordable and smart energy future in line with the goals of our Climate Transition Action Plan. We'll continue to innovate in energy and other essential services to enhance the way Australians live, and to help preserve the world around us for future generations.

For more information visit agl.com.au.

^[1] Services to customers number is as at 10 August 2023.