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28 August 2024

ASX ANNOUNCEMENT

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

APA DELIVERS SOLID GROWTH IN EARNINGS FOR FY24 WITH NEW ASSETS CONTRIBUTING STRONGLY

Leading Australian energy infrastructure business, APA Group (ASX:APA), today announces its financial results for the year ended 30 June 2024, delivering growth in earnings and distributions.

New assets, including the Pilbara Energy System (Pilbara Energy) business, made a strong contribution.

Key highlights

- Underlying EBITDA of $1,893 million, in line with guidance and growing 9.7% on FY23, underpinned by solid performance from the east coast gas expansion and an eight-month contribution from Pilbara Energy which has performed in line with its acquisition business case.
- Total statutory revenue (excluding pass-through revenue) was $2,591 million, up 7.9%.
- Moderation of corporate cost growth, after excluding non-cash mark-to-market adjustment.
- Statutory net profit after tax (including significant items) of $998 million, driven by the remeasurement of APA Group's pre-existing 88.2% interest in the Goldfields Gas Pipeline as we moved to full ownership of this asset as part of the Pilbara Energy transaction. This more than offset the non-cash $144 million (pre-tax) impairment of the Moomba Sydney Ethane Pipeline (MSEP) which was recognised due to our single-user customer ceasing operations.
- FY24 distribution of 56.0 cents per security, up 1.8% (FY23: 55.0 cents per security) and in line with guidance.
- Free Cash Flow[1] (FCF) of $1,073 million, growth of 0.3% compared to FY23.
- $833 million in capital investment in growth projects, including strong progress with the Port Hedland Solar and Battery Project which is nearing completion.
- Momentum with our business development activities with construction progressing well on both our Solar and Battery Project in Port Hedland, and our Kurri Kurri lateral pipeline development in NSW. Organic growth development pipeline further strengthened by the recently announced Brigalow pipeline agreement.
- FY21-FY24 Sustainability Roadmap commitments completed including the launch of our inaugural Reflect Reconciliation Action Plan. Progress continued towards the delivery of APA's Climate Transition Plan 2030 interim targets and goals.
- FY25 distribution guidance[2] is 57.0 cents per security, up 1.8% on FY24. Underlying EBITDA guidance[2] is being provided for FY25 of $1,960 million - $2,020 million.

CEO comments

APA CEO and Managing Director, Adam Watson, said:

"APA has delivered another solid financial and operating result in FY24, with revenue, earnings and distribution growth, the completion of key projects and ongoing execution of our growth strategy.

"Over the last year we have successfully integrated the Pilbara Energy business and progressed key projects in the region, including the Port Hedland Solar and Battery Project which is nearing completion.

"We've also executed a number of new agreements including an agreement to design and develop twin pipelines for CS Energy's Brigalow gas peaking plant in Queensland, as well as a 20-year gas transport agreement with Senex Energy which is expected to support much needed additional gas supply into the east coast gas market from the end of 2025.

"These two gas transmission projects and long-term commitments for gas pipeline infrastructure reflect the growing understanding of the role of gas in Australia's energy transition.

"Our progress in FY24 gives us further confidence in our strategy to be the partner of choice for the energy transition."

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[1] Free cash flow is Operating Cash Flow adjusted for strategically significant transformation projects, acquisition & integration costs and capital returns from Joint Ventures less stay-in-business (SIB) capex. SIB capex includes operational assets lifecycle replacement costs and technology lifecycle costs.
[2] Underlying EBITDA and distribution guidance are subject to asset performance, macroeconomic factors and regulatory changes. It does not take into account the impact of any acquisitions or divestments by APA. Guidance is not a predictor or guarantee of future performance and is subject to uncertainties and risks - please see the Disclaimer on page 2 of the Investor Presentation released to the ASX on 28 August 2024.

Distribution

The Board of Directors has resolved to pay a final distribution for FY24 of 29.5 cents per security bringing total distributions to 56.0 cents per security. This represents a 1.8% increase on the FY23 distribution of 55.0 cents per security.

The 29.5 cent final distribution is comprised of a profit distribution of 28.48 cents per security from APA Infrastructure Trust, which is partially franked, and an unfranked profit distribution of 1.02 cents per security from APA Investment Trust. The final distribution is expected to be paid on 18 September 2024.

The Distribution Reinvestment Plan will operate for this final distribution for the year ended 30 June 2024 at a discount of 1.5%.

FY25 outlook[3]

FY25 distributions are expected to be 57.0 cents per security, an increase of 1.8% on FY24. APA's guidance on distributions growth balances the need to also fund APA's organic growth pipeline, while maintaining our investment grade credit ratings. Underlying EBITDA guidance is being provided for FY25 of $1,960 million - $2,020 million.

Webcast and conference call

A briefing for analysts and investors will be held on the day, hosted by Adam Watson, Chief Executive Officer and Managing Director, and Garrick Rollason, Chief Financial Officer at 10:30am Australian Eastern Standard Time.

The briefing will be a live audio webcast and accessible from the APA website: www.apa.com.au/investors/. To participate and ask questions in the briefing, pre-registration is required via the following link. Registered participants will receive a calendar invitation, dial-in details and a unique code which is to be quoted when dialling into the call.

END

Authorised for release by Amanda Cheney

Company Secretary

APA Group Limited

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About APA Group (APA)

APA is a leading Australian Securities Exchange (ASX) listed energy infrastructure business. As Australia's energy infrastructure partner, we own and/or manage and operate a diverse, $26 billion portfolio of gas, electricity, solar and wind assets. Consistent with our purpose, securing Australia's energy future, we deliver around half of the nation's domestic gas through 15,000 kilometres of gas pipelines that we own, operate and maintain. Through our investments in electricity transmission assets, we connect Victoria with South Australia, Tasmania with Victoria and New South Wales with Queensland, providing vital flexibility and support for the grid. We also own and operate power generation assets, including gas powered, wind and solar assets 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.

[3] Underlying EBITDA and distribution guidance are subject to asset performance, macroeconomic factors and regulatory changes. It does not take into account the impact of any acquisitions or divestments by APA. Guidance is not a predictor or guarantee of future performance and is subject to uncertainties and risks - please see the Disclaimer on page 2 of the Investor Presentation released to the ASX on 28 August 2024.

Appendix 1: Financial Results

Financial summary		FY24	FY23	% Change[1]
Revenue (excluding pass through)[2]	$m	2,591	2,401	7.9 %
Segment revenue (excluding pass-through)[3]	$m	2,582	2,353	9.7 %
Underlying EBITDA[4]	**$m**	**1,893**	**1,725**	**9.7 %**
Non operating items[5]	$m	(157)	(39)	(302.6)%
Reported EBITDA[6]	$m	1,736	1,686	3.0 %
Depreciation and amortisation	$m	(919)	(750)	(22.5)%
Net interest expense[7]	$m	(579)	(459)	(26.1)%
Income tax expense (excluding significant items)	$m	(119)	(190)	37.4 %
NPAT (excluding significant items)	$m	119	287	(58.5)%
Significant items after tax[8]	$m	879	—	— %
Statutory NPAT (including significant items)	$m	998	287	247.7 %
Free Cash Flow[9]	$m	1,073	1,070	0.3 %
Distribution per security	**cent**	**56.0**	**55.0**	**1.8 %**
Cash and undrawn debt facilities[10]	$m	2,276	2,111	7.8 %

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 Gladstone 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 (Underlying 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 Non-operating items are deemed to be activities and transactions that are not directly attributable to the performance of APA Group's business operations.
6 Earnings before interest, tax, depreciation, and amortisation (EBITDA) including non-operating items and excluding significant 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 Significant items comprising of fair value remeasurement of APA's previously held 88.2% interest in Goldfields Gas Pipeline, Pilbara Energy System acquisition costs and non-cash impairment of the Moomba Sydney Ethane Pipeline (MSEP).
9 Free cash flow is Operating Cash Flow adjusted for strategically significant transformation projects, acquisition & integration costs and capital returns from Joint Ventures less stay-in-business (SIB) capex. SIB capex includes operational assets lifecycle replacement costs and technology lifecycle costs.
10 APA holds $1,600 million in liquidity lines to ensure it is meeting Treasury liquidity targets at all times.

Commentary

- FY24 Segment revenue (excluding pass through) increased 9.7% to $2,582 million. Underlying EBITDA was up 9.7% to $1,893 million.
- The result included a net loss from non-operating items of $157 million (FY23: $39 million). Adjusting for this, reported EBITDA was up 3.0% to $1,736 million (FY23: $1,686 million)
- Depreciation and amortisation expense increased 22.5% to $919 million due to the growth in the asset base including the acquisition of Pilbara Energy and changes to the useful life of certain assets
- Net interest expense increased largely due to the €500 million ($828 million) hybrid subordinated bond and AUD $1.25 billion syndicated term loan, both raised in November 2023
- Tax expense excluding significant items, decreased by 37.4% to $119 million (FY23: $190 million) due to additional depreciation and amortisation charges, and net finance costs, as well as an increase in FY24 non-operating expenses
- Significant items of $879 million due to the remeasurement of APA's previously held interest of 88.2% in GGP as required by accounting standards, partly offset by acquisition and stamp duty costs of $72 million incurred on the acquisition of Pilbara Energy and the $144 million non-cash impairment of the MSEP driven by its single-customer entering Voluntary Administration and ceasing operations
- Statutory NPAT (including significant items) increased 247.7% to $998 million (FY23: $287 million) driven by the acquisition of Pilbara Energy and the gain on remeasurement of APA's previously held interest of 88.2% in GGP
- Free cash flow increased 0.3% to $1,073 million (FY23: $1,070 million), due to increased earnings partly offset by the impact of higher interest costs and tax payments.

Appendix 2: Financial Result – EBITDA by segment

EBITDA by segment		FY24	FY23	% Change[1]
East Coast Gas	$m	669	645	3.7%
West Coast Gas	$m	347	305	13.8%
Wallumbilla Gladstone Pipeline[2]	$m	657	620	6.0%
Contracted Power Generation	$m	249	199	25.1%
Electricity Transmission	$m	37	24	54.2%
Total Energy Infrastructure	$m	1,959	1,793	9.3%
Asset Management	$m	69	56	23.2%
Energy Investments	$m	26	23	13.0%
Corporate Costs	$m	(161)	(147)	9.5%
Underlying EBITDA[3]	**$m**	**1,893**	**1,725**	**9.7%**

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 (Underlying 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.

Commentary

- Total Underlying EBITDA up 9.7%
- Energy Infrastructure underlying EBITDA up 9.3% comprising:
  - East Coast Gas up 3.7% driven by higher inflation-linked revenue together with higher customer demand on the South West Queensland Pipeline and Moomba Sydney Pipeline. This was partially offset by lower volumes on the Roma to Brisbane Pipeline due to lower demand for short term gas contracts and lower earnings on the Moomba Sydney Ethane Pipeline with it's single-customer entering Voluntary Administration and ceasing operations
  - West Coast Gas up 13.8% driven by higher inflation-linked revenue, the acquisition of the remaining 11.8% interest in the GGP, and the commissioning of Northern Goldfields Interconnect
  - Wallumbilla Gladstone Pipeline up 6.0% driven by tariff escalation which is linked to the US inflation rate and favourable foreign exchange rates during the period
  - Contracted Power Generation up 25.1% driven by the acquisition of the Pilbara Energy assets, and initial contribution from Dugald River Solar Farm, partly offset by lower variable revenue and higher costs at Diamantina Power Station
  - Electricity Transmission up 54.2% due to full year contribution from Basslink, partially offset by business development costs
- Asset Management up 23.2% driven by higher third party works and lower operational costs
- Energy Investments up 13.0% largely due to a higher SEAGas contribution
- Corporate costs up 9.5% due to investment in corporate capability, technology, sustainability and a non-cash Long Term Incentives (LTI) mark-to-market adjustment. Corporate costs are up 6.3% excluding the impact of the LTI adjustment