



ASX & Media Release

FY19 results announcement and FY20 earnings guidance

8 August 2019

AGL Energy Limited (AGL) has today announced its results for the financial year ended 30 June 2019 (FY19). Statutory Profit after tax was \$905 million, down 43 percent on FY18. Underlying Profit after tax was \$1,040 million, up 2 percent. AGL has declared a final dividend of 64 cents per share.

AGL has also announced today:

- The extension to AGL's 1.4 million gas customers of the AGL Safety Net, ensuring a minimum discount of 5 percent to all residential and small business gas customers on standing offers after one year with AGL;
- The acquisition of Perth Energy, a Western Australian operator of gas-fired generation and business customer electricity and gas retailing, for an enterprise value of \$93 million;
- An on-market share buy-back of up to 5 percent of issued capital; and
- Guidance for Underlying Profit after tax to be between \$780 million and \$860 million in FY20.

Summary of FY19 results vs. FY18

- Statutory Profit after tax: \$905 million, down 43 percent
- Statutory earnings per share: 138.0 cents, down 43 percent
- Underlying Profit after tax: \$1,040 million, up 2 percent
- Underlying earnings per share: 158.6 cents, up 2 percent
- Net cash from operating activities: \$1,599 million, down 25 percent
- Final dividend: 64 cents per share (80 percent franked), up 1 cent per share
- Return on equity: 12.5 percent, down 0.6 percentage points

CEO Commentary

AGL Managing Director & CEO, Brett Redman, said: "AGL's financial result for FY19 reflects the flexibility and quality of our wholesale electricity generation business in a year where we have delivered lower electricity prices for customers and increased investment in affordability programs and plant availability.

"Our announcement today of the extension of the AGL Safety Net to support affordability and reward loyalty for gas customers follows the delivery of the program to electricity customers during FY19 and the rollout of our \$50 million debt relief Customer Affordability Program.

"It was a record year for capital expenditure, as we continued to increase investment in our existing generation fleet, progressed construction of the Barker Inlet gas-fired power station in South Australia for delivery in FY20 and delivered the final year of our Customer Experience Transformation program.

"Against this backdrop, we were encouraged to see an increase in customer numbers over the course of the year and a reduction in the levels of customer churn – as well as near record generation output from our electricity fleet, including an increasing share of non-thermal generation as we deliver the Silverton and Coopers Gap wind projects via the Powering Australian Renewables Fund.



“Our expectation for materially lower earnings in FY20 reflects the impact of the extended outage of Unit 2 at AGL Loy Yang we announced in June, higher depreciation following our recent increases in capital investment, and operating headwinds from lower wholesale electricity and renewable energy certificate prices, higher input fuel costs and the re-regulation of retail standing offer prices for electricity.

“Despite this lower earnings outlook, AGL’s operating outlook remains strong. We have entered the new financial year in a robust financial position, meaning we can invest back into the business and execute our growth strategy at the same time as we undertake the on-market share buyback we have announced today.

“We remain committed to our growth agenda of investing in optimising the performance of our existing portfolio, expanding and evolving our core energy markets business – as we have done with the acquisition of Perth Energy announced today – and in creating new opportunities with increasingly connected customers.

“As we deliver the projects at Silverton, Coopers Gap and Barker Inlet projects, we are continuing to pursue a development pipeline of \$2 billion of further projects, primarily comprising the flexible energy storage and generation capacity assets the Australian energy market needs. We have a proud heritage as Australia’s largest private developer of renewable energy assets, and we are well placed to be the biggest developer of the firming capacity we need to support that energy.”

Statutory and Underlying Profit

AGL’s Statutory Profit after tax of \$905 million was down 43 percent on FY18, reflecting a negative movement in the fair value of financial instruments of \$139 million. This is non-cash but is required to be recorded under Australian accounting standards. The movement in FY19 primarily reflected higher forward prices for electricity and the way AGL hedges its electricity generation position to manage pricing risk through forward contracts.

Underlying Profit after tax, which excludes movements in the fair value of financial instruments and Significant Items, was \$1,040 million, up 2 percent. The principal driver of the increase in Underlying Profit was margin growth in Wholesale Markets from higher wholesale electricity prices and lower compliance costs for renewable energy certificates. This was offset by lower Large Business gas volumes in Customer Markets and higher depreciation and amortisation in Group Operations.

Dividend

AGL has declared a final dividend for FY19 of 64.0 cents per share, 80 percent franked. Total dividends declared for FY19 are 119.0 cents per share, up 2 cents per share, broadly in line with growth in Underlying Profit after tax. The FY19 final dividend will be payable on 20 September 2019 with a record date of 22 August 2019. Shares will trade ex-dividend on 21 August 2019. A portion of the unfranked component of the dividend will be paid from conduit foreign income (CFI), which will be fully utilised following the FY19 final dividend. For non-Australian shareholders, the unfranked dividend paid from CFI will not be subject to dividend withholding tax whereas the balance of the unfranked dividend will generally be subject to Australian dividend withholding tax.

AGL’s dividend reinvestment plan (DRP) will operate with respect to the FY19 final dividend. AGL will buy shares on market to satisfy the DRP and will allot these shares at no discount to the simple average of the daily volume-weighted average price at which AGL’s shares trade during each of the 10 days commencing 26 August 2019. The last date at which shareholders can elect to participate in the DRP with respect to the FY19 final dividend is 23 August 2019.



Share buy-back

AGL has announced its intention to undertake an on-market buy-back of up to 5 percent of its issued share capital (32,791,252 shares) over the 12 months from 23 August 2019. At AGL's closing share price on 7 August 2019, this equates to approximately \$650 million.

Consistent with AGL's capital allocation principles, the AGL Board considers on-market share buy-backs to be an appropriate mechanism to return excess liquidity to shareholders at times when liquidity materially exceeds required levels. AGL reserves the right to vary, suspend or terminate the buy-back at any time.

Perth Energy acquisition

AGL has agreed to acquire Perth Energy Holdings Pty Ltd (Perth Energy) from Infratil Limited and minority shareholders for an enterprise value of up to \$93 million. The consideration comprises \$74 million now and a further \$19 million contingent on final financial outcomes under a material contract and the tax treatment of certain penalty refunds which Perth Energy expects to be entitled to claim.

Perth Energy is an integrated energy company operating in Western Australia, comprising the 120 MW Kwinana Swift Power Station, 1,400 GWh of electricity sales (predominantly to business consumers) and an emerging gas retail business. In the financial year ended 31 March 2019, the company recorded audited annual revenue of \$252 million and normalised EBITDA of \$13 million.

Mr Redman said: "AGL entered the WA energy market in July 2017 and now has 43,000 residential gas customers. Perth Energy, as WA's third-largest electricity retailer and a gas retailer to business customers, is a strong strategic fit for us as we seek to expand WA and will provide greater flexibility for our management of our WA gas position. We believe there is great opportunity for the Kwinana Swift plant to provide firming services as the electricity market moves towards higher renewables penetration."

The transaction is subject to satisfaction of a limited number of conditions precedent with completion targeted for the end of September 2019.

FY20 guidance

AGL has provided guidance for Underlying Profit after tax of between \$780 million and \$860 million in FY20. The principal drivers of the reduction against FY19 are:

- The impact of the outage until December 2019 of Unit 2 at AGL Loy Yang following damage to the stator and rotor components that occurred following an electrical short in June. AGL anticipates the impact to Underlying Profit after tax of this outage will be between \$80 million and \$100 million, at the upper end of the range previously provided.
- The impact to Underlying Profit after tax of a year-on-year increase of approximately \$70 million in depreciation expense, reflecting the increase in capital investment in recent years and the completion of major programs including Barker Inlet Power Station and the Customer Experience Transformation program.
- Ongoing operating headwinds previously announced to the market in May 2019, including lower wholesale prices for electricity and renewable energy generation certificates, increasing fuel costs as coal costs escalate and legacy gas contracts mature, and the re-regulation of retail standing offer electricity prices via the Default Market Offer and Victorian Default Offer.

All guidance is subject to normal trading conditions.



Webcast and conference call

AGL will hold a webcast and conference call to discuss the FY19 result and FY20 outlook at 10.45 am, Sydney time, today. A copy of the webcast presentation will be lodged with the ASX and made available on AGL's website.

The webcast will be accessible via agl.com.au/fy19results or using the following dial-in details:

Toll-free Australia: 1800 093 431

International: +61 2 8047 9393

Participant pin code: 10725569#

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

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