



ASX and Media Release

FY21 results announcement and FY22 earnings guidance

12 August 2021

AGL Energy Limited (AGL) today announced its results for the financial year ended 30 June 2021 ("FY21").

FY21 Result Highlights

- Statutory Loss after tax: \$(2,058) million, including \$(2,929) million of impairment losses, onerous contracts and costs associated with acquisitions, restructuring and cessation of the Crib Point project
- Underlying EBITDA: \$1,666 million, down 18 percent on FY20
- Underlying Profit after tax: \$537 million, down 34 percent, including ~\$90 million of insurance receipts relating to the Loy Yang Unit 2 outage in 2019
- Total AGL services customers: 4.5 million¹, up 254,000 services, through organic growth and Click acquisition
- Total generation volumes: 41,137 GWh, down 6 percent, reflecting the impact of planned and unplanned outages and reduced grid demand
- Acquisitions of Click Energy, Solgen, Ephi and Tilt (via PowAR), adding customers, expertise and access to quality renewable generation
- 850MW target of battery storage capacity on track with final investment decision reached for Torrens Island battery and planning progressing on Loy Yang and Liddell battery projects
- Final dividend of 34 cents per share declared, resulting in Total FY21 dividend of 75 cents, including 10 cent interim special dividend. Final dividend to be fully underwritten.
- Guidance for FY22 Underlying EBITDA of between \$1,200 million and \$1,400 million
- Guidance for FY22 Net Profit after Tax of between \$220 million and \$340 million
- On track to deliver at least \$150 million in operating cost reduction for FY22 and \$100 million reduction in sustaining capital expenditure by FY23
- Progressing well with our plan to implement the proposed demerger in fourth quarter FY22, subject to Board, shareholder and relevant regulatory approvals

CEO Commentary

AGL Energy Managing Director & CEO, Graeme Hunt, said: "Our FY21 result reflects a challenging year for AGL Energy as we realised the impact of lower wholesale electricity prices, reduced electricity generation output at peak periods, and the roll-off of legacy supply contracts in Wholesale Gas.

"Although wholesale electricity prices have rallied in recent months, our result reflected the impact over the past two years of increasing generation supply and lower demand arising from the COVID-19 pandemic and milder weather.

¹ Includes approximately 300,000 services of ActewAGL, in which AGL Australia will own a 50 percent shareholding in the retail operations.



“Despite the challenges in the wholesale energy market, we continue to consolidate our position as Australia’s largest multi-product energy retailer with solid organic and inorganic growth. The acquisition of Click Energy and the launch of AGL mobile and broadband services along with ongoing organic growth resulted in AGL Energy adding 254,000 services to customers in FY21. Our customer churn was flat across the year despite the integration of all Click Energy customers, while our spread to market has improved. Our Net Promoter Score, measuring customer loyalty, was positive 4.9 in June, its highest to date.

“We have continued to progress our development pipeline as we seek to accelerate our participation in Australia’s energy transition. The participation in PowAR’s acquisition of Tilt Renewables, through our 20 percent equity ownership provides AGL with access to PowAR’s quality renewable energy portfolio, further supporting our orderly transition away from coal-fired power. Meanwhile, we reached final investment decision on the Torrens Island battery and progressed both the Loy Yang and Liddell battery planning approvals. The progress in these battery projects put us well on the way to achieving our target of 850MW of battery energy storage by FY24. These investments in grid scale renewables and storage, build on our long history of investment in renewable energy, while providing a high-quality development pipeline for growth with low carbon footprint.

“In gas, while our Crib Point project will not go ahead, we have taken action to mitigate the impacts of maturing low-cost legacy supply contracts, by signing competitive gas supply contracts over FY21 for 112 PJs. AGL Energy’s gas demand requirements will vary year on year, however these new contracts ensure AGL Energy’s customer load is fully contracted from FY22 to FY24, while demonstrating our ability to secure medium term competitively priced wholesale gas supply”

“As the role of thermal assets is changing from base load to more flexible generation, AGL Energy has worked to make our thermal generation assets more responsive to market signals, while ensuring the provision of reliable and affordable electricity. The focus is aimed at maximising availability during times of peak demand. Throughout FY21 this focus has resulted in actions such as, lowering the minimum generation of Bayswater, the planned installation of a digital twin at Bayswater and Loy Yang to optimise investment and running profiles and the mothballing of one unit at Torrens B in October.

“On 30 June 2021, we confirmed our intention to undertake a demerger to create two leading energy businesses with separate listings on the Australian Securities Exchange. The Board believes proceeding with the proposed demerger will protect value and provide greater strategic focus for both entities. We are progressing well with our plan to implement the demerger in the fourth quarter of FY22. Under the demerger proposal Accel Energy and AGL Australia have both committed to continuing their leadership roles in the energy transition, publishing detailed climate change roadmaps including specific decarbonisation targets. We believe that the proposed demerger will create two new entities each with clarity of purpose and strong foundations, which will position them well to lead the energy transition, while protecting and delivering value to shareholders.

Statutory and Underlying Profit

AGL Energy’s Statutory Loss after tax was \$(2,058) million. This included the charges associated with onerous contract provisions, an increase in environmental restoration provisions and other asset impairments announced on 4 February 2021 and \$(243) million largely associated with Crib Point project cessation costs, Newcastle Gas Storage Facility impairment, acquisition and integration costs, and restructuring and separation costs. In addition, the Statutory Loss included a positive movement in the fair value of financial instruments of \$334 million, primarily reflecting the impact of lower forward prices for electricity relative to AGL Energy’s hedged position.

Underlying Profit after tax, which excludes movements in the fair value of financial instruments and Significant Items, was \$537 million, down 34 percent.



Demerger update

We are well progressed with our plan to implement the proposed demerger in the fourth quarter of FY22, subject to final AGL Energy Board, ATO and relevant regulatory, court and shareholder approvals.

Today, we have identified the following further leadership appointments in relation to Accel Energy and AGL Australia:

- Markus Brokhof - Chief Operating Officer and Deputy Chief Executive Officer for Accel Energy; and
- Damien Nicks - Chief Financial Officer for AGL Australia.

Both appointments will take effect upon the implementation of the demerger.

Mr Hunt said: "We are pleased to identify Markus and Damien as leaders from the deep pool of talent within AGL Energy. Their extensive industry experience, leadership skills and professionalism made them natural choices for their respective roles. Markus, in the COO and Deputy CEO role will provide crucial global experience to assist in Accel Energy's transition away from coal."

In the meantime, AGL Energy has made solid progress towards defining new internal operational structures consistent with the intended demerged structure, to accelerate the benefits of more focused organisations. Through this process, Accel Energy and AGL Australia are working to identify further operating cost efficiencies, in addition to fully offsetting the duplication cost created by demerger.

Accel Energy and AGL Australia continue to progress finalisation and structure of funding requirements and will adopt financial policies consistent with the maintenance of an investment grade credit rating.

Dividends and capital management

AGL Energy delivered net cash from operating activities of \$1,250 million, down 41 percent on FY20. This movement was largely due to the reduction in earnings and a small outflow from margin calls compared with a large inflow in FY20, associated with wholesale market positions.

At 30 June 2021, AGL Energy had approximately \$600 million of cash and undrawn debt facilities available.

AGL Energy has declared a final unfranked dividend for FY21 of 34 cents per share. Total dividends declared for FY21 are 75 cents per share, including the 65 cent ordinary dividend and 10 cent special dividend. The ordinary dividend is consistent with AGL Energy's dividend policy to target a payout ratio of 75 percent of Underlying Profit after tax. As announced on 30 June 2021, the Special Dividend Program has been terminated. The final FY21 ordinary dividend will be payable on 29 September 2021.

AGL Energy's Dividend Reinvestment Plan (DRP) will operate with respect to the FY21 final dividend, and a discount of 1.5% will apply. As previously announced, the DRP will be fully underwritten. AGL Energy has appointed Macquarie Capital (Australia) Limited as underwriter. The last date for shareholders to elect to participate in the DRP for the FY21 Final Dividend is 27 August 2021.

Outlook

AGL Energy has today provided guidance for Underlying EBITDA to be between \$1,200 million and \$1,400 million in FY22 and Net Profit after Tax of between \$220 million and \$340 million. These ranges reflect a further material step down in Wholesale Electricity earnings as hedging positions when Wholesale prices were higher progressively roll off and a small impact to Wholesale gas gross margin from the roll off of legacy gas supply contracts. This step down is in addition to the non-recurrence of the Loy Yang unit 2 insurance proceeds received in FY21.



AGL Energy continues to expect to deliver a \$150 million reduction in operating costs (excluding depreciation and amortisation) in FY22 compared with FY20 and we are targeting a \$100 million reduction in sustaining capital expenditure across the company to be delivered by FY23.

Depreciation expense is expected to be broadly flat in FY22. Interest costs in FY22 are expected to increase marginally due primarily to an increase in net debt as a result of recent acquisitions such as investment in Tilt via PowAR and higher interest expense related to the discount unwind of the onerous contract provision. This increase will be partially offset by the lower average cost of funds post the early redemption of AGL Energy's \$600M AMTN.

AGL Energy looks to FY22 with cautious optimism, the wholesale prices of our key commodities have improved and AGL Energy operates some of the lowest cost generation in the NEM. AGL Energy is well positioned to benefit from any sustained recovery in wholesale electricity prices.

All guidance is subject to ongoing uncertainty in relation to variability in trading conditions and the economic impacts of the COVID-19 pandemic.

Presentation, Webcast and Conference Call

AGL Energy will hold a webcast and conference call to discuss the FY21 result and outlook at 10.45 am, Sydney time, today. 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 Energy's website.

All FY21 documents, pre-recorded presentation and webcast are accessible via agl.com.au/fy21webcast. Pre-registration is required to access the conference call and live question and answer session.

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

Authorised for release by AGL Energy's Board of Directors.

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