

AGL Energy Limited Half-Year Results Webcast Q&A

Wednesday 11 February 2026

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Mr Thompson: To ask a question, press the star key followed by the number one. Can I please ask you to mute any other devices before asking questions over the conference line. We will take one question at a time and if time permits, we will circle back for any further questions. The first question comes from Tom Allen from UBS. Please go ahead, Tom.

Mr Allen: (UBS, Analyst) Thanks James. Good morning Damien, Gary and the broader team. For my question, I might start with pointing out that a lot of investors have been inquiring in recent months about the impact of the lower wholesale pricing outlook being priced into the futures market, so AGL's result today indicates that your electricity portfolio remains in the money, with stronger realised price premiums compared to average prices and the batteries are performing well, despite lower-than-average volatility.

So, my question is, can investors be confident that provided AGL maintained good generation availability, there's upside risk to current market estimates into the medium term for underlying EBITDA, which you currently forecast to be near flat over FY26-28?

Mr Nicks: Thanks Tom, good morning all. Look, let me break that question down a little bit. What I would say is what we've seen is a decline in the New South Wales market in the last 10 weeks. I would not call that a structural trend whatsoever. We saw really mild both weather and good generation over that period of time. I would classify this as winter is the new summer, it really is. The type of volatility we saw was really unusual in that first half and we called out, we saw 4.4 hours, which is incredibly low in that first half. We saw 4.7 hours alone in January in one month. So we see it returning to cyclical norms, if you like.

The other big driver behind all this is demand. Demand is going to have a big role to play. We saw a number of records broken over the first half in three states and so that peakiness in demand is going to be there. So that's where our confidence lies.

In terms of your question on the asset itself, I mean, we're really pleased, exactly what we said to the market back in August, we're expecting improved availability. To think about those assets and the way they play, it's that commercial availability that's also incredibly important and the flex we can

get out of all of our portfolio, not just those coal assets. You can see through our results, that flexibility really enabled us to deliver a strong result on the generation side.

Mr Allen: (UBS, Analyst) Okay, thanks, Damien.

Mr Thompson: Thanks, Tom. Next up, we have Henry Meyer from Goldman Sachs. Go ahead, Henry.

Mr Meyer: (Goldman Sachs, Analyst) Morning team, thanks for the update. Just initially, hoping you could step through what's driving these PPA restatements to leases. Would the \$45 million EBITDA benefit we saw last year be fairly consistent with '26? Just trying to split out of the guidance increase, how much of that would be from the accounting change and how much would be underlying?

Mr Brown: Yes, thanks Henry. So firstly, we've obviously made the decision to restate the accounting of those legacy PPAs. What's most important is there is no impact on cash at all and there is very immaterial impacts on the P&L, the balance sheet and, just as importantly, the credit metrics. You can see in the prior period comparisons, the adjustments there and you've quoted some numbers. What I can say in the current period is those number adjustments are very immaterial and certainly much lower than the prior period. So, in our consideration, they're very immaterial and we should take that into consideration.

There is some moving geography of these adjustments in the balance sheet. Effectively what we've done is we've reversed some of the onerous provision and we've created a corresponding lease liability and right of use asset. But again, you can also see a very immaterial impact the balance sheet.

Mr Meyer: (Goldman Sachs, Analyst) Okay, thanks Gary.

Mr Thompson: Thanks, Henry. Next up we have Anthony Moulder from Jefferies. Go ahead, Anthony.

Mr Moulder: (Jefferies, Analyst) Yes, good morning all. I just wanted to follow on from Tom's question because it sounded like interconnected issues are going to be solved, or we'll have a feather interconnector at some point with South Australia. The demand is increasing, which we all know. Volatility, that's still going to be – or your expectation of high volatility comes from, is it, coal generation coming out that seems more longer term? Just trying to understand the confidence that you have in that high volatility in the more immediate term before that coal generation ultimately comes out please.

Mr Nicks: Yes sure. So what we did, we included a couple of slides in the deck, slide 13 is probably the one I'd point you to. One, you can just see how – HY25 was a very high volatility period. HY26 was unusually low. We saw less transmission constraints in that half as well. So, if you look then into H2, if you look where the trend is, those trends are often higher in H2 as well. So

our confidence is not so much that there won't be different periods with some higher volatility, some lower volatility, it's over the cycle we see volatility in the system. That's how the system was designed and as both new assets come in and new assets come out, we will see that volatility continuing to play through the marketplace and we see H1 '26 as unusually low.

Mr Moulder: (Jefferies, Analyst) To follow up on that, you're not seeing a reduction in volatility as more households take up battery solar and that interconnect comes back in line?

Mr Nicks: Look, I think the way to think about it, if you look at what is required in this marketplace, it's almost 45 gigawatts of new battery capacity. It is enormous what's required and there's roughly 10 in the market today. So a huge amount needs to be built over the next 10 years and therefore also as you're seeing assets come out of the market, you're going to see that volatility continue to move through the cycle. So I think battery volatility will continue to play a role. That's why we're continuing to invest in large-scale batteries, because we think there is still enormous value in those batteries and we're making some good progress there on bringing more online.

Mr Moulder: (Jefferies, Analyst) Thank you.

Mr Thompson: Thanks, Anthony. Next up, we have Ian Myles from Macquarie. Go ahead, Ian.

Mr Myles: (Macquarie, Analyst) Good segue, congrats on the result. Can you just talk a bit more on the batteries? You talked about firm batteries coming online for now 12 months and you actually haven't made an FID. I'm intrigued on what gets you to that FID. I'm interested in the government batteries coming out at the retail level, are we seeing any implications at the retail level for demand growth because they would probably replace some of the need for grid-scale electricity?

Mr Nicks: Yes, thanks Ian. So, breaking down the question, first part was on firm power. We continue to make great progress there on that particular portfolio. We haven't brought any to market just yet. I think the way to think about this, we are using absolute capital discipline to bring the right batteries to the market at the right time. That doesn't mean we won't bring any from firm power. We've got a number at the moment in the pipeline. The ones we're obviously bringing to market first have been Tomago and Liddell, they were the most progressed, but we'll continue – I think the answer is you'll see in time some of those batteries come into the portfolio. We've got a huge amount to build over the next, what is it, three to four years and so you'll see us progressively rolling those through based on where we think we get the greatest returns in the greatest part of the market.

Then if I turn to your second part of the question, which was around the consumer, interestingly and what has it been, I don't know, 250,000-odd batteries now, what we've seen in some cases, which I think is also

interesting, is some of those customers are ending up using more energy as a result through this. So I think what we need in the system though, we need to be able to orchestrate those batteries to ultimately share value between the customer and the system, but also then so we can help manage some of that demand.

I think both the residential battery and grid scale batteries will play a role and that's why, if I think about Jo's customer business, we're outperforming at the moment in terms of the number of batteries. We are both contracting but also, joining the VPP, we made a big change back in, I think it was December, to enable us to connect significantly more batteries into our systems. In the past, it was quite limited, so that's seeing a lot more people connect in now. It is now about making sure we make this as simple as possible for our customers. The transition is complex, so we want to make sure it's simple for them and they also get that value from the battery on the way through.

Mr Myles: (Macquarie, Analyst) All right.

Mr Thompson: Thanks Ian. Next up we have Gordon Ramsay from RBC. Go ahead Gordon.

Mr Ramsay: (RBC, Analyst) Thank you very much and congratulations Damien and the executive team on a good result. My question relates around your lowering costs and exposure to the low negative prices. To what degree has Bayswater's two-shifting strategy helped reduce costs and lower exposure to periods of low and negative prices and how is asset fleet availability going to improve though the second half of FY26?

Mr Nicks: Thanks Gordon. So if I just start on the cost piece first, we've obviously announced today targeting a \$50 million net – and I'll make it clear, a net cost reduction into FY27. So what I mean by that is, that is after absorbing inflation as well, so it is a significant number. It's across both labour and non-labour through the whole organisation. Never an easy thing to do, but we're making good progress on it and we're seeing the benefits, even in the half, starting to roll through and you'll see the full year benefit into FY27.

In terms of your question on Bayswater itself, we are still continuing to do the two-shifting trials and we will continue to do that. We're seeing some great success. The team is doing a great job. We've run a number of trials. I actually don't know how many now because it's been quite numerous. For us, it's about really now getting our hands on all of the data, all of the information, so both from a trading perspective and an operational perspective, we can optimise when those assets both come out and into the system. The last one we did, I think we bought in and out within 30 seconds of our targeted time, so that's pretty impressive on big kit like that. But again, we're still in that pilot phase.

I think the way to think about assets like this, both Bayswater and Loy Yang, is there'll be optionality around two-shifting, there'll be optionality around

mothballing, there'll be optionality around sweet spot running. They're all the sort of things we're working our way through. So as you get into the next five, 10 years, you're actually making decisions on how you run the assets very differently, but you've got the data behind it. Because, to your point, what's critical – and as we said at the full year – is getting asset availability to where we want it to be. You saw that come up in the half, which was great to see. We see further improvement into the second half and that's all around the investment we're making in the assets, both on availability and flexibility. So we'll continue to see improved performances in the fleet.

Mr Ramsay: (RBC, Analyst) Thank you.

Mr Thompson: Thanks Gordon. We have another question from Rob Koh at Morgan Stanley. Go ahead Rob.

Mr Koh: (Morgan Stanley, Analyst) Yes, good morning. Allow me to join the queue of people congratulating you on the result. I don't know if you've got your floor management team there, I thought we might try and ask the question and give some of the other team members a chance to speak. I guess my question relates to – Mr Brown flagged a new two-gigawatt wind vehicle potentially coming to market. Can you maybe give us some colour on that in terms of what kind of PPA prices are you seeing? Does AGL need to provide capital to that vehicle? What kinds of things are you needing to see to reach FID on new wind farms at this point?

Mr Nicks: Rob, are you suggesting you're sick of hearing my voice? I'll hand straight to Gary.

Mr Brown: Okay. Hi Rob. So look, it's very early preliminary stages around the option of a funding vehicle. So we are exploring that at the moment and if you think about it, we've got a number of wind projects that are very exciting opportunities, of which one of them has already got a CIS awarded to it, which are coming hopefully to FID in the next, call it, 12 to 24 months. So we have flagged in the past that we would be looking at funding capital opportunities for those. So, as I said, it's early days, but we would be looking at introducing a strong, high quality funding partner into a potential vehicle. We would likely take a small equity stake in that, but we'd be really looking to partner up with someone with a low cost of capital ultimately. Difficult to talk about what PPA prices are; it's way too early. But, as you'd expect, they would be typically market-driven type prices.

Mr Koh: (Morgan Stanley, Analyst) Okay, great. Thank you. If I can sneak in a second question in the same kind of ballpark, with your K2 expenditure, you've given us the turbine costs, I presume you haven't yet reached FID, but could you maybe give us a sense of what kind of balance of plant cost we should be thinking?

Mr Nicks: Rob, look I won't give you that at this point in time. We're continuing to work our way through that. Look, we're really positive around the WA and the

growth in that market. Let me just say, watch this space as we continue to work through that. You're right, we've given you the engines, we haven't given it to you all yet, but we'll continue to watch that space because I think the growth in WA with both the peaker and Waddi Wind Farm and that business, we're really excited about what we can do over there. So, I'll come back to you at another time.

Mr Koh: (Morgan Stanley, Analyst) Yes, okay, no problem. Thank you so much.

Mr Thompson: Thanks Rob. Next up we have Dale Koenders from Barrenjoey. Go ahead, Dale.

Mr Koenders: (Barrenjoey, Analyst) Morning team. Just firstly on the \$50 million cost out program, I just wanted to confirm slide 20 where you've showed that costs step up for '26 in the forecast, are we to assume FY27 costs are then 1,780? Is that right or is the sum of the costs out being realised this year?

Mr Brown: Yes, so the way you should look at that, Dale and I'm sort of repeating Damien to a certain extent, is it's a \$50 million net reduction, so that's obviously after the impacts of inflation. So we would expect that we would see roughly a \$50 million reduction year on year.

Mr Koenders: (Barrenjoey, Analyst) Then as we think about the EBITDA comment you'd said previously around flat EBITDA outlook, that was obviously before this cost out and before electricity costs fell away a little bit, should we be thinking about they're the two big moving pieces for '27 and they're likely offsetting each other still? Or are there other moving pieces we should be thinking about?

Mr Brown: So just to be really clear, we have not guided for FY27. So I think the discussion there was around probably consensus versus where we've put our forecast out. So we have not provided any guidance into future periods at this stage.

Mr Koenders: (Barrenjoey, Analyst) Okay, can you maybe provide some comment on the moving pieces that we should be thinking about? It seems like cost out, electricity price, the growing battery earnings, is there anything else we should think of?

Mr Nicks: Yes, I think that's right. So it's cost out, one, well not one, but not in a particular order. Two, it will be movements in the wholesale electricity prices. Then three, I think ongoing performance of the business and operational performance, plant performance, that's the other one.

Then battery earnings, we said that in last results too, Dale, we still stand behind that position where we said last August that battery earnings, as the batteries come in, will more than offset the loss of earnings from coal and gas. I think that's an important statement to continue out there because the battery performance is going better than we had anticipated. You can see

that through the results and you can see that's why we continue to invest heavily there.

Mr Koenders: (Barrenjoey, Analyst) Okay, thanks guys.

Mr Thompson: Thanks Dale. We've got one more question from Henry Meyer at Goldman Sachs. Go ahead, Henry.

Mr Meyer: (Goldman Sachs, Analyst) Thanks, for taking another one. Just interested in the Bayswater/Tomago contract expiry. Can you share how you're expecting maybe Snowy would supply that power and whether Bayswater would need to support any kind of swaps or what prices you might expect as that contract rolls?

Mr Nicks: Yes, thanks. Firstly, look, pleased to see that Tomago smelter will still be in the system from both an industrial point of view and people point of view. We don't have any details yet as to how that will play through Snowy. All we understand, through the press, it will go through the Snowy vehicle. In terms of how Snowy then is able to service that, that's really a question for Snowy. From our perspective, we obviously know we've got one of the lowest cost generator – we have the lowest cost generator in New South Wales, so we are well placed in the market, whether that's Snowy or other opportunities.

Mr Meyer: (Goldman Sachs, Analyst) Thank you.

Mr Thompson: Thanks, Henry. As there are no further questions, this concludes our Q&A session. Thank you everyone for listening.

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