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ASX ANNOUNCEMENT

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

APA delivers solid 1H24 results with growth in earnings, distributions and free cash flow

Leading Australian energy infrastructure business, APA Group (ASX:APA), today announces its financial results for the half year ended 31 December 2023 (1H24).

In 1H24 APA delivered growth in earnings, distributions and free cash flow and completed the Pilbara Energy System (Pilbara Energy) acquisition (Alinta), a key milestone in the execution of APA's remote grid growth strategy.

Key highlights

- 1H24 Underlying EBITDA up 5.8% to $930 million (1H23: $879 million), underpinned by inflation linked tariff escalation and solid performances from recent acquisitions, including a six-month contribution from Basslink and a two-month contribution from Pilbara Energy which were both in line with their business cases.
- Statutory net profit after tax (including significant items) of $1,049 million (1H23: $191 million) was driven by the acquisition of Pilbara Energy. Significant items of $975 million were recorded due to the re-measurement of APA's previously held interest of 88.2% in Goldfields Gas Transmission Pipeline (GGTP) in accordance with accounting standards partly offset by acquisition and stamp duty costs of $76 million incurred on the acquisition of Pilbara Energy.
- Free Cash Flow[1] up 12.8% to $546 million (1H23: $484 million) due to increased earnings as well as the timing of a cash receipt in 1H23 (received at the start of January 2023 rather than the end of December 2022). This was partially offset by higher stay in business capital expenditure. Free Cash Flow was 4.0% higher excluding the timing impact of the cash receipt.
- $2.2 billion in capital investment, supporting safe and reliable operations, the Pilbara Energy acquisition and the delivery of organic growth projects, including the Northern Goldfields Interconnect pipeline, the East Coast Grid expansion (Stage 2), and the Kurri Kurri Lateral Pipeline.
- 1H24 interim distribution of 26.5 cents per security, up 1.9% (1H23: 26.0 cents per security). FY24 distribution guidance is reaffirmed at 56.0 cents per security, forecast to be up 1.8% on FY23[2]. In light of the recent Pilbara Energy acquisition, Underlying EBITDA guidance is being provided for FY24 of $1,870m to $1,910m[3].

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[1] Free Cash Flow is Operating Cash Flow adjusted for strategically significant transformation projects, acquisition and integration costs, payroll remediation payments to employees, less stay-in-business (SIB) capex. SIB capex includes operational assets lifecycle replacement costs and technology lifecycle costs.

[2] Distribution guidance is subject to asset performance, macroeconomic factors, regulatory changes as well as timing of distributions from non-100% owned assets, with distributions to be determined at the Board's discretion. It does not take into account the impact of any potential acquisitions or divestments by APA and any associated funding arrangements.

[3] FY24 Underlying EBITDA guidance has been provided by APA in light of the recent Pilbara Energy acquisition. APA's Market Disclosure Policy states that APA does not ordinarily provide earnings guidance or interest guidance, however the ongoing provision of guidance will be considered by the Board at a future time. Underlying EBITDA guidance is subject to asset performance, macroeconomic factors and regulatory changes. It does not take into account the impact of any potential acquisitions or divestments by APA. For further information regarding revenue and cost considerations please see the 2023 November Investor Day presentation released on ASX on 15 November 2023, page 30. Underlying EBITDA 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 on the ASX on 22 February 2024.

- Pilbara Energy and Basslink, both recently acquired, have delivered earnings in line with their acquisition business cases and their integrations remain on track.
- Continued progress on sustainability priorities, including progress with Climate Transition Plan interim targets and goals and the release of our inaugural Reconciliation Action Plan.

CEO comments

APA CEO and Managing Director, Adam Watson, said:

"APA delivered a solid financial and operating result in the first half of FY24, with revenue, earnings and distributions growth, building on the 19 years of distribution growth.

"We have continued to make strong progress with the execution of our customer-focussed strategy as we pursue value accretive growth opportunities in our four target areas of remote grid energy solutions, gas transmission, electricity transmission and future energy.

"Our Pilbara Energy (Alinta) acquisition was completed in the half, establishing a growth platform in one of the world's leading resources regions. Integration is tracking well and performance to date is in line with our business case.

"Similarly, our other recent acquisition, Basslink, delivered earnings in line with its acquisition business case and its integration is nearing completion.

"In August 2023, we finalised a memorandum of understanding with one of the world's largest electricity transmission businesses, EDF Group, further strengthening our ability to support the build out of Australia's renewable energy zone and other large electricity projects.

"The successful completion of an equity raising, new debt facilities and the placement of new hybrid securities in the first six months of FY24 has strengthened our balance sheet. We will continue to leverage our capabilities as a long-term owner and operator of critical energy infrastructure as we allocate free cash flow to maximise securityholder value."

1H24 interim distribution

The Board of Directors has resolved to pay an interim distribution for 1H24 of 26.5 cents per security. This represents a 1.9% increase on the 1H23 interim distribution of 26.0 cents per security.

The 26.5 cent interim distribution is comprised of an unfranked profit distribution of 25.63 cents per security from APA Infrastructure Trust (APA Infra) and a distribution of 0.87 cents per security from APA Investment Trust (APA Invest). The APA Invest distribution represents an unfranked profit distribution of 0.57 cents per security and a capital distribution of 0.30 per security. The interim distribution is expected to be paid on 14 March 2024. The Distribution Reinvestment Plan was reactivated on 25 October 2023.

FY24 outlook

Based on current available information, FY24 distributions are expected to be 56.0 cents per security[4], an increase of 1.8% on FY23. As outlined at the FY23 result in August 2023, APA's guidance on FY24 distribution growth compared to FY23 recognises the need to fund APA's organic growth profile, ongoing foundation investment (includes technology, emissions reduction, physical asset security) and the expected resumption of cash tax payments for FY24 and later periods, while maintaining our investment grade credit ratings.

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[4] Distribution guidance is subject to asset performance, macroeconomic factors, regulatory changes as well as timing of distributions from non-100% owned assets, with distributions to be determined at the discretion of the Board at the time. FY24 distribution guidance of 56.0 cps includes 26.5 cps of distribution for the six months ended 31 December 2023.

In light of the recent Pilbara Energy acquisition, Underlying EBITDA guidance is being provided for FY24 of $1,870m to $1,910m[5]. The components of this guidance, notably revenue and costs, incorporate all considerations previously provided at the FY23 results and the November 2023 investor day[6].

Webcast and conference call

APA will hold a webcast call to provide further detail on the 1H24 financial results and progress on strategic priorities at 10.30am (AEDT). The webcast is accessible via a link here.

-ENDS-

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. We own and/or manage and operate a diverse, $27 billion portfolio of gas, electricity, solar and wind assets. Consistent with our purpose to strengthen communities through responsible energy, we deliver approximately half of the nation's gas usage and connect Victoria with South Australia, Tasmania with Victoria and New South Wales with Queensland through our investments in electricity transmission assets. We also own and operate renewable power generation assets in Australia, with wind and solar projects 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.

[5] FY24 Underlying EBITDA guidance has been provided by APA in light of the recent Pilbara Energy acquisition. APA's Market Disclosure Policy states that APA does not ordinarily provide earnings guidance or interest guidance, however the ongoing provision of guidance will be considered by the Board at a future time. Underlying EBITDA guidance is subject to asset performance, macroeconomic factors and regulatory changes. It does not take into account the impact of any potential acquisitions or divestments by APA. Underlying EBITDA 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 on the ASX on 22 February 2024.

[6] For further information regarding revenue and cost considerations please see the 2023 November Investor Day presentation released on ASX on 15 November 2023, page 30.

Appendix 1: Financial Results

Financial summary		1H24	1H23	% Change[1]
Revenue (excluding pass through)[2]	$m	1,274	1,232	3.4%
Segment revenue (excluding pass-through)[3]	$m	1,271	1,175	8.2%
Underlying EBITDA[4]	**$m**	**930**	**879**	**5.8%**
Non operating items[5]	$m	(90)	11	n.m.
Reported EBITDA[6]	$m	840	890	(5.6%)
Depreciation and amortisation	$m	(435)	(356)	(22.2%)
Net interest expense[7]	$m	(260)	(229)	(13.5%)
Income tax expense (excluding significant items)	$m	(71)	(114)	37.7%
NPAT (excluding significant items)	$m	74	191	(61.3%)
Significant items after tax[8]	$m	975	-	n.m.
Statutory NPAT (including significant items)	$m	1,049	191	n.m.
Free Cash Flow[9]	$m	546	484	12.8%
Distribution per security	**cent**	**26.5**	**26.0**	**1.9%**
Cash and undrawn debt facilities[10]	$m	2,938	2,268	29.5%

(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 Gas 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 are due to the remeasurement of APA's previously held interest in GGTP, partly offset by acquisition and stamp duty costs incurred on the acquisition of Pilbara Energy.
(9) Free Cash Flow is Operating Cash Flow adjusted for strategically significant transformation projects, acquisition and integration costs, payroll remediation payments to employees, 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

- 1H24 Segment revenue (excluding pass through) increased 8.2% to $1,271 million. Underlying EBITDA was up 5.8% to $930 million.
- The result included a net loss from non-operating items of $90 million (1H23: net gain of $11 million). Adjusting for this, reported EBITDA[7] was down 5.6% to $840 million (1H23: $890 million).
- Depreciation and amortisation expense increased 22.2% to $435 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 37.7% to $71 million (1H23: $114 million) due to additional depreciation and amortisation charges, net finance costs, as well as an increase in 1H24 non-operating expenses.

[7] Earnings before interest, tax, depreciation, and amortisation ("EBITDA") including non-operating items and excluding significant items.

- Significant items of $975 million due to the remeasurement of APA's previously held interest of 88.2% in GGTP as required by accounting standards and was partly offset acquisition and stamp duty costs of $76 million incurred on the acquisition of Pilbara Energy.
- Statutory NPAT (including significant items) increased 449.2% to $1,049 million (1H23: $191 million) driven by the acquisition of Pilbara Energy and the gain on remeasurement of APA's previously held interest of 88.2% in GGTP.
- Free cash flow increased 12.8% to $546 million (1H23: $484 million), due to increased earnings as well as the timing of a large cash receipt in 1H23 (received at the start of January 2023 rather than the end of December 2022) which was partially offset by higher Stay in Business capex.

Appendix 2: Financial Result – EBITDA by segment

EBITDA by segment		1H24	1H23	% Change[1]
East Coast	$m	349	345	1.2%
West Coast	$m	165	152	8.6%
Wallumbilla Gladstone Pipeline[2]	$m	321	297	8.1%
Power Generation	$m	110	105	4.8%
Electricity Transmission	$m	17	8	112.5%
Total Energy Infrastructure	$m	962	907	6.1%
Asset Management	$m	34	33	3.0%
Energy Investments	$m	13	11	18.2%
Corporate Costs	$m	(79)	(72)	(9.7%)
Underlying EBITDA[3]	**$m**	**930**	**879**	**5.8%**

(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 5.8%.
- East Coast up 1.2% driven by higher inflation-linked revenue. This was partially offset by lower volumes at the Victorian Transmission System due to a warmer winter and a decrease in short term gas contracts on the Roma Brisbane Pipeline.
- West Coast up 8.6% driven by higher inflation-linked revenue, the acquisition of the remaining 11.8% interest in the GGTP, and the commissioning of Northern Goldfields Interconnect.
- Wallumbilla Gladstone Pipeline up 8.1% driven by tariff escalation which is linked to the US inflation rate and favourable foreign exchange rates during the period.
- Power Generation up 4.8% driven by the acquisition of the Pilbara Energy assets, initial contribution from Dugald River Solar Farm, and was partly offset by lower variable revenue and higher costs at Diamantina Power Station.
- Electricity Transmission up 112.5% due to full half year contribution from Basslink and was partially offset by business development costs.
- Asset Management up 3.0% with a change in project mix (lower cost plus margin projects and higher customer contribution projects) resulting in lower revenue but higher EBITDA compared to 1H23.
- Energy Investments up 18.2% largely due to a higher SEAGas and GDI contribution.
- Corporate costs up 9.7% due to investment in corporate capability, technology, sustainability and a non-cash Long Term Incentives (LTI) mark-to-market adjustment. Corporate costs are up 5.6% excluding the impact of the LTI adjustment.