APA Group FY25 FY Results
20 August 2025

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Check against delivery

CEO and Managing Director Adam Watson address

Good morning everyone.

Thank you for joining us at today's FY25 results presentation.

I'm joined by Garrick Rollason, our CFO, as well as our Investor Relations team.

Let me start by acknowledging the Gadigal people of the Eora nation, Traditional Custodians of the land on which I'm speaking.

First Nations people have taken care of our lands and waterways for the past 60,000 years.

We acknowledge and pay our respects to their Elders past and present.

As always, I'll start today's presentation with a safety share, on slide 4.

In the Pilbara region of Western Australia, which is prone to cyclones, APA's Port Hedland Solar and Battery Project was built to withstand wind speeds of up to 288km per hour - a 1 in 500-year event.

In February 2025, Cyclone Zelia brought destructive weather to the region.

It was pleasing to see that, notwithstanding these challenging conditions, APA's infrastructure enabled operational continuity for our customers, and all of our people were safe.

Moving to slide 5.

On 13 June this year, we marked 25 years since listing on the ASX.

The photo on the top left, is the day-one management team, including the Group's first CEO, the late Jim McDonald, as well as Mick McCormack, who was our CEO for 14 years.

This team set the pathway for growth, and the generation of significant securityholder value.

FY25 marked the 21st consecutive year of distribution growth. We believe APA is one of only two companies on the ASX to have achieved this.

Moving to slide 6.

There are three key takeaways from today's result:

First, we've delivered a strong financial and operating result, and have a strong outlook for the year ahead.

FY25 EBITDA is up 6.4%, at the top-end of guidance.

EBITDA margins have increased.

The midpoint of our FY26 EBITDA guidance, would represent a 7.2% increase on FY25.

And we've delivered, and guided towards, ongoing year-on-year distribution growth.

Second, we've taken steps over the last year to simplify our business.

In FY25, we've delivered cost growth below inflation, and today we have announced a cost-out target of approximately $50 million dollars for FY26.

Yesterday, we announced the accretive sale of our non-core Networks business.

And we've addressed regulatory risks, with positive outcomes for both the South West Queensland Pipeline and Basslink.

Third, we have strong momentum executing our strategy.

We've successfully commissioned a number of important construction projects.

Our organic growth pipeline has increased from $1.8 billion to $2.1 billion dollars.

And our credit metrics improved from 10.1% to 10.4%, which means we can comfortably fund our organic growth pipeline from our existing balance sheet.

Moving now to slide 8.

Suffice to say, we're very pleased with our financial results for FY25, and our outlook for FY26.

FY25 Underlying EBITDA growth of 6.4% is a great result.

Underlying EBITDA margins increased, supported by the investments we've made in recent years in the foundations of our business - which have facilitated the delivery of our cost reduction initiatives.

Growth in our Operating Cash Flow was strong.

Free Cash Flow is marginally higher than last year, remembering that we are back to tax paying status, and, that we continue to use our cash flows to fund investments.

As mentioned, our FY25 distribution of 57 cents per security, is up 1 cent on last year, and in line with guidance.

Looking to the year ahead, our distribution guidance for FY26 is 58 cents per security, up a further cent, in what we expect to be our 22nd consecutive year of distribution growth.

Our underlying EBITDA guidance for FY26 is between $2.12 billion and $2.2 billion dollars, with the midpoint of this guidance 7.2% higher than FY25.

That means, earnings growth for FY26 is expected to be even higher than FY25.

And it also means we're continuing to deliver earnings growth ahead of inflation.

On slide 9 we call out the continued progress we're making with our key non-financial metrics.

While our safety performance was generally strong, we regrettably had one serious harm incident involving an all-terrain vehicle. This is a reminder that we must always be vigilant in our pursuit for safety excellence.

We progressed a number of growth projects with our customers, completing construction of the Port Hedland Solar and Battery Project; completing the Kurri Kurri Lateral; and delivering early works on the East Coast Gas Grid Expansion; and the Sturt Plateau Pipeline in the Beetaloo.

Employee engagement, as measured through our Employee Experience score, was 70%, consistent with the previous year.

We also delivered all commitments under our Reflect Reconciliation Action Plan, and have now launched our Innovate RAP.

And finally, on climate, we're delivering on our commitments, and we've reaffirmed our headline 2030 targets and goals in our 2025 Climate Transition Plan.

Slide 10 highlights our strong foundations for growth.

We're being disciplined - prioritising growth projects that will deliver the highest returns for our securityholders.

We're confident about the need for new gas transmission infrastructure to support new gas fields, such as the Beetaloo Basin, and to transport gas north to south, via our East Coast Gas Grid.

We see strong, growing demand for Gas Power Generation.

And we remain confident about the value creation to be delivered by recent acquisitions – that is, Pilbara Energy and Basslink.

Our balance sheet is strong, with the ability to fund our $2.1 billion dollar organic growth pipeline from existing capacity.

We've successfully addressed regulatory concerns, ensuring the South West Queensland Pipeline avoids heavy regulation, which is key to ensuring we can continue to expand our East Coast Gas Grid.

And we've made a positive step forward with Basslink, having received confirmation that it will be regulated, assuming we can agree a reasonable regulated asset base over the coming months.

We've taken a number of steps to simplify our business and make it more efficient.

Yesterday, we announced an agreement to divest our non-core Networks business, as I mentioned earlier. We've exited the contract early – which was due to expire in 2027 - to ensure we're focussed on our core business and growth pipeline, noting the transaction is also value accretive.

We recently made the tough decision to withdraw from the large east coast electricity transmission projects - to simplify our business, reduce costs and ensure our people are focussed on our core growth markets, that deliver the highest securityholder returns.

And we're simplifying our business through a comprehensive, enterprise-wide cost reduction initiative, that's now well underway.

I'll now hand to Garrick for a deeper dive into our financial performance.

CFO address Garrick Rollason

Thanks Adam, and good morning everyone.

I would like to make three key points today on our financial year 2025 results

First, the business has delivered strong earnings growth, with underlying EBITDA up 6.4 per cent to over two billion dollars. This is the first time APA has delivered annual earnings of over $2 billion.

Second, our balance sheet remains strong, and we are well positioned to fund growth along with growing distributions to securityholders.

And finally, our inflation-linked cash flows, strong customer demand and disciplined focus on reducing costs, means we are well positioned to create value with the organic growth opportunities in front of us.

Moving to our headline financials on slide 12.

The FY25 results deliver Underlying EBITDA at the top end of guidance and continued growth in distributions.

Pleasingly, underlying EBITDA margin expanded to 74.2 per cent, supported by the stronger operating result and corporate cost growth below inflation.

Free cash flow was up by one per cent to almost $1.1 billion. This reflects higher underlying earnings, partially offset by increased funding costs and cash tax payments.

Moving to slide 13. I'll step through the drivers of our 6.4 per cent uplift in underlying EBITDA.

On the east coast, there was increased demand from customers for seasonal capacity, inflation-linked tariff escalations and ongoing strong customer recontracting.

Additionally, as disclosed at the half, we received $13 million in insurance proceeds relating to the Moomba Sydney Ethane Pipeline. In FY26, following the MSEP conversion, we expect to recommence revenue from this asset.

On the west coast, higher ownership of the Goldfields Gas Pipeline and increased customer demand on NGI contributed to higher earnings.

The Pilbara Energy assets drove strong growth in contracted power generation earnings, in line with expectations.

Finally, corporate costs increased by 2.5 per cent.

Pleasingly, we delivered corporate costs growth below inflation.

And as Adam mentioned, we have progressed work to optimise APA's cost base with targeted reduction initiatives. I'll have more to say on this later in the presentation.

Slide 14 summarises the movement in free cash flow, which was up almost 1 per cent to approximately $1.1 billion.

The benefit from the uplift in Underlying EBITDA was partially offset by higher interest and cash tax paid.

Higher interest costs reflect the new debt issuances, a full 12 months of interest on hybrid securities and an overall increase in net debt to support our organic growth.

Looking forward to FY26, increased underlying EBITDA will be offset by increased debt funding costs, as we continue to invest in growth.

Slide 15 takes a look at statutory NPAT.

Net profit after tax excluding significant items of $129 million dollars is 8.4% higher than the corresponding period. This is despite, an increase in depreciation and amortisation due to the inclusion of the Pilbara Energy assets and increased net interest.

Moving to capital expenditure on slide 16.

During the year we invested in growth capital expenditure through the completion of both the Kurri Kurri lateral pipeline and the Port Hedland solar and BESS projects. These projects contributed earnings at the back end of the second half, as expected.

We also invested in the east coast gas grid expansion, including the MSEP natural gas conversion and MSP summer capacity expansion, as well as the acquisition of the Atlas to Reedy Creek pipeline.

Foundational capex in FY25 was lower than expected as we worked to efficiently reduce and defer these expenditures.

We are expecting foundational capex of between $100 to $120 million in FY26 and FY27. This will moderate to around $80 million in FY28 and further moderate beyond FY28, with a principal focus on Emissions Reduction commitments.

It is important to note that our investment in foundational technology capex is now being leveraged to drive productivity improvements from data and AI.

Stay in Business capex was slightly higher for the year than guided, but we continue to expect expenditure at around $200 to $210 million per annum over the next three years.

As Adam said previously, we have increased our organic growth capex pipeline from $1.8 billion to approximately $2.1 billion over the next three years, which we can fund from the existing balance sheet without ordinary equity raisings other than the DRP.

Turning now to our capital management and debt metrics on slide 17.

We remain well positioned, with a healthy spread of debt maturities and a significant amount of liquidity, to support investment in growth.

In the year, we undertook a number of capital management initiatives which have further strengthened our balance sheet position.

These included our very successful return to the $US bond market, where we raised US$1.25 billion with 10 and 20-year maturities. This enabled us to proactively repay early the outstanding US$ notes in September.

We have no existing drawn debt maturities until March 2027.

As noted earlier, funds from operations to net debt at June was 10.4 per cent, comfortably above our target of 9.5 per cent. This implies debt capacity at year end of $1.1 billion.

This metric remains consistent with our triple B flat, Baa2 credit ratings, and is in line with the rating agency expectations. We remain committed to our current investment grade credit ratings.

Moving to slide 18, I want to remind you of APA's capital allocation framework. This continues to be a key consideration for our decision making as we assess our growth opportunities.

The framework is designed to ensure we allocate our free cash flow to those initiatives that can create the most value for our securityholders.

To that point, I'll outline our approach to funding organic growth on slide 19.

We have existing balance sheet capacity to fund our $2.1 billion organic growth pipeline over FY26 to FY28.

Apart from the DRP, APA does not need to issue ordinary equity to fund this identified growth pipeline.

The $2.1 billion includes inflight and probable growth projects across gas transmission and storage, GPG and contracted remote power generation.

This strong position, combined with active capital management and the predictable, capacity-based, inflation-linked revenues we have highlighted today, leaves us well positioned to deliver on our organic growth opportunities.

By focussing on an efficient cost base and increasing free cash flow, our balance sheet capacity increases year on year.

The inflation-linkage on our tariffs combined with participation in the DRP provide incrementally up to $600 million of additional capex funding every year.

This is before taking into account any funding benefits from cost optimisations and potential proceeds from asset recycling.

In short, we are very confident in the funding flexibility we have to meet the attractive growth opportunities available to us.

This growth agenda brings me to our FY26 underlying EBITDA guidance on slide 20.

Today we are providing FY26 underlying EBITDA guidance of between $2.12 billion and $2.2 billion.

At the midpoint, this represents a 7.2% growth year-on-year, even higher than the 6.4% growth we have delivered this year, despite the loss of earnings following the sale of the Networks business.

Key drivers of the growth in earnings include inflation-linked tariff revenues and contributions from new assets.

Cost reduction initiatives are expected to contribute $50 million in FY26, with full year of savings to come through in FY27. The majority of cost benefits in FY26 will be realised in operating costs.

Savings from the change in our electricity transmission strategy will be reported within operating costs for electricity transmission, rather than corporate costs.

And further savings in corporate costs will come through in FY27.

These drivers of earnings growth are offset in part by the divestment of our Networks business as announced yesterday, which is expected to complete by the end of calendar year 2025.

Importantly, this will significantly simplify our operating business by reducing headcount by approximately 725 people. The contract under which we provided these services to the asset owner was due to expire in 2027.

The asset sale will reduce FY26 earnings by about $15 million, and we expect a value accretive outcome from the sale, inclusive of the Transition Services Agreement.

With regards to Basslink earnings, as you are aware, the AER announced in June its final decision to convert Basslink into a regulated asset. We expect that this will take effect from July next year, subject to the agreement of an acceptable RAB. In the interim, we will trade the asset in the spot market.

Our earnings guidance for FY26 assumes Basslink contributes earnings in line with FY25. However, earnings from the asset may be subject to potentially material volatility and fluctuations.

My final slide provides an update on our initiatives to enhance securityholder value.

First, we have simplified the business by refining our electricity transmission strategy to focus on projects that complement our existing infrastructure, and also signed an agreement to divest our Networks business, as we move away from operating assets we do not own.

Second, we are targeting material productivity and cost improvements across the business, with an initial contribution of $50 million uplift in underlying EBITDA in FY26, and further savings in FY27.

And finally, we are pursuing organic growth opportunities of $2.1 billion over the next three years, to be funded from the existing balance sheet.

And with that, I'll hand back to Adam.

CEO and Managing Director Adam Watson address

Thanks Garrick.

Slide 23 sets out our strategy - which is unchanged.

Within this strategy, we've sharpened our focus, we've got strong momentum, and our balance sheet will support the delivery of strong securityholder returns.

Moving to slide 24.

Our growth pipeline is centred around markets that are large in opportunity, and where we have a competitive advantage.

Gas transmission and storage has been the foundation of APA's growth over the past 25 years - and will remain a core part of our growth story going forward.

In February, we announced our East Coast Gas Grid Expansion Plan, which will play a vital role in avoiding southern market gas shortfalls.

We continue to progress work in the Beetaloo.

And we're supporting the required investment in GPG across the country, with new lateral and gas storage infrastructure, for customers such as CS Energy in Queensland.

The outlook for GPG is compelling.

AEMO's 2024 ISP Step Change scenario, forecasts the need for 13GW of new GPG investment in the NEM, as coal retires. More recently, analysis undertaken by Griffith University suggests around 20GW of new investment is required.

The opportunities in the GPG market for APA, are significant.

APA is well positioned to support delivery of new GPG capacity, with strong existing capabilities in the delivery and operation of these assets.

And, we know energy demand growth through data centres and AI could provide additional opportunities for APA, well above these current AEMO forecasts.

Remote contracted power generation also represents a significant addressable market, where our capability is clear.

Major mining customers continue to look for reliable, low cost and lower emissions energy.

With a 4GW project pipeline in the Pilbara, and other opportunities in places like Mount Isa and Kalgoorlie - delivering bundled energy solutions for our customers in remote locations remains a key part of our growth agenda.

While the timing of commitments from our mining customers has been impacted recently by commodity prices, we remain confident about the near and longer-term demand for our infrastructure, as our customers decarbonise.

Importantly, our strategy, more broadly, spans across a number of key energy markets, thereby avoiding exposure to any single market dynamic, at any given time.

Slide 25 confirms the strong long-term demand for gas in Australia - and the significant domestic supply available to service it.

Strong demand is underpinned by industrial demand, and electrification as coal retires.

This is evidenced by AEMO's long term view of gas, which is presented on the left of the page.

The chart on the right, shows the significant volumes of domestic gas reserves and resources available to meet domestic demand - and to underpin Australia's critically important LNG export market.

There are over 68,000 petajoules of 2P reserves and 2C resources available in eastern Australia, to serve an east coast market that consumes around 500 PJs of natural gas each year.

The key point – domestic gas supply is not a constraint. Domestic supply can meet demand.

The focus of government and industry, must be, to develop the necessary steps, to unlock this domestic supply.

Moving to slide 26

We strongly believe that these domestic reserves and resources offer a lower cost and lower emissions option when compared with LNG import terminals.

As you can see on the left graph – there has only been a handful of days in the last few years, where Asian LNG spot prices, have been lower than domestic wholesale gas prices.

I remind you, that Asian LNG spot prices only accommodate landing unprocessed LNG into regions such as Japan.

It doesn't include the additional transportation and processing costs which are required to compare these spot prices to Australia's domestic wholesale gas costs.

The graph on the right, highlights the significant additional costs imposed to land imported LNG into Australia.

With high spot prices and multiple cost inputs to process and land LNG in Australia, it's just ludicrous to think that LNG imports can be delivered in Australia at prices sustainably lower than domestic gas.

From an APA perspective, we are agnostic to whether we transport domestic gas or imported LNG.

The key message - is that we want market certainty for our customers and consumers.

We need to stop the distracting debate about supporting LNG import terminals - and instead, provide certainty for the development of low-cost, reliable, domestic gas.

We must support domestic gas, so we don't allow LNG imports to set the price of domestic energy, as we've seen in places like the UK, where consumers are suffering with some of the highest energy prices in the world.

Slide 27 shows the volumes of domestic gas available in Australia and their relative well-head prices.

It suggests that our Northern basins – including the Surat and the Beetaloo – will provide the lowest cost options to meet demand.

Most notably, the forecasted production cost for Beetaloo gas, of $5.67 per GJ, demonstrates its long-term potential as an affordable source of supply.

Again, domestic gas supply is not a constraint.

Slide 28 is a reminder that pipeline capacity also isn't a constraint.

The plan we outlined earlier this year, for Stages 3-5 of our East Coast Gas Grid expansion, will play a vital role in avoiding southern market gas shortfalls.

This is confirmed by AEMO's 2025 GSOO, that identifies the 'Pipelines, Expansions and Upgrades' scenario, to be the only option where supply gaps are fully addressed out to 2044.

We're moving forward with our expansion plans, including progressing delivery of our short-term enhancements. This includes the MSEP conversion project and upgrades to boost year-round capacity on the MSP via compression.

We're continuing to work with customers on progressing the next stages - and with governments to implement the right regulatory and investment settings needed to unlock gas supply.

Moving now to slide 29.

As mentioned, significant new gas power generation capacity is essential to support Australia's energy transition.

GPG already plays a critical firming role for our energy market. As more renewables come online, and coal exits, GPG's role will become even more important.

The demand for new GPG is compelling and presents a significant opportunity for APA.

And the data on this slide doesn't yet accommodate, in any material way, the significant potential upside in demand for GPG, to support data centres and AI.

Moving to slide 30.

Contracted power generation in remote regions will also require significant investment.

The Pilbara region alone is expected to see a forty-fold increase in electricity demand from 2024 to 2050.

APA's credentials and strategic advantages in this space are significant.

We have a record of successful project delivery - and operational reliability.

We've built our reputation as a trusted partner with our customers - and we've established, and continue to strengthen, meaningful and lasting relationships with Traditional Owners.

We remain confident about the growth prospects in our remote regions.

We continue to progress projects across the Pilbara, Mt Isa and Kalgoorlie, and we're making sure we have the best sites available for our customers' future demand.

Moving to slide 32.

To wrap up:

EBITDA is up 6.4% on last year, well above inflation and towards the top-end of guidance.

The midpoint of FY26 EBITDA guidance would represent 7.2% growth.

We've expanded our EBITDA margins, delivered cost growth below inflation, and announced a $50 million cost-out target for FY26.

Distributions are higher year on year and are expected to grow again in FY26.

Our credit metrics have improved from 10.1% to 10.4%.

We've simplified APA, through our cost-out initiatives, and by divesting our non-core Networks business.

We've also successfully addressed regulatory risks.

And finally, our organic growth pipeline has increased from $1.8 billion to $2.1 billion dollars, and we have the balance sheet capacity to fund it.

We've delivered a strong FY25 result, and our FY26 outlook is even stronger, which all form part of our compelling investment thesis.

Thank you for your time. Let's now move to Q&A.

[Post Q&A]

Thank you for your questions.

If I can leave you with the key takeaways from today's result:

We've delivered FY25 EBITDA up 6.4%, at the top end of guidance.

The midpoint of our FY26 EBITDA guidance would represent a 7.2% increase on FY25.

And we've grown our FY25 distribution by 1 cent, and guide to FY26 also to grow by 1 cent.

We've taken steps over the last year to simplify our business.

We've delivered cost growth in FY25 below inflation, and today announced a cost-out target for FY26.

We announced yesterday the value-accretive sale of a non-core business, Networks.

And we've addressed regulatory risks.

Our organic growth pipeline has increased from $1.8 billion to $2.1 billion dollars.

And our credit metrics improved from 10.1% to 10.4%, which means we can comfortably fund our organic growth pipeline from our existing balance sheet.

Thank you again for your time.