

ASX Code: AGL Price: \$10.81 12 Mth Target Price: \$26.87 Rating: Sell

Business Summary

AGL Energy Limited (AGL) is an integrated energy company and owner, operator and developer of renewable energy generation in Australia. It has a diverse power generation portfolio including base, peaking and intermediate generation plants, spread across traditional thermal generation as well as renewable sources including hydro, wind, landfill gas, solar and biomass. The Company has four operating segments which are Energy Markets, Group Operations, New Energy and Investments.

Latest Research

1H FY21 in line, headwinds worsen into FY22+ despite cost out

Earnings revisions and outlook — Our FY21/22/23 EBITDA have been revised

+4%/+13%/-3%. The FY21 upgrade stems from the Click acquisition, with the 1H21 result otherwise largely in line. FY22 was further benefited by a targeted cost out of A\$150m. FY23 earnings benefit from the above; however, these were more than offset by lower gross margins forecasts in both wholesale gas on higher procurement costs, and wholesale electricity on lower long term electricity prices in SA and QLD.

Our FY21 NPAT of A\$571m (VA consensus A\$556m), falls to A\$473m by FY23,

reflecting the headwinds, particularly in a “lower for longer” electricity price environment. We argue that AGL’s earnings may have fewer hedges in place for FY22/23 given management only recently acknowledged the forward curve may not be oversold (hence last week’s impairments); therefore earnings may fall faster than prior years as wholesale electricity prices rebase lower.

For more information see full research report 12 Feb 2021.

Snapshot

Date	13 July 2023
Market Cap.	\$7,272m
Shares on issue	672.7m
12 Month High	\$11.14
12 Month Low	\$6.32

Rating

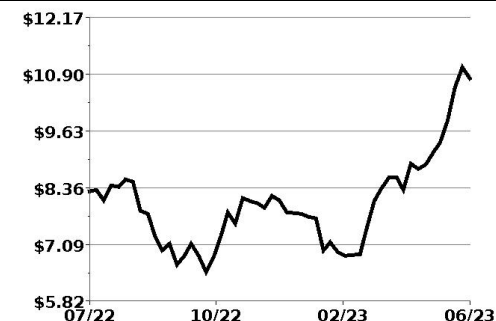
Rating	Sell
12 Mth Target Price	\$26.87
Capital Gain	148.6%
Gross Yield	13.6%
Implied Total Return	162.2%

Investment Fundamentals

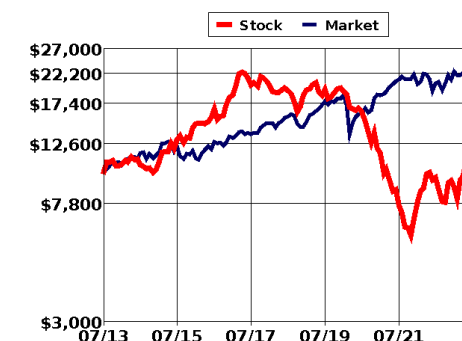
FYE 30 Jun		2016A	2017F	2018F	2019F
Profit	\$m	702.0	813.0	959.0	1,238.0
Profit (norm)*	\$m	702.0	813.0	959.0	1,238.0
EPS*	¢	104.0	122.0	148.0	193.0
EPS Growth	%	6.1	17.3	21.3	30.4
P/E*	x	10.4	8.9	7.3	5.6
P/E Relative	%	0.0	0.0	0.0	0.0
DPS	¢	68.0	93.0	112.0	145.0
Yield	%	6.3	8.6	10.4	13.4
Franking	%	100.0	80.0	80.0	80.0

* Adjusted for goodwill and unusual items
Source: Based on Citi estimates

Share Price Chart



Total Return on \$10,000 Investment



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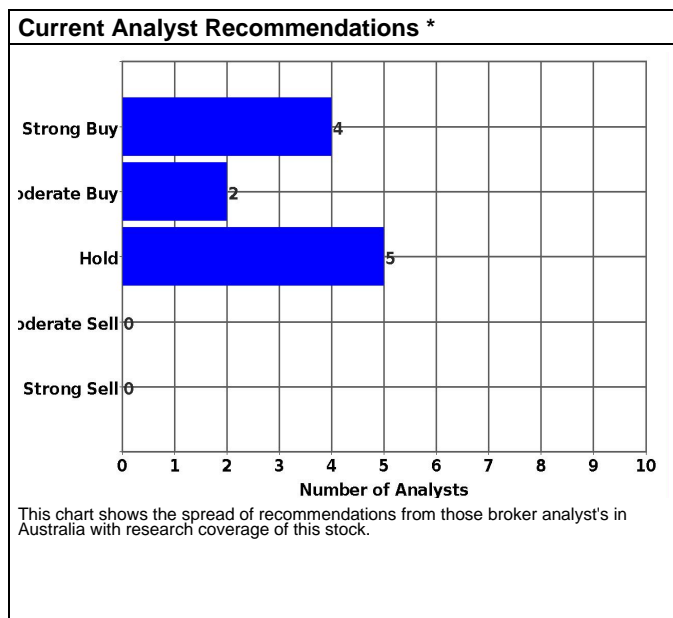
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Profit & Loss (\$M)					
	2018A	2019A	2020A	2021A	2022A
Sales Revenue	12,816	13,050	11,949	10,681	13,011
Total Revenue ex. Int.	12,847	13,300	12,160	11,063	13,241
EBITDA	3,029	2,127	2,388	81	2,542
Depreciation & Amort.	-558	-625	-756	-715	-725
Goodwill Amortisation	--	--	--	--	--
EBIT	2,471	1,502	1,632	-634	1,817
Net Interest	-213	-193	-179	-224	-217
Profit Before Tax	2,258	1,309	1,453	-858	1,600
Income Tax	-669	-374	-410	598	-384
Outside Equity Int.	--	--	--	1	7
Profit after Tax	1,589	935	1,043	-259	1,223
Significant Items after Tax	-2	-30	-28	-1,799	-363
Reported Profit after Tax	1,587	905	1,015	-2,058	860
Preferred Dividends	--	--	--	--	--

Cash Flow (\$M)					
	2018A	2019A	2020A	2021A	2022A
Receipts from Customers	14,157	14,426	13,333	11,542	13,264
Funds from Operations	2,417	1,986	2,497	1,461	1,294
Net Operating Cashflow	2,134	1,599	2,156	1,250	1,227
Capex	-720	-915	-758	-695	-636
Acquisitions & Investments	-77	-89	-88	-208	-359
Sale of Invest. & Subsid.	173	129	--	5	147
Net Investing Cashflow	-629	-904	-879	-937	-885
Proceeds from Issues	--	--	--	--	317
Dividends Paid	-682	-774	-719	-573	-317
Net Financing Cashflow	-1,196	-1,043	-1,252	-366	-303
Net Increase Cash	309	-348	25	-53	39
Cash at Beginning	154	463	115	141	88
Exchange Rate Adjust.	--	--	1	--	--
Cash at End	463	115	141	88	127

Ratios and Substantial Shareholders						
	2018A	2019A	2020A	2021A	2022A	
Profitability Ratios						
EBITDA Margin	%	23.63	16.30	19.98	0.76	19.54
EBIT Margin	%	19.28	11.51	13.66	-5.94	13.97
Net Profit Margin	%	12.40	7.16	8.73	-2.42	9.40
Return on Equity	%	18.94	11.08	12.92	-4.71	18.77
Return on Assets	%	11.92	7.27	7.96	-0.66	7.14
Debt/Safety Ratios						
Net Debt/Equity	%	28.34	32.41	36.74	56.25	42.21
Interest Cover	x	11.60	7.78	9.12	-2.83	8.37
Top 5 Substantial Shareholders						
Michael Alexander Cannon-Brookes					11.3%	

Balance Sheet (\$M)					
	2018A	2019A	2020A	2021A	2022A
Cash & Equivalent	463	115	141	88	127
Receivables	1,891	1,703	1,571	1,889	3,130
Inventories	370	388	400	418	369
Other Current Assets	1,008	1,190	1,010	1,057	5,005
Current Assets	3,806	3,396	3,122	3,675	8,631
Prop. Plant & Equipment	6,685	6,588	6,640	6,283	6,013
Intangibles	3,271	3,740	3,786	3,302	3,252
Other Non-Current Assets	1,008	1,190	1,035	1,138	5,098
Non-Current Assets	10,833	11,425	11,588	11,775	10,639
Total Assets	14,639	14,821	14,710	15,450	19,270
Interest Bearing Debt	2,841	2,850	3,108	3,185	2,878
Other Liabilities	3,408	3,533	3,527	6,759	9,875
Total Liabilities	6,249	6,383	6,635	9,944	12,753
Net Assets	8,390	8,438	8,075	5,506	6,517
Share Capital	6,223	6,223	5,603	5,601	5,918
Reserves	-102	-33	-80	15	97
Retained Earnings	2,269	2,248	2,552	-115	501
Outside Equity Int.	--	--	--	5	1
Total Shareholders Equity	8,390	8,438	8,075	5,506	6,517



Principals & Directors	
Principals	
Company Secretary	Ms Melinda Hunter Mr John Patrick Fitzgerald
Directors	
Mr Mark Bloom(Non-Executive Director)	
Mr Miles John George(Non-Executive Director)	
Ms Patricia McKenzie(Non-Executive Director,Non-Executive Chairman)	
Mr John Carl Pollaers(Non-Executive Director)	
Ms Christine Francis Holman(Non-Executive Director)	
Mr Graham John Cockcroft(Non-Executive Director)	
Ms Vanessa (Fernandes) Sullivan(Non-Executive Director)	
Mr Damien Nicks(Chief Executive Officer,Managing Director)	
Ms Kerry Elizabeth Schott(Non-Executive Director)	
Mr Mark William Twidell(Non-Executive Director)	

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