

ASX Code: APA Price: \$10.11 12 Mth Target Price: \$10.94 Rating: Buy

Business Summary

APA Group (APA) deals in the ownership and operation of energy infrastructure assets and businesses, including energy infrastructure, comprising gas transmission, gas storage and processing, and gas-fired and renewable energy power generation businesses located across Australia; asset management services for the majority of APAs energy investments and for third parties; and energy investments in unlisted entities.

Energy Infrastructure: The Energy Infrastructure segment consists of all APAs energy infrastructure footprint across mainland Australia including gas transmission, gas compression, gas processing and storage assets, renewable energy power generation, and gas-fired power generation. APA also holds ownership interests in a number of energy infrastructure enterprises including SEA Gas Pipeline, SEA Gas (Mortlake) Partnership, Energy Infrastructure Investments and GDI Allgas Gas Networks.

Asset Management: Asset Management provides commercial, operating services and/or asset maintenance services to APAs energy investments and third parties for appropriate fees.

Energy Investments: Energy Investments includes APAs strategic stakes in a number of investment vehicles that house energy infrastructure assets, generally characterised by long-term secure cash flows, with low ongoing capital expenditure requirements.

Latest Research

Model Update

We have incorporated 1H FY21 financials into our model which sees FY21 NPAT lower by 5.6%. We have made minor downgrades to FY22/23 earnings on lower Orbest tolling revenues. Our target price has been downgraded by 8% given a mark to market on Australian 10 year government bond yields, which affects the dividend yield portion of our target price, and a roll forward of our model into a higher interest rate period.

For more information see research 1 Mar 2021.

Snapshot

Date	26 April 2021
Market Cap.	\$11,929m
Shares on issue	1,179.9m
12 Month High	\$11.82
12 Month Low	\$8.99

Rating

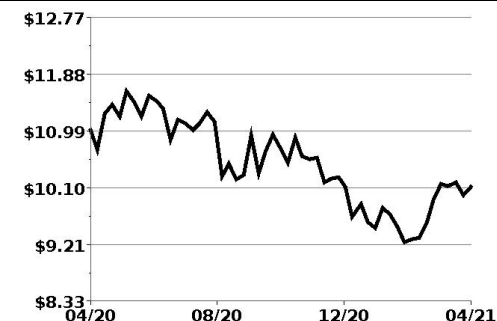
Rating	Buy
12 Mth Target Price	\$10.94
Capital Gain	7.5%
Gross Yield	6.4%
Implied Total Return	13.9%

Investment Fundamentals

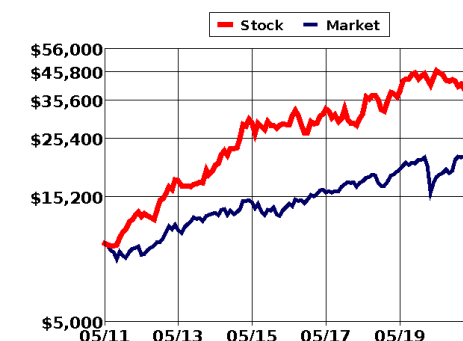
FYE 30 Jun		2020A	2021F	2022F	2023F
Profit	\$m	317.0	304.0	352.0	400.0
Profit (norm)*	\$m	317.0	304.0	352.0	400.0
EPS*	¢	27.0	26.0	30.0	34.0
EPS Growth	%	8.0	-3.7	15.4	13.3
P/E*	x	37.7	39.2	33.9	29.9
P/E Relative	%	0.0	0.0	0.0	0.0
DPS	¢	50.0	51.0	53.0	54.0
Yield	%	4.9	5.0	5.2	5.3
Franking	%	15.0	23.0	64.0	88.0

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

Share Price Chart



Total Return on \$10,000 Investment



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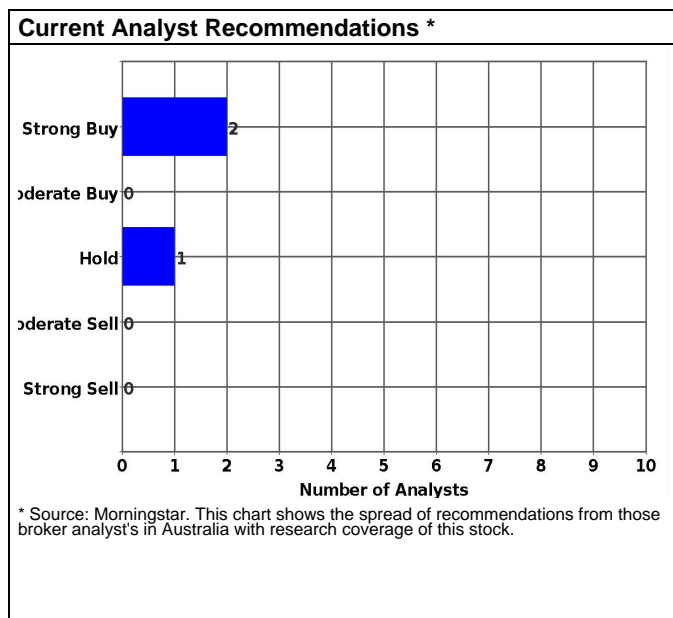
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Profit & Loss (\$M)					
	2016A	2017A	2018A	2019A	2020A
Sales Revenue	2,060	2,295	2,356	2,415	2,547
Total Revenue ex. Int.	2,061	2,296	2,356	2,420	2,551
EBITDA	1,318	1,466	1,516	1,567	1,648
Depreciation & Amort.	-521	-570	-579	-611	-652
Goodwill Amortisation	--	--	--	--	--
EBIT	797	896	937	956	996
Net Interest	-495	-510	-507	-491	-491
Profit Before Tax	302	386	430	465	505
Income Tax	-123	-149	-165	-177	-188
Outside Equity Int.	0	--	--	--	--
Profit after Tax	180	237	265	288	317
Significant Items after Tax	--	--	--	--	--
Reported Profit after Tax	180	237	265	288	317
Preferred Dividends	--	--	--	--	--

Cash Flow (\$M)					
	2016A	2017A	2018A	2019A	2020A
Receipts from Customers	2,286	2,508	2,635	2,666	2,792
Funds from Operations	1,321	1,443	1,523	1,524	1,579
Net Operating Cashflow	862	974	1,032	1,012	1,096
Capex	-457	-377	-876	-582	-427
Acquisitions & Investments	-217	-1	--	--	--
Sale of Invest. & Subsid.	--	--	--	--	--
Net Investing Cashflow	-674	-378	-876	-703	-305
Proceeds from Issues	--	--	505	--	--
Dividends Paid	-440	-479	-490	-537	-572
Net Financing Cashflow	-517	-286	-450	-55	26
Net Increase Cash	-328	311	-294	254	818
Cash at Beginning	412	85	395	101	355
Exchange Rate Adjust.	0	-1	-0	-0	0
Cash at End	85	395	101	355	1,173

Ratios and Substantial Shareholders						
		2016A	2017A	2018A	2019A	2020A
Profitability Ratios						
EBITDA Margin	%	63.98	63.86	64.35	64.91	64.68
EBIT Margin	%	38.69	39.03	39.77	39.59	39.11
Net Profit Margin	%	8.72	10.32	11.24	11.93	12.45
Return on Equity	%	6.02	7.98	8.65	11.06	13.72
Return on Assets	%	3.90	4.27	4.42	4.42	4.42
Debt/Safety Ratios						
Net Debt/Equity	%	239.25	233.93	231.41	276.58	304.45
Interest Cover	x	1.61	1.76	1.85	1.95	2.03
Top 5 Substantial Shareholders						
BNP Paribas Nominees Pty Ltd						16.1%
National Nominees Ltd as Custodian for Unisuper Ltd						14.8%
The Vanguard Group Inc.						6.0%
BlackRock Group						6.0%
State Street Corporation and subsidiaries						5.0%

Balance Sheet (\$M)					
	2016A	2017A	2018A	2019A	2020A
Cash & Equivalent	85	395	101	355	1,173
Receivables	263	290	252	250	264
Inventories	25	25	29	31	34
Other Current Assets	48	63	68	82	55
Current Assets	421	772	449	718	1,526
Prop. Plant & Equipment	9,189	9,150	9,692	9,796	9,822
Intangibles	4,540	4,358	4,176	3,993	3,811
Other Non-Current Assets	65	78	82	212	66
Non-Current Assets	14,422	14,274	14,778	14,716	14,481
Total Assets	14,843	15,046	15,227	15,434	16,007
Interest Bearing Debt	9,724	9,701	9,651	10,310	10,988
Other Liabilities	1,089	1,367	1,450	1,524	1,795
Total Liabilities	10,814	11,068	11,100	11,835	12,783
Net Assets	4,029	3,978	4,127	3,599	3,224
Share Capital	3,195	3,115	3,288	3,104	2,902
Reserves	-395	-208	-331	-599	-691
Retained Earnings	182	61	105	101	101
Outside Equity Int.	1,047	1,010	1,064	994	913
Total Shareholders Equity	4,029	3,978	4,127	3,599	3,224



Principals & Directors	
Principals	
Company Secretary	Ms Nevenka Codevelle
Directors	
Ms Shirley Eleanor In't Veld(Non-Executive Director)	
Mr Steven (Steve) Crane(Non-Executive Director)	
Mr Peter Wasow(Non-Executive Director)	
Mr James Ernest Fazzino(Non-Executive Director)	
Mr Michael Anthony Fraser(Non-Executive Director, Non-Executive Chairman)	
Ms Debra (Debbie) Lyn Goodin(Non-Executive Director)	
Ms Rhoda Phillippo(Non-Executive Director)	
Mr Robert (Rob) Wheals(Chief Executive Officer, Managing Director)	

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