

Company Profile

Ord Minnett Research

3 May 2024

AGL Energy Limited (AGL.AX)

AGL Energy Limited (AGL) is an integrated energy company and operates Australia's private electricity generation portfolio within the National Electricity Market, comprising coal and gas-fired generation, renewable energy sources such as wind, hydro and solar, batteries and other firming technology, and gas production and storage assets.

Customer Markets: Customer Markets comprises the Consumer and Large Business customer portfolios responsible for the retailing of electricity, gas, broadband/ mobile/voice, solar and energy efficiency products and services to residential, small and large business customers. Customer Markets also includes sales, marketing, brand, and AGL's customer contact and call centre operations.

Integrated Energy: The Trading and Origination components of Integrated Energy are responsible for managing the price risk associated with procuring electricity and gas for AGL's customers and for managing AGL's obligations in relation to renewable energy schemes. They also control the dispatch of AGL's owned and contracted generation assets and associated portfolio of energy hedging products. The other component of Integrated Energy comprises AGL's power generation portfolio and other key sites and operating facilities across the Coal, Gas Generation, Renewables, Natural Gas, and other business units.

Snapshot

Last Price	\$9.27
Market Cap.	\$6,236 million
52 Week High/Low	\$12.45 - \$7.80
Shares on issue	672 million
GICS Industry	Multi-Utilities

Key Dates

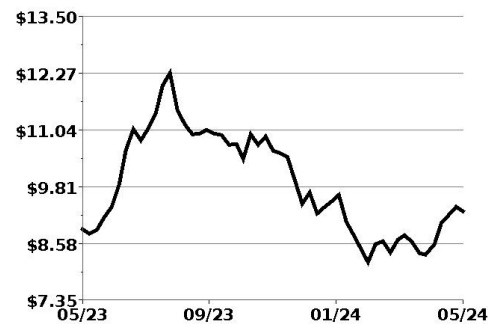
Accounts Close	30 June
AGM	21 Nov 2023
Listing Date	12 Oct 2006

Investment Fundamentals

		2023A	2024E	2025E	2026E
Sales Rev.	\$m	14,157	13,694	13,184	12,745
Rep Profit	\$m	280.9	716.1	538.6	411.0
Norm Profit	\$m	280.9	716.1	538.6	411.0
Rep EPS	¢	-93.1	107.9	82.9	70.0
Norm EPS	¢	41.6	106.1	79.8	60.9
Rep PE	x	26.0	8.8	11.7	15.3
Norm PE	x	22.4	8.8	11.7	15.3
DPS	¢	31.0	53.0	44.0	40.0
Yield	%	2.9	5.7	4.7	4.3
Franking	%	--	--	50	80
ROE	%	4.8	13.5	9.6	7.1

Source: Ord Minnett

Share Price Chart



Total Return on \$10,000 Investment



Ratios and Substantial Shareholders						
		2019A	2020A	2021A	2022A	2023A
Profitability Ratios						
EBITDA Margin	%	16.30	19.98	0.76	19.54	0.63
EBIT Margin	%	11.51	13.66	-5.94	13.97	-4.61
Net Profit Margin	%	7.16	8.73	-2.42	9.40	-4.51
Return on Equity	%	11.08	12.92	-4.71	18.77	-12.22
Return on Assets	%	7.27	7.96	-0.66	7.14	-2.88
Debt/Safety Ratios						
Net Debt/Equity	%	32.41	36.74	56.25	42.21	53.43
Interest Cover	x	7.78	9.12	-2.83	8.37	-2.48
Top 5 Substantial Shareholders						
Michael Alexander Cannon-Brookes						10.4%
The Vanguard Group Inc.						5.0%

Source: Morningstar

Principals & Directors	
Principals	
Company Secretary	Ms Melinda Hunter Mr John Patrick Fitzgerald
Directors	
Mr Mark Alan 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 Cockroft (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)	

Source: Morningstar

Recent Operational History

08 February 2024 - AGL Energy announced FY2024 Half-Year Results Presentation. The Company improved generation availability and portfolio flexibility, including new Torrens Island battery. Higher wholesale electricity pricing from prior periods reflected in overall pricing outcomes. Strong Customer performance, delivering on strategy to grow customer value. Investing in flexibility to capture value from the changing energy market including: Investing in grid scale batteries Growing DER asset portfolio and Flexibility upgrades at Bayswater and Loy Yang A.

08 February 2024 - AGL Energy announced FY2024 Half-Year Results. The Company reported statutory Profit after tax of \$576m, including a positive movement in the fair value of financial

29 December 2023 - AGL Energy reported net loss of \$1,264m for the year ended 30 June 2023. Revenue from ordinary activities were \$14,157m, up 7.1% from last year. Diluted EPS was (187.9) cents compared to 131.3 cents last year. Net operating cash flow was \$912m compared to \$1,227m last year. The final dividend declared was 23 cents, taking the full year dividend to 31 cents compared with 26 cents last year.

Peer Analysis		Market Cap	Price	PE (x)	EPS Growth	Dividend Yield	Franking					
Company Name	Code Recommendation	(\$m)	(\$)	2024	2025	2024	2025					
Origin Energy	ORG	Hold	16,573	9.62	13.2	10.6	69.1	24.8	6.4	7.9	100	100
APA Group	APA	Accumulate	10,613	8.27	38.0	35.6	-15.8	6.8	6.8	6.7	--	10
AGL Energy	AGL	Accumulate	6,236	9.27	8.8	11.7	155.0	-24.8	5.7	4.7	--	50

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Guide to Ord Minnett recommendations

Our recommendations are based on the total return of a stock – nominal dividend yield plus capital appreciation – and have a 12-month time horizon.

SPECULATIVE BUY	We expect the stock's total return (nominal yield plus capital appreciation) to exceed 20% over 12 months. The investment may have a strong capital appreciation but also has high degree of risk and there is a significant risk of capital loss.
BUY	The stock's total return (nominal dividend yield plus capital appreciation) is expected to exceed 15% over the next 12 months.
ACCUMULATE	We expect a total return of between 5% and 15%. Investors should consider adding to holdings or taking a position in the stock on share price weakness.
HOLD	We expect the stock to return between 0% and 5%, and believe the stock is fairly priced.
LIGHTEN	We expect the stock's return to be between 0% and negative 15%. Investors should consider decreasing their holdings.
SELL	We expect the total return to lose 15% or more.
RISK ASSESSMENT	Classified as Lower, Medium or Higher, the risk assessment denotes the relative assessment of an individual stock's risk based on an appraisal of its disclosed financial information, historical volatility of its share price, nature of its operations and other relevant quantitative and qualitative criteria. Risk is assessed by comparison with other Australian stocks, not across other asset classes such as Cash or Fixed Interest.

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