

To	Company Announcements Office	Facsimile	1300 135 638
Company	ASX Limited	Date	4 February 2021
From	Helen Hardy	Pages	4
Subject	Update on operating conditions and guidance for FY2021		

Please find attached a release on the above subject.

Regards



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## ASX/Media Release

4 February 2021

### Update on operating conditions and guidance for FY2021

Origin Energy Limited (Origin) has provided the following update on operating conditions and earnings guidance for the year ended 30 June 2021 (FY2021).

A number of factors have materially affected Energy Markets' near-term outlook, including the continued impacts of COVID-19 on energy demand and key commodity markets, milder summer conditions due to the La Niña weather pattern which has exacerbated subdued demand and reduced volatility, and gas purchases linked to the rising JKM price index.

Origin has upgraded both the production guidance and distribution breakeven for Australia Pacific LNG, with new guidance provided for the expected cash distribution to Origin.

Despite the external challenges facing the business, Origin's operations continue to perform well with strong cash flow generation. Generation assets are performing at a high level of reliability and the retail business is on track to meet its \$100 million FY2021 cost out target. Australia Pacific LNG's record production in the December quarter demonstrates the strength and flexibility of its assets and resource base.

#### Updated FY2021 guidance

The following guidance is provided on the basis that market conditions and the regulatory environment do not materially change, adversely impacting on operations, and noting that considerable uncertainty continues in relation to the potential ongoing impacts of COVID-19.

	FY2020	FY2021 – existing guidance	FY2021 – updated guidance
Energy Markets Underlying EBITDA A\$m	1,459	1,150-1,300	1,000-1,140
APLNG – Production PJ	708	675-705	685-705
APLNG – Distribution breakeven \$/boe	US\$29	US\$25-29 <sup>1</sup>	US\$24-28 <sup>2</sup>
Cash distribution from APLNG A\$m	\$1,275	n/a	\$575-675 <sup>3</sup>
Corporate costs A\$m	\$(59)	(75)–(85)	(90)–(100)
Origin capital expenditure A\$m	(\$500)	(\$420)–(470)	\$(400)–(440)

1) Reflects royalties at breakeven oil prices and AUD/USD rate of 0.69

2) Reflects royalties at breakeven oil prices and AUD/USD rate of 0.74

3) Assuming an average AUD/USD rate of 0.74 and that all APLNG debt covenants are met

#### Energy Markets

Origin has revised Energy Markets Underlying EBITDA guidance for FY2021, which is now expected to be in the range of \$1,000-\$1,140 million.

Electricity gross profit is expected to be down \$250-290 million year on year (previous guidance \$170-220 million reduction). This reflects lower wholesale prices flowing into retail



tariffs and recent business sales recontracted at lower than expected prices, a one-off increase in network costs that could not be recovered in retail tariffs (\$40 million, unchanged) as well as the impacts of mild summer conditions on demand and volatility.

Natural gas gross profit is expected to be down \$200-250 million year on year (previous guidance \$100-150 million reduction), reflecting the roll off of legacy sales contracts (\$70 million, unchanged), repricing of tariffs as well as the impact of lower volume of business sales. Higher gas procurement costs are expected in the second half, as a portion of Origin's supply costs are linked to the JKM index. While this exposure was hedged over the northern hemisphere winter peak, Origin remains exposed to JKM prices in the final quarter of FY2021 and these prices have increased substantially over recent months.

Improved performance by LPG and community energy services is expected to partially offset electricity and gas gross profit movements.

Retail is on track to deliver a \$70 million reduction in cost to serve compared to the prior year, in line with the target of \$100 million savings from FY2018 baseline.

Challenging operating conditions are expected to persist in FY2022, with electricity gross profit expected to be impacted based on current forward prices compared to a relatively fixed cost supply on ~16 TWh, partially offset by low-cost renewables coming online and capacity hedge contracts rolling off. The outlook for natural gas is expected to be driven by movements in the JKM index and domestic gas prices as well as finalisation of ongoing price reviews. Further capital and operating cost savings in retail are targeted through the roll out of the new retail operating model and Kraken platform.

## **Integrated Gas**

Australia Pacific LNG production guidance has been upgraded to 685-705 PJ, reflecting increased customer demand. The distribution breakeven has also improved, now expected to be in the range of US\$24-28/boe, with higher sales volumes and stronger non-oil-linked pricing, more than offsetting the impact of a higher AUD/USD exchange rate. The breakeven is inclusive of ~US\$11/boe project finance principal and interest payments.

Australia Pacific LNG capital and operating expenditure guidance is unchanged.

Origin's full year cash distributions from Australia Pacific LNG are expected to be in the range of \$575-675 million, at an estimated realised oil price of US\$43/bbl<sup>4</sup>.

## **Corporate**

Corporate costs are estimated to be \$90-\$100 million compared to \$59 million in the prior year, reflecting declining functional costs more than offset by higher insurance costs, one-off enterprise resource planning (ERP) costs and FY2020 FX gains reversing.

Capital expenditure is expected to be \$400-440 million (previous guidance \$420-470 million), primarily due to lower spending on generation projects.

Free cash flow yield is estimated to be greater than 10 per cent<sup>5</sup> for FY2021.

<sup>4</sup> As at 29 January 2021, ~97 per cent of the FY2021 Australia Pacific LNG-related JCC oil exposure (~24mmbbl Origin share) has been priced at ~US\$43/bbl before hedging, based on contract lags.

<sup>5</sup> Free cash flow is cash from operating activities and investing activities (excluding major growth projects), less interest paid. Free Cash Flow Yield based on 30-day VWAP as at 3 February 2021 of \$4.97 per share.



All other FY2021 guidance is unchanged.

Origin CEO Frank Calabria said, "Origin has two leading businesses with high quality assets and resources. We remain very focused on maximising value from the existing businesses and pursuing growth in customer value and low carbon solutions, which puts Origin in an ideal position to lead, and capture value, from the energy transition."

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