

## ORIGIN ENERGY (ORG)

16 AUGUST 2018

RESULTS	Full Year 2018	Full Year 2017	CHANGE
Total Revenue (\$m)	14,883.0	14,107.0	+6%
Bloomberg Consensus (\$m)	14,641.0		
Total Underlying Profit (\$m)	1,022.0	550.0	+85.8%
Bloomberg Consensus (\$m)	1,004.0		
Statutory Profit/(Loss) (\$m)	218.0	(2,226)	n/a
Net Debt (\$m)	7,289.0	8,364.0	-12.9%
Final Dividend (\$)	Nil	Nil	n/a

### Origin Energy (ORG) profits boosted by its coal seam gas business

- Energy group, **Origin Energy (ORG)**, has returned to profitability for the first time since 2014, with a \$218m statutory profit for the year to 30 June. The result was partly driven by stronger earnings at its coal seam gas business in Queensland, a lift in oil prices and asset sales. This comes after more than \$3bn in write-downs and one-off costs a year earlier resulted in \$2.2bn in losses over FY17. Underlying profit – which strips out one-offs – was a touch ahead of Bloomberg consensus, lifting by 85% to \$1,022m.
- Its **Integrated Gas** business, which includes its Australia Pacific LNG (APLNG) operations in Queensland was the best improver. Underlying EBITDA increased by 67% or \$504m to \$1,251m (around 40% of total earnings). As Australia's largest producer of coal seam gas, ORG benefited from its first full year of production, higher commodity prices and a lift in shipments. ORG continues to focus on cost savings from power, streamlined maintenance and lower overheads. The effective oil price over the year was US\$56/bl.
- Underlying profits in its core **Energy Markets** operations rose by a more modest 21% over the year to \$1,811m, but remained the biggest contributor to the group's earnings (around 60% of total profits). This includes its Retail and Power Generation arms. Its Electricity business was weighed down by a 5% slide in sales volumes due to customer losses, milder weather and energy efficiency, while this was offset by improved wholesale margins. A lift in sales to Business customers boosted natural gas sales by 13%.
- In the first half, ORG announced the \$1.58bn **sale of its conventional oil and gas arm**, Lattice Energy to Beach Energy (BPT) which helped its results and was partially aimed at reducing its debt and simplifying its business.
- ORG has once again decided to not pay shareholders a **dividend**. It last made a payment to investors in March 2016 and has since focused on reducing its substantial debt position. ORG has flagged plans to resume dividend payments in this financial year.
- **Looking ahead**, ORG said it expects a lift in underlying earnings and further debt reduction in FY19. It flagged underlying EBITDA of between \$1,740 - \$1,840m in its Energy Markets business (largely in-line with FY18). ORG shares fell following the result and are underperforming the broader market (ASX 200) so far this calendar year. Note the oil price slumped by 3% in overnight trade, which has been weighing on the broader energy sector.

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