

# Origin Energy

## Macquarie Australia Conference



Frank Calabria, CEO

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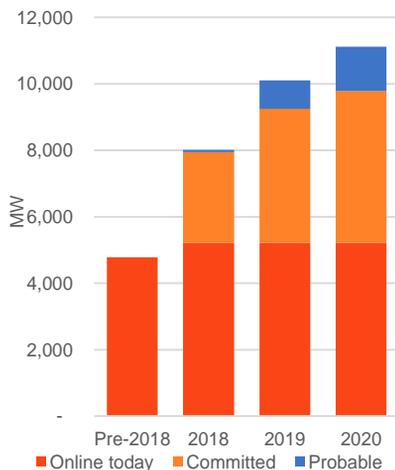
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# The market is responding



## Increased supply

Australian wind and solar capacity



Source: CER, AEMO and Origin analysis

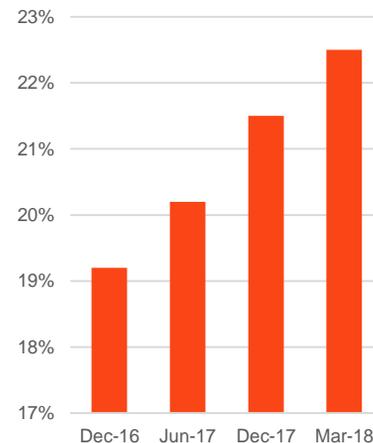
## Lower forward prices

NSW forward baseload energy prices



## Increased competition

Market churn



Rolling 12 month average

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## We support the objectives of the NEG

- Investment signal in low emissions and reliable generation at least cost to Australian customers
- Embedded in National Electricity Law

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## Reliability requirement

- Gives the market time to solve for material reliability gap
- Builds on existing market incentives and links with Finkel recommendations

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## Emissions requirement

- Keeps financial and physical characteristics separate
- Proposed registry appears workable.
- We support more ambitious targets for the electricity sector over time, including a transition to net zero emissions by 2050 or earlier

# Our focus is clear



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## Rebuilding the right to grow

- Continued balance sheet repair
- Disciplined capital management
- Reducing organisational complexity and cost

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## Step change reduction in upstream costs at APLNG

- Smaller, simpler operating model
- Streamlined processes
- Reducing costs and improving productivity

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## Transforming customer experience

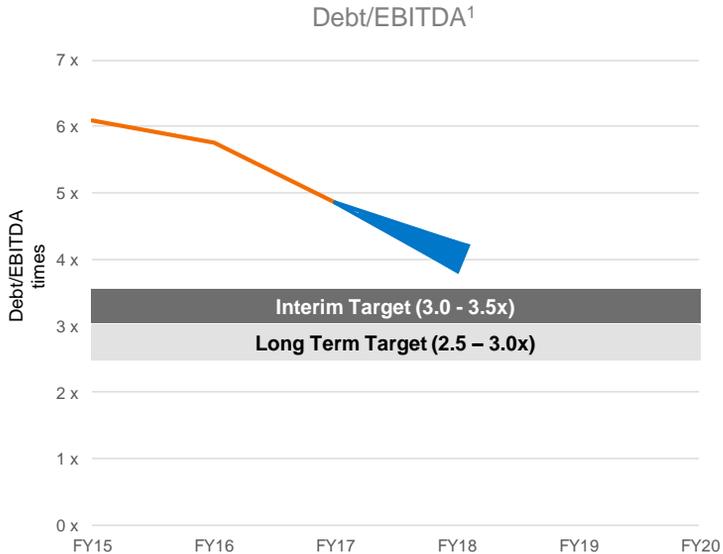
- More affordable, smarter, easier and more sustainable – Good Energy
- Defending market share and managing for value
- Digital-first approach
- Future energy solutions

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## Changing culture

- New Purpose, Values and Behaviours

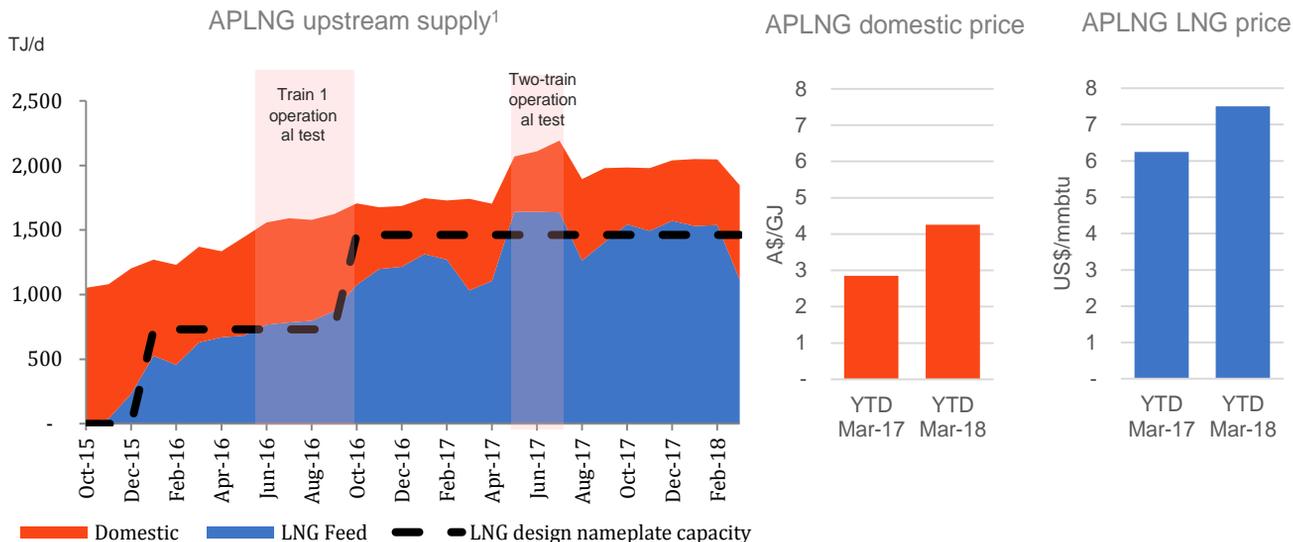
# Disciplined capital management



- Upgraded credit rating action following Lattice Energy sale and H1 FY2018 results
- Progressing capital management initiatives
  - ~\$20 million p.a. savings from cancelling \$2.9 billion of liquidity
  - ~\$70 million p.a. savings from Lattice proceeds combined with June 2018 hybrid redemption
  - ~\$50 million p.a. potential savings if remaining hybrid is redeemed on its first call date in September 2019
  - Actively pursuing other refinancing opportunities of bank debt and APLNG project finance debt

1) EBITDA excludes Origin's share of APLNG EBITDA and includes cash distributions from APLNG

# APLNG continuing to perform



- Total expected FY18 cash flow from APLNG to Origin of \$360 - \$370 million
  - \$116 million net APLNG cash flow to Origin in H1 FY2018
  - \$136 million received from APLNG in April 2018 via a buy-back of preference shares (MRCPS)
  - Additional MRCPS interest payment of \$108 – \$118 million<sup>2</sup> due in June 2018

1) Includes 26 PJ of insurance gas purchased for two-train operational test across FY17 and H1 FY2018  
 2) Based on AUD/USD range of 0.72 – 0.79

# Cost out progressing at APLNG



Key Outcomes	Initial Targets	Metric	June 2019 target run rate
Cost reduction and productivity improvement	Well cost <sup>1</sup>	A\$/well	1.2
	Operating cost <sup>2</sup>	A\$/GJ	1.0
	Operating breakeven <sup>3</sup>	US\$/boe	<24
	Distribution breakeven <sup>3</sup>	US\$/boe	<40

(1) Standard unfracked vertical Surat well (2) Upstream operated (3) AUD = 0.75 USD

- June 2019 target run rate includes \$500m+ reduction in capex and opex from \$3.3 billion baseline provided in November 2017
- Detailed opex and capex including role reduction plans on track
- Focused on being internationally competitive



# Transforming the customer experience



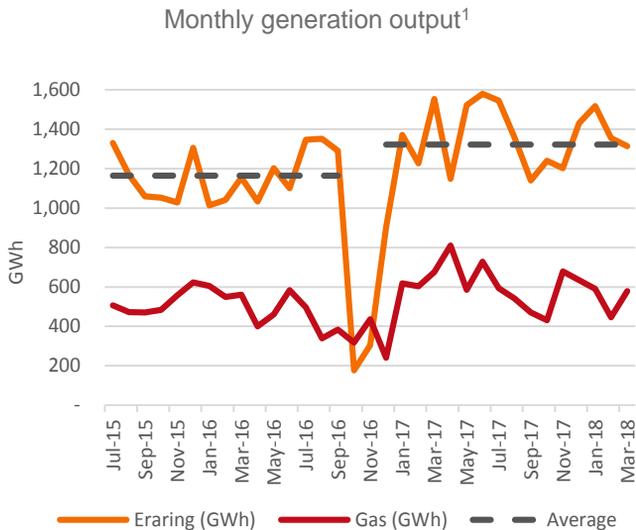
‘Good Energy’ with customers at the heart of everything we do



# Addressing affordability today



## Increasing supply and helping customers who need it most



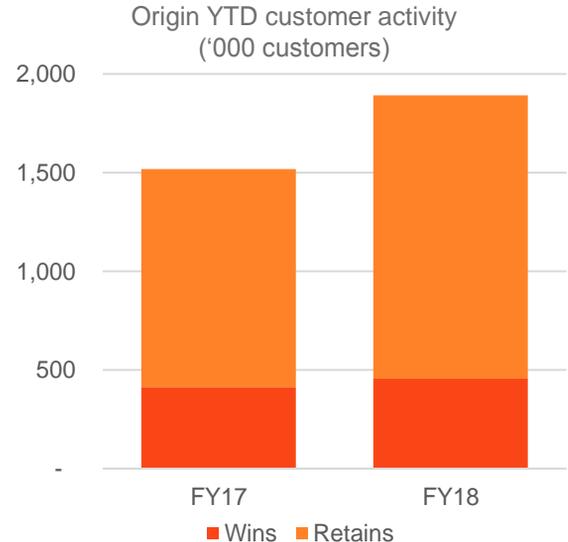
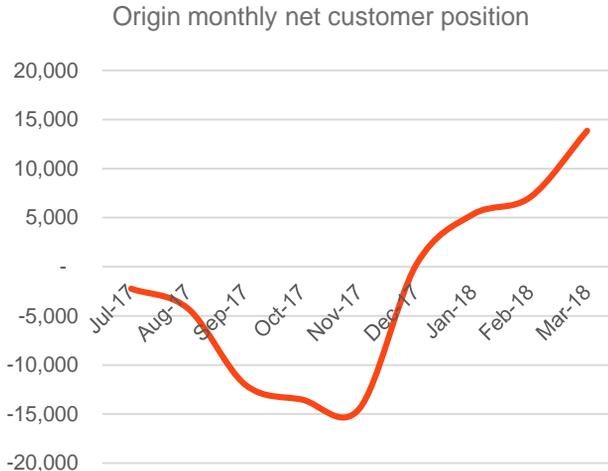
- Increasing Eraring output 12-15% in FY2018
- Supplying gas to bring 240 MW back online in South Australia
- Contracting >1.1 GW of new renewable supply by 2020
- Secured 69 PJ additional gas for domestic market in 2018
- Froze price rises for hardship customers
- Low rate products for concession customers
- Financial support and flexible plans

(1) Includes contracted generation from Pelican Point, but excludes generation from renewable PPAs

# Retail market remains competitive



## Defending market share and managing for value



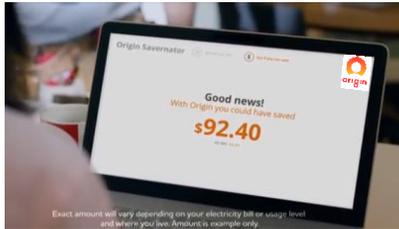
- Net retail customer loss of ~15,000 for the year to mid April 2018

- Origin responding in market
  - 25% increase in wins/retains
  - 8% increase in call volumes
  - More customers on discounted market offers

# Making energy easier and smarter



## Price transparency with Origin Savernator



## Product innovation

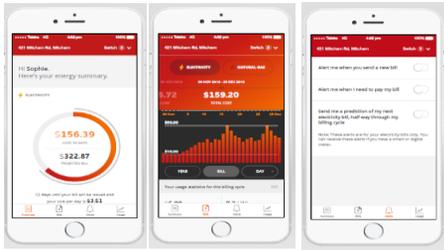


Energy breakdown by appliance

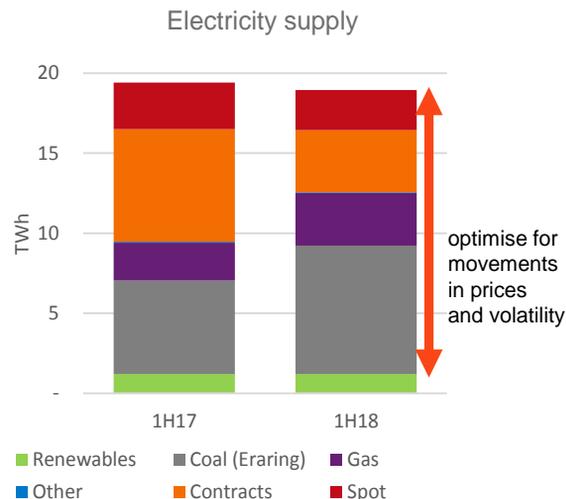
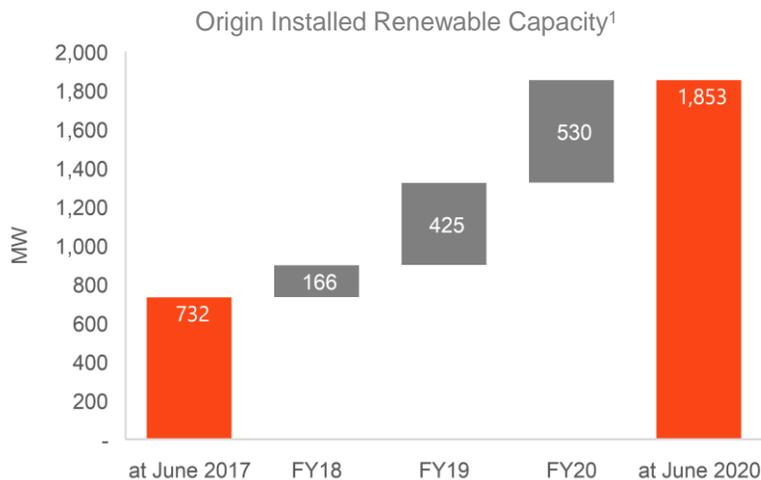
Heating	\$88
Always On	\$84
Refrigeration	\$75
Entertainment	\$57
Lighting	\$55



## Origin App



# Positioned for a low carbon future



- Committed to halving emissions in line with the Paris 2°C goal
- Portfolio structured to prosper in a carbon constrained world
  - Short generation: Well placed to bring in low cost renewables
  - Strong gas supply portfolio and Australia’s largest fleet of peaking gas-fired power stations complements a growing renewable position

# Transitioning to a cleaner, smarter, customer-centric energy future



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## Upstream

- Gas to play a key role as a lower emissions firming fuel
- Entering FEED for Ironbark Stage 1 in June 2018. Targeting first gas in FY2021/22
- Origin welcomes the decision by the NT government to lift the moratorium and we plan to resume E&A activity in the Beetaloo in FY2019 (five wells committed to end of CY2020)

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## Generation

- Renewables expected to almost triple by 2020
- Brownfield opportunities to increase flexibility and capacity and integrate storage

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## Retail

- Leverage data analytics to drive customer value
  - New growth opportunities (Centralised Energy Services, WA market entry, Adjacencies)
  - Investing in product innovation and launching market trials
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# FY2018 guidance unchanged



- ✓ Energy Markets FY2018 EBITDA is expected to be in the range of \$1.78 - \$1.85 billion, provided that market conditions and the regulatory environment do not materially change
  - On track to increase Eraring output by 12-15% in FY2018 to 15.5 – 16 TWh
- ✓ Origin's share of APLNG production is expected to be 245–265 PJ
- ✓ In FY2018, APLNG is expected to have a distribution break even of US\$45/boe (assuming AUD:USD exchange rate of 0.78)
- ✓ Capital expenditure (excluding Lattice Energy) is expected to be \$360 - \$420 million
- ✓ Adjusted Net Debt is expected to be below \$7 billion

Thank You

