24 April 2025

Origin Energy / ORG.AX
Energy / Integrated Energy
Australian Integrated Energy Company
Current Price: $10.29 | Target: $11.50

ORG: Energy Transition Leader at Inflection Point with Battery Investment

FY2024 Results Analysis

Executive Summary

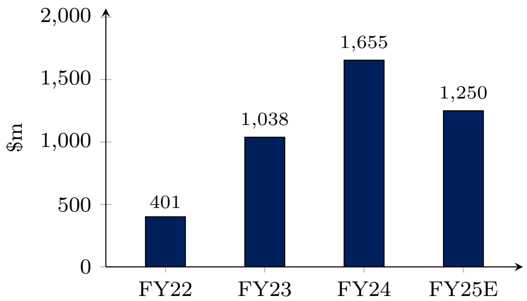
Origin Energy is at a pivotal inflection point in its transformation from a traditional integrated energy company to a diversified energy platform with significant clean energy capabilities. The company delivered solid financial results in FY24 with underlying profit increasing 58% to $1,183 million, though the 2% decline in revenue to $16,138 million reflects normalizing energy market conditions. The Energy Markets segment demonstrated notable recovery with EBITDA rising 59% to $1,655 million as higher wholesale costs were successfully recovered following previous under-recovery periods. Integrated Gas remained resilient with EBITDA increasing 2% to $1,951 million despite lower commodity prices, supported by APLNG production growth of 3% to 694 PJ and improvements in hedging and trading activities.

The company is approaching a significant transformation in its business mix and financial metrics, with approximately $1.7 billion committed to owned battery storage projects and targets to add 4-5 GW of renewables and storage to its portfolio by 2030. These investments, while creating near-term earnings headwinds, position Origin in Australia's energy transition landscape. The Energy Markets segment is expected to normalize in FY25 with EBITDA guidance of $1,100-1,400 million as lower wholesale costs flow through to regulated tariffs, before recovering as battery investments contribute to earnings from FY26-27 onwards.

Beyond traditional energy operations, Origin continues to expand its technology capabilities through its 23% stake in UK-based Octopus Energy, which now serves over 15 million customers globally with its Kraken platform supporting over 62 million accounts. While Octopus represents a near-term earnings drag, it may provide long-term growth potential. The company's Origin Loop virtual power plant has expanded 70% year-over-year to 1.45 GW of connected capacity, demonstrating execution in distributed energy orchestration.

With a balanced approach spanning traditional energy, emerging storage and renewables, and innovative technology platforms, Origin presents a differentiated exposure to the energy transition, supported by APLNG cash flows and a robust balance sheet with adjusted net debt to EBITDA of 1.0x as of FY24. The company's strategic positioning reflects its response to the challenges facing the Australian energy market during its decarbonization journey.

Energy Markets EBITDA Trend ($m)



Outlook

Origin Energy's outlook is characterized by a strategic pivot toward clean energy investments and technology transformation, with near-term financial performance expected to moderate before strengthening as major battery projects reach completion. Management has provided guidance on both immediate earnings normalization and medium-term strategic objectives.

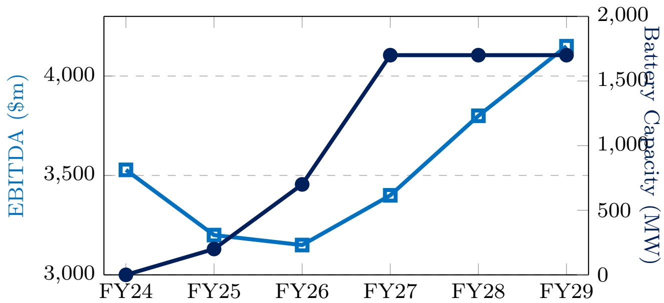
For FY25, the company expects Energy Markets EBITDA of $1,100-1,400 million, representing a decrease from the $1,655 million achieved in FY24. This reflects lower wholesale costs flowing through to regulated retail tariffs (approximately $20/MWh reduction) and higher coal costs (approximately $30/tonne increase) following the end of price caps. LNG trading gains are expected to be toward the upper end of the $400-450 million range in FY25, substantially above long-term sustainable levels of $50-150 million anticipated from FY26 onwards. APLNG production is guided at 670-690 PJ for FY25, maintaining the performance achieved in FY24.

The significant near-term financial factor is the company's battery investment program, with approximately $1.7 billion committed to owned battery storage projects including the 700 MW/2,800 MWh Eraring battery and 240 MW/480 MWh Mortlake battery. These investments will temporarily increase capital intensity, with total capex expected to be $1.5-1.7 billion in FY25, before declining as projects are completed. Management expects adjusted net debt to EBITDA to increase in FY26 before improving in FY27 as battery investments begin contributing to earnings, though leverage will remain within the target range of 2.0-3.0x.

Looking toward FY26-29, management anticipates a U-shaped earnings trajectory as battery projects reach completion (primarily in FY26-27) and begin generating returns. The scheduled closure of Eraring Power Station in August 2027 represents a transition milestone, removing Origin's largest emissions source while creating a grid connection point for renewables and storage. Cost efficiency remains a priority, with management targeting a $100-150 million reduction in cost to serve by FY26 compared to FY24, driven by Kraken platform automation, AI implementation, and organizational restructuring.

Origin's longer-term outlook is influenced by trends in the Australian energy market, including coal retirements, increasing renewable penetration, and growing need for flexible capacity and energy storage. The company's targeted 4-5 GW of renewables and storage by 2030, including the recently acquired Yanco Delta Wind Farm (1.5 GW potential), positions it within these market trends. Meanwhile, Octopus Energy is expected to transition from a modest earnings contributor in FY25 (up to $100 million) to a more substantial contributor by FY28-29 ($300-400 million) as scale benefits emerge.

Projected EBITDA & Battery Capacity



Valuations

Our analysis of Origin Energy utilizes a Discounted Cash Flow (DCF) methodology, which captures the company's transition journey and the timing of returns from its investments in battery storage and renewable energy. This approach is complemented by multiple-based analyses including EV/EBITDA, P/E, and PEG ratio metrics to provide perspective on Origin's value across its diverse business segments.

Methodology	Implied Price Per Share
DCF - Base Case	$11.50
DCF - Bull Case	$14.25
DCF - Bear Case	$8.75
EV/EBITDA Multiple - NTM	$12.50
P/E Multiple - NTM	$10.80
PEG Ratio (P/E to Growth)	$11.25
Precedent Transactions	$12.75
Implied Valuation Range	**$10.50 - $13.00**
Current Share Price	**$10.29**
Up/Downside to Base Case	**+11.8%**

Our DCF analysis considers a base case with a U-shaped earnings trajectory, with revenue declining 3% in FY25 and bottoming in FY26 before recovering to 4-5% growth by FY29. EBITDA margins are projected to contract to 19-20% in FY25-26 before expanding to 23-24% by FY29 as battery investments contribute to earnings and cost efficiency initiatives ($100-150 million reduction targeted by FY26) are realized.

Capital expenditure is front-loaded with approximately $1.5-1.7 billion in FY25 (9-10% of revenue), primarily for battery projects, before normalizing to 6.5% of revenue by FY28-30. We assume APLNG production stabilizes around 670-690 PJ annually with a long-term oil price of $80/bbl driving cash distributions of $1.0-1.2 billion annually. Octopus Energy transitions from minimal earnings contribution in FY25 (up to $100 million) to a more material contributor by FY28-29 ($300-400 million) as scale benefits emerge.

Our base case DCF employs a weighted average cost of capital (WACC) of 9.5

Sensitivity Factor	Change	Impact
WACC	±1.0%	±$1.15
Oil Price (Long-term)	±$10/bbl	±$0.75
Battery Returns	±2.0%	±$0.60
Terminal Multiple	±0.5x	±$0.50
Octopus Energy Scaling	±$100m EBITDA	±$0.40

Our scenario analysis highlights sensitivity to key variables. In the bull case ($14.25 per share), we consider accelerated battery project completion (2.0 GW by FY26), higher APLNG production (710 PJ plateau), stronger oil prices ($95/bbl long-term), and faster profitability scaling for Octopus Energy ($500 million EBITDA contribution by FY29). Conversely, the bear case ($8.75 per share) considers delayed battery project completion (1.2 GW by FY28), lower APLNG production (640 PJ plateau), weaker oil prices ($65/bbl long-term), unfavorable Sinopec contract review outcome (-1.5% slope adjustment), and continued investment losses at Octopus Energy (limited to $150 million EBITDA by FY29).

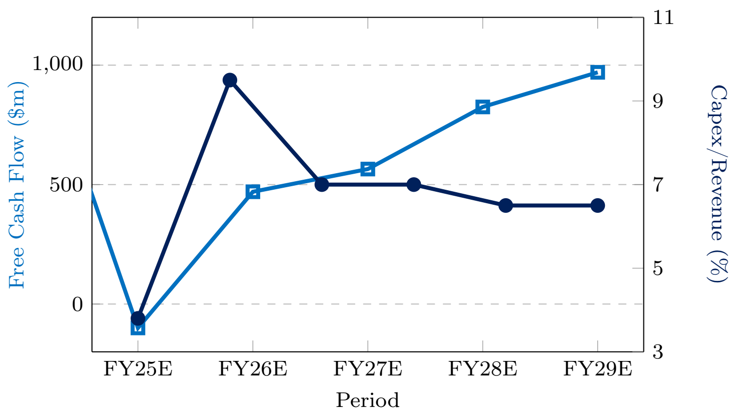
Key considerations include the timing and magnitude of returns from Origin's battery investments and the long-term value of its Octopus Energy stake. Our analysis indicates the market is recognizing the near-term earnings moderation in Energy Markets and considering the potential outcomes from the battery deployment strategy and the Octopus Energy/Kraken technology platform.

Free Cash Flow Transformation

Origin Energy is embarking on a transformation in its free cash flow profile as the company transitions from a traditional integrated utility to a clean energy and technology platform. This transformation reflects both near-term investment priorities and longer-term strategic positioning within the evolving Australian energy landscape.

The company's free cash flow generation has remained strong at $1,296 million in FY24, representing a 34% increase from $965 million in FY23. This performance was driven by an improvement in operating cash flow to $1,114 million (from -$633 million in FY23) as wholesale cost recovery normalized in the Energy Markets business. However, this cash flow profile is expected to temporarily moderate in FY25-26 as capital expenditure peaks at $1.5-1.7 billion, primarily directed toward the company's battery storage program, which includes the 700 MW/2,800 MWh Eraring battery and 240 MW/480 MWh Mortlake battery.

Free cash flow is projected to follow a U-shaped trajectory, declining to approximately negative $100 million in FY25 before recovering to $470 million in FY26 and growing steadily to over $1,000 million by FY30. This recovery will be driven by three key factors: (1) increasing contributions from battery investments as they come online in FY26-27, (2) ongoing cost efficiency initiatives targeting $100-150 million reduction in cost to serve by FY26, and (3) a reduction in capital expenditure from 9-10% of revenue in FY25 to a sustainable level of approximately 6.5% by FY28-30.



The relationship between NOPAT and free cash flow undergoes a significant inflection, with FCF as a percentage of NOPAT improving from negative territory in FY25 to approximately 55% by FY29, demonstrating the company's transformation to a more capital-efficient business model. This enhanced cash flow profile will support Origin's capital allocation framework, which prioritizes investments in the energy transition while maintaining a strong balance sheet and returning capital to shareholders through dividends (minimum 50% of adjusted free cash flow).

Origin's free cash flow resilience is underpinned by cash distributions from APLNG, which delivered $1,384 million to Origin in FY24. While these distributions are expected to moderate to $1,050-1,200 million annually over the medium term due to lower commodity prices, they provide funding for the company's transition investments. Oil price sensitivity remains significant, with a $10/bbl change impacting annual EBITDA by approximately $200-250 million, though this is partially mitigated by the company's hedging strategies.

From a capital perspective, Origin maintains a position with adjusted net debt of $2,833 million and a leverage ratio of 1.0x as of FY24, below the company's target range of 2.0-3.0x. This provides financial flexibility to fund the battery investment program, though leverage is expected to increase temporarily to 1.8-2.0x in FY26 before improving as projects contribute to earnings. The company's approach to capital allocation, focusing on battery and renewable projects while maintaining APLNG operational performance, positions it for potential cash flow growth as the energy transition progresses.

About the Company

Origin Energy Limited (ASX: ORG) is one of Australia's leading integrated energy companies, listed on the Australian Securities Exchange since 2000. With over 5,000 employees, Origin serves approximately 4.7 million customer accounts across Australia, providing electricity, gas, LPG, broadband, and home services. The company operates Australia's largest fleet of gas-fired peaking power stations, the 2.9 GW Eraring black coal power station (scheduled to close in August 2027), and has growing investments in renewable energy and battery storage. Origin's operations span the energy value chain from energy retailing and power generation to gas production through its 27.5% stake in Australia Pacific LNG (APLNG), positioning it within the ongoing energy transition.

Origin generates revenue through three core business segments that create a diversified business model. The Energy Markets segment generates revenue through retail electricity and gas sales to residential, small business, and large commercial customers, alongside wholesale energy trading and power generation from coal, gas, and renewables. This segment contributed 47% of group EBITDA in FY24. The Integrated Gas segment derives income from Origin's 27.5% interest in APLNG, which delivers cash distributions from domestic gas sales and LNG exports, contributing 55% of group EBITDA in FY24. Additionally, Origin earns revenue through its ~23% stake in Octopus Energy, a growing UK-based energy retailer and technology company whose Kraken platform serves over 62 million customer accounts globally.

The company's customer base spans from individual households to large industrial businesses across Australia. Origin operates primarily in the energy sector, with expanding footprints in telecommunications (through broadband services) and electric vehicle solutions. The company has established a virtual power plant (Origin Loop) with 1.45 GW of connected capacity, showing its activity in distributed energy orchestration. Origin is investing in the energy transition, having committed approximately $1.7 billion to owned battery storage projects and targeting 4-5 GW of renewables and storage capacity by 2030.

Origin is led by CEO Frank Calabria, who has guided the company's strategic pivot toward cleaner energy and digital customer solutions. The board is chaired by Scott Perkins, with directors bringing experience across energy, finance, and governance. The leadership team has navigated through recent market volatility, managing rising wholesale energy costs while maintaining customer growth. In late 2023, the board rejected an acquisition proposal from Brookfield and EIG Partners at approximately $8.75 per share, demonstrating confidence in the company's standalone strategy.

The company's strategic priorities focus on becoming a leader in clean energy and customer solutions through: (1) developing customer solutions, (2) accelerating investment in renewables and cleaner energy, (3) delivering reliable energy through the transition, (4) improving cost efficiency, and (5) driving technology transformation. Major developments in this strategy include battery projects at Eraring and Mortlake, the expansion of the Origin Loop virtual power plant, and the investment in Octopus Energy.

Tailwinds

Battery Investment Growth: Origin has committed approximately $1.7 billion to owned battery storage projects, establishing a position in Australia's developing storage market. These assets are positioned to operate in an environment of energy market volatility as coal retirements accelerate and renewable penetration grows. The 700 MW/2,800 MWh Eraring battery represents one of Australia's largest storage projects, benefiting from existing grid connection infrastructure that provides cost advantages over new developments. Revenue sources for these investments include energy arbitrage, frequency control ancillary services (FCAS), and capacity payments through government support mechanisms like the Capacity Investment Scheme. With Australian electricity prices maintaining support due to coal exits and gas price factors, these battery assets are positioned to contribute to Origin's earnings profile from FY26-27 onwards as they progressively enter operation.

Virtual Power Plant Development: Origin has established a position in distributed energy orchestration through its Origin Loop virtual power plant, which has expanded 70% year-over-year to 1.45 GW of connected capacity. This platform integrates home batteries, solar systems, electric hot water, and smart devices, creating a capability in the evolving distributed energy landscape. The VPP platform enables Origin to optimize energy usage across its customer base, potentially reducing wholesale energy costs, providing grid stabilization services, and enhancing customer retention through additional services. As Australia's energy system becomes increasingly decentralized, Origin's early activity in this space positions it to participate in orchestration capabilities, with the potential to scale to 2.5-3.0 GW by FY29. This technological development enhances Origin's retail offering while creating revenue possibilities from aggregation services and grid support mechanisms.

Octopus Energy Position: Origin's approximately 23% stake in Octopus Energy provides growth potential that domestic competitors lack. Octopus has achieved customer growth, serving over 15 million accounts globally (up 35% in FY24), while its Kraken technology platform supports over 62 million accounts (up 60% in FY24). While Octopus represents a near-term earnings drag (FY25 contribution expected to be up to $100 million), its scaling creates potential long-term value as the business transitions from growth-focused investment to profitability. The core UK retail business and Kraken technology licensing operations are delivering results, while international expansion continues. As Octopus achieves scale benefits, Origin's share could contribute $300-400 million to EBITDA by FY28-29, creating a growth vector beyond domestic operations. This international exposure provides diversification while positioning Origin to participate in global energy transition through a technology model.

APLNG Cash Flow Contribution: Despite lower commodity prices, Origin's 27.5% stake in APLNG continues to deliver cash distributions ($1,384 million in FY24) that fund the company's transition investments. APLNG production increased 3% in FY24 to 694 PJ, reflecting well and field optimization efforts, with guidance of 670-690 PJ for FY25 demonstrating operational stability. The project benefits from low unit production costs and approximately 90% of LNG volumes contracted on long-term agreements, providing cash flow visibility despite commodity price changes. APLNG's operational performance, with approximately 70% of production from low-cost areas, creates resilience through commodity cycles. This cash generation capability represents an advantage, allowing Origin to pursue energy transition opportunities. While long-term earnings from APLNG will likely plateau, the projected $1.0-1.2 billion annual distributions through FY29 provide funding for growth initiatives and shareholder returns.

Energy Transition Positioning: Origin has positioned itself within Australia's energy transition, with an approach that spans traditional energy sources, batteries and renewables, and customer solutions. The scheduled closure of Eraring Power Station in August 2027 (extended from 2025) demonstrates management of the coal exit timeline, balancing system reliability needs with decarbonization objectives. This extension agreement includes government support through the Generator Engagement Project Agreement, providing financial protection during the transition. Meanwhile, Origin's diversified growth strategy targeting 4-5 GW of renewables and storage by 2030, including the recently acquired Yanco Delta Wind Farm (1.5 GW potential), aligns with Australia's accelerating renewables adoption. The company's positioning in carbon reduction initiatives, customer-side technology, and flexible generation creates options across multiple transition pathways, potentially reducing policy and technology risk compared to more concentrated strategies.

Headwinds

Energy Markets Earnings Normalization: After performance in FY24 with EBITDA of $1,655 million (up 59% year-over-year), Origin's Energy Markets segment faces near-term adjustments as earnings normalize. Management expects FY25 EBITDA to decline to $1,100-1,400 million, reflecting lower wholesale costs flowing through to regulated retail tariffs (approximately $20/MWh reduction) and higher coal costs (approximately $30/tonne increase) following the end of price caps. This earnings moderation creates a drag on group performance during FY25-26, with retail margins facing pressure from competitive intensity and regulatory scrutiny. While customer accounts continue to grow (up 4% in FY24 to 4.7 million), retail electricity and gas volumes remain challenged by energy efficiency improvements and rooftop solar penetration. The company's cost to serve increased substantially by 40% in FY24, driven by higher bad debts, temporary additional resources post-Kraken migration, and increased regulatory compliance costs, necessitating the $100-150 million cost reduction initiative targeted for FY26.

Execution Risk in Battery Deployment: Origin's battery investment program, with approximately $1.7 billion committed to date, introduces execution risk across multiple dimensions. These large-scale battery projects face potential challenges including grid connection delays, equipment supply constraints, construction complexities, and evolving market rules that could impact revenue models. The concentrated nature of these investments (primarily at Eraring and Mortlake) creates location-specific risks, while the rapidly evolving battery storage technology landscape introduces obsolescence considerations for long-duration assets. Competition for grid capacity and market share in flexibility services is increasing as other developers and utilities pursue similar strategies, potentially affecting projected returns. While Origin benefits from existing connection infrastructure at Eraring, the scale of its battery program represents a material capital commitment with execution complexity that could impact both deployment timelines and financial returns, creating earnings delivery risk during the critical FY26-27 inflection period.

Commodity Price Volatility: Despite diversification efforts, Origin retains exposure to oil and LNG price fluctuations through its 27.5% stake in APLNG. A $10/bbl change in oil price impacts annual EBITDA by approximately $200-250 million, creating earnings sensitivity to factors beyond management control. While current commodity prices support cash distributions, potential weakness would constrain both transition investments and shareholder returns. The company faces near-term uncertainty from the Sinopec price review of its long-term LNG supply contract, with a 1% contract slope change representing approximately A$110-130 million annual EBITDA impact. Additionally, Origin's LNG trading gains ($400-450 million expected in FY25) are acknowledged as unsustainable, with management guiding to a normalization to $50-150 million from FY26 onwards. This transition creates an additional earnings factor that partially offsets anticipated battery contribution timing.

Tri-Star Litigation Risk: APLNG faces litigation risk from Tri-Star's claims that reversion has occurred on Coal Seam Gas interests representing approximately 19% of APLNG's 2P reserves. If Tri-Star's claims are successful, APLNG would transfer a 45% interest in these CSG interests to Tri-Star for no additional consideration, potentially requiring alternative gas supplies to meet contracted commitments. The financial exposure is substantial – Tri-Star has claimed up to $14.6 billion in "market value" compensation under certain scenarios. While Origin maintains a defense position, legal proceedings are inherently unpredictable, and the timing of resolution remains uncertain. This contingent liability represents a risk that may not be fully reflected in market expectations, with potential for material impact on APLNG's operations, reserves, and cash distribution capability if resolved unfavorably.

Technology Transformation Challenges: Origin's strategic pivot toward digital customer solutions (Kraken platform, Origin Loop VPP) exposes the company to technology implementation risks. The Kraken implementation experienced initial challenges requiring stabilization, highlighting execution risks in complex system migrations. Cost to serve increased 40% in FY24, partially due to temporary additional resources required during the Kraken transition period. As distributed energy resources under management grow (1.45 GW in HY25), the sophistication of orchestration requirements and cybersecurity threats increases proportionally. The integration of home batteries, EVs, and smart devices creates expanded attack surfaces and raises the potential impact of security breaches. Meanwhile, the company's investment in Octopus Energy carries risk characteristics, with international expansion and newer business lines requiring substantial investment before reaching profitability. The rapid technological evolution in energy retail and services introduces obsolescence risk for current platforms, requiring ongoing investment to maintain competitive positioning.

Competitors

Competitor	Competitive Positioning
AGL Energy	Australia's largest electricity generator with higher thermal capacity; Greater coal exposure through Loy Yang A (operating until 2035); Slower-moving transition strategy but higher near-term dividends; Lower relative cost-to-serve; No international growth platform comparable to Octopus; Market share: 30-35% electricity retail
Energy-Australia	Foreign parent (CLP) backing provides financial strength; Similar transition strategy but less innovation focus; Challenged retail profitability with smaller scale; Limited gas infrastructure; No international exposure; Market share: 15-20% electricity retail
Santos	Larger oil and gas portfolio with greater production growth outlook; Significant international diversification beyond Australia; Higher emissions intensity; Limited exposure to electricity markets; No retail integration; Market share: 30-35% of east coast gas production
Woodside Energy	Scale advantage post-BHP merger; Stronger balance sheet; Global LNG portfolio; No domestic retail operations; Highest emissions intensity; Limited renewables investment; Market share: Minimal east coast gas; 20-25% of Australian LNG exports

Origin operates in Australia's relatively concentrated energy market, where three major integrated players (Origin, AGL, and EnergyAustralia) hold approximately 70% combined retail electricity market share. Origin maintains a position with 25-30% market share in electricity retail, demonstrating resilience through recent volatility with lower churn rates (13.2%) than the market average (20.1%).

Compared to its most direct competitor, AGL Energy, Origin has adopted a more progressive transition strategy with earlier coal exit plans (Eraring closing 2027 vs. Loy Yang A in 2035) and more developed battery deployment. While AGL maintains higher thermal generation capacity providing near-term earnings stability, Origin's more diversified business mix, including the APLNG stake and Octopus Energy investment, creates strategic possibilities. Origin has demonstrated returns with Underlying ROCE of 15.2% in FY24 compared to industry average of approximately 9-10%, reflecting capital efficiency and earnings recovery.

In the emerging battery storage and virtual power plant segments, Origin competes with both traditional utilities and pure-play developers like Neoen. Origin's brownfield advantage at Eraring provides grid connection benefits compared to greenfield developments, while its position in virtual power plant orchestration (Origin Loop at 1.45 GW) creates a capability in distributed energy management. However, competition for grid capacity and market share in flexibility services is increasing as other developers pursue similar strategies.

Origin's competitive characteristics stem from its portfolio spanning traditional energy, emerging storage and renewables, and technology platforms. The 27.5% stake in APLNG delivers cash flow that funds transition investments, providing financial flexibility that pure-play renewables developers lack. Meanwhile, the approximately 23% stake in Octopus Energy provides international growth potential that domestic competitors cannot match, potentially allowing growth as the technology platform scales globally.

Within the competitive landscape, Origin's strategic positioning emphasizes its integrated approach spanning multiple energy sources and customer solutions, combining conventional generation with battery storage, renewable development, and technology-enabled retail services. This balanced approach offers potential resilience through energy market transitions, though execution across multiple complex initiatives remains challenging in an increasingly competitive environment.

Results Summary

Origin Energy delivered solid financial performance in FY24, with underlying profit increasing 58% to $1,183 million despite a 2% decline in revenue to $16,138 million. This profit growth was primarily driven by a 59% increase in Energy Markets EBITDA to $1,655 million, as the segment recovered from previous under-recovery of wholesale costs. The Integrated Gas business demonstrated resilience with EBITDA increasing 2% to $1,951 million despite lower commodity prices impacting APLNG earnings, offset by improvement in hedging and trading activities.

Key Metrics ($m)	FY2024	FY2023	YoY
Revenue	16,138	16,481	-2%
Underlying EBITDA	3,528	3,107	+14%
Underlying Profit	1,183	747	+58%
Statutory Profit	1,397	1,055	+32%
Energy Markets EBITDA	1,655	1,038	+59%
Integrated Gas EBITDA	1,951	1,919	+2%
Share of Octopus Energy EBITDA	55	240	-77%
Operating Cash Flow	1,114	(633)	+$1,747m
Adjusted Free Cash Flow	1,296	965	+34%
Total Dividends per Share	55.0 cents	36.5 cents	+51%

The statutory profit of $1,397 million increased 32% year-over-year, with the difference between underlying and statutory results primarily related to tax impacts from oil price and foreign exchange movements. Cash generation improved with operating cash flow of $1,114 million (compared to -$633 million in FY23) and a 34% increase in adjusted free cash flow to $1,296 million. This cash performance supported a 51% increase in dividends to 55.0 cents per share while funding strategic investments in battery storage and renewables.

Management has provided FY25 guidance for Energy Markets EBITDA of $1,100-1,400 million, reflecting lower wholesale costs flowing through to regulated tariffs and higher coal costs following the end of price caps. APLNG production is expected to be 670-690 PJ, while LNG trading gains are anticipated to be toward the upper end of the $400-450 million range. Octopus Energy's FY25 EBITDA contribution is expected to be a positive amount up to $100 million. Capital expenditure is forecast to increase significantly to $1.5-1.7 billion, primarily directed toward battery projects, which will temporarily increase leverage metrics during the investment phase.

Recent HY25 results indicate early signs of the expected normalization, with underlying EBITDA declining 3% compared to the prior corresponding period, though underlying profit still increased 24% to $924 million. The company is progressing with capital investment in its energy transition strategy, with HY25 capital expenditure increasing 194% to $889 million, primarily for battery storage projects.

Performance by Segment

Origin's segment performance reveals different trends across its business units, with Energy Markets normalizing after FY24 results while Integrated Gas demonstrates resilience despite commodity headwinds.

Segment	Revenue ($M)	YoY Change	EBITDA ($M)	Performance Factors
Energy Markets	14,120	-3.3%	1,655	Wholesale cost recovery; customer growth
Integrated Gas	2,063	+9.5%	1,951	Strong APLNG production; trading gains
Other	(45)	+40.8%	(78)	Corporate costs; Octopus contribution
Total	**16,138**	**-2.1%**	**3,528**	**Solid recovery despite headwinds**

Energy Markets delivered exceptional performance in FY24 with EBITDA of $1,655 million, up 59% year-over-year, primarily driven by a 211% increase in electricity gross profit to $1,654 million as higher wholesale costs were recovered following a period of under-recovery. Natural gas profits declined 28% to $680 million due to lower market-linked prices. The segment faced challenges with cost to serve, which increased 40% to $748 million due to higher bad debts and temporary resources post-Kraken migration. Customer accounts grew 4% to 4.7 million while the Origin Loop virtual power plant expanded 70% to 1,385 MW.

Integrated Gas demonstrated resilience in FY24 with EBITDA increasing 2% to $1,951 million despite lower commodity prices. This performance reflected both improved APLNG contributions (despite a 14% decline in EBITDA to $1,936 million) and a dramatic turnaround in the "Other" segment from a $327 million loss to $15 million profit, driven by effective hedging and trading. APLNG production increased 3% to 694 PJ with strong field optimization, while LNG sales volumes grew 12% to 556 PJ. Cash distributions to Origin decreased 22% to $1,384 million, primarily due to lower commodity prices.

Octopus Energy's contribution to Origin's results declined significantly in FY24, with Origin's share of EBITDA falling 77% to $55 million. This primarily reflected the non-repeat of lagged recovery of higher wholesale prices in UK tariffs and substantial investment in scaling international operations. Despite earnings volatility, Octopus continued growth with global customer accounts increasing 35% to 13.7 million and Kraken platform accounts growing 60% to 51.5 million. Origin increased its ownership stake from 20% to approximately 23% with an additional £280 million investment.

Balance Sheet & Financial Position

Balance Sheet ($m)	FY2024	YoY
Total assets	20,454	+8%
Total liabilities	10,965	+9%
Net assets/equity	9,489	+6%
Cash and cash equivalents	625	+35%
Interest-bearing liabilities	3,378	+4%
Investments in equity accounted investees	6,823	+9%
Property, plant and equipment	3,891	+21%
Adjusted net debt	2,833	-0.2%
Gearing ratio (adjusted)	23%	-1pp
Adjusted net debt/adjusted EBITDA	1.0x	Improved
Cash Flow ($m)		
Operating cash flow	1,114	+$1,747m
Capital expenditure	608	+63%
Dividends	819	+111%
Adjusted free cash flow	1,296	+34%

Origin maintained a solid financial position in FY24, with total assets of $20,454 million, up 8% from $18,948 million in FY23. The balance sheet remains positioned with adjusted net debt of $2,833 million, slightly below the previous year's $2,838 million despite investments in growth initiatives. The leverage ratio improved to 1.0x adjusted net debt to adjusted EBITDA, below the company's target range of 2.0-3.0x, providing financial flexibility to fund the battery investment program.

Cash flow metrics demonstrated improvement, with operating cash flow increasing to $1,114 million compared to -$633 million in FY23, driven by the recovery in Energy Markets earnings and more stable working capital movements. Capital expenditure increased 63% to $608 million, reflecting the early stages of the battery investment program. Free cash flow remained strong at $1,296 million (up 34%), supporting a 51% increase in dividends to $819 million while maintaining financial flexibility for growth investments.

Recent HY25 results indicate some moderation in financial metrics, with the leverage ratio increasing to 1.5x as capital expenditure accelerated to $889 million (up 194% from the prior corresponding period). Management expects leverage to increase further in FY26 before improving in FY27 as battery investments begin contributing to earnings, though it will remain within the target range of 2.0-3.0x.

The company's credit profile remains stable with a gearing ratio of 23% as of FY24, slightly improved from 24% in the previous year. This capital structure, combined with cash distributions from APLNG, provides Origin with financial flexibility to navigate the temporary increase in capital intensity during its transition investment phase.

Key Project Status

Project	Status	Strategic Importance
Eraring Battery (700 MW / 2,800 MWh)	Under construction	Largest battery in portfolio; Utilizes existing grid connection; Four-hour dispatch duration provides both energy arbitrage and capacity value; Staged completion FY26-27
Mortlake Battery (240 MW / 480 MWh)	Under construction	Co-located with gas peaking plant; Two-hour dispatch duration focused on FCAS and peak capacity; Leverages existing infrastructure; Completion FY26
Supernode Battery	Development	Power purchase agreement structure diversifies development approach; Provides additional flexibility without direct capital commitment; Completion FY26
Yanco Delta Wind Farm	Development	Large-scale development project with 1.5 GW potential capacity; Key component of 4-5 GW renewables and storage target by 2030; Timeline 2027-30
Origin Loop (Virtual Power Plant)	Operational	Currently 1.45 GW of connected capacity (+70% YoY); Targeting 2.5-3.0 GW by FY29; Integrates home batteries, solar systems, and smart devices
Eraring Power Station	Operational	2.9 GW black coal plant; Extension from original 2025 timeline provides transition period; GEPA agreement with NSW government provides financial support; Closure August 2027

The battery investment program represents Origin's significant near-term growth initiative, with approximately $1.7 billion committed to date. The flagship Eraring battery has been expanded to 700 MW / 2,800 MWh with a four-hour dispatch duration, making it one of Australia's largest storage projects. Construction is progressing with staged completion expected through FY26-27. The project benefits from existing grid connection infrastructure at the Eraring site, providing cost advantages over greenfield developments.

The Mortlake battery (240 MW / 480 MWh) complements the company's gas peaking plant at the same site, creating operational synergies and diversification of storage duration within the portfolio. This two-hour battery is primarily focused on FCAS and peak capacity services, with completion expected in FY26. Origin has also contracted offtake from third-party developed batteries including Supernode, demonstrating a hybrid approach to storage growth that balances owned assets with contractual arrangements.

Origin's renewable development pipeline is advancing with the acquisition of the Yanco Delta Wind Farm project, which has potential capacity of up to 1.5 GW. This project, along with other developments like Ruby Hills and Northern Tablelands wind farms, contributes to the company's target of adding 4-5 GW of renewables and storage to its portfolio by 2030. Meanwhile, the Origin Loop virtual power plant continues its expansion, growing 70% year-over-year to 1.45 GW of connected capacity.

The company's technology transformation has progressed with the implementation and stabilization of the Kraken platform, which now supports enhanced customer capabilities and operational efficiencies. This platform is important to delivering the targeted $100-150 million reduction in cost to serve by FY26, through automation, AI implementation, and organizational restructuring.

Financial Forecasts

Income Statement ($m)	FY24A	FY25E	FY26E	FY27E	FY28E	FY29E
Revenue	16,138	15,654	15,350	16,118	16,924	17,770
Growth (%)	-2.1%	-3.0%	-1.9%	+5.0%	+5.0%	+5.0%
EBITDA	3,528	3,200	3,150	3,400	3,800	4,150
EBITDA Margin (%)	21.9%	20.4%	20.5%	21.1%	22.5%	23.4%
Depreciation	458	470	500	540	580	600
EBIT	3,070	2,730	2,650	2,860	3,220	3,550
EBIT Margin (%)	19.0%	17.4%	17.3%	17.7%	19.0%	20.0%
Net Profit	1,183	1,100	1,050	1,200	1,400	1,650
EPS (cents)	68.7	63.9	61.0	69.7	81.3	95.8
Cash Flow & Balance Sheet						
Operating Cash Flow	1,114	1,400	1,500	1,600	1,800	2,000
Capital Expenditure	608	1,649	1,150	1,190	1,150	1,205
Free Cash Flow	1,296	(100)	470	565	825	970
APLNG Distributions	1,384	1,050	1,100	1,150	1,200	1,200
Dividends	819	770	735	840	980	1,155
Adjusted Net Debt	2,833	3,703	3,968	4,243	4,398	4,583
Adjusted Net Debt/EBITDA	1.0x	1.5x	1.9x	1.8x	1.6x	1.4x
Operational KPIs						
Energy Markets EBITDA	1,655	1,250	1,200	1,350	1,550	1,750
Integrated Gas EBITDA	1,951	1,700	1,700	1,750	1,800	1,850
Octopus Energy EBITDA	55	100	150	200	300	400
APLNG Production (PJ)	694	680	675	670	670	665
Battery Capacity (MW)	-	200	700	1,700	1,700	1,700
Origin Loop Capacity (GW)	1.45	1.65	1.85	2.10	2.35	2.60
Underlying ROCE (%)	15.2%	13.5%	12.5%	14.0%	15.5%	17.0%

Our revenue forecasts reflect a U-shaped trajectory, with a 3.0% decline in FY25 and a further 1.9% decline in FY26 before returning to 5.0% growth from FY27 onwards. This pattern captures both the normalization of Energy Markets earnings as lower wholesale costs flow through to regulated tariffs and the growing contribution from battery investments as they progressively enter operation in FY26-27.

EBITDA follows a similar pattern, bottoming at approximately $3,150 million in FY26 (20.5% margin) before gradually expanding to $4,150 million by FY29 (23.4% margin). This trajectory reflects the temporary factors in Energy Markets (EBITDA declining to $1,200-1,250 million in FY25-26) and the normalization of exceptional LNG trading gains, before recovery as battery returns materialize and cost efficiency initiatives deliver their targeted $100-150 million reduction by FY26.

The capital expenditure profile is front-loaded with $1,649 million in FY25 primarily for battery projects, declining to approximately $1,150 million in FY26 and normalizing at $1,150-1,200 million (6.5-7.0% of revenue) thereafter. This elevated investment phase temporarily increases leverage, with adjusted net debt to EBITDA rising from 1.0x in FY24 to 1.9x in FY26 before gradually improving to 1.4x by FY29 as projects generate returns.

Free cash flow exhibits volatility, with negative FCF of approximately $100 million in FY25 due to elevated capex, before recovering to $470 million in FY26 and growing steadily to $970 million by FY29. This cash flow pattern directly influences dividend projections, with a temporary moderation in FY25-26 before resuming growth from FY27 onwards as the benefits of transformation materialize.

Operational metrics highlight the company's transition journey, with battery capacity expanding from 200 MW in FY25 to 1,700 MW by FY27 and Origin Loop capacity growing steadily from 1.45 GW currently to 2.60 GW by FY29. APLNG production is expected to plateau around 670-680 PJ annually, providing cash distributions to fund growth initiatives. Meanwhile, Origin's share of Octopus Energy EBITDA is projected to grow from $100 million in FY25 to $400 million by FY29 as the business achieves scale benefits and international operations mature.

End of Report