

# APA Group

Sector | Materials

**CMP**  
\$6.61

**Target**  
\$7.728

**Risk Level**  
Moderate

**Recommendation**  
Buy

## Expansion Activities in FY24 Setting a Brighter Future

February 24, 2025

### Key Positives

- Consistently increasing dividend per share over the last five years.
- Revenue increased at a CAGR of 4.1% during FY20-FY24
- Gross profit increased at a CAGR of 4.3% during FY20-FY24

### Key Negatives

- Falling current ratio (0.48x in FY24 vs 0.97x in FY23)
- Declining quick ratio (0.39x in FY24 vs 0.84x in FY23)

### Key Investment Risks

Demand and Supply Risk | Uncertainties in Gas Prices | Intense Competition, etc.

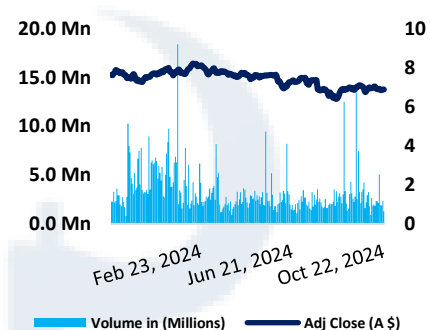
### Investment Summary

- Robust Performance in FY24:** APA Group (ASX: APA), a leading energy infrastructure company in Australia, reported robust financial results for the year ending 30 June 2024, **demonstrating strong growth in earnings and distributions**. The company achieved an underlying EBITDA of \$1,893 million, reflecting a 9.7% year-on-year growth, **driven by the east coast gas expansion and the contribution of the Pilbara Energy System**. Revenue excluding pass-through revenue increased by 7.9% to \$2,591 million, **underscoring the strength of the company's asset base and operational capabilities**. The statutory net profit after tax soared to \$998 million, fueled by the remeasurement of APA's pre-existing 88.2% interest in the Goldfields Gas Pipeline.
- Decent Liquidity Position:** The company's capital investment of \$833 million in growth projects underscores its strategic focus on enhancing infrastructure capabilities. Financing activities included the issuance of a €500 million hybrid subordinated bond and a \$1.25 billion syndicated term loan, reflecting APA's ability to secure funding for its long-term growth ambitions. **This decent liquidity position ensures that APA can continue to execute its capital projects while maintaining financial flexibility.**
- Promising Outlook:** Looking ahead to FY25, APA Group remains on a growth trajectory with guidance for underlying EBITDA in the range of \$1,960 million to \$2,020 million, a projected 3.5% to 6.7% increase from FY24. Distributions are forecasted to grow by 1.8% to 57.0 cents per security, maintaining alignment with earnings growth. The company is also advancing key projects, including the Port Hedland Solar and Battery Project nearing completion, and the Kurri Kurri lateral pipeline development in NSW.
- Valuation:** We have valued the stock using relative valuation methodology, assigning an industry mean P/E multiple of ~35.1x to FY26E EPS of \$0.22, which gives the target price of \$7.728 for the potential upside of 16.9%, and recommend a "Buy" rating, keeping in view the stock being underpriced while growth drivers remain intact amid favorable industry tailwinds. However, there could be downside risks to the valuation, owing to geopolitical risk and economic uncertainty.

### Stock Information

Ticker	ASX: APA
Mkt Cap	\$8.87 Bn
52-Week L/H	\$6.620 - \$8.900
Beta (x)-5Y Monthly	0.27
Div. Yield (%)	8.24%
Outstanding Shares (mn)	1,294.95 Mn
Duration	9 to 12 months

### Stock Performance



### Company Overview

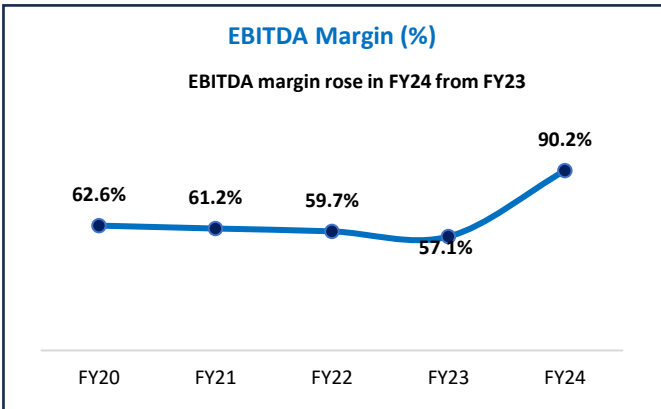
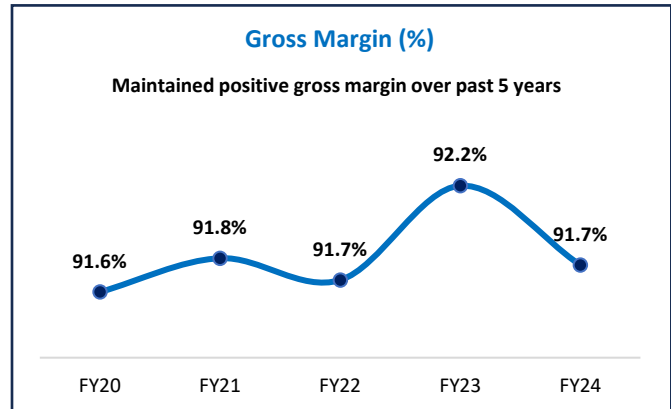
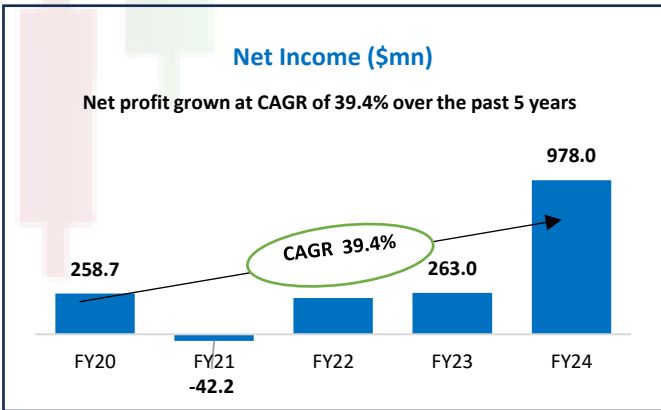
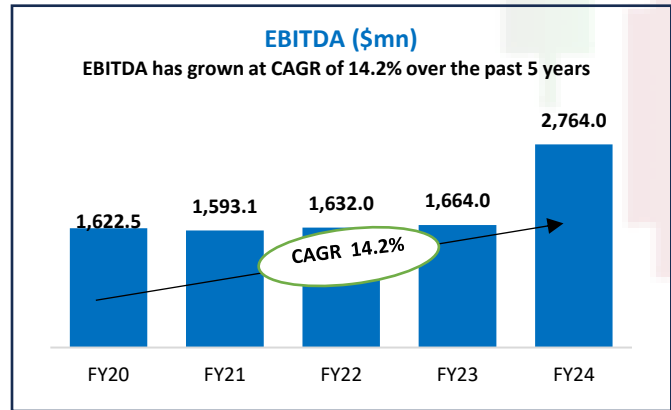
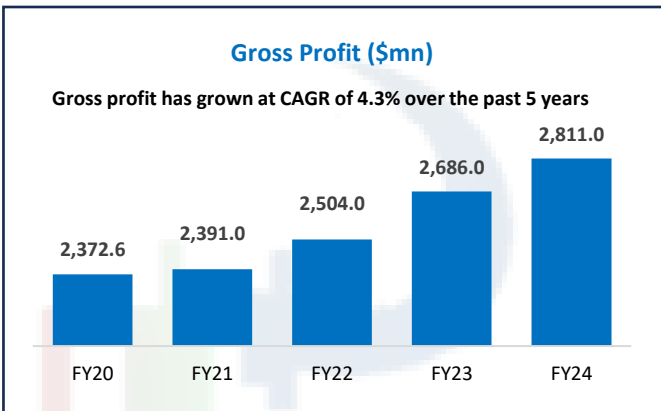
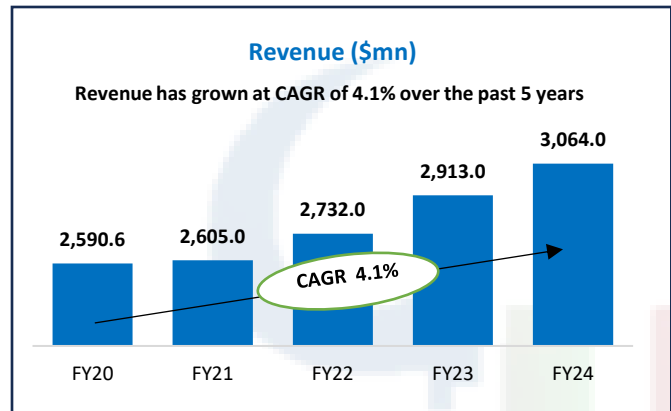
Founded in 2000 and headquartered in Sydney, Australia, APA Group (ASX: APA) is an Australian company operating in the energy sector. The company owns and/or manages and operates natural gas, electricity, solar and wind generation facilities. Its segments include Energy Infrastructure, Asset Management and Energy Investments. The company has a portfolio of electricity generation assets including transmission, connection, processing, storage and electricity generation (natural gas and renewable energy) and distribution. The Asset Management segment includes third-party asset management and operations and the majority of the company's financial investments. The Energy Investments sector encompasses interests in electricity investments.

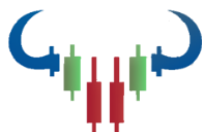
## Financial Highlights (AU\$ Mn)

YE June (AU\$ Million)	FY20	FY21	FY22	FY23	FY24	Growth Trend
Revenue	2,590.6	2,605.0	2,732.0	2,913.0	3,064.0	
EBITDA	1,622.5	1,593.1	1,632.0	1,664.0	2,764.0	
EBITDA Margin (%)	62.6%	61.2%	59.7%	57.1%	90.2%	
Net Profit	258.7	-42.2	231.0	263.0	978.0	
Net Margin (%)	10.0%	-1.6%	8.5%	9.0%	31.9%	
EPS (Cents)	26.90	0.10	22.10	24.30	78.90	
DPS (Cents)	50.00	51.00	53.00	55.00	56.00	
RoE (%)	9.1%	0.0%	9.3%	12.6%	38.7%	
Total Debt	11,553.1	10,401.3	11,462.0	11,586.0	13,040.0	
Free Cash Flow	679.4	628.8	536.0	40.0	103.0	

Source: Company, tikr.com, V2U Research

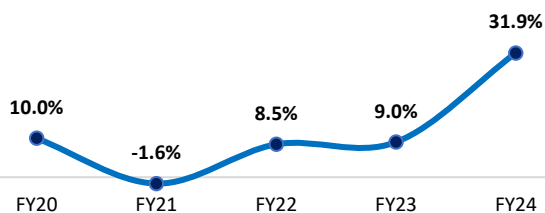
## Quick Financial Analysis





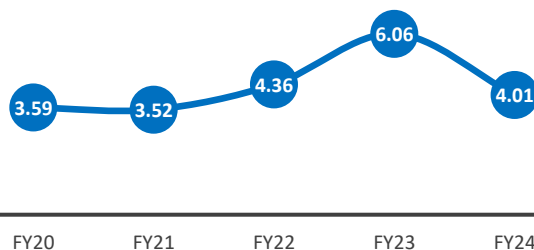
## Net margin (%)

Trend of rising net margin since FY22



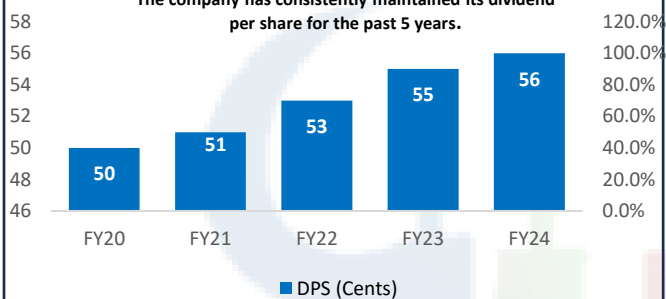
## Debt to Equity (x)

Debt to equity ratio improved in FY24



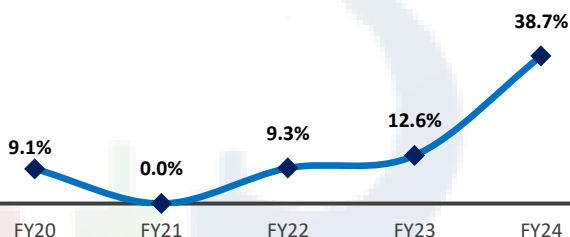
## Dividend

The company has consistently maintained its dividend per share for the past 5 years.



## Return on Equity (%)

Maintained positive ROE since FY20



Source: Company, tkr.com, V2U Research

## Valuation Methodology

### P/E Multiple Based Relative Valuation

	Earnings Per Share (FY26E A\$)	Price/EPS Multiple (NTM) (Peer Mean) (approx.)	Market Cap (A\$ mn)	Shares Outstanding (million)	Target Share Price (A\$)	Current Market Price (A\$) (February 21, 2025)	Recommendation
FY26E	0.22	35.1	10,006.73	1,294.95	7.728	6.610	Buy

Data Source: tkr.com, Analysis by V2U Research

## Technical Overview

Published on Investing.com, 22/Feb/2025 - 16:14:18 GMT, Powered by TradingView.  
APA Group, Australia, Sydney:APA, W



Weekly Chart, Source: investing.com,

On the weekly time frame, the stock of APA highlights a potential buying opportunity near strong support levels. The price is consolidating around Support 1 (\$6.468) and Support 2 (\$6.00), which have historically shown significant buying interest. The RSI (14-day) at 33.5251 indicates oversold conditions, suggesting a potential reversal, especially as the price is near the lower Bollinger Band. Recent green volume bars further support increasing buying activity.

Going ahead, we believe that the stock would continue to have an upward trajectory whereby it may have initial resistance around \$7.452, and beyond that it would have major horizontal resistance around \$8.121. On the other hand, if the stock declines, it could find initial horizontal support at \$6.468, and if it breaks below this level, it could find strong support at \$6.000.

## Stock Recommendation

APA has announced the execution of a Development Agreement, a long-term Gas Transportation Agreement (GTA), and a Connection Agreement with Tamboran Resources Corporation and Daly Waters Energy, LP. These agreements pertain to the Sturt Plateau Pipeline (SPP) connection in the Northern Territory. As part of the arrangement, APA will develop, own, and operate the SPP, facilitating the connection of Tamboran Resources' Shenandoah South Pilot Project to the Amadeus Gas Pipeline (AGP) in the Northern Territory.

Hence, considering the aforesaid facts, decent long-term outlook, paying decent dividend to its shareholders, growing revenue, associated risks, and technical analysis, we have valued the stock using relative valuation methodology, assigning an industry average P/E multiple of ~35.1x to FY26E EPS, which gives the target price of \$7.728 for the potential upside of 16.9%, and recommend a "Buy" rating at the closing market price of \$6.610 (as of February 21, 2025), keeping in view the stock being underpriced while growth drivers remain intact amid favorable industry tailwinds. However, there could be downside risks to the valuation, owing to geopolitical risk and economic uncertainty.

### **Technical Indicators Defined: -**

**Support:** A level at which a downward-trending asset attracts buying interest, preventing the price from falling further.

**Resistance:** A level at which an upward-trending asset experiences selling pressure, preventing the price from continuing to rise.

**Stop-loss:** It is a level that prevents further losses caused by adverse changes in stock prices.

**Bollinger band:** The Bollinger band is a technical indicator that indicates a financial asset is about to enter an overbought or oversold state. There are three lines that make up a Bollinger Band on a price chart. The first line is the simple moving average (SMA), which is usually a 20-period moving average of the asset's price. It takes price data over a specific time frame and averages it out so you can see the big picture. Second is, upper band, which is defined as the band located above the middle band, often two standard deviations higher. Finally, there is the lower band, which is situated a specific number of standard deviations (usually 2) below the middle band and signifies possible overbought situations when prices approach or surpass it. Prices that go close to or go below this zone can be a sign of possible oversold situations.

**RSI:** The Relative Strength Index (RSI) measures the speed and strength of price fluctuations over a specific time period (typically 14 days). It analyzes the internal strength of a price movement, allowing traders to spot market momentum.

**EMA:** Exponential Moving Average (EMA) is a type of moving average that gives more weight and importance to the most recent data points. It is used to evaluate the bullish and bearish trends in securities over a specific timeframe.

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**Disclosure:** We sourced the above information from the company reports, presentations, stock exchange, company websites, publicly available information, and a third-party database, i.e., tkr.com. It is advisable that investors make use of a stringent stop-loss in order to safeguard their investments in the event that any adverse or unpredictable market events occur.