

AGL Energy Ltd

November 29, 2024



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AGL Energy Ltd

Equity Analysis

Kapitales Research Rating ★★★★★
Recommendation Buy
Current Market Price AU\$11.200
Risk Moderate

52 Week Range (AU\$)

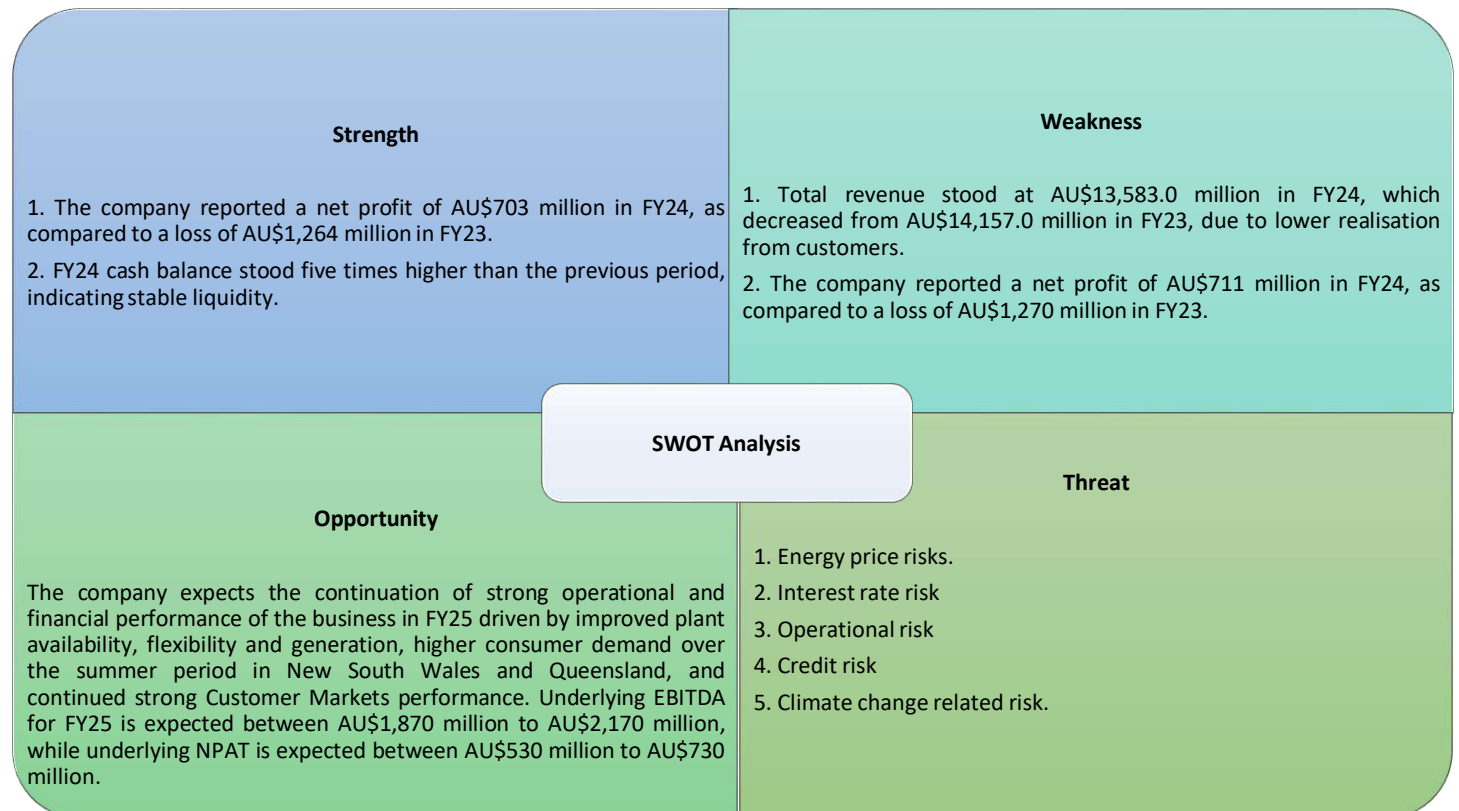


Average volume	1.85 million	52 Week Range (AU\$)	7.800 – 12.200
Shares outstanding	672.75 million	Dividend amount (AU\$)	0.350
Free float	599.16 million	Dividend Yield	5.46%
P/E (TTM)	10.60	Ex-date	27-Aug-24
Market cap (AU\$)	7.46 billion	Record date	28-Aug-24
EPS (TTM)(AU\$)	1.053	Pay date	24-Mar-24
ROE	13.48%	Franking	0%

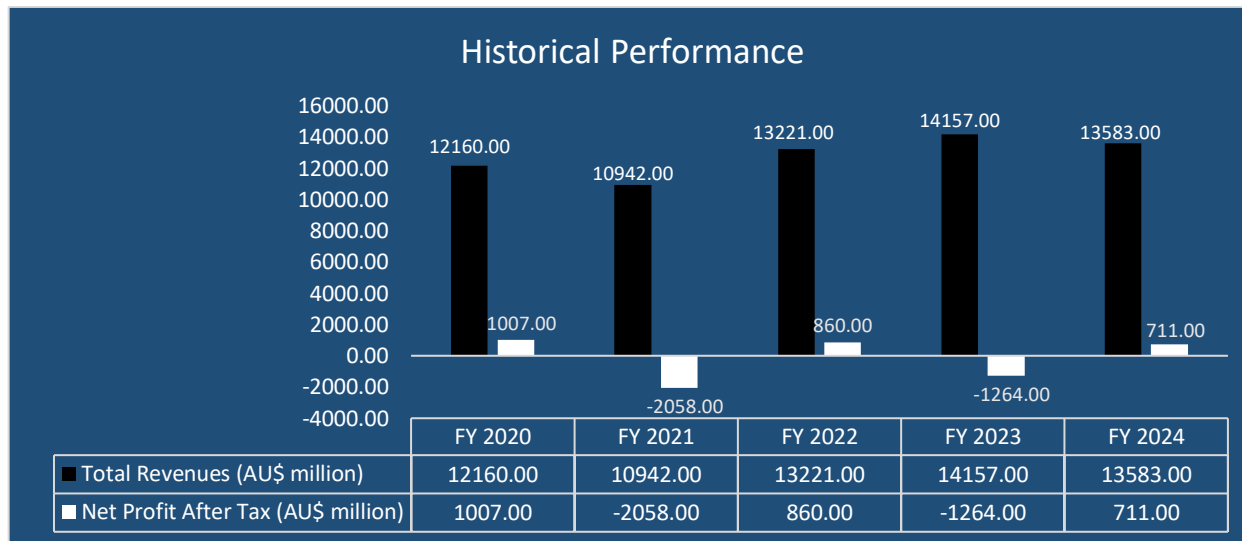
Source: (ASX and Koyfin), Analysis by Kapitales Research

AGL Energy Limited (ASX: AGL) is an Australia-based company that provides energy and telecommunications customer services. The Company operates through three segments: Customer Markets, Integrated Energy, and Investments. The Customer Markets segment comprises the Consumer and Large Business customer portfolios responsible for the retailing of electricity, gas, telecommunications (broadband/ mobile/voice), solar and energy products and services to residential, small and large business customers.

SWOT Analysis



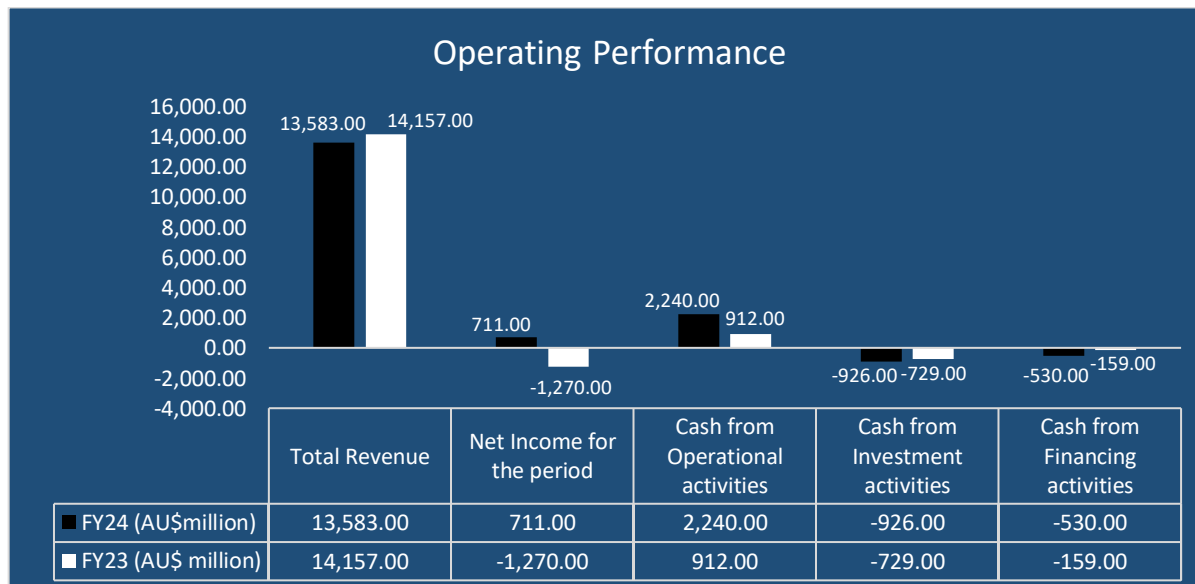
Historical Performance



Source: Koyfin, Analysis by Kapitales Research

The company’s total revenue stood at AU\$13,583 million in FY24, compared to AU\$12,160 million in FY19, which indicates a CAGR of 2.8%. The company’s net profit stood at AU\$711.00 million in FY24 versus a net loss of AU\$1,264 million in FY23.

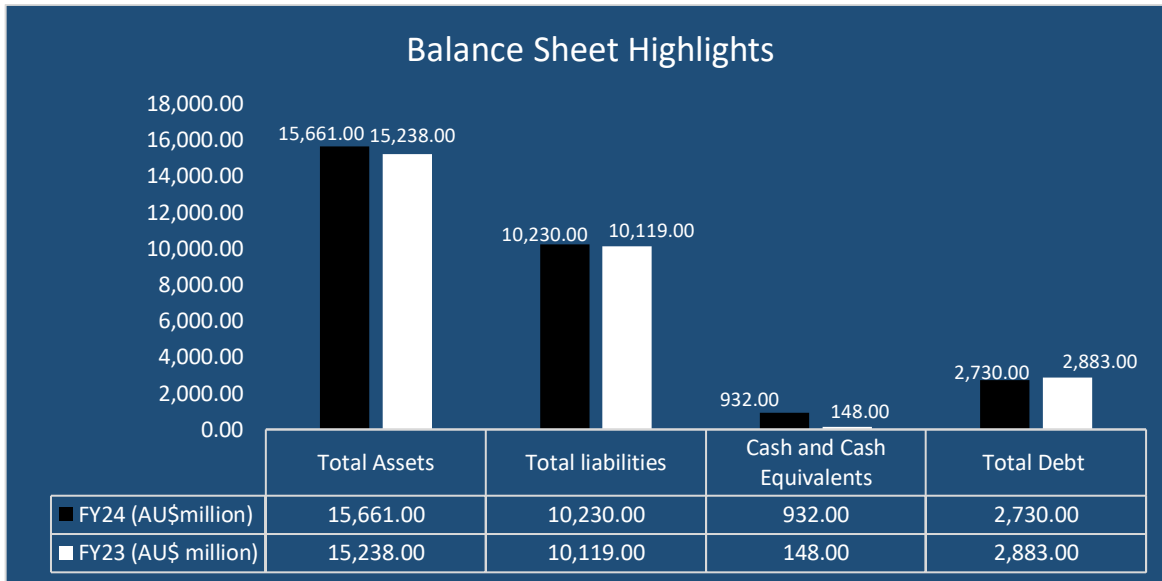
Operating Performance (period ended 30 June 2024)



Source: Company Reports, Chart Prepared by Kapitales Research

- Total revenue stood at AU\$13,583.0 million in FY24, which decreased from AU\$14,157.0 million in FY23, due to lower realisation from customers. Total service to customers stood at 4,482 million in FY24, which is higher than 4,271 million in FY23.
- The company reported lower input costs resulting in a decline in cost of sales and a lower contracts and materials costs.
- The company reported a net profit of AU\$711 million in FY24, as compared to a loss of AU\$1,270 million in FY23.

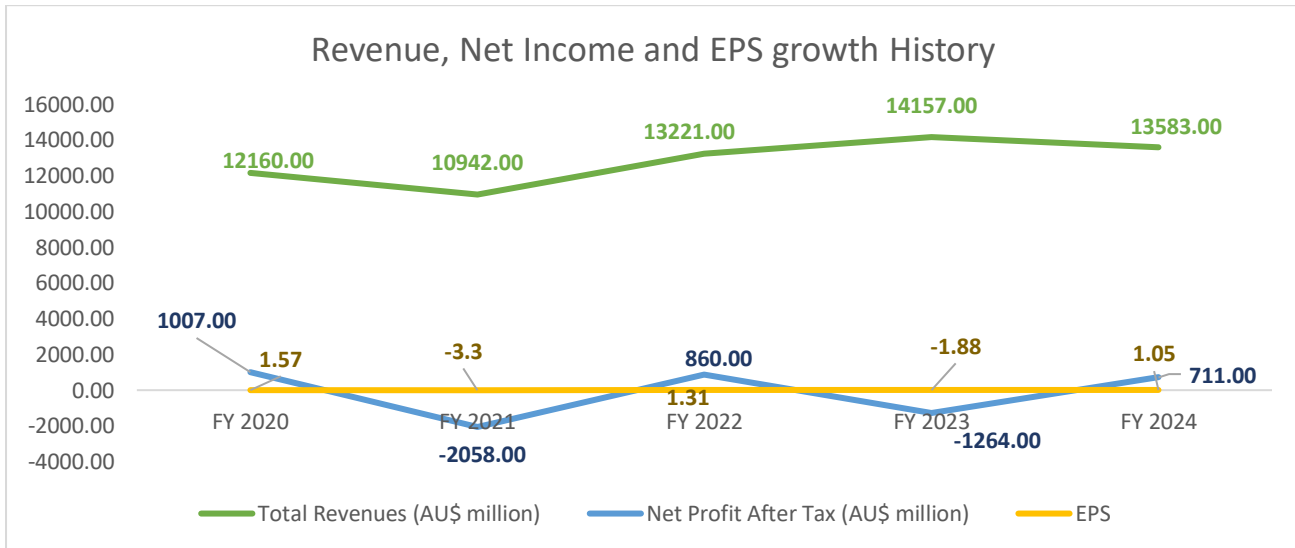
Balance Sheet Highlights (period ended 30 June 2024)



Source: Company Reports, Chart Prepared by Kapitaless Research

Compared to FY23, the Company’s total asset increased 2.78% in FY24 due lower current assets. Additionally, the Company’s cash balance stood five times higher than the previous period, indicating stable liquidity. The Company’s posted a 5.31% decrease in total borrowings from FY23 which is a key positive.

Revenue, Net Income and EPS growth History



Source: Koyfin, Analysis by Kapitaless Research

Fiscal Years	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	Growth Trend
Total Revenues (AU\$ million)	12160.00	10942.00	13221.00	14157.00	13583.00	■ ■ ■ ■ ■
Net Profit After Tax (AU\$ million)	1007.00	-2058.00	860.00	-1264.00	711.00	■ ■ ■ ■ ■
EPS	1.57	-3.3	1.31	-1.88	1.05	■ ■ ■ ■ ■

Source: Koyfin, Analysis by Kapitaless Research

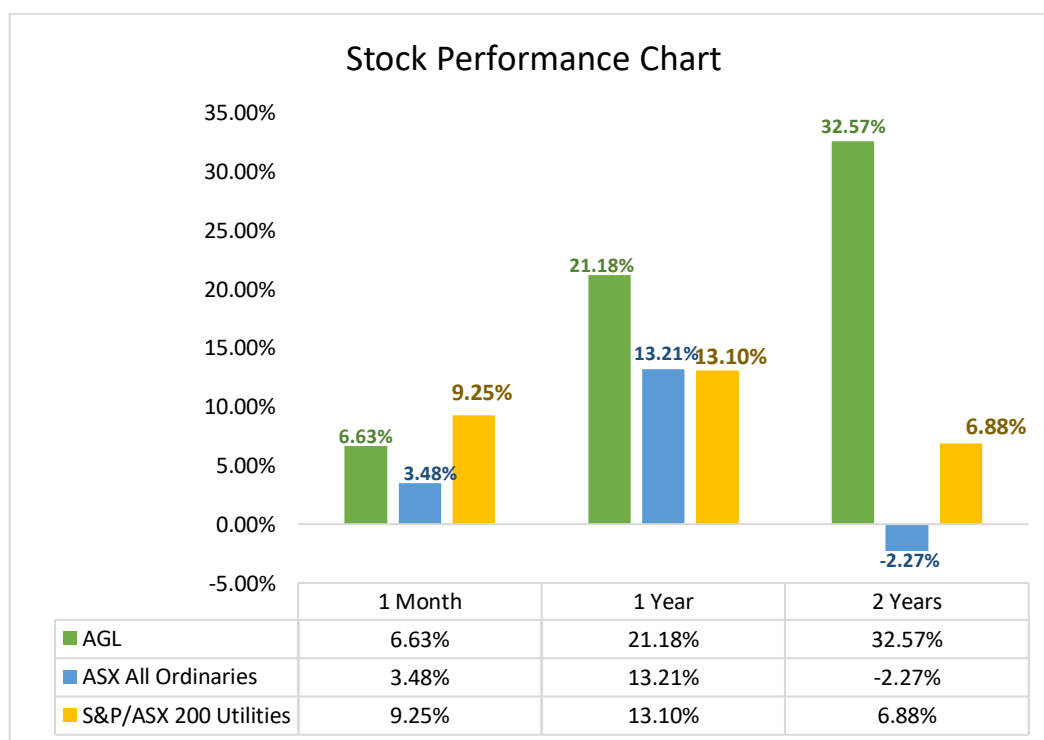
Ratio Analysis

Fiscal Years	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Return on Assets (ROA) %	6.93%	5.43%	-4.54%	5.84%	2.10%	5.72%
Return On Equity %	10.81%	12.27%	-30.55%	14.19%	-21.83%	13.33%
Return on Common Equity (ROCE) %	10.81%	12.27%	-30.55%	14.31%	-21.72%	13.48%
EBITDA Margin %	15.98%	15.10%	-5.27%	16.16%	7.90%	14.55%
Gross Profit Margin %	28.69%	29.93%	28.89%	20.76%	20.22%	29.44%
Net Income Margin %	6.83%	8.28%	-18.81%	6.50%	-8.93%	5.23%
Asset Turnover	0.9	0.8	0.7	0.8	0.8	0.9
Days Outstanding Inventory (Avg)	14.6	16.9	19.2	13.7	11.6	12.8
Current Ratio	1.3	1.3	1.2	1.1	1.1	1.1
Quick Ratio	0.7	0.8	0.7	0.4	0.5	0.7
Days Sales Outstanding (Average Receivables)	46.6	47.8	56.4	65.9	60.7	53.7
Days Payable Outstanding (Avg)	36.5	35.6	46.1	66.8	59.2	45.5
Cash Conversion Cycle (Average Days)	24.7	29.2	29.6	12.8	13.0	20.9

Source: Koyfin, Analysis by Kapitales Research

- EBITDA margin and Gross margin stood at 14.55% and 29.44%, respectively, in FY24, which is on the higher end in the last six years.
- The company reported its current ratio and quick ratio of 1.1x and 0.7x, respectively, in FY24, which is on the higher-end in the last six years.
- Cash conversion period stood at negative 20.90 days, which higher than 13.0 days in FY23, and indicates that the company is taking slightly higher time to convert its investment to cash flows.

Price Performance



Source: Investing.com, Analysis by Kapitales Research

Recent Development

The Management recently announced that it has finalised a new agreement to supply an additional 287 MW of electricity requirement of the Portland Smelter JV participants'(Alcoa) aluminium smelter in Portland, Victoria, until 2035. This is in addition of existing 300 MW supply agreement to region.

Outlook

The company expects the continuation of strong operational and financial performance of the business in FY25 driven by improved plant availability, flexibility and generation, higher consumer demand over the summer period in New South Wales and Queensland, and continued strong Customer Markets performance. Underlying EBITDA for FY25 is expected between AU\$1,870 million to AU\$2,170 million, while underlying NPAT is expected between AU\$530 million to AU\$730 million. Within the customer market, the company will be focusing on spending on its Energy-as-a-Service and electrifications initiatives.

Key Risks and Uncertainties

- Energy price risks.
- Interest rate risk
- Operational risk
- Credit risk
- Climate change related risk

Technical Analysis



Source: TradingView, Analysis by Kapitales Research

Company Name	Ticker	Sector	CMP (AU\$)	Advisory date	Rating	Target 1 (AU\$)	Target 2 (AU\$)	Stop Loss (AU\$)
AGL Energy Limited	AGL	Utilities	11.200	29 November 2024	Buy	12.450	13.220	10.360

On a weekly price chart, the stock of AGL currently trades above 20, 50, 100, and 200-weeks EMAs, which indicates strong buying interest. Moreover, the stock has recovered from its recent low of AU\$8.200-9.000 levels, suggesting a revival in the stock price. The volume of the stock has remained at the same level since the beginning of CY24, which further suggests decent buying interest.

Investors can enter at the current price level of AU\$11.200 levels with a target price of AU\$12.450 (previous swing resistance) and AU\$13.220 (previous swing resistance), respectively. Investors can either book full or partial profits at target 1 and wait for the stock to achieve target 2 (depending on their risk appetite).

Investors are advised to keep a strict stop loss at or below AU\$10.360 (horizontal support level) to protect their investments, in case of an unfavourable movement in the stock due to any uncertain event.

Please Note: It would be in the best interest of investors to trail their stop-loss upward if the stock is moving in our favorable direction.

Investment Summary

The company has a development pipeline almost doubled to 5.8 GW since the CTAP was release in September 2022. The company caters to more than 4.3 million customers and is one of the leading names in the region. In the coming days, the company expects improved plant availability and flexibility of asset fleet, including the commencement of operations of Torrens Island and Broken Hill. In FY24, the company reported an increase in approximately 2,11,000 number of additional customers, which is worth mentioning.

Hence, after considering the facts mentioned above facts, investors are advised to have a “Buy” rating on the stock of AGL at the closing price of AU\$11.200 on 29 November 2024.

Note: Kapitales Research Rating Star has been decided over the quantitative analysis of the stock. Maximum number of stars can be 5, with 5 for the top rating and 1 for the lowest rating.

Technical Indicators Defined:

EMA: Exponential Moving Average is the moving average that puts more weight on the most recent data points. $EMA = \text{Closing price} * \text{multiplier} + EMA(\text{previous day}) * (1 - \text{multiplier})$. For a 200-day exponential moving average, the multiplier can be calculated with the formulae i.e. $[2/(200+1)] = 0.0095$.

RSI: Momentum indicator, Relative Strength Index is used to evaluate the overbought or oversold nature of an asset by measuring the magnitude of its recent price changes.

Bollinger Band: A technical analysis tool that uses two parameters i.e. period (default is 20) and standard deviations, forming a kind of price envelope depicting a range of upper price band and lower price band. This price band shifts according to the volatility swings, and it helps in identifying whether the underlying asset is in the overbought zone or oversold zone.

Support: This is a level or zone where the stock finds good demand indicating the buyer's strength.

Resistance: This is a level or zone where the stock finds a good supply indicating the seller's strength.

Stop-loss: This is the level from where the investors should exit their positions to prevent any further losses in case of unfavorable movement in the stock prices.

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Disclosure: The information mentioned above has been sourced from the company reports and a third-party database, i.e., Koyfin. Investors are advised to use strict stop-loss to protect their investments in case of any unfavorable/uncertain market events.

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