Dalrymple Bay Infrastructure

**ASX Announcement**
11 October 2022

# DBI ANNOUNCES 10 YEAR PRICING AGREEMENTS AND SIGNIFICANT INCREASE IN DISTRIBUTION GUIDANCE

Dalrymple Bay Infrastructure Limited (ASX: DBI) ("DBI" or "the Company") is pleased to announce that Dalrymple Bay Infrastructure Management Limited[1] has today reached agreement on pricing and commercial terms for a ten year period to June 2031 with all of its existing customers (Users) at Dalrymple Bay Terminal (DBT) under the light-handed regulatory framework.[2]

**Key Highlights**

- The Terminal Infrastructure Charge (TIC) for 2021-22 (TY-21/22)[3] is $3.02 per tonne and the TIC for 2022-23 (TY-22/23) is $3.18 per tonne, representing a 23% and 29% increase respectively to the TIC that applied under the previous heavy-handed regime
- The TIC will be escalated annually for inflation, with the new pricing and commercial terms applying from 1 July 2021 to 30 June 2031 under revised user agreements with each existing User[4]
- Other key commercial terms remain substantially the same including 100% take-or-pay terms, 100% pass through of operating costs and 100% of DBT's capacity remaining fully contracted to June 2028 with evergreen renewal options for customers
- Socialisation of charges on User defaults or contract expiries is retained[5]
- Payment adjustments totalling $61m to be paid by Users in respect of the period from 1 July 2021 to 30 September 2022
- DBI also announces:
    - distribution guidance for the year commencing 1 July 2022 (TY-22/23) totalling 20.1 cps, to be paid in quarterly distributions, reflecting a 10% increase over the Q2-22 distribution[6]
    - an updated distribution per security growth target of 3-7% per annum (previously 1-2% per annum) for the foreseeable future, subject to business developments and market conditions
    - the successful conclusion of the User negotiations enables the Company to reaffirm its distribution policy established on listing of targeting to distribute between 60-80% of FFO[7]
- The finalisation of the agreements provides significant cashflow certainty for the business, which will allow DBI to plan with confidence over the medium to longer term. DBI has the flexibility to continue to cash-fund the equity portion of its non-expansionary capital expenditure (NECAP) program while now also considering other capital management initiatives including debt repayments, buy-backs and/or diversification through potential acquisitions.

DBI's Managing Director and CEO, Mr Anthony Timbrell, said: "*The successful completion of the commercial negotiations with our customers under the light-handed regulatory framework approved by the Queensland Competition Authority in 2021 is great news for all stakeholders. The agreements are the result of a comprehensive negotiation process and the first to be settled under the new negotiate-arbitrate regime. DBI would like to take this opportunity to thank all its customers for their patience and constructive approach to discussions over recent months.*"

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[1] Dalrymple Bay Infrastructure Management Pty Ltd (DBIM), DBI's wholly-owned subsidiary, provides the services at DBT.
[2] Refer previous ASX announcements: *Queensland Competition Authority confirms move to Light Handed Regulatory Framework* dated 31 March 2021 and *Queensland Competition Authority approves Access Undertaking for Light-handed Regulatory Framework* dated 1 July 2021.
[3] TY is the 'TIC year' commencing on 1 July and ending on 30 June (i.e., TY-21/22 is 1 July 2021 to 30 June 2022).
[4] The pricing agreed under the revised User Agreements will apply until 30 June 2031 or contract expiry (whichever is earlier).
[5] Refer note 14.
[6] Future distributions are subject to final DBI Board approval.
[7] Funds from Operations (FFO) means EBITDA less net interest expense and less any cash tax.

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**Key Pricing Details**

- Users will be charged a TIC per tonne of contract capacity that will be made up of the following components:
  - The base charge, which will be indexed on an annual basis in line with the Consumer Price Index (CPI)[8]
  - The NECAP charge, which allows for a return on and a return of NECAP at rates similar to those achieved historically under the previous regulatory regime[9]
  - The expansion charge, which allows for a return on and a return of expansion capital expenditure at rates similar to those achieved historically under the previous regulatory regime. If DBIM elects to proceed with the 8X expansion (or any portion thereof), the costs of the expansion will be socialised across all current Users and new Users, consistent with the QCA's 2021 Price Ruling, and an additional 8X increment will be added to the TIC[10]
  - QCA levies, which will be added to the TIC on a full pass-through basis
- There has been no change to the contract profile of DBT, which remains fully contracted to June 2028 with evergreen renewal options for customers on a 100% take-or-pay basis. Accordingly, the outcome of the pricing negotiations provides significant certainty of future revenue and cashflow generation for the Company
- Socialisation of charges on User defaults or contract expiries is retained[11]
- Other key commercial terms of the revised user agreements, including 100% pass through of operating costs, remain substantially the same as under the previous regulatory regime (refer Table 1)

**Distribution Guidance**

At the Company's FY-21 results release, DBI announced guidance for FY-22 distributions totalling 18.27 cps, reflecting a 1.5% increase in distributions per security over FY-21, in line with the Company's previous target to grow distributions per security by 1-2% per annum.[12]

In recognition of the successful completion of the TIC negotiations, DBI today announces updated guidance for distributions for the year commencing 1 July 2022 (TY-22/23) totalling 20.1 cps, reflecting a 10% increase over the Q2-22 distribution.[13] As the TIC will be adjusted each 1 July, it is the Board's intention to provide annual distribution guidance around the timing of the AGM each year for the 12 months commencing on the next 1 July.

The successful conclusion of the User negotiations enables the Company to reaffirm its distribution policy established on listing of targeting a distribution payout ratio of 60-80% of FFO. Furthermore, DBI will target to grow future distributions per security by 3-7% per annum for the foreseeable future, subject to business developments and market conditions.

[8] The base charge component of the TIC is $3.00 per tonne in TY-21/22.
[9] The NECAP charge will not be indexed. Return of capital refers to the adjustment for depreciation.
[10] The expansion charge will not be indexed.
[11] Refer note 14
[12] Refer previous ASX Announcement: *2021 Full Year Financial Results* dated 28 February 2022.
[13] Future distributions are subject to final DBI Board approval.

### Table 1: Negotiation outcomes under a light-handed regulatory framework

| | Previous (expired 1 July 2021) | Revised User Agreements under Light Handed Framework |
|---|---|---|
| Terms of Access | Existing Users: Access Agreements<br><br>Access seekers: apply for access under Access Undertaking | No Change<br><br>DBIM has agreed to seek to ensure that it has an Access Undertaking in force for the Pricing Period. DBIM and the Users have agreed to seek to retain key terms of the 2021 Access Undertaking for the Pricing Period. |
| Pricing framework | In practice parties have adopted the reference tariff TIC set by the QCA on an ex-ante basis. | Negotiate-arbitrate with current pricing terms to apply to all customers to 30 June 2031 (in effect two regulatory pricing periods) or contract expiry, if earlier. |
| TIC | Single TIC applies to all Users of existing terminal | Common pricing principles negotiated under all revised User Agreements. In effect a single TIC will apply to all current Users of existing terminal. |
| Role of QCA | Regulator – determines reference tariff and expected to act as arbitrator | Regulator – may have arbitration role in the event of a dispute although a commercial arbitrator may be appointed under the Access Agreements. Retains a role in capital expenditure prudency assessment and expansion processes. Existing dispute resolution mechanisms in the Access Agreements and the Access Undertaking are retained. |
| Socialisation | Socialisation of revenue in the event of user default or contract expiry, and other changes in contracted tonnage | Socialisation of revenue in the event of user default or contract expiry, and other changes in contracted tonnage[14] |
| Take-or-pay | All contracts on a 100% take-or-pay basis – no volume or commodity price risk | No Change |
| No FM risk | No relief from User take-or-pay obligations where force majeure declared[15] | No Change |
| NECAP approval | The QCA must approve the addition of NECAP to the RAB where it has been supported by all Users and the Operator | Concept of a formal RAB replaced by a capital base maintained by DBIM. Annual TIC adjustments for completed NECAP. Prudency assessment rules remain consistent with 2021 Access Undertaking including streamlined prudency assessment for NECAP. |
| O&M costs | Full pass through of all terminal O&M costs to Users | No Change[16] |

-ENDS-

Authorised for release by the Board of Dalrymple Bay Infrastructure Limited.


More information

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[14] Revenue for uncontracted capacity will not be socialised through increased charges for remaining Users in three limited circumstances: (1) if DBIM elects to voluntarily resume capacity not being utilised by a User without a reasonable expectation of recontracting to another access seeker, (2) in respect of uncontracted capacity created by an expansion until such capacity is unconditionally contracted for a term of at least 10 years, as required by the 2021 Access Undertaking, with appropriate credit security and for a mine that has achieved first coal at DBT, or (3) if DBIM fails to maintain DBT to be available to operate to its rated design capacity, or enters any agreements with non-coal customers in the future, either of which reduces available capacity, to the extent that available capacity is reduced. DBIM currently has no agreements with non-coal customers at DBT.

[15] A User may terminate its access agreement if terminal capacity is reduced below 10% of the aggregate contracted capacity on a sustained basis and DBIM does not commence reinstatement works within a reasonable time.

[16] DBIM has agreed with Users not to terminate the Operation and Maintenance Contract for convenience during the Pricing Period provided the Operator satisfies certain commitments in relation to the facilitation of hydrogen and transition feasibility studies or projects.

**About Dalrymple Bay Infrastructure**

Dalrymple Bay Infrastructure (DBI) through its foundation asset, the Dalrymple Bay Terminal (DBT), aims to provide safe and efficient terminal infrastructure and services for producers and consumers of high-quality Australian coal exports. DBT, as the world's largest metallurgical coal export facility, serves as a global gateway from the Bowen Basin and is a critical link in the global steelmaking supply chain. By providing operational excellence and options for capacity expansions to meet expected strong export demand, DBI intends to deliver value to security holders through distributions, ongoing investment and capital growth. dbinfrastructure.com.au

**Forward Looking Statements**

This announcement contains certain forward-looking statements with respect to the financial condition, operations and business of the Company and certain plans and objectives of the management of DBI. Forward-looking statements can be identified by the use of forward-looking terminology, including, without limitation, the terms "believes", "estimates", "anticipates", "expects, "predicts", "intends", "plans", "goals", "targets", "aims", "outlook", "guidance", "forecasts", "may", "will", "would", "could" or "should" or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. Such forward looking statements involve known and unknown risks, uncertainties and other factors which because of their nature may cause the actual results, performance or distributions of the Company to be materially different from the results, performance or distributions expressed or implied by such forward looking statements. Actual results may materially vary from any forecasts in this announcement. No representation or warranty, express or implied, is made as to the fairness, accuracy, completeness or correctness of the information, opinions and conclusions contained in this announcement. To the maximum extent permitted by law, none of DBI, its directors, employees or agents, nor any other person accepts any liability, including, without limitation, any liability arising out of fault or negligence, for any loss arising from the use of the information contained in this announcement. In particular, no representation or warranty, express or implied is given as to the accuracy, completeness or correctness, likelihood of achievement or reasonableness of any forecasts, prospects or returns contained in this announcement nor is any obligation assumed to update such information. Such forecasts, prospects or returns are by their nature subject to significant uncertainties and contingencies. Before making an investment decision, you should consider, with the assistance of a financial adviser, whether an investment is appropriate in light of your particular investment needs, objectives and financial circumstances.