Dalrymple Bay Infrastructure

ASX Announcement
27 February 2023

2022 Full Year Financial Results

Dalrymple Bay Infrastructure Limited (ASX:DBI) ('DBI' or 'the Company') is pleased to announce its results for the period ended 31 December 2022 (FY-22).

Highlights

- Agreement on pricing and commercial terms for a ten-year period to June 2031 with all existing customers under the light-handed regulatory framework
- Under the revised agreements, the Terminal Infrastructure Charge (TIC) for TY-22/23[1] of $3.18 per tonne represents a 29% increase to the TIC that applied under the previous heavy-handed regime
- Technical aspects of the 8X FEL3 Feasibility Study, which is fully underwritten by access seekers, have been completed with the total estimated cost expected to be approximately $1.369 million, updating the Pre-feasibility FEL2 prior estimate of $1,276 million (in 2020 dollars)[2]
- Transition Strategy developed to guide the Company's strategic response to the climate-related risks and opportunities emerging as a result of the expected transition of the global economy to a low carbon future
- A 4Q-22 distribution of 5.025 cents per security (cps), in line with guidance of 20.1 cps for TY-22/23

FY-22 Results

- Total Income of $626.4 million with Terminal Infrastructure Charge (TIC) Revenue of $281.7 million inclusive of a one-off revenue adjustment of $22.9 million to account for the higher TIC applicable from 1 July 2021 to 31 December 2021
- Statutory net profit after tax of $69.0 million
- Reported Borrowings of $1,966.3 million[3] at 31 December 2022, with $340 million of bank debt refinanced and $100 million DCM debt repaid
- Investment grade balance sheet maintained

Operational Performance

- The Dalrymple Bay Terminal (DBT) shipped 53.3Mt of coal in FY-22 with key export destinations of Japan, South Korea, Europe and India accounting for 75% of exports (75% in FY-21)
- Total coal exports for FY-22 totalled 53.3mt of coal (54.3mt in FY-21) of which 76% was metallurgical coal (81% in FY-21)
- There are early signs that the informal ban on Australian coal imports to China may be in the process of being removed, with China-destined vessels arriving at DBT in February
- The replacement stacker machine was successfully commissioned in May 2022

[1] TY is the 'TIC year' commencing on 1 July and ending on 30 June (i.e., TY-22/23 is 1 July 2022 to 30 June 2023)
[2] FEL3 Capital cost estimate is the estimate at completion with a P95 Confidence level inclusive of escalation and based on an assumed commencement date of 1 April 2024. Excludes feasibility study costs and interest during construction.
[3] Excluding the loan notes attributable to securityholders and capitalised borrowing costs of $7.3 million.

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- Zero fatalities on site at DBT and a whole of site AIFR of 4.8[4]
- Growth options advanced including finalisation of the technical aspects of the FEL3 Feasibility Studies for the 8X project, and preliminary feasibility studies conducted to understand the potential for development of a regional hydrogen production, storage and export facility located within the vicinity of DBT.

Dalrymple Bay Infrastructure Managing Director and CEO, Anthony Timbrell said:

> *"The Dalrymple Bay Terminal remains a critical link in the global steel making supply chain and a key asset in the Queensland and Australian economies.*
>
> *The successful completion of the commercial negotiations with our customers under the light-handed regulatory framework approved by the Queensland Competition Authority in 2021 was a material development for the Company during the year.*
>
> *The finalisation of these agreements provides significant cashflow certainty for the business which allows DBI to plan with confidence over the medium to longer term with the opportunity to explore growth options including the 8X project and pursuit of our transition strategy."*

Distributions

The Company has announced a 4Q-22 distribution of 5.025cps, taking the total announced distributions for FY-22 to 19.185cps. The 4Q-22 distribution will have a record date of 3 March 2023 and a payment date of 21 March 2023.

Following the successful completion of the TIC negotiations, DBI announced guidance for distributions for the year commencing 1 July 2022 (TY-22/23) totaling 20.1 cps. 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.

Pricing Agreement Under Light Handed Regulatory Regime

DBI reached agreement on pricing and commercial terms for a ten year period to June 2031 with all of its existing customers (Users) at DBT under the light-handed regulatory framework.[5]

The TIC comprises a number of components including a Base TIC which is adjusted annually for inflation and a NECAP Charge component for commissioned NECAP which earns the 10-year Commonwealth Government bond rate (reset annually) plus a margin [6]. The new pricing and commercial terms apply from 1 July 2021 to 30 June 2031 under revised user agreements with each existing User[7]. 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.

[4] All Injury Frequency Rate (AIFR) for the 12 month period to 31 December 2022 and includes the Operator's employees and contractors

[5] 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.

[6] The Base TIC component of TIC for TY-21/22 is $3.00 per tonne. Other components are an expansion charge (if any) and the pass through of QCA fees.

[7] The pricing agreed under the revised User Agreements will apply until 30 June 2031 or contract expiry (whichever is earlier).

Financial Review

During the year, the Group made a net operating profit after income tax of $69.0 million (FY-21 $129.1 million).

$ million	FY2022 Statutory Results	FY2021 Statutory Results
TIC revenue	281.7	202.9
Handling revenue	297.4	251.0
Revenue from capital works performed	44.7	51.1
Total revenue[8]	**623.8**	**505.0**
Terminal operator's handling costs	(297.4)	(251.0)
G&A expenses (excluding IPO Transaction Costs)[9]	(17.5)	(15.8)
Capital work costs	(44.7)	(51.1)
G&A expenses (IPO Transaction Costs)	3.6	94.0
EBITDA (non-statutory)[10]	**267.8**	**281.1**
Net finance costs[11]	(116.3)	(92.7)
Depreciation and amortisation	(39.5)	(39.4)
Profit before tax	112.0	149.0
Income tax expense	(43.0)	(19.9)
Net profit after tax	**69.0**	**129.1**

The negotiation of access charges applicable for the period from 1 July 2021 to 30 June 2031 under the light handed regulatory framework was completed on 10 October 2022. The TIC revenue for 2022 includes an adjustment payment of $22.9 million attributable to the period 1 July 2021 to 31 December 2021. Increased TIC revenue has also contributed to an increase in income tax expense for 2022 of approximately $21.1 million compared to 2021.

Net finance costs included interest on DBI's external borrowings, net of interest revenue (classified as other income in the Statement of P&L and OCI) plus non-cash items which include interest on stapled loan notes, amortisation of fair value adjustments to debt, and unrealised gains or losses on hedging. The interest on external borrowings increased by $9.3 million and the non-cash finance costs increased by $14.3 million.

Balance Sheet

Liquidity in the Group as at 31 December 2022 comprised $480.0 million in undrawn bank facilities (31 December 2021: $203.0 million), $168.3 million unrestricted cash at bank (31 December 2021: $42.0 million) and no debt service reserve deposit (31 December 2021: $33.0 million) [12].

The Group's debt book comprises bank debt and fixed rate bonds, with a weighted average tenor at year end of 6.39 years (31 December 2021: 5.03 years). As at 31 December 2022, total reported borrowings were $1,966.3 million (excluding the loan notes attributable to securityholders and adding back capitalised borrowing costs of $7.3 million (31 December 2021: $5.5 million)) and non-statutory drawn debt was $1,928.2 million (31 December 2021 reported borrowings: $2,046.6 million and non-statutory drawn debt: $1,870.9 million)[13]. Currency exposure on the USD-denominated USPP notes is 100% hedged under cross currency interest rate swaps (CCIRS). These CCIRS are hedged for the life of the foreign currency borrowings, removing sensitivity to foreign exchange movements for both interest and principal.

[8] The difference between Total Revenue and Total Income is interest received shown in the financial statements as Other Income.

[9] "G&A Expenses" means general and administrative expenses and IPO Transaction Costs are detailed in note 30 to DBI's Financial Report for the year ended 31 December 2020 released to the ASX on 26 February2021 and described in the Prospectus (as released to the ASX on 8 December 2020) as "Transaction Costs"

[10] Earnings Before Interest, Tax, Depreciation and Amortisation

[11] Includes Interest expense and fair value adjustments on Stapled Loan Notes. Is net of interest received shown in the financial statements as Other Income.

[12] The debt service reserve deposit held at 31 December 2021 was replaced by a debt service reserve facility during 2022.

[13] Non-statutory debt uses the foreign currency exchange rate per the CCIR swaps to translate USD denominated debt to AUD.

$ million	Statutory 31 December 2022	Non-statutory[1] 31 December 2022	Statutory 31 December 2021	Non-statutory[1] 31 December 2022
Short Term Debt				
Bank Facilities	-	-	9.0	9.0
Note Facilities	439.3	298.9	-	-
Long Term Debt				
Bank Facilities	-	-	346.2	348.0
Note Facilities	1,527.0	1,629.2	1,691.4	1,513.9
Total Borrowings[2]	**1,966.3**	**1,928.1**	**2,046.6**	**1,870.9**
Debt Service Reserve[3]	-	-	33.0	33.0
Unrestricted Cash at Bank	168.3	168.3	42.0	42.0
Total net debt[4]	**1,798.0**	**1,759.8**	**1,971.6**	**1,795.9**

Notes:

1. USD borrowings expressed in AUD at the exchange rate per the cross-currency interest rate swaps transacted at the time of raising the USD debt.
2. Total statutory borrowings exclude loan establishment costs of $7.3 million for 31 December 2022 (31 December 2021: $5.5 million).
3. The debt service reserve deposit account represented 6 months debt service. This deposit was replaced by a debt service reserve facility during 2022.
4. Total net debt is total borrowings less unrestricted cash at bank and the debt service reserve deposit.

Organic Growth Options

8X Project

DBT retains significant expansion optionality to accommodate metallurgical coal exports from the Bowen Basin. The 8X project presents a well-defined technical and commercial pathway to expand capacity to 99.1Mtpa. The 8X Project is focused on terminal optimisation by maximising storage volume as well as increasing inloading and outloading capabilities within the existing footprint of DBT and its marine facilities.

In August 2022, DBI secured all principal environmental approvals to increase the capacity of DBT to 99.1Mtpa, including the Operator's Environmental Authority for DBT. The technical aspects of the 8X FEL3 Study (feasibility), which is fully underwritten by access seekers, have been completed in Q1-23 with the total estimated cost expected to be approximately $1.369 million[14], updating the Pre-feasibility FEL2 prior estimate of $1,276 million (in 2020 dollars)[15]. Associated economic assessments are ongoing and expected to continue into H2-23.

Non-Expansionary Capital Expenditure

Over the next 10 years, DBI expects that the Non-Expansionary Capital (NECAP) program required will be over $500m (in 2022 dollars). DBI’s current planning includes at least one yard machine replacement and two shiploader replacements as existing machines reach the end of their economic lives. The NECAP program also includes smaller sustaining capital projects to ensure compliance with evolving safety and environmental standards. DBI earns a return on and of NECAP expenditure with the TIC adjusted each 1 July to account for NECAP projects commissioned during the previous 12 months.

[14] FEL3 Capital cost estimate is the estimate at completion with a P95 Confidence level and is inclusive of escalation and based on an assumed commencement date of 1 April 2024. Excludes feasibility study costs and interest during construction.

[15] The Pre-feasibility FEL2 Estimate was P50 Confidence level without escalation.

Hydrogen Project

In 2022, DBI and its three consortium parties jointly funded a market study which highlighted the rapid growth in demand expected for green hydrogen and its derivatives over the period to 2050, and funded further analysis of possible green energy carriers for use at DBT. The output of this work suggests that DBT's infrastructure may be suitable for the export of a number of new energy products, with ammonia being the most suited to the existing terminal infrastructure. Further engineering and feasibility assessments are planned for 2023.

Transition Strategy

DBI developed and launched a Transition Strategy to guide its strategic response to the climate related risks and opportunities arising from the expected transition of the global economy to a low carbon future. DBI's transition strategy is detailed in the Company's 2022 Sustainability Report.

ESG Performance

Recognising DBI and the Operator's joint commitment to reducing energy and emissions intensity at DBT, DBT secured arrangements for 100% of its electricity requirements with 100% renewable benefits in the form of renewable energy large scale generation certificates (LGCs) from 1 January 2023. This is a major step toward DBI's commitment to target net zero Scope 1 and Scope 2 emissions at DBT by 2050, with DBT's scope 2 electricity emissions representing approximately 98% of DBT's greenhouse gas emissions each year.

Outlook

The Company will continue to focus on its core investment drivers including:

- progressing the opportunities to capture long-term Bowen Basin metallurgical coal production via growth options such as the 8X project
- delivering on DBI's whole-of-terminal commitment to ESG and sustainability;
- administering new pricing terms under revised user agreements with customers under the lighter-handed regulatory framework;
- maintaining stable, predictable cash flows, via its long-term take-or-pay contracts;
- progressing hydrogen feasibility studies;
- implementing the Transition Strategy (as set out in its Sustainability Report) including the diversification of DBI's business through potential mergers and acquisitions;
- continued investment in non-expansionary capital expenditure; and
- maintaining an investment grade balance sheet.

-ENDS-

Authorised for release by the Board of Dalrymple Bay Infrastructure Limited

More information

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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 or performance of the Company to be materially different from the results or performance 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 or without the assistance of a financial adviser, whether an investment is appropriate in light of your particular investment needs, objectives and financial circumstances.