Dalrymple Bay Infrastructure

ASX Announcement
26 February 2021

Financial Results

Dalrymple Bay Infrastructure Limited (ASX:DBI, or 'the Company') is pleased to announce its results for the period ended 31 December 2020[1].

Highlights

- The Board of Directors has approved a transition to quarterly distributions.
- A 1Q-21 distribution of $22.5 million is expected to be declared and paid during 2Q-21.
- Funds from operations and cashflow generation remain strong and support the declaration and payment in 3Q-21 of a 2Q-21 distribution of $22.5 million, in line with 1H-21 prospectus guidance of $45 million.
- The Board of Directors announced its intention to establish an on-market buy-back program.

2020 Statutory results[2]

- Total Revenue of $23.4 million, with Terminal Infrastructure Charge (TIC) Revenue of $13.0 million.
- Operator's[3] costs and handling revenue of $10.4 million – a pass through in DBI's accounts.
- IPO Transaction costs of $132.4 million of which $129.3 million recorded through the Statement of Profit or Loss (before tax). These costs are ultimately funded by the Selling Entities and will be recognised as a capital contribution when settled[4].
- Loss before income tax of $126.5 million is in line with prospectus forecast.

Operational[5]

- The Dalrymple Bay Terminal (DBT) shipped 55mt of coal in 2020 (2019: 67Mt) of which 82% was metallurgical coal (2019: 81%).
- Non-statutory net debt of $1,684.8 million at year end[6] delivering a gearing of 71.5% of asset base[7].
- Investment grade balance sheet was maintained.
- The Company continues to await the final decision of the Queensland Competition Authority (QCA) which, based on its draft decision, is expected to move the Company to a lighter-handed regulation model. The Company will update the market on the outcome of the process, with a final decision now expected from the QCA in March 2021.

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[1] The reporting period covers the date DBI was incorporated on 7 August 2020 to 31 December 2020
[2] DBI listed on 8 December 2020 and acquired the DBT subsidiary entities. Actual results therefore represent 24 days of trading from the DBT Entities. The prospectus forecast assumed listing on 1 December 2020
[3] The 'Operator' is Dalrymple Bay Coal Terminal Pty Limited, a third-party company owned by DBI's four largest customers
[4] Selling Entities are the Existing Securityholders as defined in the Prospectus. The Selling Entities remain responsible for certain IPO Transaction Costs and have agreed to meet any shortfall between the indemnified amount and amounts already provided which were based on estimates. Conversely, any surplus of cash over the estimated costs, after meeting all IPO Transaction Costs are required to be refunded to the Selling Entities.
[5] The Dalrymple Bay terminal operations are reported for the whole of the calendar year
[6] Non-statutory drawn debt is calculated by converting USD denominated debt to AUD at the swap rate contained in CCIRS, as all foreign currency is 100% hedged at the time of issue. Net debt is equal to drawn debt, net of cash at bank and restricted deposits
[7] Excludes amounts spent on NECAP projects, not yet added to asset base

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

"*2020 was pivotal for Dalrymple Bay Infrastructure as it became a publicly listed company. Our foundation asset, the Dalrymple Bay Terminal, continued to provide safe and efficient port infrastructure during 2020. The terminal remains a critical link in the global steel making supply chain and is a key asset in the Queensland and Australian economies. Despite the impacts of COVID on global economies, the terminal shipped 55mt of coal to 23 countries – 82% of which was metallurgical coal, up 1% on 2019.*

With metallurgical coal from the Bowen Basin some of the highest quality in the world, and its production and freight advantages into the Asian market, Australia is forecast to remain the largest exporter over the long term. As the world's largest metallurgical coal export facility, DBI is ideally placed to leverage the strong outlook for global steelmaking as we are fully contracted on a 100% take-or-pay basis until June 2028. This also means we are not exposed to daily volume or commodity price volatility.

"DBI's forecast funds from operations (FFO), underpinned by cash flow stability and an investment grade balance sheet, should support a sustainable distribution going forward. The company remains on track to pay $45 million in distributions for the six months ended 30 June 2021.

"The company continues to plan for the proposed transition to a lighter-handed regulatory framework for the July 2021 regulatory reset, subject to final confirmation from the Queensland Competition Authority. The move to a light-handed model will allow us to transition to a commercial price setting framework under which tariffs are negotiated directly with customers, allowing our infrastructure charges to reflect the quality of service and supply chain value provided by our terminal to coal miners in the central Bowen Basin.

I would like to take this opportunity to thank all our stakeholders for their ongoing support and I look forward to updating you on developments over the course of 2021."

Move to Quarterly Distribution

The Board of Directors has approved a transition to quarterly distributions. The company remains on track to deliver distributions of $45 million for the 6-month period to 30 June 2021. The forecast 1Q-21 distribution of $22.5 million is expected to be declared in May 2021 and paid in June 2021.

On-market buy-back

The Company also today announced its intention to establish an on-market buy-back program, enabling it to buy back up to 10% of its issued capital for a period of 12 months, should it consider it advantageous to do so.

DBI intends to conduct the buy-back having regard to the prevailing stapled security price, market conditions, desired level of gearing and the Company's intention to maintain its investment grade rating. It will only buy back stapled securities if it considers it beneficial to DBI to do so, having regard to these factors. Accordingly, DBI reserves the right to vary, suspend or terminate the buy-back at any time.

The buy-back will be within the '10/12 limit' permitted by the Corporations Act 2001 (Cth) and therefore does not require shareholder approval. An Appendix 3C for the buy-back has been lodged separately.

Operational Review

DBT is considered a specialty metallurgical coal terminal that operates 24 hours a day. More than 80 different grades of metallurgical coal from the Bowen Basin are exported to 23 countries. Key CY20[8] operating highlights include:

- Total coal exports for CY20 totalled 55mt of coal (versus 67mt in CY19).
- Coal exports during CY20 were approximately 82% metallurgical coal and 18% thermal coal.
- Key export destinations were Japan, South Korea, India and Taiwan, accounting for approximately 53% of total exports.
- Chinese exports through DBT were approximately 14.5mt (down 13% on CY19).
- 4Q-20 exports were in line with the rest of 2020 despite no Chinese-chartered vessels being loaded at DBT from mid-November 2020.

Financial Review

The actual statutory results reflect the listing date of 8 December 2020 (with 24 days trading from the DBT Entities) and consequently differ to the statutory forecasts provided in DBI's prospectus which assumed listing on 1 December 2020.

$ million	FY2020 Statutory Results (8 to 31 December 2020)	Prospectus Forecast FY2020 Statutory (1 to 31 December 2020)
TIC Revenue	13.0	16.8
Handling revenue	10.4	21.3
Total Revenue	**23.4**	**38.1**
Terminal operator's handling costs	-10.4	-21.3
G&A Expenses (excluding IPO[9] Transaction Costs)	-2.1	-5.0
G&A Expenses (IPO Transaction Costs)	-129.3	-125.2
EBITDA[10] (non-statutory)	**-118.4**	**-113.4**
Interest expense	-5.7	-8.0
Depreciation and Amortisation	-2.4	-3.2
Loss before Tax	**-126.5**	**-124.6**
Income tax benefit	13.3	9.1
Loss after Tax	**-113.2**	**-115.5**

When comparing statutory results for the period 31 December to 2020 to the forecast provided in DBI's listing prospectus:

- Handing Revenue and Operator's Handling Costs which, as a pass through, has no impact on DBI's EBITDA, was 51% below forecasts reflecting a lower cumulative spend by the Operator for 2HY-20 than budgeted.
- Terminal Infrastructure Charge (TIC) revenue was in line with forecast when pro-rated for the 24 days of operations versus the 31-day forecast period.

[8] CY20: calendar year 1 January – 31 December 2020. CY19: calendar year 1 January – 31 December 2019

[9] IPO is Initial Public Offering

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

- Underlying costs of $2.1 million were favourable to Prospectus, with IPO Transaction Costs of $132.4 million (of which $129.3 million is expensed) slightly higher than the assumed IPO Costs of $128.6 million (of which $125.2 million was forecast to be expensed).
- EBITDA, Loss before tax and Loss after tax were within 5% of the Prospectus.

Balance Sheet

Liquidity in the business as at 31 December 2020 comprised $214 million in undrawn bank facilities (of which $27 million was undrawn on the Liquidity Facility), $139.1 million cash at bank (approximately $100 million of which was earmarked to meet IPO Transaction Costs) and $36 million in restricted cash.

DBI's debt book comprises bank debt and fixed and floating rate bonds, with a weighted average tenor of 5.9 years. DBI has continued to receive strong support from lenders and has maintained very good access to onshore and offshore debt markets as evidenced by subsidiaries refinancing over $1.0 billion during 2020. As at 31 December 2020, total reported borrowings were $2,039.5 million (non-statutory drawn debt of $1,859.9 million)[11].

DBI's treasury policy requires that at least 75% of core debt is hedged with interest rate swaps to align with the regulatory regime.

Furthermore, currency exposure on the USD-denominated USPP notes is 100% hedged under cross currency interest rate swaps (CCIRS) transacted at the time of raising the USD debt. CCIRS have the effect of hedging currency exposure on the debt principal and converting the fixed USD interest rates to the equivalent AUD floating rate. These CCIRS are hedged for the life of the foreign currency borrowings, removing sensitivity to foreign exchange movements for both interest and principal.

	Statutory	**Non-statutory(1)**	**Prospectus Pro-forma Statutory**	**Prospectus Pro-forma Non-statutory(1)**
$ million	**31-Dec-20**	**31-Dec-20**	**30-Jun-20**	**30-Jun-20**
Short Term Debt				
Bank Facilities	33.0	33.0	361.0	361.0
Note Facilities	-	-	230.0	230.0
Long Term Debt				
Bank Facilities	310.5	313.0	466.0	466.0
Note Facilities	1,696.0	1,513.9	1,260.5	936.6
Total Borrowings(2)	**2,039.5**	**1,859.9**	**2,317.5**	**1,993.6**
Restricted Cash(3)	36.0	36.0	36.0	36.0
Unrestricted Cash	139.1	139.1	29.3	29.3
Total net debt	**1,864.4**	**1,684.8**	**2,252.2**	**1,928.3**

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 borrowings exclude $5.2 million of loan establishment costs
3. Restricted cash is the debt service reserve account, which represents 6 months debt service.

[11] Non-statutory debt uses the foreign currency exchange rate per the CCIR swaps to translate USD denominated debt to AUD. Drawn debt includes $33.0m temporarily drawn on Liquidity Facility at year end

Regulatory Environment

As part of the ongoing regulatory regime administered by the QCA, the Company is required to submit an Access Undertaking to the QCA for approval every 5 years. The Company submitted a draft access undertaking (2019 DAU) to the QCA for assessment in July 2019 proposing a transition to a lighter-handed regulatory framework in the form of a 'negotiate-arbitrate' pricing regime. The QCA Draft Decision on the 2019 DAU indicated a move toward lighter-handed price regulation may be appropriate to approve, subject to certain amendments being made.

A final decision on DBI's 2019 DAU is now expected in March 2021. The potential transition to a light-handed pricing framework will provide the Company with the ability to seek infrastructure charges that better reflect the value individual customers place on accessing our services.

8X Expansion

DBT retains significant expansion optionality to accommodate the expected growth in metallurgical coal exports from the Bowen Basin. The 8X Expansion presents a well-defined technical and commercial pathway to expand capacity in 4 phases. The 8X Expansion 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 December 2020, DBI completed the technical aspects of a FEL2 Study (pre-feasibility) for 8X which was fully underwritten by Access Seekers. The study revealed that 8X can expand the System Capacity to 99.1Mtpa at a cost of $1,276 million. Subject to further underwriting, DBI will proceed with FEL3 (feasibility) in 2021.

ESG Performance

DBI operates under industry leading Environment, Social and Governance (ESG) and sustainability principles. DBI and the operator of the terminal recognise that DBT's location within the Great Barrier Reef World Heritage Area and its proximity to residential communities brings responsibility to ensure operations continue to have no detrimental impact on people or the unique ecosystem. Together, DBI and the operator are committed to protecting and enhancing the environment through leading environmental management practices and strong partnerships with environmental groups.

During 2020, DBI, in collaboration with the terminal operator, launched the DBT Sustainability Strategy 2020 which sets the framework for the management of ESG risks and to build on the sustainability programs and initiatives already in place.

Outlook

The Company has decided to transition to a quarterly distribution payout while still maintaining distribution guidance of $45m for 1H-21. The first two quarterly distribution payments will provide an FFO payout ratio for 1H-21 which, as noted in the Prospectus, will be above DBI's longer term target payout ratio of 60-80%of FFO .[12] The Company will continue to focus on its core investment

[12] Reflecting the interest rate swaps set in June 2016 at 2.03% which roll-off in June 2021

drivers and target to grow distributions per share by 1%-2% per annum for the foreseeable future[13]. These investment drivers include:

- Delivering on our whole-of-terminal commitment to ESG and sustainability.
- Continuing to progress the proposed transition to a lighter-handed regulatory framework.
- Maintaining stable, predictable cash flows, with high margins, via our long-term take-or-pay contracts.
- Continuing the longstanding relationships with customers and strong alignment through the value chain.
- Progressing the opportunities to capture long-term growing Bowen Basin metallurgical coal production via growth options such as the 8X expansion.
- Growing the asset base through continued investment in sustaining capital expenditure; and
- Maintaining an investment grade balance sheet.

-ENDS-

Authorised for release by the Board of Dalrymple Bay Infrastructure

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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

[13] Based on the fact that forecast distributions beyond 1HY-21 are initially expected to be at the lower end of the payout ratio range and the fact that DBI anticipates: (a) that access charges will reflect a return on investment commensurate with the regulatory and commercial risks involved (consistent with pricing principles in the QCA Act); (b) a requirement to invest further capital in DBT for NECAP and to expand; (c) that the QCA will determine that the costs of the 8X Expansion will be socialised (or that outcome will be otherwise achieved in an unregulated environment); and (d) that there will be additional adjustments to pricing to compensate for the further investment