

ASX Announcement

Date: 9 August 2021

Aurizon announces FY2021 results

Safety performance

- › **8% improvement in Lost Time Injury Frequency Rate; 3% deterioration in Total Recordable Injury Frequency Rate**
- › **8% deterioration in Rail Process Safety performance**

Financial performance

- › **Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) of \$1,482 million, 1% higher than prior comparable period (PCP)**
- › **Underlying Earnings Before Interest and Tax (EBIT) of \$903 million, down 1% against PCP**
- › **Bulk business continues strong performance, mainly driven by volume growth**
- › **Final dividend of 14.4 cents per share (70% franked), up 5% on PCP**
- › **Free cashflow increased 1% to \$734 million**

\$ million (continuing operations)	FY2021	FY2020	Variance
Revenue	3,019	3,065	(2%)
EBITDA - Underlying	1,482	1,468	1%
EBIT – Underlying	903	909	(1%)
NPAT – Underlying	533	531	-
NPAT – Statutory	607	605	-
Free cashflow ¹	734	725	1%
EPS – Underlying (cps)	28.5	27.2	5%
EPS – Statutory (cps)	32.5	31.0	5%
ROIC – Underlying (%)	10.7%	10.9%	(0.2ppt)
DPS – Final (cps)	14.4	13.7	5%
DPS – Total (cps)	28.8	27.4	5%

Aurizon today reported Group EBIT of \$903 million for the year ended 30 June 2021 (FY2021), 1% lower than FY2020 (\$909 million). EBITDA in FY2021 was \$1,482 million, 1% higher than FY2020 (\$1,468 million). The key drivers of the FY2021 results were:

- › Above-rail coal tonnages were down 6%, primarily as a result of lower end-market demand driven by COVID-19 related disruptions and China import restrictions, leading to a decrease in Coal EBITDA of 13% to \$533 million compared to the PCP.
- › Strong performance by the Bulk business (EBITDA up 27% to \$140 million) driven by new contracts and higher volumes from existing customers.

¹ Continuing and discontinued operations.

- › The Network business delivered EBITDA of \$849 million, a 6% increase on the PCP. An 8% decrease in volumes across the Central Queensland Coal Network resulted in a net under recovery of access revenue (after take-or-pay). This decrease was more than offset by the receipt of non-regulated fees of \$60 million (including retrospective payments) from customers for the Wiggins Island Rail Project (WIRP).

Underlying Net Profit After Tax (NPAT) was \$533 million, comparable to FY2020 (\$531 million). Statutory NPAT from continuing operations was flat at \$607 million (FY2020 \$605 million). Free Cash Flow from continuing and discontinued operations increased 1% to \$734 million, and included the net proceeds from the sale of the Acacia Ridge Intermodal Terminal. Return On Invested Capital (ROIC) was down by 0.2ppt to 10.7% compared to FY2020.

The Board of Directors declared a final dividend of 14.4 cents per share, 70% franked to be paid on 22 September 2021 to shareholders with a record date of 24 August 2021. This takes the full year dividend to a record 28.8 cents per share, representing 100% of Continuing Underlying Net Profit After Tax for the sixth consecutive year. A \$300 million on-market share buy-back was also completed in FY2021.

In respect to safety performance, there was a deterioration of 3% in the Total Recordable Injury Frequency Rate (TRIFR) during FY2021 which was mainly driven by low-severity strain injuries. Within the TRIFR is the Lost Time Injury Frequency Rate (LTIFR) which captures more severe injuries that require time away from work. LTIFR improved by 8% against the PCP. There was an 8% deterioration in Rail Process Safety (RPS) during FY2021. RPS is an operational rail safety measure including all derailments, signals passed at danger and collisions, inclusive of both low and higher consequence occurrences. Safety has always and continues to be a main focus for us as we look at driving further improvements in order to lower the risk of serious injury of our employees.

Commentary from Aurizon Managing Director & CEO Andrew Harding

“The Company has delivered solid operational and financial performance in challenging markets that have been impacted by the COVID-19 pandemic and China import restrictions. We expect coal volume growth of around 5% in FY2022, as markets recover and with Australian coal successfully redirected into alternative markets.

“Our Bulk business has continued to perform well as it grows volumes and revenue with existing and new customers. This included expansion tonnages for Mineral Resources and a three-year contract extension with South32 Worsley, both in Western Australia.

“Last week, we also executed a new long-term haulage and maintenance contract with Australia’s leading grain co-operative, the CBH Group, for all of its rail requirements in Western Australia. This contract underlines the opportunity for our Bulk business in providing integrated services for mining, metal, industrial and agricultural customers, as well as inputs for rapidly-expanding markets for batteries, telecommunications and electric vehicles.

“We have aspirations to double the earnings of the Bulk business over the next decade. This includes organic growth, extending across the supply chain and acquisitions such as our new ports businesses in Newcastle and Townsville.

In FY2021, we delivered on key priorities:

- › Maintaining our commitment to disciplined capital management and strong shareholder distributions, including a \$300 million buy-back completed during the year. Consistent free cashflow generation over the past six years has delivered more than \$4 billion in distributions for Aurizon shareholders including \$1.3 billion in buybacks, with dividends maintained at 100% of Underlying NPAT.
- › Continuing to progress major transformation efforts across our business and investing in operational technology initiatives such as Condition Monitoring and TrainGuard to support the optimisation of our cost base, enhance safety and improve our competitiveness.
- › Extending the long-term contract book in the Coal business including Glencore (renewed contract as primary hauler for Newlands, Blackwater and Goonyella, excluding Hail Creek) and the previously announced contract with Anglo American (renewed contract for Dawson and securing additional tonnages from the Moranbah North, Grosvenor and German Creek mines, commencing early 2022). Only 10% of contracted volumes for the Coal above-rail haulage business expire within the next four years.

- › Completion of the \$205 million sale of the Acacia Ridge Terminal in Queensland in March 2021. This followed the High Court's dismissal of an application for special leave to appeal by the Australian Competition and Consumer Commission. This sale finalises Aurizon's staged exit from the loss-making Intermodal business that was commenced in 2017.
- › The receipt of \$60 million in fees relating to WIRP. This followed the Queensland Court of Appeal dismissing an appeal by WIRP customers. The \$60 million recognised in FY2021 includes retrospective payments for the period FY2016-FY2020. Ongoing annual fees of approximately \$11 million are payable until 2035.

Outlook

With the focus on free cashflow, Aurizon has determined to provide guidance for both EBITDA and capital expenditure as a proxy for free cashflow. In FY2022 Aurizon expects Group EBITDA to be in the range of \$1,425 million - \$1,500 million and sustaining capital expenditure in the range of \$475 million - \$525 million.

Key assumptions:

- › **Coal:**
 - ~5% volume growth and lower costs offset by lower contracted rates
- › **Bulk:**
 - revenue growth from full year impact of recent contract wins and port acquisitions
- › **Network:**
 - non-recurrence of retrospective WIRP fees (\$49 million) and Maximum Allowable Revenue reduction due to capital recoveries
- › No material impacts to commodity supply chains (such as weather and/or COVID-19 related restrictions)

For more information:

Investors:

Chris Vagg
+61 409 406 128

Media:

Mark Hairsine
+61 418 877 574