AURIZON

**Aurizon Holdings Limited**
ABN 14 146 335 622

ASX Market Announcements
ASX Limited
20 Bridge Street
Sydney NSW 2000

**BY ELECTRONIC LODGEMENT**

15 February 2021

**Aurizon announces Half Year FY2021 Results**

Please find attached release for announcement to the market.

Kind regards

**Dominic D Smith**
Company Secretary

# ASX Announcement

**Date:** 15 February 2021

## Aurizon announces Half Year FY2021 Results

### Safety performance

- **4% improvement in Rail Process Safety performance.**
- **25% deterioration in Total Recordable Injury Frequency Rate, but noting a 30% improvement in Lost Time Injury Frequency Rate.**

### Financial performance

- **Underlying Earnings Before Interest and Tax (EBIT) of $454 million, steady against prior comparable period (PCP) of $456 million.**
- **Interim dividend increased by 5% to 14.4 cents per share, 70% franked.**
- **Lower coal tonnages resulting from reduced demand, including COVID-19 impact and a challenging trade environment with China.**
- **Bulk business continues out-performance, driven by volume growth.**
- **Group EBIT guidance now $870 million – $910 million, including retrospective WIRP fees (refer below for further detail).**

| $m (continuing operations[1]) | 1HFY2021 | 1HFY2020 | Variance |
|---|---|---|---|
| Revenue | 1,498 | 1,529 | (2%) |
| EBIT – Underlying | 454 | 456 | - |
| NPAT – Underlying | 267 | 269 | (1%) |
| EPS – Underlying (cps) | 14.1 | 13.6 | 4% |
| EBIT – Statutory | 454 | 561 | (19%) |
| NPAT – Statutory | 267 | 343 | (22%) |
| EPS – Statutory (cps) | 14.1 | 17.3 | (18%) |
| DPS (cps) | 14.4 | 13.7 | 5% |

Aurizon today reported Underlying Earnings Before Interest and Tax (EBIT) of $454 million in its continuing operations for the half year ended 31 December 2020. This is steady against the prior comparable period (PCP) (1HFY2020 of $456 million) with:

- Strong performance by the Bulk business (EBIT up $17 million), driven by volume growth;
- Higher EBIT performance (up $9 million) in the Network business, with the commencement of customer fees for the Wiggins Island Rail Project (WIRP) including $49 million of retrospective WIRP fees, more than offsetting lower volumes; and
- Lower Coal EBIT (down $35 million) caused by a decline in above-rail volumes and lower revenue quality.

[1]Due to the closure and sale of the Intermodal business this has been treated as a discontinued operation.

Underlying Net Profit After Tax (NPAT) was $267 million, a 1% decrease compared to 1HFY2020. Statutory NPAT was down 22% compared to 1HFY2020, a period which included the $165 million sale (net profit $105 million) of the Rail Grinding business. Return On Invested Capital (ROIC) improved by 0.3ppt to 10.8% compared to 1HFY2020. Free Cash Flow from continuing operations decreased 38% to $288 million (the PCP included the sale of the Rail Grinding business).

The Aurizon Board has declared an interim dividend payment of 14.4 cents per share, 70% franked, which is 100% of Underlying NPAT and an increase of 5% against the PCP. The dividend will be paid on 31 March 2021 to shareholders on the register at the record date of 2 March 2021. During the half, Aurizon completed $247 million of a planned $300 million on market share buy-back.

In respect to safety performance, there was a 4% improvement in Rail Process Safety (RPS) during 1HFY2021. RPS is a fatality prevention measure including significant operational safety events of derailments, signals passed at danger and collisions. There was a 25% deterioration in the Total Recordable Injury Frequency Rate (TRIFR) during 1HFY2021 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 and the frequency of those injuries reduced 30%. Safety remains Aurizon's core value, and our resources and investments continue to be prioritised to lowering the risk of serious injury of our employees.

## Commentary from Managing Director & CEO, Andrew Harding

"The business has performed solidly in a market that has seen demand impacted by COVID-19 and a challenging trade environment with China. Aurizon's earnings have remained steady and dividends for shareholders increased during the half, despite the uncertain conditions.

This underlines the strength and resilience of Aurizon and the work done in recent years to simplify the business, including optimising capital management for the benefit of shareholders.

Our confidence in the long-term demand for high-quality Australian coal remains. Steel production has now resumed to pre-COVID levels, though the challenging trade environment with China will continue to impact near-term export volume. We expect continued coal export growth of 1% per year over the next decade, supported by steel-intensive growth in India and a relatively young fleet of coal-generation power plants in Asia.

We are also seeing growth in the revenue and profitability of our Bulk business, as it taps into growth commodities such as fertilisers, industrials and battery inputs. Bulk is also extending its reach along the supply chain, with two strategic acquisitions at the Port of Newcastle and the Port of Townsville over the past year which match our rail capability with new opportunities in port services and logistics.

Our employees have done an outstanding job in delivering safely and reliably for our customers in a particularly challenging operational environment where new COVID-safe protocols have been implemented. We are proud of our ongoing contribution to the national economy and regional communities where more than 80% of our employees live and work," Mr Harding said.

## Business performance

### Aurizon Bulk

The Bulk business continues to deliver strong performance, with volumes and revenues increasing by 11% and 8% respectively against the PCP. Underlying EBIT for 1HFY2021 was $61 million, an increase of 39% against the $44 million achieved in 1HFY2020. Key customer wins include CBH (short-term contract for grain haulage, WA) and Mineral Resources (expansion of services to support customer growth). In December 2020, the Bulk business acquired ConPorts, a ship loading services provider in Newcastle. The acquisition includes long-term leases at the Port of Newcastle with ship loading facilities adjacent to rail lines. ConPorts, together with the acquisition of North Queensland business, Townsville Bulk Storage and Handling in March 2020, signals Bulk's intent to selectively move up the supply chain into port services.

Aurizon Coal

A total of 102 million tonnes (mt) of coal was railed by Aurizon Coal in Queensland and New South Wales in 1HFY2021, down 4% against the PCP (106mt). This reduction is due to the combined impact on coal demand caused by COVID-19, challenges in the external trading environment and customer specific maintenance and production issues. Revenue for Aurizon Coal decreased 8% and Underlying EBIT decreased 17% in 1HFY2021, compared to 1HFY2020. Above-rail coal volume expectations for FY2021 have been decreased by 10mt to 200-210mt based on current market conditions.

Aurizon Network

A total of 104mt was railed across the Central Queensland Coal Network in 1HFY2021 (down 11% compared to PCP of 117mt ) reflecting overall reductions in demand and production by Queensland coal customers. The Network business achieved EBIT of $241 million in 1HFY2021, a 4% increase compared to 1HFY2020. The decrease in revenue as a result of lower tonnages was offset by the commencement of customer payments for the Wiggins Island Rail Project which totalled $55 million during the half.

## Outlook

Group EBIT guidance is now $870 million – $910 million. This guidance is based on the following assumptions:

- **Coal:**
  - Volumes revised to 200-210mt (from 210-220mt) based on current market conditions including a challenging China trade environment
- **Network:**
  - CQCN volumes will be lower than Queensland Competition Authority approved forecast of 239mt based on 1HFY2021 run-rate, resulting in revenue under-recovery
  - Expected Take or Pay recoveries in FY2021 will reduce revenue cap in FY2023
  - Includes ~$40m net retrospective WIRP fees ($49m revenue less expected associated costs)

- Redundancy costs included in guidance (reported in 'Other' segment)
- No material disruptions to commodity supply chains (such as adverse weather and/or COVID-19)

**For more information:**

**Investors:**
Chris Vagg
+61 409 406 128

**Media:**
Mark Hairsine
+61 418 877 574