Andrew Harding: Managing Director & Chief Executive Officer

Good morning and welcome to the 2024 full year results.

We are in Brisbane today therefore I acknowledge the Traditional Custodians of this land, the Turrbal and Jagera people, and pay my respects to the elders past, present and future for they hold the memories, the traditions, the culture and hopes of Aboriginal Australia. We must always remember that under the ballast, sleepers, rail systems and office buildings where Aurizon does business, was and always will be traditional Aboriginal land.

I am joined on the call by the CFO, George Lippiatt, and the rest of the Group Executive team.

We will shortly go through the presentation that we lodged with the ASX this morning which is also available on our website.

As usual, at the end of the presentation we will take questions.

SLIDE 3: AURIZON OVERVIEW

Prior to going through the Results, I will quickly cover some fundamentals about Aurizon, given I have found in some discussions over the past six months that the strength and diversity of the business is not always well understood.

Aurizon is the largest rail operator in Australia and holds five-thousand kilometres of rail infrastructure. We are leveraged to demand for Australian commodities and Asian economic growth.

Over half of our earnings are attributable to Network, the infrastructure that connects the premium hard coking coal region with export markets.

Aurizon has the largest coal fleet in Australia, and the only operator servicing all export terminals. India is expected to be the largest driver of coking coal demand over the coming decades. Although it is recognised that global consumption of thermal coal will reduce in the decades ahead, it is not the driver of Australian export volume. 99% of Australian thermal coal export volume is destined for Asia, where the average age of coal-fired plants is just 14-years, this is against an expected life of 40-years.

In response to opportunities being presented, Aurizon is investing in Bulk and Containerised Freight capacity, including the acquisition of the Tarcoola-to-Darwin rail line, a strategically important piece of infrastructure in Central Australia.

Most recently we have stood up a national interstate Containerised Freight network, which will be drawn upon for land-bridging, something I will return to shortly.

Finally, over the last five years, Aurizon has paid out around 40% of our market cap in dividends and buy-backs. This continues with today's announcement of an uplift in the payout ratio and a buy-back, but at the same time, continuing to pursue growth.

Turning to safety

SLIDE 4: SAFETY INITIATIVE

Level crossings remain a focus area for Aurizon and the rail industry, given the need to improve the safety of traincrew and the general community.

It's a major challenge for rail operators given there's more than 20,000 level crossings in Australia.

Since my last update, there has been significant activity in this space including:

- a national roundtable on Level Crossing Safety, with a renewed focus on technology; and
- the rollout of the Federal Government's Regional Australia Level Crossing Safety Program

In addition to supporting these initiatives, Aurizon is:

- installing front-facing cameras in locomotives to assist with enforcement and investigation;
- working with local police on enforcement at crossings where traincrew have identified high-risk behaviour by motorists; and
- increasing community engagement, with a major education and awareness campaign - Respect the sign. This campaign, which features first-hand accounts from our traincrew and first responders, is resonating strongly.

Turning to Safety performance

SLIDE 5: SAFETY PERFORMANCE

I am pleased to report Aurizon has improved across all core safety performance measures and note that these measures now include Bulk Central. The result is a testament to our local teams working with each other to promote safety in everything that we do, effectively managing risks and having the systems and tools to support safe operations.

The implementation and ongoing focus on critical controls has contributed to the improvement in our Actual and Potential Serious Injury and Fatality Frequency Rate.

During the year, we also launched a number of safety frameworks and strategies to support our employees including a new Fatigue Risk Management Framework and Contractor Safety Management.

As always, our focus remains on protecting our employees, our customers and the communities in which we operate.

SLIDE 7: KEY MESSAGES

The results today sees us land well-within guidance, which was given some 13-months ago at Investor Day in Darwin. The $200m uplift in earnings saw contributions from Network, Coal and Bulk.

The strength of our cash flows and reduced gearing allows us to increase the dividend payout ratio to 80% and to also announce a $150m buy-back. As noted earlier, the is addition to growth continuing to be pursued.

Group Containerised Freight volume increased by around 65% with the full national interstate schedule now in operation.

I am pleased to also update investors on land-bridging trials are taking place with the railing of imported motor vehicles from the Port of Darwin to Adelaide and Melbourne.

Finally, earnings are expected to further step-up in FY2025.

Turning to the Results

SLIDE 8: FY2024 RESULTS

Group EBITDA increased by 14%, flowing through to the uplift in Net Profit After Tax, Return On Invested Capital and Free Cash Flow.

Volume growth and customer mix supported earnings growth across Coal, Bulk and Network. Despite this performance, the period still saw production issues from some mining customers and also lower grain production flowing through to railings.

An uplift in regulatory revenue flowed through to Network earnings and the period also saw the approval of the final WACC of 8.51%.

The strength of cash flows can be seen with the increased dividend payout ratio, complemented with a buy-back.

Moving to our business units

SLIDE 9: COAL

Coal volumes increased by 2% driven by both a recovery in railings and contract growth.

While volume increased, maintenance, mine sequencing and unscheduled stoppages impacted some customer coal production during the period, primarily in the Goonyella corridor. The second half also saw a number of rail-crossing incidents in Central Queensland and protestor activity in the Hunter Valley.

Earnings increased by 16%, and as George will speak to shortly, revenue yield remained elevated, supported by volume mix in addition to contract indexation.

The FY2025 contract book includes renewals for the Ensham and Yarrabee mines, both effective from July.

As noted on the slide, traincrew costs were significantly higher in Central Queensland, partially offset by TrainGuard operations.

SLIDE 10: BULK

Bulk earnings increased by 7% driven by increased iron ore and minerals volumes more than offsetting the impact of weather disruptions, customer specific production issues (primarily in Queensland) and lower grain volumes nationally.

A number of new contracts have been signed including a ten-year contract for Minara and a 15-year extension for Worsley, both in Western Australia.

Although Mineral Resources has announced a transition to care and maintenance for the Yilgarn Hub, I am pleased that we have won a 10-year contract with Gold Valley in the same region, that will partially offset the impact of this development.

We had expected a further uplift in Bulk Central volumes in the second half with first railings from Northern Iron, but due to almost a metre of rain falling the March quarter at Tennant Creek, this was delayed with first haulage expected this quarter. I visited the remote mining site in July and can confirm construction is now well advanced with final electrical and plumbing work being undertaken.

While the short-term performance has been impacted by customer production issues, lower grain volumes and a delay to new customer volumes, our confidence in the Bulk opportunity remains unchanged, particularly in Central Australia.

SLIDE 11: NETWORK

The step-up in Network earnings was driven by a recovery in volumes and an uplift in regulatory revenue as a result of the reset of the Regulatory Asset Base and the preliminary WACC applying to tariffs from 1 July.

Volumes were 1% higher at 210 million tonnes, and importantly, almost two million tonnes higher than the regulatory assumption, resulting in a revenue over-recovery.

With an uplift in the regulatory volume assumption for FY2025, and forming the basis of Network guidance, focus is on throughput performance.

We expect fewer closures and speed restrictions (related to weather) in the year ahead, along with fewer cancellations across the supply chain.

From a scheduling perspective, we are trialling a four-day (rolling) plan, instead of the historical 7-day static plan.

Finally, we expect another step-up in earnings for FY2025 as the final WACC of 8.51% applies to tariffs from 1 July.

SLIDE 12: CONTAINERISED FREIGHT

The full Containerised Freight schedule is operating with the originally announced seven weekly services running from April. We have added a third weekly East-Coast service and a Melbourne-Adelaide shuttle, drawing upon the existing allocated rollingstock.

In the first 12-months of operations, our focus was on standing-up the schedule and delivering capacity for our foundation customer. We took some spot volume during this period and have recently stepped up to a total of nine additional customers.

Although noting it was a ramp-up year, utilisation was not yet where it needs to be to hit our return targets, with a full year result of around 60%, driven by a softer industry environment.

The complementary nature of interstate and land-bridging means that we are being disciplined with contracting the remaining capacity available across the Containerised Freight network – this is to ensure that we have capacity for land-bridging, an opportunity that I have even more confidence in, since presenting at Investor Day.

SLIDE 13: LAND-BRIDGING UPDATE

I am pleased to share today that trials are taking place for the transport of imported motor vehicles from the Port of Darwin to interstate destinations.

To recap on the opportunity that we first shared at Investor Day, we are developing a land-bridging solution. This is using Aurizon infrastructure at the Port of Darwin and the Bulk Central rail corridor, and our National Interstate Containerised Freight network, to deliver imported freight to major cities via rail.

Given land-bridging from the Port of Darwin was first proposed twenty years ago but is yet to progress, I have been told that it will never happen. But twenty years ago:

- imported containers into Australia were half of what it is today; and importantly
- no single operator had the infrastructure and rollingstock to offer such a service – we have and we are doing it

At Investor Day we spoke of the value proposition of our solution, including the material time saving our solution offers, in addition to the ability of vessel owners to unlock capacity through better fleet utilisation.

Since then, the thesis has expanded with global logistics participants also:

- valuing land-side capacity; and
- placing an increased focus on supply chain resilience given recent challenges in both global and local markets

giving me a greater level of confidence in the opportunity.

The trials in operation are small-scale, transporting vehicles in modified shipping containers, designed to technically assess the solution. Although the end-state solution will differ from this, the trials have been successful to date and I look forward to updating the market again in due course.

On that, I will hand over to George.

George Lippiatt: Chief Financial Officer & Group Executive Strategy

SLIDE 15: KEY FINANCIAL RESULTS

Thank you Andrew and welcome to those joining us on the call.

The results I'm presenting today are within guidance and see EBITDA almost $200m higher than the prior year. Equally pleasing is that each of Bulk, Coal, and Network have contributed to this earnings growth.

As foreshadowed at the half year results, the strong free cash flow in FY24 has strengthened debt metrics, provides for investment in growth and importantly, enables increased flexibility for shareholder returns. A higher dividend payout ratio and the on-market buyback of up to $150m announced today are a testament to this.

Turning to the Results table, underlying EBITDA increased by 14% to $1.62 billion.

Growth in revenue and earnings was achieved through:

- an uplift in Network regulated revenue and volume over-recovery;
- higher volumes and yield in Coal; and
- higher minerals and iron ore revenue in Bulk

These sources of revenue growth more than offset the declines from lower grain volumes, customer production issues in Queensland and supply chain impacts from weather events in the second half.

Despite these impacts, earnings remained within the guidance range given over 12 months ago at the July FY23 Investor Day.

As expected, operating costs increased due to additional labour and maintenance costs associated with volume growth, along with general cost escalation. Total FTEs increased 6% as growth areas of the business began to establish and ramp up operations. This includes the ramp up of Containerised Freight, which is captured in the Other segment.

The increase in operating costs was partly offset by lower energy and fuel expenses which are largely a pass through and are offset by associated revenue. Also included in operating costs and highlighted in the table on the left is a 33% increase in external track access costs, these costs are also largely passed through to our customers and the increase was driven by the ramp-up of Containerised Freight which rails on third-party networks.

Staying at a Group level, you can see in the table that depreciation increased 6%, driven mainly by investments in Bulk and Containerised Freight to support growth. The depreciation step up was weighted to the second half of the financial year, reflecting assets being commissioned as new Containerised Freight and Bulk operations were stood up. We are expecting a further, albeit smaller, increase in depreciation in FY25, with FY25 to be more akin to second-half FY24 depreciation on a run rate basis.

Net Finance costs increased $103m noting this figure, includes interest on lease liabilities, allocation of capitalised borrowing costs and hedge in effectiveness. The vast majority or around $95m of the increase is due to higher interest rates on debt held within Network. This is compensated for in the uplift in final WACC to 8.51%, which flows through to a higher return on capital via the Network regulatory revenue mechanisms.

When depreciation and finance costs are looked at together, there was a $144m step up on FY23 – which was broadly as expected given more than half of that step up, or $76m, was shown in the first half results. Importantly, the almost $200m EBITDA uplift I mentioned earlier more than offset these cost increases, driving an 11% uplift in NPAT and EPS – or 25% at the statutory line due to the FY23 impacts of the East Coast Rail accounting treatment.

Free cash flow, which is shown in the table excluding growth capex, was materially higher for the year driven by increased earnings, as well as the cash receipt of FY23 Network Take-or-Pay and a Tax refund of around $100m that was flagged at the half and received in February. Although the $125m of deferred consideration from the East Coast Rail divestment isn't reflected in the underlying free cash flow figure in the table, it did contribute to lowering Aurizon gearing with Operations and Network Net Debt/ EBITDA as at 30 June sitting at 1.8x and 3.9x respectively.

A final dividend of 7.3 cents per share has been declared, representing a payout ratio of 80% for the final dividend, which is to be franked at 60%. This franking amount reflects lower cash taxes in FY2024 and therefore having fewer franking credits to distribute.

Moving now to Coal.

SLIDE 16: COAL

A solid performance for Coal and one that reflects a volume recovery and an uplift in revenue yield, all while maintaining operating cost discipline.

Turning to the bridge, EBITDA, as shown at the far right was $528m for the year, an increase of 16% against the prior year. This is consistent with our commentary in February, where we set expectations that the strong first half result wasn't going to be repeated in the second half.

Stepping through the bridge and you can see that the first green wedge is from higher volumes, which drove a $25m earnings uplift. Coal volumes increased by 2% driven by New South Wales, Southeast Queensland, Blackwater and Moura corridors which were all stronger and more than offset declines in the Goonyella and Newlands corridors.

The second and largest bar on the bridge is Net Revenue yield, which was favourable against the prior period by $105m. Approximately half of this was driven by CPI indexation of customer rates. The majority of the balance of the $105m was driven by the favourable customer mix and other one offs, which is something we don't expect to repeat in FY25.

The last bar I'll touch on is Operating costs, which increased $68m against the prior period when pass-through fuel and access costs are excluded. This was driven by additional traincrew and maintenance costs mostly associated with volume growth and the escalation of labour and materials costs. We made a conscious choice to rebuild traincrew ranks – this, combined with Trainguard operating in Blackwater, enabled Coal to largely offset supply chain cancellations and the more varied customer order profiles we've witnessed recently.

In terms of FY25, we expect Coal earnings broadly consistent with FY24 due to the benefit from higher volumes being offset by higher traincrew and maintenance costs and lower yield driven by normalisation of customer mix.

Moving on to Bulk.

SLIDE 17: BULK

Bulk EBITDA increased to $229m, an uplift of 7% and outperforming revenue growth of 3%. As well as ongoing cost control, the Bulk result was driven by higher minerals and iron ore volumes offsetting lower grain volumes, rail network impacts from weather and the cessation of a rail maintenance contract.

In terms of Operating Costs, this was $867m or 2% higher. As you can see on the bridge, when excluding fuel and access costs which are largely a pass-through, operating costs were up $18m and were incurred to support volume growth. While volume growth has occurred, we have also seen softer volumes in parts of Bulk, mainly in the Bulk West and Bulk East geographic regions. In response we have redeployed 12 active locos and 255 wagons, with around half of these moved to Coal. We have also redeployed traincrew where possible, to ensure we continue to right size operating costs for Bulk.

Despite the customer production and weather related issues thrown at it during the year, Bulk delivered 7% EBITDA growth – something it couldn't have done pre the Bulk Central acquisition if faced with the same events as we witnessed in FY24. Notwithstanding that, we are focussed on the capital that's been deployed to Bulk and realising our target returns from these investments – we aren't hitting those levels as yet, however we've invested in 30 year assets in key regions across Australia where there is growing customer demand in commodities required long-term.

Looking forward, we expect higher revenue and EBITDA in FY2025, driven by Bulk Central volume growth more than offsetting expected volume declines in Bulk West.

Moving to Network

SLIDE 18: NETWORK

The result for Network reinforces that it's a business which performs well in a higher interest rate and inflationary environment. Network EBITDA increased $117m or 14% to $930m. This outcome was driven by higher volumes, along with a reset of the regulatory asset base and WACC that occurred on 1 July 2023.

I'll turn now to the bridge, which is shown net of electricity charges as these are a pass-through to Network customers.

As you can see on the bridge, access revenue was $146m higher – this largely relates to higher allowable revenue as a result of the preliminary reset WACC of 8.18% compared to 6.30% in FY2023 and the reset of the regulatory asset base, which increased by 8% to $6.2 billion on 1 July 2023.

The full year FY24 volumes were 1% higher than the approved regulatory assumption of 208 million tonnes, which has led to a volume related over-recovery of $19m. This $19m is included in the $146m shown in the bridge and will be deducted from allowable revenue in two years' time, although it will be more than offset by the WACC related true-up which is estimated at $26m and driven by FY24 tariffs reflecting the preliminary reset WACC versus the Final approved WACC of 8.51%.

Other revenue was $14m higher in FY24, primarily due to higher external construction revenue which included the work we were proud to complete on Pembroke's Olive Downs rail infrastructure.

Moving to the third bar, which shows operating costs increased by $44m. This was due to higher external construction costs, which are offset in revenue, as well as higher maintenance costs due largely to labour inflation. The maintenance over-spend of around $17m is planned to be recovered in FY26.

In terms of the broader Maximum Allowable Revenue or MAR, FY24 had the benefit of an uplift of around $130m. We will see a further step up of around $100 million in FY25 driven by:

- the uplift in final WACC coming into effect;
- FY23 revcap of around $40m; and
- the usual inflation true-ups

This means that we will have seen a MAR uplift of around $230m between FY23 and FY25.

In terms of other assumptions for Network in FY25, we won't have the same level of external works earnings and we are assuming no volume related over-recovery, meaning volumes at this stage are expected to be in line with the 217mtpa regulatory assumption.

As usual, MAR waterfalls are included in the appendix.

Turning to Capex

SLIDE 19: CAPITAL EXPENDITURE

Total capex for the year was $842m, of which sustaining or non-growth capex was $639m. Around 60% of sustaining capital is deployed to Network, flowing through to the regulatory asset base.

The right-hand side of the slide shows where growth capital has been deployed, almost entirely for Bulk and Containerised Freight. You can see that the majority of growth capital relates to standard gauge rollingstock and port and terminal equipment that can be used across multiple commodities and freight types across Australia.

As can be seen on the table, total growth capex for FY24 was $203m, below the guidance range of $250m – $300m. This variance is mainly due to some rollingstock and terminal expenditure being delayed to FY25.

Despite this spend rolling into the following year, we can reaffirm that we expect lower growth capex in FY25 and Andrew will cover this shortly.

As for total sustaining capex, we came within guidance at $639m. This included transformation capital of around $50m, which included our Trainguard spend and was $10m higher than original expectations as we made the decision during the year to transition all of our Adelaide container operations to the Gillman terminal, which will save on third party lease and lift costs. Transformation capex of around $80m is expected in FY25, with the balance of Gillman capital, finalising Goonyella Trainguard rollout, and decarbonisation spend for our Battery Electric Loco and Tender prototypes. Transformation capex is then expected to return to historical levels from FY26.

Moving now to my favourite slide on Free Cash flow and Capital Allocation.

SLIDE 20: FREE CASH FLOW AND CAPITAL ALLOCATION

Aurizon returned to a typically strong free cash flow in FY24. And while that's consistent with past performance, what this slide aims to show is the use of that cash flow, which will see Aurizon delivering a strong dividend, investment in growth capex and the on-market buyback that we've announced today.

Working left to right on the page and you will note free cash flow of $661m. This figure excludes growth capex and the $125m of deferred consideration from the East Coast Rail divestment. Importantly, it's this return to higher cash flows that highlights the resilience of our Coal and Network businesses and has enabled a positive step change in debt metrics and increased returns to shareholders.

It's this point on capital allocation and shareholder returns that I want to draw out on the right-hand side of this page. Before I do that, a reminder that Aurizon has been utilising the same capital allocation framework for the past seven years. This framework starts by looking at operating cash flows, prioritising our BBB+/Baa1 credit ratings, setting aside capital to sustain our existing operations, and then targeting a dividend of 70% to 100% of underlying NPAT. Whether we're towards the lower end, as we have been in recent years, or the upper end is dependent on whether there are value-accretive capital management and growth opportunities available.

As you can see in the top bar in the middle of the page, from FY16 to FY21 where limited growth opportunities were present, the majority of capital was returned to shareholders by way of dividends and on-market buybacks.

What changed in FY2022 was the opportunity to acquire One Rail and invest to support several major contract wins, it's these decisions that we believe will support the business for many decades to come and underpin growth in future returns to shareholders. To support that growth the payout ratio sat at 75% of NPAT and after 100% debt funding the One Rail acquisition, we subsequently went about de-levering throughout FY23 and FY24.

As we've announced today, we're now in a position to step up the payout ratio to 80% of NPAT – representing what we believe is a sustainable level. On top of that, we continue to invest in the business in the form of growth capex and are pleased to also have announced an on-market buyback of up to $150m for FY25. It's this balanced capital allocation that's shown in the bottom bars in the middle of this page.

Moving now to a Gearing and Funding Update.

SLIDE 21: GEARING AND FUNDING UPDATE

Our Treasury team again has been busy on the Aurizon debt profile, with over $1bn of bank and debt capital market issuances completed during the year. This continues to highlight the support we receive from Australian and overseas banks, as well as institutional debt investors.

More recent funding activity consisted of:

- $650m of new bank debt across 5, 6 and 7-year tenors;
- a $68m Euro private placement at a tenor of 10-years; and
- a $350m Australian Medium Term Note issuance at a tenor of 7.5-years

I was particularly pleased that we recently received the reverse inquiry on the private placement and that the Aussie note issuance in March was 7x over-subscribed. It's these data points, as well as the expansion of Aurizon's lending group to 22 banks, that reinforces to me how highly regarded Aurizon's business is within debt markets.

The long-term funding strategy remains unchanged, that is to ensure we access multiple pools of capital and lengthen debt maturity to align it with Aurizon's long duration assets. This slide highlights that we took some good strides in executing that strategy in FY24.

Looking at some of the metrics on the page I note the weighted average cost of drawn debt at 6.2% and the Group hedged percentage that now sits at 88%.

The cost of drawn debt and the interest cost increases we've seen reflect higher base rates, pro-active debt raisings in advance of future repayments and hedging for Network at the time of the WACC reset, to underline a point I made a few slides earlier, this interest cost increase is more than offset by Network regulatory revenue step ups. While Network regulatory revenue is expected to step up in FY25, given the high hedged percentage we are expecting interest costs to be broadly flat in FY25.

Importantly, we maintain a commitment to strong investment grade ratings, with Aurizon Operations' and Aurizon Network's credit ratings both at BBB+/Baa1. This is further supported by lower Group net debt in FY24 at $4.8bn, as well as net debt/EBITDA which now stands at 3x and is down from 3.5x a year ago.

At a subsidiary level, net debt/EBITDA for Network is around 4x, while Operations is now 1.8x and down from 2.3x a year ago.

I'll say in closing that it is pleasing to see Coal, Bulk and Network business units all contributing to the uplift in FY24 earnings.

With strong cash flows and debt metrics, Aurizon is in a position to invest prudently in growth capex while increasing shareholder returns as we've highlighted throughout the presentation today.

Thank you and I'll now hand back to Andrew.

Andrew Harding: Managing Director & Chief Executive Officer

SLIDE 23: PROGRESS AGAINST STRATEGIC AIMS

Thanks George.

At our Investor Day in July last year, we took the opportunity to update our strategic aims, and this slide summarises progress to-date. This includes:

- the resilience of our Network and Coal businesses;
- growth in Bulk driven by a national footprint and increased capacity reflecting the opportunities presenting to the business; and
- our progress against the Containerised Freight aspiration, including the contribution of Bulk Central and National Interstate volumes.

The resilience of Coal and Network is absolutely evident in today's results. Although we have seen growth in both Bulk earnings and Containerised Freight volumes, our expectations are higher and I look forward to sharing this slide again with the market over the next reporting periods.

Turning to Outlook.

SLIDE 24: OUTLOOK

Group underlying EBITDA for FY2025 is expected to be in the range of $1.66 to $1.74 billion.

Sustaining capex is expected to be $640 million to $720 million, including $80 million of Transformation Capital. Growth capex is expected to be $125 to $175 million.

Network earnings are supported by an increase in regulated revenue, partially offset by lower external construction works. No volume related over-recovery is assumed.

Coal earnings are expected to be broadly consistent with FY2024. Aligned with our customers stated production profiles, higher volumes are expected. However, this will be offset by the normalisation (lower) of yield due to customer/corridor mix, in addition to higher traincrew and maintenance costs.

Bulk earnings are expected to be higher than FY2024 driven by volume growth, particularly in Bulk Central, more than offsetting an expected volume decline in Bulk West

Containerised Freight is expected to have a broadly neutral EBITDA contribution.

As usual, no significant disruptions to supply chains (such as major derailments or extreme/prolonged wet weather)

With that, I will hand over to the Operator for questions.

Questions and Answers

Operator: Thank you. If you wish to ask a question, please press star one on your telephone and wait for your name to be announced. If you wish to cancel your request, please press star two. If you're on a speakerphone, please pick up the handset to ask your question. Your first question comes from Jakob Cakarnis from Jarden. Please go ahead.

Jakob Cakarnis: Morning, Andrew. Morning, George. I just wanted to ask on the Bulk division firstly, just on Page 11 in the 4E I note that in the second half you've announced that there's insurance recovery from derailment events. I can't see that that occurred in the first half. Can you just tell us what the quantum of those insurance recoveries are, please and what the earnings impact from that was in the prior year?

Andrew Harding: George, might get you to address that.

George Lippiatt: Hi, Jake. They weren't materials so we haven't disclosed them individually. In terms of the FY23 impact, it was single-digit millions and in terms of the FY24 impact like I said it was not material, so that's why we haven't disclosed the figures.

Jakob Cakarnis: Can we assume then that the Bulk Central business is still running at that $100 million EBITDA target that you guys set at the acquisition?

Andrew Harding: Anna, I might get you to talk about that.

Anna Dartnell: Yes, thanks, Jakob. It's when we didn't achieve the 100 million in FY24 and that's predominantly due to the later-than-expected production coming to fruition with Northern Iron so they experienced delays which Andrew spoke about in his update. But we are very much looking forward to celebrating that milestone in FY25 as those volumes come into the mix for Bulk Central's result.

Jakob Cakarnis: Thanks for that and then just one final one for George. I think you said the net interest outlook into FY25 was going to be flat on FY24. Was that specifically for the Network business? I'm just wondering how we ended up different on the interest guidance that you gave at the first half which was around $300 million versus where we landed for the full year, please?

George Lippiatt: Yes, so we're expecting interest costs at a group level to be broadly flat FY24 on FY25, Jake. On the difference between first half and second half, we continued to do some proactive refinancings in advance of repayments of debt that fell due in June and another one that comes due in September and then also when you're looking at net finance costs in the P&L, that doesn't just include the net interest costs. It also includes things like hedging effectiveness, allocation of capitalised borrowing costs and interest on lease liabilities.

Jakob Cakarnis: Thanks guys. I'll turn it over.

Operator: Thank you. Your next question comes from Anthony Longo from JP Morgan. Please go ahead.

Anthony Longo: Hi, good morning, everyone. I just wanted to ask on Containerised Freight and particularly the guidance for broadly neutral earnings into next year, understand that was the guidance for this year. So I appreciate the comments around utilisation tracking below expectations, but how much of a drag are you actually seeing from that business on the broader group? I mean looking at the revenue per TEUs, it's still pretty down significantly year-on-year. So perhaps a bit of colour around that would be great?

Andrew Harding: George, I might get you to start that and then we might hear from Gareth on Containerised Freight.

George Lippiatt: Yes. So, Anthony it wasn't material. So that's why we haven't disclosed it separately or continue to not disclose it separately, but we are expecting improvement into FY25 on FY24. So, we're going from a negative EBITDA contribution to broadly neutral and that's partly not a change in the revenue per TEUs. We're expecting more TEUs. And remember in FY24 we continue to incur costs as we stood up all of the services in advance of revenue being delivered.

Gareth Long: Hi, Anthony. Yes. So, I mean in terms of the Containerised Freight performance for the year, I suppose the first thing I'd note and Andrew made the point in his introductory remarks is that we were successful in standing up that business in what were quite tight time horizons. So, I think from that point of view, we're very pleased. Without a shadow of a doubt, the operating environment has been challenging, but remember we're in this for the long haul.

We've got a contract with TGE for 11 years and that has allowed us to stand up that national network. It not only gives us an opportunity to sell further volumes as George indicated during the current year, but equally is really critical and underpins our land bridging aspirations.

Anthony Longo: Understood. Thanks for that. And in terms of the utilisation is there anything that's causing that to perhaps not track to that breakeven sort of level that you need? Is there anything sort of structural that we should be aware of?

Gareth Long: It certainly isn't structural. It's more an indication of just the broader economic drivers. Remember, Containerised Freight largely tracks what's happening within the broader economy, GDP wise and those I suppose elevated interest rates have had a bearing on discretionary consumer spend.

Anthony Longo: Okay. Great. Thank you. And then in terms of final one from me, just looking at the cape I appreciate the guidance that you have given out there, but it did actually look higher than certainly my expectations into next year. And from what I can tell about the market as well, I mean, are we able to talk through some of the building blocks of capex into next year? Does that also include some of the land bridging initiatives that you have and how much of it maybe is timing of projects shifting year on year?

Andrew Harding: George, I might get you to talk about that.

George Lippiatt: Sure, Anthony. So, I'll start with growth capex. So, this year growth capex was FY24 was $203 million. We're guiding to it being $125 million to $175 million next year. So that's a step down. Then when you look at sustaining capital and you strip out the transformation spend we're about $600 million in FY24 will be about $600 million in FY25, but the difference into FY25 is transformation capital which is stepping up from $50 to $80 million. That's largely three things, the Gillman Terminal which I touched on in my speech. So that's us moving all of our Containerised Freight volumes in Adelaide to the Gillman Terminal. So that is in FY25. You've got the final TrainGuard rollout in Goonyella which we touched on and you've also got some of our future fleet funds. So that's our prototypes for battery electric locos and battery electric tenders. So that's the building blocks of capex in FY25. The last thing I'd say is a reminder on capex and sustaining capex at about 60% of it, we expect to be Network related. So, to roll into the regulatory asset base.

Anthony Longo: Okay, thanks. Thanks very much. I'll pass it on.

Operator: Thank you. Your next question comes from Justin Barratt from CLSA. Please go ahead.

Justin Barratt: Hi guys, thanks very much for your time today. I just also had a question on capex. Appreciate your comments on the delay, George, but just wondering if we could get a bit more detail on the delay in the growth capex from FY24 to FY25. You noted that it's largely related to rolling stock and terminal expenditure, but it does look like most buckets were a little bit lower than guidance in FY24. So just wondering if you could talk to that in a little bit more detail, please?

George Lippiatt: Yes, so at the half Justin we reaffirmed $250 to $300 million growth capex, but I did say I expect us to be towards that $250 million. What happened since then is we've had final progress payments push out on a handful of new locomotives which are coming off the production line. So, they've rolled into FY25. And then we've had a bit of our terminal spend in Containerised Freight roll into FY25.

So they're the two big buckets and they'd represent the vast majority of that roll from FY24 into FY25. What hasn't changed in Containerised Freight is the aggregate capital number that we told you that we would spend which is about that $425-$430 million and that's across both the national interstate and the land bridging network that we're standing up.

Justin Barratt: Fantastic. And then always enjoy your discussion on free cash flow and capital allocation, but just wanted to try and understand a little bit more about the decision on the buyback versus the dividend this year. And then equally on top of that as well is in terms of the dividend payout ratio target of 80% into FY25, do we think that that's probably more of a sustainable level of dividend payout going forward, given the broader outlook for your growth capex profile?

Andrew Harding: Justin, its Andrew. I might just start with the back part of your series of questions and then I'll leave the rest to George. So as far as the step from 75% to 80% and what you can read into that, in the context of the Board makes a decision at the time and with all the data that they have in front of them about what the payout ratio will be, it is consistent with where we've been coming from in paying down debt and our overall history of returning cash to shareholders when we don't have a more value creative use for it.

To assume that a move like that is to some degree something that we would be saying is longer term than not. Basically, what I don't want to do is actually move the payout ratio around every six months or every year and create a surprise in the marketplace. So I'm very thoughtful about any move we make and there is the best of intention to actually make them less frequent than not.

George Lippiatt: And then Justin maybe on the buyback and how we size that and it comes down to three things, cash flow, capex and credit rating and our forward view on those three things. So in terms of cash flow we saw in FY24 it was strong at $661 million. We're expecting cash flows to be good again into FY25. Capex as we've just touched on we are expecting lower growth capex in FY25, notwithstanding the roll forward of some of that growth capex from FY24 to FY25.

And then on the credit rating I was pretty clear a year ago and then at the half that we're expecting net debt to EBITDA to improve. It has at a group level it's gone from 3.5 to three times and at an Ops level it's gone from 2.3 times to 1.8 times. And so all three of those things factor into our buyback decision and we're pretty comfortable with the decision we've made and that $150 million announcement we've made today.

Justin Barratt: Thank you.

Operator: Thank you. Your next question comes from Matt Ryan from Barrenjoey. Please go ahead.

Matt Ryan: Thank you. I think we got an update on Northern Iron. Just keen to get an update on some of the other situations with Linecrest, MRL and maybe Alcoa.

Andrew Harding: Anna, do you want to give an update?

Anna Dartnell: Sure. Thanks, Matt. Thanks for the question. So, I'll start in the Bulk Central growth we talked about Northern Iron's delays as you mentioned but working with them on readiness to start hauling in Q1 of this year. They have finished construction on the site and started commissioning of plants. So that is progressing well, albeit later than planned given the delays that weather in that region imposed on them.

Linecrest volumes so that contract started in the second half of FY24 and we have continued to manage their requirements for railing through the central corridor and pleasingly stepped in to do the stevedoring task in that space. So Bulk Central certainly bringing on some of those additional targets that we shared with the investor community at Investor Day last year.

In the West, you've talked about some of those customer decisions and we certainly did have some headwinds that we faced with customer decisions and production volumes over the course of FY24. The Alcoa bauxite production being impacted by that Kwinana plant closure was managed really well by the team as they came into the end of this FY24 financial year and we managed the cost impacts of that really well to actually step out and ensure that we weren't sort of carrying any additional load there.

MRL has been actually pretty well received by some of the junior miners in the Yilgarn region. So whilst MRL have made the decision to pursue other parts of their portfolio what that has done is open up pathways for volume to market from the junior miners within the Yilgarn region.

So you've already seen us announce the 10-year agreement with Gold Valley, the additional volumes being opened up both on the network and through Esperance Port. It has them pretty excited and we're working with a number of other juniors and the state government on how we can find pathways to market to increase volumes through Esperance Port.

Matt Ryan: Thank you. And just a question on coal yields. There's obviously a lot of noise in the past 12 months, I guess from customer mix and the like and I think you've sort of quantified what that might have been over the course of the year. Just keen for you to I guess talk a bit more broadly about what you're seeing in underlying yields and how that might have changed over the last couple of years?

Andrew Harding: Ed, I think it's over to you.

Edward McKeiver: Thanks, Andrew, and thanks, Matt. Over the last few years, we've seen the market for coal haulage services stabilise, along with prices. We don't have any further material resets in our pipeline, but the market does remain dynamic and competitive. We're finding that rates are important, but our customers are increasingly valuing other factors like volume and origin destination flexibility, shared risk positions and delivery incentives.

Matt Ryan: Thank you.

Operator: Thank you. Your next question comes from Anthony Moulder from Jefferies Australia. Please go ahead.

Anthony Moulder: Good morning, all. Maybe starting with Coal or continue on with Coal for Ed. So, obviously, yield has moved around a lot, maybe a stable environment going through in FY25, but is the thing that we should look to, that is, that we're finally starting to see a bit more coal growth coming from the network. I'd appreciate the coal contract utilisation remains very low but is the key takeaway that we should start to see a better impact from coal volumes coming through the network through FY25 and beyond.

Andrew Harding: Yes, Anthony, you're very hard to hear on your phone, but Ed, I think the question's about just the short-medium-term demand for coal growth demand in the marketplace, what you're seeing?

Ed McKeiver: Yes, certainly. Thanks, Anthony. It was a little hard. Look, we're continuing to see strong demand signals from our customers in the market generally, both thermal and metallurgical coal. Clearly, I can't predict or forecast how that will translate to volumes and earnings for the business, but the long-term outlook for coal, we have confidence in it. We're staying focused on remaining our customers' first choice, serving them safely, reliably, looking for further efficiency and safety enhancements such as TrainGuard.

Anthony Moulder: Thank you. And secondly, on Bulk volumes, obviously, fourth quarter, FY24 volumes down 10.7%. I appreciate some of that's grain and others, but is there anything that is in particular that's giving you confidence about that return to growth in FY25 outside of the contracts, small contracts that you've announced?

Anna Dartnell: Sure, Anthony. Look, I think the volume story in FY24 is kind of an interesting one, because when you do look at that across the board and you've called out the final quarter result there, but across the year it being 1.6 million down on volumes to have had the $33 million uplift in revenue and $15 million in EBITDA, I think actually tells a pretty good story in the face of some disruption. So, we are and we have been talking for some time that the pathway to growth in Bulk is going to be a result of that, change in the portfolio and the portfolio mix, as well as process transformation.

And I think FY24 absolutely shows that. The thing that we always remind ourselves in the volume space with Bulk is as we transition to some of the lower volume, higher value products, you're obviously going to see that change in the results. And so, I think even in some of those high volume commodities like iron ore, we're also seeing the tasks that we deliver for them change.

So, as we step in to FY25, those Gold Valley tonnes coming through, we're providing some end-to-end supply chain support, so stockpile management and loading activities. And then, as I've already talked about with Linecrest and Northern Iron, the Stevedoring Arms, really attaching to that service. So, I think that pure volume metrics aren't necessarily going to be the measure of our success going forward.

Anthony Moulder: Understood. And lastly, if I could then, what's the level of additional or surplus equipment that you have at the end of this calendar year with the MRL contract obviously ending? Is there a lot of surplus assets and locos and wagons that you'll hold through Bulk that will chase volume?

Anna Dartnell: Yes, look, we always look at, from a standard gauge fleet perspective, we look at it on a national basis. So, we'll then sort of work out where they best run towards. But certainly, the MRL wagons that we have been using for that contract over the last several years will be deployable to other volumes through the Yilgarn region, and then loco redeployment to sort of support Bulk Central growth is certainly an area we're focusing on.

Anthony Moulder: Thank you.

Operator: Thank you. Your next question comes from Andre Fromyhr from UBS. Please go ahead.

Andre Fromyhr: Hello. Thank you. Just on Coal, wondering if you can give us a sense of what the coverage is across your above-rail contract portfolio for passing through costs? I understand you've called out some of the headwinds to the yield as you roll from FY24 into FY25 next year, but at least from the costs front, would we expect reasonable margin stability from your ability to recover those effects?

Andrew Harding: Ed, do you want to take that.

Ed McKeiver: I'll have a crack at that. Yes, good morning, Andre. I think your question is going to costs and stability of costs into FY25. And the short answer is, our costs are largely associated, as you'd expect, with energy and labour, particularly train crew. And those costs, we've rebuilt our capacity in relation to train crew during the course of FY24. We saw uplifts in EA impacts, so there is the recurring annual EA impact for 1,200 drivers in Queensland, which happens in March every year, and November for New South Wales, another 300 drivers, so that's going to continue to occur at about 4%.

We saw CPI impacts on materials and growth associated with that, linked to that, some growth costs, both for haulage contracts and for the BMA rail maintenance contract we bought online in Sarina. So, all said and done, I'm not expecting a significant change in FTEs into FY25. We still have some growth. We've got our maintenance budget set for the year, and so most of those costs are associated with growth, new consists coming online. We've got 12 more operational locomotives in the Southeast Queensland system, and so largely stable and margins projected into FY25.

Andre Fromyhr: And so, from the ability for the contracts to pass on those costs to customers, when you have any enterprise agreement result, for example, are the customers eventually going to fund those effects?

Ed McKeiver: Yes, Andre. In short, almost all of our contracts have direct pass-through of CPI escalations. There is a lag effect, so there is a one-quarter lag effect, so we wait for the escalation in a particular quarter, and then a quarter passes, and those prices are passed through at the start of the next quarter.

Andre Fromyhr: Thanks, and I just had a question for George about transformation capex. I understand the commentary around stepping up for FY25 and then returning to more historical levels in FY26. Is there an end date at all for transformation, or is this just a never-ending story of continuous investment? And should we expect a positive return on capital effect from transformation capex, or do you treat it as sustaining capex because it's just something you've got to spend to keep the business running at the existing levels of profitability?

George Lippiatt: No, we don't treat it as sustaining capex. We'll have a positive return on invested capital. So, the Gillman capital, for example, that we're spending, Andre, that will absolutely have a good payback period, and where effectively it's easy to model we're saving on lease costs and third-party lift costs. So, that's what the capital is enabling us to do. In terms of TrainGuard, as we've touched on before, and that is rolling out in Goonyella, we are expecting that to result in better productivity, in particular in FY26, when you look at NTK per FTE.

The one exception, though, is the Future Fleet Fund, so that battery electric loco, battery electric tender funding. We announced two or three years ago $50 million that was outside of our traditional hurdle rates, and the battery electric loco and tender spend is ramping up into FY25. It will not see a positive return on invested capital in the short term, but the bulk of that capital will be spent in FY25 and FY26. So, that's my long way to saying that all three of those projects do have end dates.

But that doesn't mean that we don't continue to look for opportunities to invest, to transform further in terms of the business and its earnings profile.

Andre Fromyhr: Okay. Thank you.

Operator: Thank you. Your next question comes from Sam Seow from Citi. Please go ahead.

Sam Seow: Morning, guys. Thanks for taking my question. Just on, I guess, page 33, interested in that Bulk in the June quarter, it was the weakest quarter for volumes for the year, which looks, I guess, a soft exit rate on face value. I guess, given your positive volume guidance in Bulk, could you perhaps provide some more colour on why that might not be the case, maybe quantify some of the one offs, and if we should assume that, that Bulk growth guidance you've given us is more second half weighted? Thanks.

Anna Dartnell: Yes, sure, Sam. Just, I think the main contributor you're looking at in that quarter and the guidance that you're referring to is actually going to be those softer grain volumes. So, I think both Andrew and George have indicated that both east coast and west coast grain volumes down over the most recent harvest, and you definitely saw that as they dropped out, and we responded accordingly around those reduced volumes.

Some of that will also be the Alcoa announcement, so some large volumes coming through there, but as I said, we've been able to offset those pretty successfully through the west?

Sam Seow: Thanks, and then maybe just on Bulk on the depreciation and amortisation, obviously increasing, I think, 19%, and you've given us the positive EBITDA guidance, but just wondering, do you think Bulk can grow at an EBIT level in FY25?

George Lippiatt: Yes.

Anna Dartnell: Yes, short answer yes, so, I mean, obviously, $20 million more of depreciation in FY24 coming through, but as we look at the growth in the pipeline and hitting those hurdle rates that we've talked about, it's going to be, yes, you'll see it go back to EBIT line growth.

George Lippiatt: Yes, Sam, maybe some extra colour on that. We're actually not expecting much more of a step up in Bulk depreciation and amortisation in FY25. I think more of the step up will be in Network and also in Containerised Freight.

Sam Seow: Thanks, guys. Much appreciated.

Operator: Thank you. Your next question comes from Cameron McDonald from E&P. Please go ahead.

Cameron McDonald: Good morning, all. Can I just start with the Bulk sort of contracts that you've outlined on page 10? So, which ones of those are actually in Bulk Central? Because they all, the major big ones all look to be in WA and then some in New South Wales. So, what contracts are you actually calling out that you've won in Bulk Central?

Anna Dartnell: So, the Bulk Central wins were in first half there, Cameron. So, Linecrest and Northern Iron were the two majors of FY24 in Bulk Central. And then the half two, as you say, a mix of Bulk East and Bulk West coming through.

Cameron McDonald: Okay. So, there's no update in the second half of FY24 around Bulk Central?

Anna Dartnell: No, nothing in relation to new contract wins in the second half. We're continuing to track all the opportunities within that market. And I can sort of tell you that as we work through the Bulk pipeline, we absolutely have prioritisation of Bulk Central growth because of the natural ability to leverage the above rail and the below rail contribution. But you'll have to wait for FY25 for more news in that space.

Cameron McDonald: Okay. And then how do we think about the Flinders Port Logistics business feeding into all of this? And also, how much did the $125 million to $175 million (growth in capex expected) is actually being spent on acquiring or planned to be spent on Flinders Ports?

Andrew Harding: George, I might just get you to deal with the numbers just then, and I'll talk a little bit more about Flinders Port.

George Lippiatt: Sure. So, in terms of Flinders Port, Cameron, it'd be about 15% to 20% of that guidance number.

Andrew Harding: And Cameron, the intention with Flinders Port is to meet the requirements often asked by our customers to provide full service offerings, and that's what we're doing.

Cameron McDonald: Okay. Thank you. And then last question, just in terms of the Network, what impact are you factoring in for the Grosvenor fire, if any?

Andrew Harding: Pam, do you want to mention the?

Pam Bains: When you say what are we factoring in, do you mean what was the impact in FY24 or starting into FY25?

Cameron McDonald: Well, I'm expecting there wouldn't be much impact in FY25, but yes, into FY25, please.

Pam Bains: No, we haven't put anything in our guidance for Network regulatory volumes. There's 216.7 million tonnes.

Cameron McDonald: Okay. So, no impact and I understand.

Andrew Harding: Ed wants to make a comment, I think.

Ed McKeiver: Yeah, Cameron, I would just say we're certainly talking to the customer, and we really feel for them and want to work with them around the trouble that they're having. We're talking to them about replacing their capacity for some of their other load outs to keep us all whole.

Cameron McDonald: Okay. So, yes, because my question was also going to be in above rail. I understand that you're not the major haulage provider, but had done sort of some spot tones. Do you have any feel for how quickly their capacity is going to be absorbed by other players and whether or not you'll get any benefit from that?

Andrew Harding: Cameron, I don't think it's the right thing for us to talk about a customer in that level of detail. So, I think we might pass on that part of the question. You'll have to go and talk to them, I think.

Cameron McDonald: Okay. Thank you.

Operator: Thank you. Your next question comes from Scott Ryall from Rimor Equity Research. Please go ahead.

Scott Ryall: Hi there. Thank you. I have two questions. Firstly, on the coal guidance. So, if I look at, I'm just trying to get my mind around it in terms of the helpful waterfall charts you provide each time. So, if I look at slide 16, year one for last year, if I think about your guidance, the way I read it is volume will be green, operating costs will be red. That's pretty clear. But the net revenue yields will be red as well. Is that correct? Is that kind of a numerical or a colour coding of what you've written?

George Lippiatt: Correct Scott.

Scott Ryall: Yes, Okay. And then the second question, Andrew, maybe this is for you, but since you set out your strategy, at your Investor Day a year ago, there's been a huge amount of government focus on future made in Australia, value add processing of minerals, metals, etcetera. Could you just tell me, how do you think of Aurizon's opportunity in that respect? How does it change your opportunity to be involved in the supply chain, please?

Andrew Harding: Yes. Look Scott, as large as the announcement is, as I'm sure is as positive as it's been taken generally in the country, I'm not sure that there'll be much flow through to Aurizon specifically. We will benefit from any improvement in the general economic background, but not specifically for the notion as a general idea. I'd need to see more detailed, specific projects that are actually being stood up and actually how that impact would then flow through to us would be more readily determined. I'm personally backing more of the companies starting projects because they're economically sensible.

Scott Ryall: Yes, okay. So you don't see any, I guess, increased complexity of the supply chain offering that will require specialists such as yourself? Is that a bridge too far, maybe?

Andrew Harding: It's probably a bridge too far. I think you'll see more in movement or you would expect to see more movement of material around the country as it's manufactured.

Do I think that's going to be huge? No, but yes, I will actually, I do think you'll actually see some. It'll probably more get moved in containers and so you'll just see a general support for the containerised freight style of business.

Scott Ryall: Okay, great. Thank you. That's all I had.

Operator: Thank you. Your next question comes from Owen Birrell from RBC. Please go ahead.

Owen Birrell: Yes, good morning guys. Just a few questions for me. Just the first one on Bulk. I just draw back to a comment that was made that you're not delivering on your target returns for that business at the moment. I think previously you'd indicated target returns of sort of north of 10%. I'm just wondering numerically, what sort of earnings upside do we need to see to hit that target return?

And based on your, I guess, best expectations, how long should we see before we get to that target return?

Andrew Harding: George, I might get you to help along with some of them.

George Lippiatt: Yes, Owen, I mean, if you look at the invested capital in the Bulk, it's a bit more than $2 billion. And we've said, yes, double digit return on invested capital. So therefore $200 million EBIT.

So that's, broadly about $90 million up from where we are today. The one thing I'd note is you've got a lot of the depreciation in the business now because the capital is installed. But we are expecting as we bring on new contracts to bridge the gap between what we've outlined today and that brought $200 million EBIT.

That though is based on the capital we've got in there today. I'm not going to give you a forecast on EBIT for one BU, because that would get me in other trouble. But that'd be how I'd answer it.

Owen Birrell: I just, I guess also the question is, I mean, that's quite a significant lift in the EBIT that's required to get you to where you sort of need to be. And I know you sort of talked about these being, multi, almost multi-decade assets, but I don't know if the equity markets can wait that long. So should we be expecting you to hit your target returns in say the next three, two, three years? Or like, I mean, just trying to get a gauge of, internally, when did we get there?

George Lippiatt: Yes. So the way I'd answer that is if you go back to when we announced the capital we were putting into Containerised Freight, we said, this capital will take until year three or four to hit its target returns. So that should give you a guide. And I think that's appropriate when you're talking about 10-year contracts that you sign, or in the case of Bulk Central, you have about 30 years left on the concession.

Owen Birrell: Okay. No, that's good. And just a second question for me, just around Containerised Freight. Again, I guess, looking to try and break even by next year, I know we sort of talked previously that sort of breakeven should be at around sort of 70% utilisation. I just wanted to get an update on where you think the utilisation is tracking as a run rate, I guess, an end of period run rate.

Andrew Harding: Gareth, you might want to answer that and be as helpful as you can be without going too far.

Owen Birrell: I'm just mindful that you put on a lot of additional capacity. So I'm just trying to get a sense of where we are on that new capacity.

Andrew Harding: Yes, it's just, you've got to appreciate that we're in a market where we talk openly about everything that we're doing and no one else does.

Owen Birrell: No, understood.

Gareth Long: Yes, so I'll probably, Owen, keep my narrative to the year that was, which was, as Andrew said earlier, we were around that sort of 60% utilisation. And I think, as I said to one of the questions earlier today, you've got to look at this through the lens of, what is a long-term investment for Aurizon backed by that 11-year contract with TGE. You know, when we look at the volumes that we have installed, that gives us a strong position now to sell into as we've completed the ramp in April of this year. And obviously, as I said earlier, positions as well for delivering on our land bridge plans.

Owen Birrell: Okay. You mentioned nine new customers, I believe, in that. Are you able to give us a sense of, I guess, the scale of those customers? I mean, are any of those customers in the same sort of quantum as like TGE? You know, are they sort of your top five style customers in the market?

Gareth Long: So there are a range of customers, Owen, but what I would say is they are not, we're not railing anywhere near the scale that we do for TGE. They're on spot arrangements, but include some large freight forwarders as well as small freight forwarders.

Owen Birrell: Okay, that's great. Thank you.

Operator: Thank you. Your next question comes from Rob Koh from Morgan Stanley. Please go ahead.

Rob Koh: Good morning. Just want to understand a little bit more about the buyback in the framework of your capital management framework. Is the receipt of the ECR proceeds one of the considerations here, or is it more just the normalisation of free cash flow?

George Lippiatt: It's both, Rob. You know, the receipt of the $125 million from East Coast Rail certainly contributed to the de-gearing and that net debt to EBITDA number coming down from 3.5x to 3x. And then cash flow also assisted with that and our forward view of cash flow and capex. So all of those things factor into how we've sized the buyback.

Rob Koh: Okay, cool. Thank you. And then just maybe a question on the Network side. Should we be thinking that if the QCA moves to like a trailing average debt approach, which I think is one of the proposals out there, that you'd just amend your hedging practices accordingly?

George Lippiatt: Short answer is yes, Rob. We would look to do that. Noting that we are currently significantly hedged through to 30 June 2027.

Rob Koh: Yes, okay. And then just last question, I can't seem to find the remuneration report. I guess it might come out a bit later in the day. Do you have any changes in your long-term incentive structure that is worth you pointing out? It's previously been TSR, ROIC and a non-coal EBITDA growth.

Andrew Harding: Okay, Rob, it's Andrew. I'm sure the report will be out soon. I'm just looking at people. But having read it recently many times, there's no changes in it.

Rob Koh: Yes, great. Okay. Thank you so much.

Operator: Thank you. Your next question comes from Ian Myles from Macquarie. Please go ahead.

Ian Myles: Hi, guys. I'll try to be brief. Just maybe on the coal outlook. If you looked over the business in the past, you've talked about productivity coming through using your assets smarter and the likes. And you still seem well short of that 2017 to 2020 sort of earnings out of the business. Just sort of see how you see, can you actually get back to that sort of number through productivity and the volumes coming through the business and TrainGuard? Or is that starting to get too difficult with the pricing environment?

Andrew Harding: Ian, I might get Ed to talk to you about his plans.

Ed McKeiver: I'll break it down into parts. Certainly, I believe with our track record for transformation and investment in technology and the recruitment and training we've done, we can get back to levels of productivity, but you're not going to get there in one year. We've seen quite an impact over recent years with weather-driven and customer ordering volatility, planned and unplanned maintenance across the supply chains, which comes from Rails, Ports and Mines.

So, all that variability ultimately results in rollingstock unavailable to move surge and it's a drain on productivity, no doubt. We've not given up, though and we continue. I mean, TrainGuard's a great example where we've seen an 11% year-on-year uplift in productivity over train crew and updated NTKs per driver in the Coal South system.

So, we have less drivers ending FY24 than we had in FY23, moving more volume. And we continue to find other ways to do things more productively.

A great example of that is our Pring layover model where we've consulted with our people, and for the last six months, we've had drivers driving from Bowen down to Coppabella, staying the night and bringing the same train back the next day. That model has essentially eliminated car travel, 200 kilometres for four people. And what we used to do with 11 drivers, we now can do with seven drivers. So, there's still plenty of transformation opportunity for us to pursue.

Ian Myles: Okay, that's great. And on the Bulk side, sorry, it's actually the Containerised side, trying to get my mind around, you're about 60% utilisation to the year, and you sort of imply, or maybe you talked about not willing to sign other contracts to give capacity to land bridging. I'm sort of intrigued, how much do you hold back? And when do you have to sort of make those decisions about signing contracts versus holding that volume?

Andrew Harding: It's good thinking, Ian. I'm going to get Gareth to try and answer it, but he can't say too much because of specific terms, but see how helpful you can be.

Gareth Long: Yes. Thanks, Ian. As you can imagine, we are continually looking at how our land bridging opportunity will roll out. That doesn't put me in a position where I am not minded to sign new line haul agreements. Far from it. We will evaluate each of those opportunities on their merits, partly from a capacity point of view, but also, importantly, from a return on capital.

So, it's not like we have a reserve of X that we will hold on to for land bridge. Rather, we will continue to look at well, what's the return on capital that I would get for that additional customer? That's how I think about it.

Ian Myles: And in the progress towards land bridging itself, it's interesting to see the car side of it. Is that car side emerging as a more plausible path near term for the business? And I guess you talked about modified containers. Do we see another capex spend to get the car equipment to haul cars around the country?

Gareth Long: So, in terms of the land bridging proposition, I think, as we said at investor day and certainly what we have observed with successful land bridging across the globe, is you need to prove the concept to customers. And what we have seen over the last month or so with the trial up in Darwin importing motor vehicles is exactly that. So, the customers who we have been talking to through that trial have been really supportive of what we have delivered both in terms of proving up the supply chain and indeed the connectivity and quality of what the rail solution can bring.

So, with that in mind, you start to then look at, well, what's next and what are those options? In terms of any additional capital, it's far too early for us to comment on that, Ian.

Ian Myles: Okay. Is there like, I guess I'm pushing this a little. When do you start to make those decisions? I know you said it's far too early but are we going to see it's now, what 14 months or 12 months since investor day and from an external perception, it doesn't appear like there's a lot changed. When do we start to see those changes?

Gareth Long: Oh, I think there has been a lot that has changed, Ian and the trial is a great example of that. So, the trial was with leading global shipper, as well as with car manufacturers. We have further trials to perform with other customers later this month. So, off the back of that, we will evaluate what those service designs and options look like.

Ian Myles: Okay. Well, that's great.

Operator: Thank you. Your next question comes from Nathan Lead from Morgans Financial. Please go ahead.

Nathan Lead: Hi. Thanks for your presentations, team. Just if I can get you to turn to slide 47 first, and thank you for the way you changed the presentation for this slide. I suppose I was wondering if I could get you to sort of think about your guidance for FY25 and just sort of talk us through what are going to be the big sort of moving elements with the Network revenue. Obviously, you've talked about some of them already but for example, the GAPE risk-free rate reset, etc. What things are we going to see moving in this table?

Andrew Harding: Okay. Well, I'll hand that one to George and Pam to walk you through.

Pam Bains: So, thanks, Nathan. With regard to GAPE, yes, there is a GAPE reset, a regulatory reset, which is three years from 1st of July this year to out to 2027. The risk-free rate reset is 1.47 up to I can get you the other number, I think it's 4.3 but I'll double check that number. So, you'll see that moving. In terms of you've seen the electric traction drop off. You may get some movement in terms of electric traction as wholesale prices have dropped.

And George talked about the services and other revenue where we had construction costs with regard to Pembroke, that won't repeat again the next year. So, they're probably some of the key call-outs.

Nathan Lead: Okay. Just for our modelling, can you sort of talk through how much that external construction works contribute in terms of EBITDA?

Pam Bains: It's probably commercially sensitive. So, I'd say less than $10 million. Okay.

Nathan Lead: Okay. Great. If I can get you to turn to slide 43 now. And I suppose my question, I'm just interested in the competitive dynamics within the coal market but do you have any contract volumes maturing in future years that you've got a fair degree of certainty that you've lost to a competitor? And then also, can I just get you to talk through, you've got that footnote there about you've excluded contract volumes that there's end of mine life coming through. I'm just wondering whether you can describe which ones those are.

Andrew Harding: Ed, do you want to have a go at that?

Ed McKeiver: Yes. Thank you, Andrew. Good morning, Nathan. As you know, we don't comment on specific customers and contract arrangements. They're strictly confidential. And what I can say is, we've had a very successful year. We've negotiated several contracts during this year and commenced five new hauls, which we've never done before. We always compete aggressively to retain business without compromising our returns. And you'll note in the bar graph there on the right, we've lifted volumes now to 235 million tonnes.

So, we've grown them for FY25. Over three quarters of our contract book is not contestable during the next three years. And at 235mt, we're fully contracted in FY25, which is aligned with customer-stated production profiles. Without going into the specifics of the contracts and the particular customers, I'm very confident about the BD pipeline we have and the offer we put to the market.

Andrew Harding: So, Nathan, just for a second, Pam wants to add something.

Pam Bains: I just wanted to clarify. So, the risk-free rate moves from 1.57 to 4.29 to be more precise.

Nathan Lead: Thank you. Excellent, thanks. And just end of life volumes that you've excluded from that chart, Ed?

Ed McKeiver: Yes, so the end-of-life volumes, we model the roll off of mining leases. And without going into the specifics again on a public call we model those and we look into greenfield, brownfield and competitive hauls as ways to fill those volumes in our book.

George Lippiatt: Nathan, I think rather than naming particular mines and customers, we might think about what public information on mine life we can give you offline.

Nathan Lead: Yes, okay. That would be good. And George, if I can just throw one in for you, just give us a status in terms of tax that you're expecting to pay in FY25. And I suppose that feeds through then to the dividend. Just what's the level of franking you're expecting for FY25?

George Lippiatt: Yes, so cash tax has been less than 30%. We expect it to remain less than 30%, given some of the accelerated tax depreciation. So we don't expect that to change in FY25, Nathan. I think the level of franking at 60% for this dividend is something we're comfortable with. And so, yes, we're not expecting that to change materially for the next dividend.

Nathan Lead: All right. Thank you.

Operator: Thank you. Your next question comes from Jakob Cakarnis from Jarden. Please go ahead.

Jakob Cakarnis: Hey, guys, I just wanted to follow up with Anna and George, if I could, please. George, you mentioned that the target returns for Bulk would be within that three to four year time frame. I think the midterm was the presentation that you provided on the One Rail acquisition. Given that that was done in FY22, we're kind of in the midst of what that targeted return should look like.

I think Owen stepped it out when you provided that there's about that $90 million uplift to EBIT. Just interested in the counterparties now that you're having to approach to hit that level. And again, just coming back to what gives you confidence that the double digit guidance still is the right targeted returns for the division, please.

George Lippiatt: So, based on what we are seeing in the pipeline and what we're contracted at, Jakob, I think it is. I think what's happened in FY23 and FY24 is you've had some earnings come out of the business, mainly because of those customer production issues that we spoke about in the first half, and particularly in Queensland, and also lower grain volumes. So, you've got to look at that, as well as the forward view of contracts. I might let Anna talk to counterparties.

Anna Dartnell: Yes, well, I think just to pick up on one of the comments I made earlier, part of that strategy that we have set out around our growth to FY2030 has been this piece of diversifying the portfolio and delivering those end-to-end supply chain solutions for customers.

So, we do look at it across the business that, you are going to have a mix of different counterparties that we're working with. And in the Bulk business, there is quite a degree of diversity and sophistication within that book. But we are, constantly sort of testing the market and going back and forth with customers.

And the team are incredibly active working with customers, certainly in the Bulk Central region, but across the country. One of the things that we have seen, is that you can get pretty quick responses from some of the smaller, more agile customers within the mix. But yes, we absolutely have some really strong brands within the portfolio as well.

Jakob Cakarnis: Can I just follow up on that? Sorry, Anna. Just, I mean, if I have a look at Gold Valley, for example, obviously, it's in shareholder's interest that you kind of remix some of those volumes that I presume you're losing from MRL. But how do you insulate shareholders from some of the risks for moving to a counterparty like Gold Valley? Do we think that there's take or pay? Do you guys review it on a return on invested capital sort of margin lens? How do we think about that, please?

Anna Dartnell: Yes, we do. We absolutely think about the terms and conditions that we apply are very much done at a risk level on each opportunity that we assess, Jakob.

Jakob Cakarnis: Okay, thank you guys.

Operator: Thank you. There are no further questions at this time. I'll now hand back to Mr. Harding for closing remarks.

Andrew Harding: Thank you. We have a strong and resilient business with Coal, Bulk and Network each contributing to the step-up in earnings. The strong cash flows generated by Aurizon are being returned to shareholders in the form of a higher dividend payout ratio and a buy-back, while at the same time, continuing to pursue growth. I look forward to delivering for investors in 2025 and against our longer-term aspirations. Thank you.

[END OF TRANSCRIPT]