

ASX Announcement

Date: 13 February 2023

Aurizon announces Half Year FY2023 results

Safety performance

- **Total Recordable Injury Frequency Rate (TRIFR) flat for the half (1% deterioration)**
- **Potential Serious Injury and Fatality Frequency Rate (SIFRa+p) decreased (60% improvement).**

Key achievements:

- **Transformational acquisition of One Rail Australia completed**
- **Record grain haulage nationally**
- **Multiple bulk contract wins and extensions across Australia**
- **Deployment of TrainGuard on Blackwater system – cutting-edge technology to deliver significant safety and productivity benefits**
- **Finalised Enterprise Agreements covering 70% of the EA workforce**

Financial and operational performance¹

- **Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) of \$673 million, 7% lower than prior comparable period (PCP)**
- **Above-rail coal volumes down 8% and Network volumes down 2%, primarily as a result of prolonged wet weather**
- **Underlying EBITDA guidance for FY2023 lowered by 4% (to \$1,420m - \$1,470m) reflecting prolonged wet weather and a two-week Blackwater derailment outage**
- **Interim dividend of 7.0 cents per share, 100% franked.**

\$m (continuing operations)	1HFY2023	1HFY2022	Variance
Revenue	1,694	1,515	12%
EBITDA - Underlying	673	727	(7%)
NPAT – Underlying	169	257	(34%)
NPAT – Statutory ²	130	257	(49%)
Free cashflow ³	95	401	(76%)
EPS – Underlying (cps)	9.2	14.0	(34%)
EPS – Statutory (cps)	7.1	14.0	(49%)
ROIC – Underlying (%)	8.5%	10.4%	(1.9ppt)
DPS (cps)	7.0	10.5	(33%)

Aurizon today reported Group EBITDA of \$673 million for the half year ended 31 December 2022. This is down 7% against the prior comparable period (PCP) (1HFY2022 of \$727 million) with:

- Bulk business EBITDA up 33% (\$25 million) to \$100 million, due to the acquisition of One Rail Australia (ORA) and higher grain volumes in Western Australia (WA), partly offset by wet weather, customer specific production issues and third-party derailments and incidents impacting Aurizon.

¹ Includes the financial and operational performance following the acquisition of One Rail Australia bulk business on 29 July 2022

² Statutory NPAT in 1HFY2023 includes \$39m in post-tax acquisition costs for One Rail Australia

³ Free Cash Flow defined as net cash flow from operating activities less non-growth capex and interest paid. It excludes growth capex of \$135m, and acquisition of One Rail Australia (\$1,404m) and cash costs associated with the acquisition (\$39m).

- Coal EBITDA down 20% (\$56 million) to \$230 million primarily due to lower above rail volumes from the impact of prolonged wet weather. In addition to the 8% reduction in volumes there was also a decrease in above rail revenue yield (excluding fuel) and moderately higher operating costs
- Network EBITDA down 4% (\$17 million) to \$363 million also due to 2% lower volumes from the impact of prolonged wet weather.

Underlying Net Profit After Tax (NPAT) was \$169 million, a 34% decrease compared to 1HFY2022. This compares to EBITDA down 7% with increased depreciation and interest costs reflecting the capital investment in Bulk growth including the acquisition of ORA. Return On Invested Capital (ROIC) decreased by 1.9ppt to 8.5% compared to 1HFY2022. Free cashflow decreased \$306 million to \$95 million reflecting lower EBITDA, an increase in tax payments and adverse working capital movements compared to the corresponding period last year.

The Aurizon Board has declared an interim dividend payment of 7.0 cents per share, 100% franked, which is 75% of Underlying NPAT. The dividend aligns with our strategy for growing the Bulk business. The dividend will be paid on 29 March 2023 to shareholders on the register at the record date of 28 February 2023.

Aurizon has two primary safety metrics to measure safety performance across the enterprise: Total Recordable Injury Frequency Rate (TRIFR) and the Serious Injury and Fatality Frequency Rate (SIFRa+p). SIFRa+p captures all potential high consequence events, measuring the number of incidents that have the potential or did cause actual serious injury per million hours worked. While TRIFR was flat for the period, there was significant improvement in SIFRa+p in this period. The significant improvement is driven by two key factors: fewer motor vehicle and rail incidents, and a focus on critical control management that aims to prevent serious injury and fatalities.

Commentary from Managing Director & CEO, Andrew Harding

“Consistent with our strategy, we delivered strongly on key initiatives to diversify and expand the business in rapidly growing markets and regions. These were substantial steps in our aspiration to double the size of the Bulk business over the decade through organic growth and acquisitions. Key initiatives include:

- the \$1.45 billion acquisition of the ORA business in South Australia (SA) and the Northern Territory (NT) which is exposed to growing markets for new-economy commodities such as copper, manganese, lithium and rare earths; and
- an investment commitment of more than \$400 million in new and upgraded assets to support growth of existing and new customers, including new rollingstock, track infrastructure in SA, port equipment, and port real estate in Newcastle.

From a customer perspective, we were delighted to secure a range of new contracts and to support the growth of existing customers including:

- Supporting WA grain growers and our customer CBH deliver a record grain harvest, with record volumes being delivered by rail. Aurizon is now the largest rail haulier of grain in Australia, with operations in WA, SA, Queensland (Qld) and New South Wales (NSW).
- Enabling Centrex to deliver the first export tonnages of phosphate rock out of the North West Minerals Province into the Port of Townsville, under a new four-year contract (includes road, rail and stevedoring).
- Securing contracts with OZ Minerals for the haulage of copper in SA/NT; BP for the haulage of fuel in WA, SIMEC for haulage of iron ore in SA and Aeris Resources for rail haulage and logistics for base metals in NSW.
- Delivering capital investment for track upgrades under a 10-year contract extension with Gypsum Resources Australia in SA.

These achievements were accomplished during a challenging period operationally, with prolonged flooding on the East Coast together with a number of significant third-party derailments and incidents that resulted in reduced

volumes and revenue. For example, compared to the ten year average, double the amount of rainfall was recorded during the period in the key coal producing regions of Central Queensland and the Hunter Valley. “

Outlook for FY2023:

EBITDA guidance has been lowered by 4%, reflecting the prolonged wet weather and the two-week Blackwater derailment outage (February 2023).

FY2023:

- Group underlying **EBITDA** guidance \$1,420 million – \$1,470 million.
- Non-growth **capex** guidance of ~\$500 million - \$550 million and growth capex guidance of ~\$210 million.

Key assumptions

- **Coal:** lower EBITDA due to volumes now expected to be lower compared to the prior year, and a revenue yield reduction.
- **Bulk:** revenue and EBITDA growth from increased volumes and services and inclusion of Bulk Central.
- **Network:** lower EBITDA with volumes now expected to be below regulatory forecast resulting in a revenue under-recovery of ~\$100 million, partly offset by take-or-pay of \$60 million. The net under-recovery of ~\$40 million is to be included in Revenue Cap mechanism in FY2025.
- No further disruptions to commodity supply chains (such as major derailments or extreme/prolonged wet weather).

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