Aurizon Holdings Limited
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ASX Market Announcements
ASX Limited
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BY ELECTRONIC LODGEMENT

14 August 2023

Aurizon announces FY2023 Results

Attached is Aurizon Holdings Limited's FY2023 Results announcement for release to the market.

Yours faithfully

David Wenck
Company Secretary

Authorised for lodgement by the Aurizon Holdings Limited Board of Directors.

AURIZON

ASX Announcement

Date: 14 August 2023

Aurizon announces FY2023 results

Safety performance

- **Improvement in Total Recordable Injury Frequency Rate (TRIFR), and Actual and Potential Serious Injury and Fatality Frequency Rate (SIFRa+p).**

Strategic initiatives implemented

- **Acquisition of One Rail Australia (and divestment of East Coast Rail) completed and integrated into the Bulk business**
- **Expanded position in Australia's containerised freight market, with 11-year linehaul contract with Team Global Express**
- **Invested ~$210 million in new rollingstock, track infrastructure, terminals and port equipment to support growth in Bulk and Containerised Freight.**

Financial performance

- **Underlying Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) of $1,428 million, 3% lower than prior comparable period (PCP)**
- **Aurizon Bulk's share of non-Network revenue increased to 45%**[1]
- **Final dividend of 8.0 cents per share (60% franked).**

$ million (continuing operations)[2]	FY2023	FY2022	Variance
Revenue	3,511	3,075	14%
EBITDA - Underlying	1,428	1,467	(3%)
EBITDA - Statutory[3]	1,379	1,453	(5%)
EBIT – Underlying	762	875	(13%)
NPAT – Underlying	367	525	(30%)
NPAT – Statutory	324	513	(37%)
Free cash flow[4]	297	765	(61%)
EPS – Underlying (cps)	19.9	28.5	(30%)
EPS – Statutory (cps)	17.6	27.9	(37%)
ROIC – Underlying (%)	7.5	10.3	(2.8ppts)
DPS – Final (cps)	8.0	10.9	(27%)
DPS – Total (cps)	15.0	21.4	(30%)

[1] *Revenue (FY2023) is the sum of the Coal (excluding all track access) and Bulk (net of track access expense) business units and excludes the Network business unit.*

[2] *All amounts are underlying and on a continuing basis unless otherwise stated.*

[3] *Statutory EBITDA and NPAT includes acquisition costs for One Rail Australia ($49m pre-tax, $43m post-tax).*

[4] *Free cash flow defined as net cash flow from operating activities (less non-growth capex) and includes interest paid. It also excludes the acquisition of One Rail Australia ($1,404m) and cash costs associated with the acquisition ($49m pre-tax) and purchase of investment in Ox Mountain ($30m).*

Aurizon today reported Group Underlying EBITDA for the year ended 30 June 2023 (FY2023) of $1,428 million, 3% lower than FY2022 ($1,467 million). The key drivers of the FY2023 results were:

- Coal EBITDA was down 16% to $455 million compared to the PCP, primarily due to lower volumes caused by the impact of prolonged wet weather, a major third-party derailment and mine-specific production issues. Volumes hauled of 185 million tonnes were 5% lower than FY2022. Non-pass through access take-or-pay expenses and higher operating costs also impacted earnings.
- Bulk EBITDA was up 59% to $214 million, primarily driven by additional revenue flowing from the acquisition of One Rail Australia (completed 29 July 2022). Volumes hauled of 68.2 million tonnes were 34% higher than FY2022. Grain volumes were stronger nationally, and other volumes increased with new and existing customers. This was partly offset by the impact of lower volumes from wet weather, derailments and customer-specific production issues in Queensland (QLD), New South Wales (NSW) and the Northern Territory (NT).
- Network EBITDA was up 1% to $813 million compared to the PCP. This was driven by an increase in allowable revenue, a reduction in GAPE revenue and an increase in other revenue offset by an increase in electric traction charges and other operating costs. Tonnes carried over the Central Queensland Coal Network were 207.6 million tonnes, 1% higher than FY2022.

Underlying Net Profit After Tax (NPAT) was $367 million, down 30%, while Statutory NPAT was down 37% to $324 million compared to FY2022. The Board of Directors declared a final dividend of 8.0 cents per share, 60% franked, representing a payout ratio of 75% of Underlying NPAT to be paid on 27 September 2023 to shareholders with a record date of 28 August 2023. This takes the full year dividend to 15.0 cents per share.

Aurizon uses two primary safety metrics to measure safety performance: Total Recordable Injury Frequency Rate (TRIFR) and Actual and Potential Serious Injury and Fatality Frequency Rate (SIFR(a+p)). In FY2023, TRIFR improved by 2% and SIFR(a+p) improved 56%. These numbers do not include the newly-acquired Bulk Central business, which will be integrated into enterprise-wide safety metrics from FY2024.

Commentary from Aurizon Managing Director & CEO Andrew Harding

“It was a challenging operating environment for the business in FY2023, with prolonged wet weather significantly impacting volumes and earnings. We saw an uptick in Coal (2%) and Network (9%) volumes in the June quarter, which gives us confidence in an improved outlook for FY2024.

“We are also anticipating increased activity for the Bulk and Containerised Freight businesses, as investments that we are making in new rollingstock, terminal and port equipment are progressively commissioned to support growth with new and existing contracts for our customers.

“During FY2023, Aurizon implemented a range of key initiatives and investments that are supporting national expansion and diversification, and underpinning future revenue and volume growth for the business.

“This included the acquisition and integration of the One Rail Australia business and divestment of East Coast Rail. With operations now extending to South Australia (SA) and the Northern Territory, Aurizon has a truly national footprint which we can leverage to grow the Bulk and Containerised Freight businesses.

“We see major growth opportunities in central Australia, with 2500 kilometres of rail infrastructure and a line that runs directly into the Port of Darwin. We are investing in new cranes at the port to service customers through our portside terminal and the rail corridor has ample capacity to accommodate future growth.

“There are more than 250 projects for new-economy commodities in South Australia and the Northern Territory, in various stages of exploration and pre-production, including copper, magnetite, phosphate and rare earths. Many of these projects sit adjacent to the rail corridor.

“Aurizon secured some great contract wins during the year, including our largest ever non-coal contract with an 11-year agreement with Team Global Express (TGE) for national linehaul services. With TGE as our cornerstone customer, we are now building additional volumes for our Containerised Freight business.

“Containerised Freight leverages the installed assets and track infrastructure we have in place and gives us the opportunity to develop land-bridging for Australian imports, through Darwin to southern capitals.

"Aurizon is pleased with the product diversification we are achieving across the portfolio, as we continue to grow our Bulk and Containerised Freight businesses, with non-coal revenue now comprising 45% of non-Network revenue - up 11 ppt compared to FY2022.

Contracts secured during the year included:

Bulk:

- Northparkes, for the port services of copper concentrate, NSW
- IPL for road, rail and stevedoring of sulphur, QLD
- Aeris Resources for road, rail and stevedoring for base metals, NSW
- Chinova for road, rail and stevedoring of copper concentrate, QLD
- Seaway for rail of grain and cotton, QLD
- Centrex for road, rail and stevedoring of phosphate rock, QLD
- Aurelia Peak for road, rail and stevedoring of base metals, NSW
- Contract extensions: Graincorp (grain, QLD), Thallon (grain, QLD), Cargill (grain, QLD), BHP (copper SA), SIMEC (iron ore, SA), AOL (iron ore, SA), Woolworths (containerised freight, SA/NT), BP (fuel, WA)

Containerised Freight

- 11-year contract with TGE for national linehaul container services (Melbourne-Perth east west corridor; and Melbourne-Sydney-Brisbane – north south corridor). Railing (spot) for a second customer has commenced.

Coal:

- 10-year contract with Malabar for the Maxwell Underground Mine, NSW
- 5-year contract with New Wilkie Energy, QLD
- BMA Rail Maintenance commenced July 2023, QLD
- 5-year contract with SIMEC Mining for the Tahmoor Underground Mine, NSW (signed August 2023).

Aurizon Network delivered solid results in FY2023, demonstrating the resilient, cash-generative nature of the business. Revenue protection mechanisms were triggered because weather impacts kept volumes significantly below the regulatory forecast.

A submission was made to the Queensland Competition Authority with a proposed final reset WACC of 8.51%[5] to apply to tariffs through to the conclusion of UT5 in June 2027. This compares with a WACC of 6.3% that applied up until 30 June 2023. The preliminary reset WACC of 8.18% has been applied for tariffs in FY2024. The difference between the Preliminary and Final Reset allowable revenues for FY2024 will be reconciled through the usual Revenue Adjustment Amounts (Revenue Cap) process in two years' time and will be incorporated into FY2026 Reference Tariffs. Aurizon Network's Regulated Asset Base roll-forward at 1 July 2023 is estimated to be $6.2 billion.[6]

Outlook

In FY2024, Aurizon expects Group EBITDA to be in the range of $1,590 million - $1,680 million. Sustaining capital expenditure is in the range of $600 million - $660 million (including ~$40 million of transformational project capital) with growth capital expenditure expected to be $250 million - $300 million.

[5] *Network's final Reset Values submission proposed a final reset WACC of 8.51% based on a risk free rate of 3.87% and a debt risk premium of 2.48%. Network is providing additional information to the Queensland Competition Authority in support of its submission prior to it being published. Network's proposed final Reset Values remain subject to approval by the QCA, following a period of stakeholder consultation.*

[6] *Includes deferred capital.*

Key assumptions:

- **Network:**
  - revenue and EBITDA growth driven by a $125 million increase in the (regulated) Maximum Allowable Revenue. Volumes are assumed at the approved regulatory forecast of 207.8 million tonnes
- **Coal:**
  - revenue and EBITDA growth with volumes expected to be higher than FY2023 (and revenue yield improvement)
- **Bulk:**
  - revenue and EBITDA growth with volumes expected to be higher than FY2023 and the full year inclusion of Bulk Central (and full realisation of targeted synergies)
- **Other:**
  - Containerised Freight expected to be broadly EBITDA neutral as national interstate services ramp up to full schedule by April 2024
- No significant disruptions to supply chains (such as major derailments or extreme/ prolonged wet weather).

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