



Aurizon Holdings Limited  
ABN 14 146 335 622

ASX Market Announcements  
ASX Limited  
20 Bridge Street  
Sydney NSW 2000

**BY ELECTRONIC LODGEMENT**

10 February 2020

**Aurizon announces Half Year FY2020 Results**

Please find attached release for announcement to the market.

Kind regards

A handwritten signature in black ink, appearing to read "D. Smith", is positioned above the typed name.

**Dominic D Smith**  
Company Secretary

# ASX Announcement

**Date:** 10 February 2020

## Aurizon announces Half Year FY2020 Results

### Safety performance

- **Tragic fatality of employee in a single-vehicle road accident in December 2019**
- **14% improvement in Total Recordable Injury Frequency Rate; 7% decline in Rail Process Safety performance**

### Financial performance

- **Underlying EBIT of \$456 million, up 12% against prior comparable period (PCP)**
- **\$300 million on-market share buy-back extended by \$100m to \$400 million**
- **Re-confirming EBIT guidance of \$880 million - \$930 million for FY2020**

\$m (continuing operations <sup>1</sup> )	1HFY2020	1HFY2019	Variance
Revenue	1,529	1,455	5%
EBIT – Underlying	456	406	12%
NPAT – Underlying	269	227	19%
EPS – Underlying (cps)	13.6	11.4	19%
EBIT – Statutory	561	406	38%
NPAT – Statutory	343	227	51%
EPS – Statutory (cps)	17.3	11.4	52%
DPS (cps)	13.7	11.4	20%

Aurizon today reported Underlying Earnings Before Interest and Tax (EBIT) of \$456 million in its continuing operations<sup>1</sup> for the half year ended 31 December 2019. This is 12% higher than the prior comparable period (1HFY2019) primarily due to:

- Higher EBIT performance (up \$29.3 million) in the Network business delivered by increased revenue from the UT5 Undertaking, now approved by the Queensland Competition Authority (QCA); and
- Strong performance by the Bulk business (EBIT up \$29.5 million) driven by new contracts and operational efficiencies.

Underlying Net Profit After Tax (NPAT) was \$269 million, a 19% increase from 1HFY2019. Statutory NPAT was up 51% to \$343 million compared to 1HFY2019, reflecting the profit on sale of Aurizon's Rail Grinding business. Return On Invested Capital (ROIC) improved by 0.5ppt to 10.5% compared to 1HFY2019. Free Cash Flow from continuing operations increased 26% to \$465 million due to the proceeds of sale from the Rail Grinding business.

The Board of Directors has declared an interim dividend payment of 13.7 cents per share 70% franked, which is 100% of Underlying NPAT and an increase of 20% against the prior period. The dividend will be paid on 23 March 2020 to shareholders on the register at the record date of 25 February 2020.

<sup>1</sup> Due to the closure and sale of the Intermodal business this has been treated as a discontinued operation.

During the half, Aurizon completed \$215 million of the \$300 million on-market buy-back announced in August 2019. Today, Aurizon announced it has increased the buy-back by \$100 million to \$400 million.

In December 2019, an Aurizon employee, Hans Ah Chee, died in a single motor vehicle accident west of Mackay in Queensland. This incident is under investigation by Queensland Police who will prepare a report for the Coroner. Workplace Health & Safety Queensland has advised it has considered all issues relating to the accident and is not investigating the matter any further.

### Commentary from Managing Director & CEO, Andrew Harding

“The tragic loss of one of our long-serving and highly-respected traincrew in December is a sober reminder of the need for ongoing focus and resources into the management of road safety in the Company. While we will need to wait for the results of the police investigation, we will continue our broader efforts to make road travel safe for our employees.

We have improved our Total Recordable Injury Frequency Rate by 14% during the half. The other metric to measure safety performance is Rail Process Safety (RPS). This measures core rail operational safety including derailments, signals passed at danger and collisions in both mainline and yard environments. During the half, there was a decline in RPS performance by 7%. The significant contributor to the result was low-speed yard derailments.

We continue our work on improving our safety performance with a focus on leadership capability, safety risk management and improving our safety tools and processes. Aurizon also continues to invest heavily in technology to mitigate risk including technology in locomotive cabs, trackside monitoring equipment and train control systems. Safety remains Aurizon’s core value, and our resources and investments continue to be prioritised to lowering the potential risks for serious injury or fatality of our employees.

The Company has delivered a solid operational and financial performance during the half and re-confirms EBIT guidance of \$880 million - \$930 million for FY2020. Ongoing improvements in operational efficiency, including targeted investments in technology, are core to our continuing performance.

Strong progress has been made on the Company’s key priorities as we deliver against our strategy, including:

- Approval by the QCA in December 2019 of the 10-year UT5 Undertaking with coal customers for the Central Queensland Coal Network;
- All seven Enterprise Agreements are now in place, with the Fair Work Commission approving the Queensland Coal and Queensland Bulk agreements, respectively in December 2019 and January 2020; and
- Implementation of the new legal and capital structure for the Company, with the ratings agencies confirming credit ratings for both Operations and Network at BBB+/Baa1 and with thresholds that imply an additional \$1.2 billion funding capacity is available. This debt will be drawn progressively over time.

#### Aurizon Coal

In the Coal business, we executed two contracts with existing customers, Peabody and Coronado, both involving an extension of contract terms and additional tonnages. 60% of the contract book now has a duration of greater than seven years, an improvement of 11 percentage points against FY2019.

A total of 106.3 million tonnes of coal was railed in Queensland and New South Wales in 1HFY2020 (106.5 mt in 1HFY2019). This was lower than expected due to a variety of factors, including customer-specific production issues and maintenance priorities. This volume shortfall has resulted in volume expectations for FY2020 now being in the range of 210-220 million tonnes.

#### Aurizon Network

A total of 116.6 million tonnes was railed across the Central Queensland Coal Network in 1HFY2020 (1HFY2019 116.5 mt).

A key achievement was finalisation of the UT5 Undertaking, providing long-term commercial and operational certainty for users of the Central Queensland Coal Network and a platform for continued productivity improvement across Australia’s largest coal supply chain. The QCA approval of the agreement in December 2019 delivered an

immediate uplift in revenue for Aurizon and the opportunity to deliver on-going benefits through to 2027 for both customers and Aurizon by achieving further efficiencies in maintenance and operational practices.

### Aurizon Bulk

The Bulk business is tracking ahead of expectations with its turnaround plan that commenced in 2017. Bulk's underlying EBIT improved from \$14 million to \$44 million for 1HFY2020, as it secures new contracts, grows revenue with expanded services and additional volumes with existing customers, and delivers ongoing cost reductions. Bulk is now well-positioned to assess opportunities for profitable business growth, not only in traditional markets of iron ore, base metals and industrial products but also in the growth markets of fertilisers, building products and battery inputs such as nickel, copper and lithium," said Mr Harding.

### **Outlook**

Aurizon is maintaining FY2020 Underlying EBIT guidance for the Group at \$880 - \$930 million, with operational efficiency improvements remaining a key driver of performance. This accounts for Above Rail Coal volumes being reduced to 210mt to 220mt (previously 220 – 230mt), includes redundancy costs, and remains contingent on no other major weather impacts or changes to operating conditions occurring during 2HFY2020. This also extends to any potential impact from the emerging situation with the coronavirus.

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