



Aurizon Holdings Limited
ABN 14 146 335 622

ASX Market Announcements
ASX Limited
20 Bridge Street
Sydney NSW 2000

BY ELECTRONIC LODGEMENT

10 August 2020

Aurizon announces FY2020 Results – Typo Correction

Please be advised that the FY2020 Results announced earlier this morning contained a typographical error on the last page in the outlook section which refers assumptions and flat Coal volumes.

The assumption should have read flat volumes of **210-220mt** and not flat volumes of 210-200mt.

A revised copy of the announcement is attached.

Kind regards

A handwritten signature in black ink, appearing to read "D. Smith".

Dominic D Smith
Company Secretary

ASX Announcement

Date: 10 August 2020

Aurizon announces FY2020 results

Safety performance

- **Tragic fatality of employee in a single-vehicle road accident in December 2019**
- **10% improvement in Total Recordable Injury Frequency Rate; 8% deterioration in Rail Process Safety performance**

Financial performance

- **Underlying Earnings Before Interest and Tax of \$909 million, up 10% against prior comparable period (PCP)**
- **Solid tonnages in Coal and Network, no significant volume impact from COVID-19 in FY2020**
- **Bulk business out-performance driven by new contracts and efficiency improvement**
- **Total dividend of 27.4 cents per share (70% franked), up 15% on PCP**
- **On-market share buy-back of \$400 million completed; new \$300 million share buy-back announced for FY2021.**

\$ million (continuing operations)	FY2020	FY2019	Variance
Revenue	3,065	2,908	5%
EBIT – Underlying	909	829	10%
EBIT – Statutory	1,014	829	22%
NPAT – Underlying	531	473	12%
NPAT – Statutory	605	473	28%
EPS – Underlying (cps)	27.2	23.8	15%
EPS – Statutory (cps)	31.0	23.8	30%
ROIC – Underlying (%)	10.9%	9.7%	1.2ppt
DPS – Final (cps)	13.7	12.4	10%
DPS – Total (cps)	27.4	23.8	15%

Aurizon today reported Group Underlying Earnings Before Interest and Tax (EBIT) of \$909 million for the year ended 30 June 2020 (FY2019 \$829 million). This is 10% higher than the prior comparable period (FY2019) primarily due to:

- Higher EBIT (up \$69 million) in the Network business with higher revenue from the UT5 Access Undertaking; and
- Strong performance by the Bulk business (EBIT up \$53 million) driven by new contracts and benefits from ongoing operational efficiency improvements.

Underlying Net Profit After Tax (NPAT) was \$531 million, a 12% increase from FY2019. Statutory NPAT was up 28% to \$605 million compared to FY2019 and included the profit on sale of Aurizon's Rail Grinding business. Return On Invested Capital (ROIC) improved by 1.2ppt to 10.9% compared to FY2019. A \$400 million on-market share buy-back was completed in FY2020.

The Board of Directors declared a final dividend of 13.7 cents per share, 70% franked.¹ This takes the full year dividend to 27.4 cents per share, 70% franked, representing 100% of Continuing Underlying Net Profit After Tax for the fifth consecutive year. The Board today announced a further \$300 million on-market share buy-back to be completed in FY2021.

In respect to safety performance, the Total Recordable Injury Frequency Rate improved by 10% during FY2020. The other metric used to measure safety performance is Rail Process Safety (RPS) which includes significant operational safety incidents including derailments, signals passed at danger and collisions. In FY2020, there was a deterioration in RPS by 8%. While it is important to note that over the past decade there has been long-term improvement in Aurizon's safety performance, Aurizon remains absolutely focussed on driving further significant improvements. In December 2019, an Aurizon employee, Hans Ah Chee, tragically died in a single motor vehicle accident west of Mackay in Queensland. 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 Aurizon Managing Director & CEO Andrew Harding

"Despite the emergence of COVID-19 in the second half of FY2020, the Company has delivered a solid operational and financial performance with no material impact as a result of the pandemic.

Aurizon's response to COVID-19 is anchored to our value of safety, with the health and well-being of employees our top priority. I am proud of the outstanding efforts of our employees during this very challenging time. As an essential transport provider to the Australian economy we have provided safe, reliable services to our customers and continued to support regional communities where our people live and work.

We have also made strong progress during FY2020 on key priorities including:

- Approval by the Queensland Competition Authority (QCA) in December 2019 of the 10-year UT5 Access Undertaking with coal customers for the Central Queensland Coal Network (CQCN);
- Substantially de-risking the rail haulage contract book by winning new contracts and extending the length of a number of existing contracts in the Coal and Bulk businesses;
- The turnaround of the operational and financial performance of the Bulk business is continuing strongly and ahead of plan, with new customer contracts and ongoing efficiency improvements. The Company initiated a turnaround plan in 2017 following a strategic review of the loss-making freight business;
- 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. The new structure unlocks additional funding capacity of approximately \$1.2 billion;
- We are maintaining our commitment to disciplined capital management and strong shareholder distributions, including a \$400 million buy-back completed during the year. Consistent free cash flow generation over the past five years has delivered \$3.5 billion in distributions for Aurizon shareholders including \$1 billion in buybacks, with dividends maintained at 100% of underlying NPAT; and
- Successful completion of the refinancing of Aurizon Network's bank facilities, extending the maturity to 2023-2025 and increasing the facility size to \$1.3 billion, an increase of \$420 million. With the completion of this refinancing, the Aurizon Group now has more than \$1.1 billion of available liquidity (30 June 2020). After the October 2020 maturity of the \$525 million Medium Term Note (which will be repaid from the proceeds of this refinancing), the Aurizon Group has no further refinancing requirements until 2023.

Aurizon Bulk

The Bulk business has delivered a strong result in FY2020, winning new and extended haulage contracts and delivering ongoing transformation benefits. It achieved EBIT of \$90 million, a major turnaround from the loss-making position it was in three years ago. Contract wins include South32 Cannington (11-year extension to 2032 on the Mt Isa corridor), Incitec Pivot (contract extension commencing January 2020 on the Mt Isa corridor), and BGC (new contract commencing June 2020 on the Kalgoorlie Freighter). In March 2020, the Bulk business acquired Townsville Bulk Storage & Handling and rebranded it as Aurizon Port Services (APS). This business complements Bulk by providing storage and stevedoring services at Townsville Port with land and assets adjacent to Aurizon owned rail lines, allowing the Bulk business to increase rail utilisation through aggregation and additional value add services.

¹ To be paid on 21 September 2020 to shareholders with a record date of 25 August 2020.

Aurizon Coal

The Coal business delivered 214 million tonnes (mt) of coal for customers during FY2020, which is broadly in line with FY2019. It achieved EBIT of \$411 million in FY2020, a decrease of 1% against FY2019. Contract wins during FY2020 include: Peabody (extension of all existing volumes and new business on the CQCN and NSW); Coronado (contract variation with additional volumes and term extension for the Curragh mine, CQCN), Bluescope (commenced railings in April 2020 installing Aurizon into the Illawarra region, NSW). With the Bluescope contract, Aurizon Coal now operates in all coal systems across Australia.

Aurizon Network

The Network business achieved EBIT of \$469 million in FY2020, an increase of 17% compared to FY2019. This reflects the new UT5 Access Undertaking for the CQCN. A total of 227 million tonnes was railed across the CQCN in FY2020 (FY2019 233 mt)."

Outlook

Aurizon expects FY2021 Group Underlying EBIT to be in the range of \$830-880 million, based on the following assumptions:

- **Coal:**
 - Flat volumes of 210-220mt based on the current view of COVID-19 impact on steel demand
- **Network:**
 - Tariffs based on QCA approved volume forecast 239 million tonnes - 5% higher than actual FY2020 volumes
 - CQCN volumes expected to be lower than 239 mt due to COVID-19's impact on coal demand, resulting in revenue under recovery
 - Flat volumes imply a revenue under recovery of ~\$50 million – any shortfall will form part of the revenue cap in FY2023 partly offset by other adjustments including WACC
- Operational efficiency improvements remain a key driver in the business
- Redundancy costs included in guidance (reported in "Other" segment)
- No material impacts to commodity supply chains (such as weather and/or COVID-19)

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