



Aurizon Holdings Limited
ABN 14 146 335 622

ASX Market Announcements
ASX Limited
20 Bridge Street
Sydney NSW 2000

BY ELECTRONIC LODGEMENT

3 November 2021

Morgans Briefing Presentation

Attached for release to the market is a copy of the slides for the presentation on the 'Acquisition of One Rail and Demerger of East Coast Rail' (**Presentation**) to be delivered by Mr Andrew Harding MD & CEO and Mr George Lippiatt CFO & Group Executive Strategy at a briefing to Morgans' Brisbane office today.

The presentation provides additional information including an earnings forecast for One Rail Bulk for the first full year of operations after integration with Aurizon's Bulk business.

Yours faithfully

David Wenck
Company Secretary

Authorised for lodgement by the Aurizon Holdings Limited Board of Directors



Morgans Briefing:
*Acquisition of One Rail and divestment of
East Coast Rail*

3 November 2021

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Today's presenters



Andrew Harding
Managing Director & Chief Executive
Officer



George Lippiatt
Chief Financial Officer & Group
Executive Strategy

Highlights

Acquisition of One Rail with integration of One Rail Bulk and divestment of East Coast Rail through a demerger or trade sale

Transformative acquisition consistent with strategy of growing Bulk

Integrated above and below rail business with expansion into South Australia and Northern Territory

Increases Bulk's share of haulage revenue¹ to ~40%. Increased exposure to commodities associated with new economy markets provides platform for further growth

IRR exceeds implied returns from share buyback². Projected to be EPS accretive by ~10% compared to status quo³

Utilising strong balance sheet to support growth

Divestment of East Coast Rail through a demerger or a trade sale, whichever creates greater shareholder value

Aurizon dividend policy remains at 70-100% of underlying Net Profit After Tax

Dividends likely toward the lower end of the range for 1-2 years with the final outcome dependant on the divestment option undertaken for East Coast Rail

Committed to maintaining current BBB+ / Baa1 credit rating

1. Haulage revenue includes Above Rail Coal (excluding track access), Above Rail Bulk (excluding track access) and One Rail Bulk (which includes South Australia/Northern Territory Infrastructure). Network (Central Queensland Coal Network) excluded

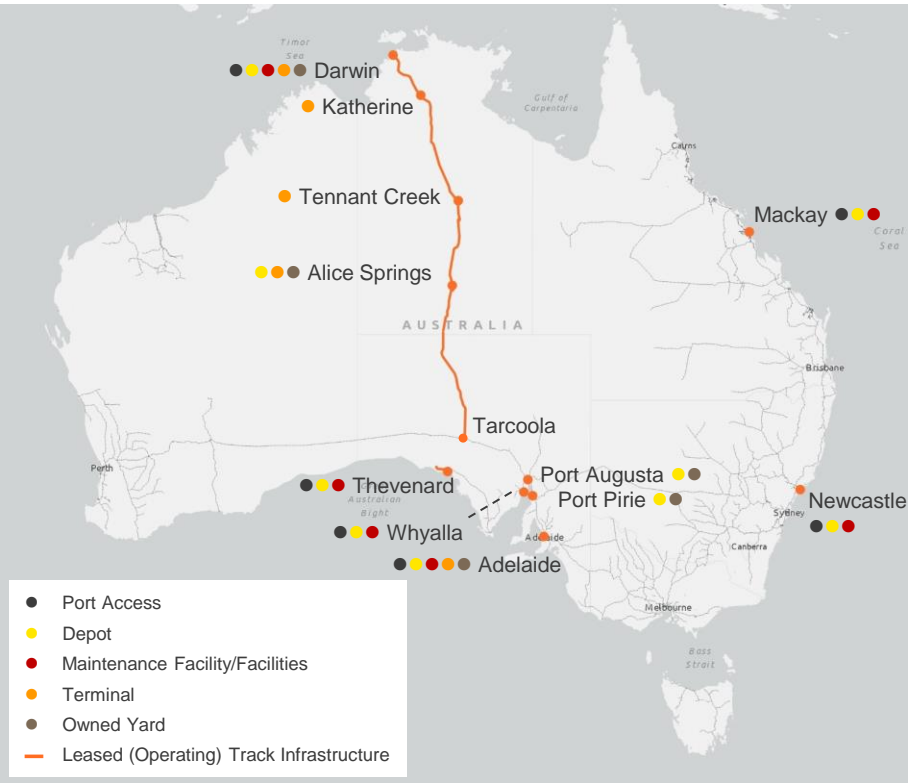
2. Unlevered pre-tax return calculated using 20 years of forecast data from first year of acquisition and assuming demerger option (trade sale option IRR would depend on sale/use proceeds). Share buyback refers to the completed FY2021 buy-back

3. Under a demerger option and represents the average over the first four years and refers to the current Aurizon shareholders and therefore includes potential East Coast Rail distributions. EPS accretion under a trade sale option would depend on the amount and use of sale proceeds.

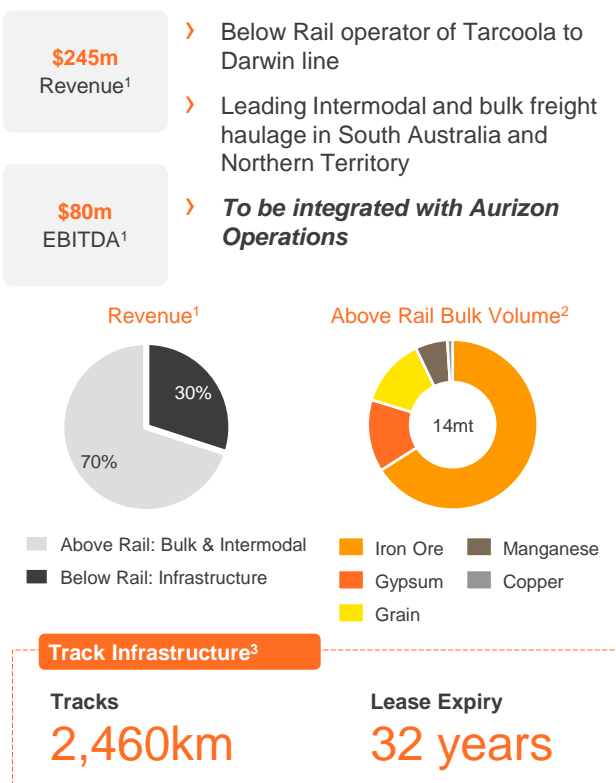
One Rail operations

One Rail Bulk is an integrated rail business in central Australia. East Coast Rail provides coal haulage in Hunter Valley and Central Queensland

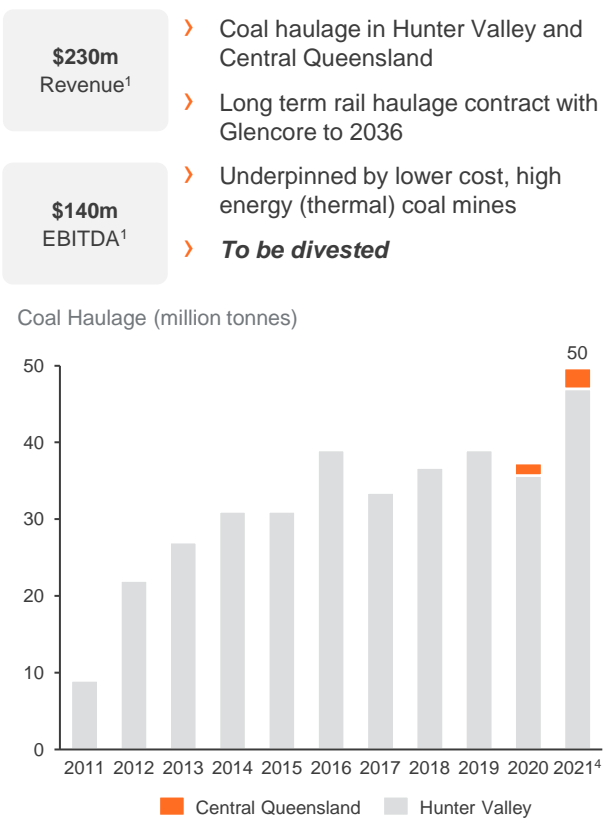
ONE RAIL – OVERVIEW



ONE RAIL BULK



EAST COAST RAIL



1. Estimated CY2021 based on nine months of actual data and three months of forecast data, post intercompany allocations. Excludes any corporate and operational synergies

2. Estimated CY2021 based on nine months of actual data and three months of forecast data

3. Track infrastructure is Tarcoola to Darwin and (operating) South Australia (SA) intrastate infrastructure (Kevin to Thevenard line, and yards/sidings on the interstate mainline). Non-operating (SA) track: Eyre Peninsula lines (excluding Thevenard), Mid-North and Barossa lines and Murray-Mallee region lines. Lease expiry is weighted average (by km) of Tarcoola-Darwin and (operating) SA Intrastate Network

4. Year-to-date (to 30 September 2021), annualised

Greater exposure to new economy commodities

There are over 250 mining projects¹ under development across South Australia and Northern Territory

GLOBAL TRENDS...



Population growth, urbanisation and industrialisation in Asia



Global energy transition through the development of wind turbines, battery development, electric cars and solar panels



Reduction in steel production emissions requires supply of high-grade iron ore such as magnetite



A growing world population and changing diets driving increased crop production and fertiliser use



...ARE DRIVING DEMAND FOR NEW ECONOMY COMMODITIES

Commodity	South Australia and Northern Territory Exposure
Copper	› Australia holds the second largest copper resources globally, with two-thirds contained in South Australia ²
Grain	› South Australia produces around 20% of Australia's grain production, averaging six million tonnes per annum (over the past five years) ³
Magnetite	› South Australia holds around 44% of Australia's total identified magnetite resource ⁴
Phosphate	› The Georgina Basin, encompassing parts of both Queensland and Northern Territory account for almost all of Australia's phosphate rock resources ⁵
Rare Earths	› Australia is ranked sixth in the world for rare earth resources ⁶ . South Australia holds around 80% of Australia's total rare earth oxides resource ⁷

1. S&P Market Intelligence (Mine projects: all commodities excluding precious metals, diamonds, coal and uranium. Project status: exploration to pre-production)

2. Geoscience Australia, Australia's Identified Mineral Resources 2020

3. Australian Crop Report, Australian Bureau of Agricultural and Resource Economics and Sciences, September 2021

4. South Australian Government, SA Magnetite Strategy (December 2017)

5. Geoscience Australia, Australia's Identified Mineral Resources 2020

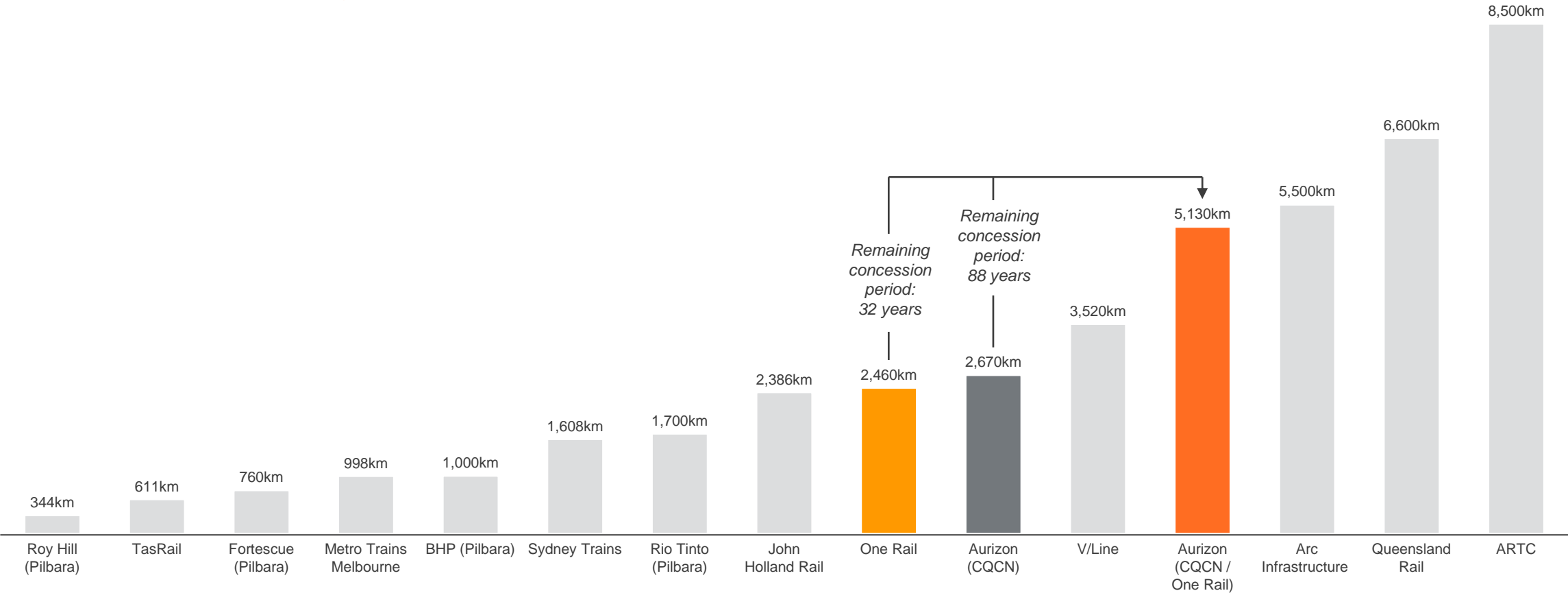
6. Geoscience Australia, Australia's Identified Mineral Resources 2020

7. Geoscience Australia (website)

One Rail Infrastructure

Acquisition almost doubles Aurizon's existing rail infrastructure

Australian Rail Infrastructure Management (kilometres)



Notes: Rail infrastructure management <200km excluded. **TasRail**: route kilometres of operational rail track only. **BHP (Pilbara)**: includes rail infrastructure. **Sydney Trains**: includes track managed and maintained. **Rio Tinto**: includes rail network and related infrastructure. **John Holland Rail** (Country Regional Network (NSW) – contracted infrastructure manager): includes operational rail track only. **One Rail**: Tarcoola to Darwin and operating South Australia (SA) intrastate infrastructure (Kevin to Thevenard line, and yards/sidings on the interstate mainline). Non-operating SA track: Eyre Peninsula lines (excluding Thevenard), Mid-North and Barossa lines and Murray-Mallee region lines. **V/line**: includes leased and maintained rail track. **Arc Infrastructure**: includes rail track not in use. **Australian Rail Track Corporation (ARTC)**: distance in route kilometres, includes rail network managed and maintained. Source: Company websites, Sydney Trains Annual Report 2019-20.

Highlights of One Rail Bulk

Acquisition is aligned with Aurizon's Bulk growth strategy and provides an additional growth platform

INTEGRATED ABOVE AND BELOW RAIL BUSINESS

- ✓ Leading provider of intermodal and bulk freight in South Australia and Northern Territory
- ✓ Operates 2,460km¹ below rail infrastructure including Tarcoola to Darwin line
- ✓ Scope and scale opportunity that opens up new customers, channels, and geographies

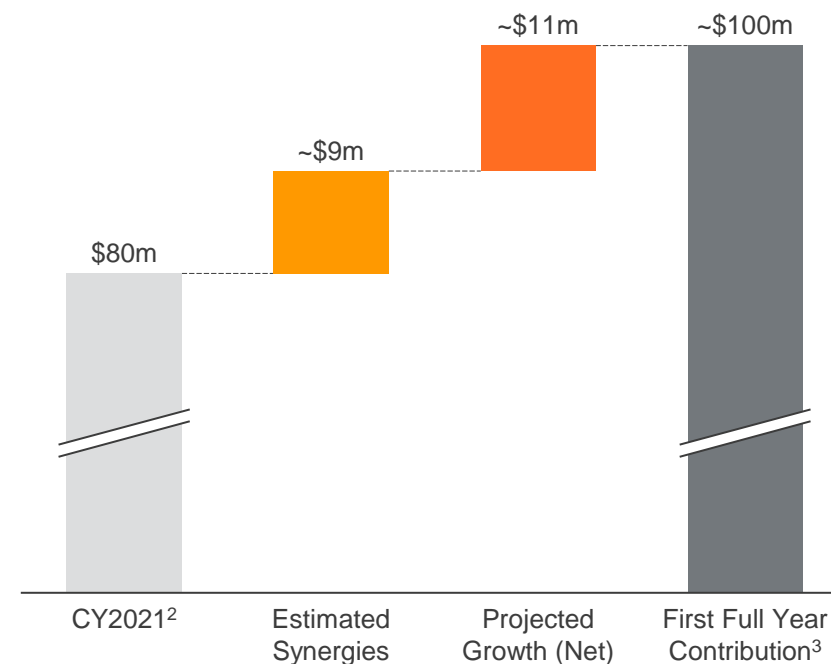
GROWTH PLATFORM TO FURTHER DIVERSIFY CURRENT BULK BUSINESS

- ✓ Increased commodity exposure to new economy markets
- ✓ Direct access to port facilities with capacity available – Darwin, Adelaide, Port Pirie
- ✓ Enhanced customer value proposition for Aurizon with operations across four states and Northern Territory

INTEGRATION

- ✓ Delivery of Aurizon Bulk turnaround increases confidence in successful integration
- ✓ Extract value through the enhanced capacity of the combined rail entity, and complemented with Aurizon's supply chain development capabilities
- ✓ Synergies estimated at an annual benefit of \$7m - \$10m
- ✓ Flexibility to redeploy excess rolling stock across Group

ONE RAIL BULK: UNDERLYING EBITDA (A\$m)



Projected growth driven by existing contract ramp up and new near-term volumes

Sustaining capex estimated to be ~\$20-30m per annum

1. Track infrastructure is Tarcoola to Darwin and (operating) South Australia (SA) intrastate infrastructure (Kevin to Thevenard line, and yards/sidings on the interstate mainline). Non-operating (SA) track includes: Eyre Peninsula lines (excluding Thevenard), Mid-North and Barossa lines and Murray-Mallee region lines.

2. Estimated CY2021 based on nine months of actual data and three months of forecast data, post intercompany allocations. Excludes any corporate and operational synergies

3. First full year contribution to Aurizon Group is expected to be FY2023

Transaction summary

Completion targeted for early CY2022 followed by East Coast Rail divestment process

1	Acquisition of 100% of One Rail Australia	<ul style="list-style-type: none"> › Cash consideration of A\$2.35 billion (plus ~\$80m acquisition and divestment related fees) › Highly strategic and transformative acquisition for Aurizon and consistent with capital allocation framework › While several options were assessed, it was determined the combined package of One Rail assets would deliver greater value to our shareholders and also met the vendors' requirements in selling the business as a whole
2	Divestment of East Coast Rail	<ul style="list-style-type: none"> › Divestment through a demerger or a trade sale, whichever creates greater shareholder value › Addresses ACCC requirements and aligns with Aurizon strategy to grow Bulk
3	Funded from existing resources and underwritten new committed debt facilities	<ul style="list-style-type: none"> › A\$1.93 billion debt for Aurizon Operations › A\$500 million secured debt for East Coast Rail › Commitment remains to Aurizon Operations BBB+/Baa1 credit ratings – confirmed by S&P post announcement › Investment grade credit rating targeted for East Coast Rail › Dividend payout target remains 70-100% with future payouts toward the lower end of the range for 1-2 years in demerger scenario
4	Completion targeted for early CY2022	<ul style="list-style-type: none"> › Positive engagement to date with various regulatory authorities › Divestment of East Coast Rail (through a demerger or trade sale) to take place after completion

Transaction does not impact legal proceedings against G&W – they remain on foot

Highlights of East Coast Rail

A highly cash generative business

EXCLUSIVE HUNTER VALLEY HAULAGE RIGHTS

- ✓ Long-term rail haulage contract with Glencore to 2036
- ✓ Minimum guaranteed volumes to 2034 with no commodity price risk
- ✓ Underpinned by lower cost, high energy (thermal) coal mines

STABLE CASH FLOWS

- ✓ Highly cash generative – strong EBITDA margin and core capex <5% of revenue
- ✓ Utility-like stable cash flows support strong free cash flow yield
- ✓ Targeting an investment grade credit rating

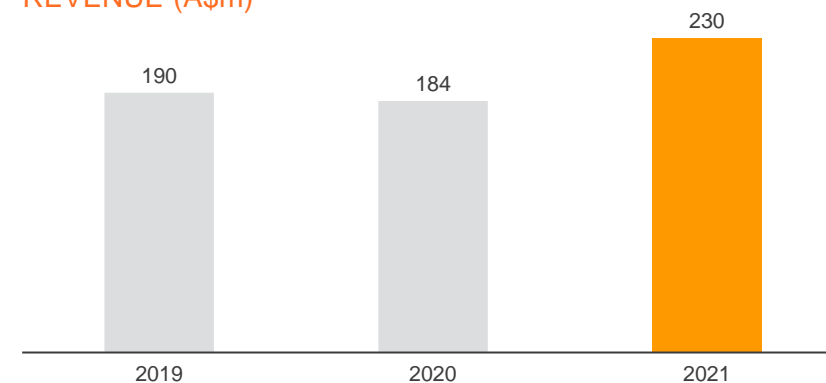
PLATFORM FOR FUTURE DIVERSIFICATION

- ✓ Young fleet with average locomotive age of 9 years (Hunter Valley)
- ✓ Versatile fleet optimally positioned for deployment to pursue new opportunities as they arise
- ✓ Scope to pursue agriculture, construction materials and new economy commodities

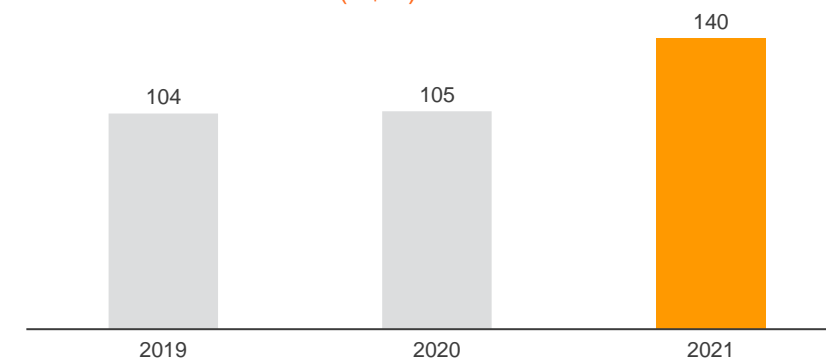
Divestment of east coast rail by either demerger or trade sale

- › Decision will be based on maximising shareholder value
- › Demerger scenario expected to deliver additional East Coast Rail distributions to shareholders
- › Trade sale scenario expected to deliver Aurizon distributions at higher end of 70-100% payout ratio

REVENUE (A\$m)¹



UNDERLYING EBITDA (A\$m)¹



Sustaining capex estimated to be ~\$10m per annum

1. Estimated CY2021 based on nine months of actual data and three months of forecast data, post intercompany allocations

Aurizon's value creation record

Cashflows remain stable and the focus on transformation continues

HIGHLIGHTS

- ✓ Negotiated and executed UT5
- ✓ De-risked the Coal contract book
- ✓ Executed Bulk turnaround and delivered Phase 1 growth
- ✓ Strong shareholder distributions – over \$4bn in the past six years
- ✓ Step change in Bulk Revenue and EBITDA with One Rail acquisition
- ✓ Ongoing cost transformation
- ✓ Corporate restructure providing additional balance sheet capacity
- ✓ Published the *Climate Strategy and Action Plan*
- ✓ Established Aurizon Port Services
- ✓ Completed the sale of Acacia Ridge Terminal



FY2022 Outlook¹

Confirm Group EBITDA guidance of \$1,425m – \$1,500m and sustaining capex of \$475m – \$525m

1. Outlook assumes no material disruptions to commodity supply chains (such as adverse weather and/or impacts from COVID-19 related restrictions) and does not include any contribution by One Rail



Q&A

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