**Aurizon Holdings Limited**
ABN 14 146 335 622

ASX Market Announcements
ASX Limited
20 Bridge Street
Sydney NSW 2000

**BY ELECTRONIC LODGEMENT**

14 February 2022

**Aurizon announces Half Year FY2022 Results**

Please find attached release for announcement to the market.

Yours faithfully

**David Wenck**
Company Secretary

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

ASX Announcement

**Date:** 14 February 2022

## Aurizon announces Half Year FY2022 results

### Safety performance

- **Safety measures of Total Recordable Injury Frequency Rate, Lost Time Injury Frequency Rate and Rail Process Safety have all improved.**
- **Introduction of Potential Serious Injury and Fatality Frequency Rate (SIFRa+p) to more comprehensively represent business activities and record incidents that have the potential to cause or did actually cause serious injury or fatality.**

### Financial and operational performance

- **Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) of $727 million, 1% lower than the prior comparable period (PCP).**
- **Despite lower volumes, both the Coal and Bulk business units recorded higher EBITDA.**
- **Group EBITDA guidance for FY2022 remains at $1,425 – $1,500 million.**
- **Interim dividend of 10.5 cents per share, 95% franked, down 27% on PCP, as Aurizon prepares for completion of the One Rail Australia acquisition.**

| $m (continuing operations) | 1HFY2022 | 1HFY2021 | Variance |
|---|---|---|---|
| Revenue | 1,515 | 1,498 | 1% |
| EBITDA - Underlying | 727 | 738 | (1%) |
| NPAT – Underlying | 257 | 267 | (4%) |
| NPAT – Statutory | 257 | 267 | (4%) |
| Free cashflow | 362 | 288 | 26% |
| EPS – Underlying (cps) | 14.0 | 14.1 | (1%) |
| EPS – Statutory (cps) | 14.0 | 14.1 | (1%) |
| ROIC – Underlying (%) | 10.4% | 10.8% | (0.4ppt) |
| DPS (cps) | 10.5 | 14.4 | (27%) |

Aurizon today reported Group EBITDA of $727 million for the half year ended 31 December 2021. This is steady against the prior comparable period (PCP) (1HFY2021 of $738 million) with:

- Solid performance from the Bulk business (EBITDA up 1% or $1 million), with an increase in revenue due to the commencement of the CBH grain contract and the acquisition of the Newcastle Port Services business, offset by cessation of two contracts and the start-up costs for the CBH contract.
- Higher Coal EBITDA (up 4% or $12 million) with above-rail revenue increasing, despite lower volumes, due to the haul mix and CPI favourably impacting contract rates, as well as strong cost management.
- Lower EBITDA performance (down 7% or $28 million) in the Aurizon Network business due to the recognition of $49 million in historical Wiggins Island Rail Project (WIRP) fees in the prior period. Network tonnages were up 1%.

If the one-off $49 million WIRP payment from last year's result is excluded, Group EBITDA in 1HFY2022 would have increased 5% and Aurizon Network EBITDA would have increased by 6%.

Underlying Net Profit After Tax (NPAT) was $257 million, a 4% decrease compared to 1HFY2021. Return On Invested Capital (ROIC) decreased by 0.4ppt to 10.4% compared to 1HFY2021. Free cashflow increased 26% to $362 million primarily due to lower tax, interest and acquisitions compared to the corresponding period last year.

The Aurizon Board has declared an interim dividend payment of 10.5 cents per share, 95% franked, which is 75% of Underlying NPAT and a decrease of 27% against the PCP. The reduction in dividend supports Aurizon's commitment to maintain current credit ratings as we progress towards completing the acquisition of One Rail Australia (One Rail).[1] The dividend will be paid on 30 March 2022 to shareholders on the register at the record date of 1 March 2022.

With the continued growth of ports, terminals and logistics across the business, Aurizon is moving to a broader safety metric, Potential Serious Injury and Fatality Frequency Rate (SIFRa+p) that will replace the Rail Process Safety (RPS) metric. This will capture all potential high consequence events, whereas RPS measures only rail-related events. SIFR measures the number of incidents that have the potential or did cause serious injury per million hours worked.

## Commentary from Managing Director & CEO, Andrew Harding

"The business has remained resilient and Aurizon's earnings have remained stable despite challenges in markets that have seen reduced demand due to COVID-19 and customer-related issues. As an essential service, we have been able to continue to operate the freight supply chains sustainably that are vital for our communities, farmers, manufacturers and the resources sector. Aurizon teams across the country have done an outstanding job in delivering safely and reliably for customers throughout the pandemic.

Cashflow from our operations remains strong at $362 million for the half. While we have adjusted our payout ratio as we prepare for completion of the One Rail acquisition, Aurizon continues to provide an attractive dividend return for shareholders.

Subject to regulatory approval, we are targeting the completion of the One Rail acquisition in CY2022. This includes integration of the One Rail bulk haulage and freight assets into our Bulk business, whilst also divesting the One Rail coal business that operates in Queensland and New South Wales.

One Rail will extend our national footprint to the Northern Territory and South Australia, with increased exposure to commodities associated with new-economy markets such as copper and manganese, as well as established agricultural commodities. The acquisition supports Aurizon's ambition to increase Bulk's share of revenue (excluding Network), with an increase of eight percentage points to 41% in the first full year of contribution to Aurizon.[2]

Aurizon's aim is to double the size of the Bulk business by 2030 through organic growth and acquisitions, delivering a significant change in our portfolio mix and continuing to increase non-coal revenues.

## Business performance

### Aurizon Bulk

The Bulk business continues to deliver solid performance with a strong contribution from new grain and port services, offset by associated start-up costs and concluded contracted volumes. Revenues increased 7% against the PCP. Underlying EBITDA for 1HFY2022 was $75 million, an increase of 1% against the $74 million achieved in 1HFY2021. Key customer wins include:

- **CBH** – Ten-year grain haulage contract commenced October 2021 in Western Australia.[3]
- **Alcoa** – Five-year contract extension from January 2022 in Western Australia.

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[1] Refer ASX Announcement 22 October 2021 *Aurizon announces agreement for acquisition of One Rail Australia.*
[2] Revenue is the sum of the Coal and Bulk business units (excluding track access) and excludes the Network business unit.
[3] The performance-based agreement with CBH has an initial term of six years, with options to extend to 10 years.

- **Lynas** – Five-year contract extension until 2026 for rare earths haulage in Western Australia.
- **Tronox** – 5+5-year term executed for the transport of mineral sands concentrate from the Broken Hill region, due to commence February 2022.

**Livestock services** - Aurizon was unsuccessful in retaining the livestock services for North West Queensland, with the contract completed in December 2021.

Aurizon Coal

EBITDA increased 4% against the PCP despite tonnages being down 3% with a total of 99 million tonnes (mt) of coal railed by Aurizon Coal in Queensland and New South Wales in 1HFY2022. The EBITDA increase was due to the haul mix, CPI favourably impacting contract rates and strong cost management. Reductions in volumes were primarily due to lower demand for services stemming from flooding in NSW and mine specific impacts (including the New Acland cessation); with derailments and protest activity also contributors to lower volumes. FY2022 haulage volumes are expected to be consistent with the prior year.

Aurizon Network

A total of 105mt was railed on the Central Queensland Coal Network in 1HFY2022 (up 1% compared to PCP of 104mt). Aurizon Network achieved EBITDA of $380 million in 1HFY2022, a 7% decrease compared to PCP. The lower earnings reflect the $49 million in historical fees collected for WIRP in the previous reporting period.

## Outlook

Group EBITDA guidance remains $1,425 – $1,500 million.

Group capital expenditure guidance of $540 – $580 million including ~$100 million supporting Bulk growth.

Guidance is based on the following assumptions:

- **Coal:**
  - volumes now expected to be broadly in-line with the prior year with customer mix and cost management offsetting lower contracted rates
- **Bulk:**
  - revenue and EBITDA higher due to recent contract wins and port acquisitions
- **Network:**
  - non-recurrence of retrospective WIRP fees ($49 million) and Maximum Allowable Revenue reduction due to capital recoveries
- Excludes EBITDA and capital expenditure for One Rail
- No material disruptions to commodity supply chains (such as adverse weather and/or impacts from COVID-19).

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