



Aurizon Holdings Limited
ABN 14 146 335 622

ASX Market Announcements
ASX Limited
20 Bridge Street
Sydney NSW 2000

BY ELECTRONIC LODGEMENT

17 August 2015

Aurizon – Full year profit result announcement

Please find attached announcement for immediate release to the market.

Kind regards

A handwritten signature in black ink, appearing to read "D. Smith", with a horizontal line underneath the first part of the signature.

Dominic D Smith
VP & Company Secretary

ASX Announcement

17 August 2015

Aurizon delivers 15% increase in underlying NPAT and 64% increase in final dividend

\$m	FY2015	FY2014	Variance
Revenue	3,780	3,822	(1%)
EBIT – Underlying	970	851	14%
EBIT – Statutory	970	465	109%
NPAT – Underlying	604	523	15%
NPAT – Statutory	604	253	139%
EPS – Statutory (cps)	28.4	11.8	141%
DPS – Final (cps)	13.9	8.5	64%
DPS – Total (cps)	24.0	16.5	45%

Aurizon today reported a 14% increase in Underlying Earnings Before Interest and Tax (EBIT) to \$970 million for the full year ended 30 June 2015, compared to the prior year (FY14: \$851m), on flat revenue of \$3.8 billion (FY14: \$3.8 billion).

Statutory Net Profit After Tax (NPAT) was \$604 million, increasing by 139% compared to FY14 (\$253m), reflecting the impact of asset impairments (\$317m) and Voluntary Redundancy costs (\$69m) in FY14.

The Board of Directors declared a final dividend of 13.9 cents per share (cps) (30% franked), up 64% on the previous corresponding period (8.5cps), representing a payout ratio of 100% of Underlying NPAT for the second half of the year. This takes the full year dividend to 24.0 cps, up 45% on FY14 (16.5 cps), a payout ratio for the full year of 85%. Statutory Earnings Per Share (EPS) was 28.4cps in FY15 compared to 11.8cps in FY14.

The Company exceeded its core financial target, to achieve a 75% Operating Ratio (OR) by FY15, delivering a full year OR of 74.3%. Return On Invested Capital (ROIC) improved by 0.9ppt up to 9.7%.

The Company delivered \$123m in transformation benefits in FY15, and \$252m in benefits over the two years to 30 June 2015, in line with guidance provided to the market.

Overall key safety metrics continued to improve with the Lost Time Injury Frequency Rate (LTIFR) decreasing 43% and the Total Reportable Injury Frequency Rate (TRIFR) decreasing 14% over FY14. Safety performance during the year was overshadowed by the deaths of two employees and a contractor in a tragic road accident in October.

The Company continued its capital management initiatives, including buying back and cancelling 15.3m shares, at a total cost of \$69m, since the announcement of an on-market buyback in November 2014.

The Board has increased Aurizon's dividend payout ratio range to 70-100% of NPAT. In determining the final dividend of 13.9cps, the Board considered the Company's forecast reduction in capital expenditure, continued improvements in operating performance, and investment decisions regarding strategic growth projects not expected until late CY2016. The dividend will be paid on 28 September 2015 to shareholders on the register at the record date of 1 September 2015.

In recognition of Aurizon's strong performance and the achievement of multiple corporate milestones in FY15, the Company will award \$2,500 worth of Aurizon shares to each eligible permanent employee not eligible for the Long Term Incentive scheme.

Commentary from Aurizon Managing Director & CEO, Lance Hockridge:

"Today Aurizon has reported the achievement of its core financial target, the 75% OR by FY15. Since IPO we have delivered a strong improvement in our profit margin, on far lower rail volumes and revenue than initially forecast, through a disciplined program of cost reduction and productivity improvements.

"Over the past two years we've delivered cumulative transformation benefits valued at more than a quarter of a billion dollars, as committed to the market. We've hauled 6% more in above rail tonnages with 13% less people and 17% less locomotives, and delivered major growth projects on time and on budget.

"We are delighted Aurizon shareholders are benefiting from the Company's strong performance, with a solid 64% increase in the full year dividend and a commitment from the Board for a stable and sustainable dividend payout ratio of at least 70% over the next three years.

"The catalyst for the next phase of transformation in the Company is new enterprise agreements covering employees in Queensland, which will provide us with productivity enhancements, operational flexibility and cost reductions.

"After two years of protracted negotiations, we're pleased to be moving towards modern workplace agreements across our national operations. Pending formal Fair Work Commission approval, new agreements should be in place within weeks.

"We're also continuing to assess and progress opportunities as we look to diversify and profitably grow the business. We understand the current market challenges but likewise we're committed to a strategy of transformation and long-term growth.

"We have recently implemented a new Company strategic Blueprint to guide our future direction, leveraging our clear strength in rail-based supply chains and focus on customer service."

Update on key items

- The Network business delivered record tonnages of 226 million tonnes (mt), up 5%, meeting customer demand. Network EBIT increased 17% to \$484m due to transitional revenue being uncapped in FY2015, whereas it was capped in FY2014.
- Significant achievement in restructuring Queensland Enterprise Agreements (EA) covering 5,000 of Aurizon's 6,800 employees. The Staff EA was implemented in January 2015, and in July 2015 the Company received positive ballot outcomes on the two proposed replacement Queensland EAs covering the remaining Queensland EA employees, with approval expected in coming weeks.
- The Company has identified a \$1.5 billion (25%) cost reduction in the preliminary capex estimate for the West Pilbara Iron Ore Project (WPIOP), as part of the project assessment. The Company has confidence in the strength of the counter parties and the opportunity for further capex reductions. A final investment decision is expected to be made in late CY16, subject to stage gates and long-term iron ore market fundamentals.
- In June 2015, the Federal Government selected Sydney Intermodal Terminal Alliance (33% Aurizon, 67% Qube) to develop and operate the Moorebank Intermodal Terminal. Moorebank is expected to be Australia's largest integrated warehouse and rail terminal precinct when fully developed. It will strengthen Aurizon's freight portfolio by offering a more efficient, flexible and long-term solution for the Company's Sydney-based intermodal operations with a connection to the Import-Export market. Financial close is subject to satisfaction of conditions precedent, expected in FY16.

Outlook

Based on current market conditions, Aurizon anticipates above rail haulage for FY16 to remain flat — coal in the range of 210 – 220mt, iron ore haulage at around 24mt and freight volumes of around 45mt.

As disclosed previously, revenue in FY16 will be impacted by approximately \$200m due to a number of factors, including the reduction in freight revenue for the Transport Services Contract with the Queensland Government, expiry of the Queensland Rail passenger fleet maintenance contract and the disposal of CRT Industrial business (in FY15).

The next phase of corporate restructuring commenced in July 2015, with the Company pursuing an additional \$43m in savings to achieve its target of \$100m in corporate support cost reduction by the end of FY16.

The Operating Ratio target remains 73% for FY16 and 71.5% for FY17, with a new target of 70% set for FY18. The ROIC target is an average of 10.5% over the same period.

“We are committed to these challenging financial targets despite the subdued market and tonnage outlook. Productivity improvements and cost reductions will underpin continuous improvement in our operations and for our customers, and also margin growth for the Company,” Mr Hockridge said.

“The external environment will continue to provide challenges however we have a clear reform path ahead to achieve Aurizon’s full potential as a world leading rail-based transport business. The Company will hold an Investor Day in Sydney on 7 October 2015 to further detail our strategic focus over the next three years.”

For more information:

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