Andrew Harding: Managing Director & Chief Executive Officer

Good morning and welcome to the 2023 full year results.

We are in Brisbane today therefore I acknowledge the Traditional Custodians of this land, the Turrbal and Jagera people, and pay my respects to the elders past, present and future for they hold the memories, the traditions, the culture and hopes of Aboriginal Australia. We must always remember that under the ballast, sleepers, rail systems and office buildings where Aurizon does business, was and always will be traditional Aboriginal land.

I am joined on the call by the CFO, George Lippiatt, and the rest of the Group Executive team.

We will shortly go through the presentation that we lodged with the ASX this morning which is also available on our website.

As usual, at the end of the presentation we will take questions.

Turning to safety performance.

SLIDE 3: SAFETY PERFORMANCE

A two percent improvement was recorded for the Total Recordable Injury Frequency Rate and a two percent improvement in the equivalent Lost Time measure. The Potential Serious Injury and Fatality Frequency Rate was introduced this year to more accurately represent our business as it grows beyond rail.

A reminder that this measure shows the number of events, as represented per million hours worked, that had the *potential* to cause, or *did cause*, a serious injury or fatality.

We have recorded a significant improvement of 56 percent in this measure compared to the prior year.

As noted at the first half results, we recategorised 23 incidents in 2022, resulting in a restatement of the outcome as shown on the slide.

Both metrics exclude Bulk Central, as we transition processes and systems from the acquired business to the Group, with consolidated reporting from this year.

In terms of risk, level crossings remain one of the areas of most concern for the rail industry, and we continue our efforts to improve safety through education and engineering solutions.

For example, in the twelve months to July, motor vehicles collided with our trains at level crossings on eleven occasions with six of these occurring in the final five weeks of that period.

It is fortunate that none of our train drivers have been killed or critically injured in these collisions. We understand however the lasting trauma that near misses and collisions can have on our drivers and on our recovery crews.

There is already a range of measures to support level crossing safety but we are determined to work with the community to do more to protect our drivers.

We are working across three broad areas:

- Engineering and technical;
- advocacy with regulators and government; and
- education and awareness.

As always, our focus remains on protecting our employees, our customers and the communities in which we operate.

Before going into the Results, I want to revisit the key messages from the Investor Day we held in Darwin last month.

SLIDE 5: KEY MESSAGES FROM JULY 2023 INVESTOR DAY

Aurizon has continued to build upon our position as Australia's leading integrated rail provider. We have an operational footprint that covers mainland Australia as well as holding the largest fleet of locomotives and wagons.

In recent years, we have significantly increased our exposure to non-coal commodities through new contracts with customers such as CBH and Centrex, in addition to the One Rail acquisition.

The investments we are making in standard gauge locomotives and container wagons support the growth opportunities for the Bulk business unit. This rollingstock is generally able to be deployed across the 18 thousand kilometres of standard gauge track in Australia, as we continue to diversify our geographic and commodity exposure.

We took the opportunity to update our strategic aims, building upon what was introduced at Investor Day two years earlier. As shown on the next slide, this strategy is largely unchanged, although we lifted our aspirations in Bulk and have added a new growth stream in Containerised Freight.

SLIDE 6: STRATEGIC AIMS

The resilience of our highly-disciplined Network and Coal businesses is unchanged with a stable, cash-generative platform supporting our growth aspirations.

We have strengthened our Bulk growth aspirations driven by:

- an increase in the estimated addressable bulk market; and more importantly
- a greater aspirational market share of 25-30%, largely attributable to our exposure to Central Australia growth opportunities.

We have introduced our aspirations for Containerised Freight of 500 thousand TEUs on the back of our National Interstate Network and our integrated Bulk Central operations. In addition, and why we held our Investor Day in Darwin, we shared our land-bridging concept.

The land-bridging concept is of course not new, with the successful application in Europe and North America. And in the Australian context, the use of the Central corridor for land-bridging was part of the original plans when the Alice Springs to Darwin line was constructed twenty years ago.

So what is different now?

From a volume perspective, container traffic at major Australian ports has doubled in the last twenty years to eight million TEUs. Over the same period, there have been expansions at key ports but the ability to continually extend operations to meet demand is likely to be challenged, as is the development of *new* ports in major cities.

Furthermore, no single entity, and definitely not in the prime Darwin to Tarcoola corridor, has had the rail infrastructure and capacity of Aurizon today to offer such a solution, including direct access to the port of Darwin. The previous owner of the concession saw no need to operate at the Port with the concession sub-leased. We will operate at the Port upon the delivery of mobile harbour cranes later in the year.

So what does our land-bridging solution offer?

From a cost perspective, the Darwin land-bridging solution requires less vessel sailing time when compared to delivery to all major Australian city ports. The distance between Shanghai and Darwin is half that of Shanghai-Melbourne.

Aurizon's Berrimah terminal adjoins the port and therefore limits costs in the transfer of containers between a ship and a train. Finally, delivery to rail terminals is generally in the outer suburbs of major cities reducing the distance and cost of delivery to nearby distribution centres.

From a value perspective, our proposed supply chain is estimated at 7 days (or 40%) quicker for the same Shanghai-Melbourne example, when compared against current sea freight. In addition, shipping fleet capacity is released given the shorter sailing distance to Darwin compared to other major ports.

I remain absolutely convinced of the opportunity in front of us, particularly when combined with the considered, staged approach to capacity we are taking. Limited additional rollingstock is required for stage one, and it is the exact same rollingstock that we currently use across Bulk and Containerised Freight. Stage one is aspiring for 100 thousand TEUs per annum a reminder again that total TEUs at major ports is 8 million per annum.

To date, we have two MoUs in operation, and with our concept now in the public domain, the level of discussion with global shippers and beneficial freight owners has ramped-up considerably.

Rather than simply hearing about our strategic aims, the next slide shows our progress to-date.

SLIDE 7: PROGRESS AGAINST STRATEGIC AIMS

This slide shows:

- the resilience of Coal and Network;
- Bulk growth, including the step-up this year driven by both the existing operations and the One Rail acquisition;
- our progress against the 500 thousand TEU aspiration, including the contribution of Bulk Central and our first National Interstate volumes; and finally,
- the effect of growth in Bulk and Containerised Freight resulting in a reducing share of thermal coal revenue.

Now turning to the Results

SLIDE 8: FY2023 RESULTS

As noted at the first half results, wet weather has impacted our Coal, Network and Bulk East operations negating the uplift in earnings from the inclusion of eleven months of Bulk Central.

Bulk volumes were 34% higher, again driven by Bulk Central but also national grain volumes and the contribution of newer contracts such as Centrex and Tronox. Lower EBITDA and the One Rail acquisition has impacted ROIC this year, but this will improve in the future as earnings continue to grow.

Free cashflow from continuing operations decreased by 61%. This was driven by:

- higher capex supporting Bulk growth and our Queensland regulated Network;
- an increase in tax payments; and
- working capital movements.

George will spend some time going through the detail of the cash flow in a moment.

Although recognising a challenging year for Coal and Network volumes, the early results of Bulk investment can be seen with the increased share of revenue extending to 45% of the group excluding Network.

A final dividend declared of 8 cents per share maintains the payout ratio at 75% which we believe is appropriate given the investment cycle we are currently in. This takes the total dividend for the year to 15 cents.

Moving to our business units

SLIDE 9: BUSINESS UNITS

A five percent reduction in Coal volumes has driven a reduction in revenue and at the same time, higher non-pass through access costs that George will speak to shortly. Outside of this, other operating costs increased by 5% with fuel a key contributor, in addition to general cost escalation in wages and materials. Yield (excluding fuel) increased as a result of CPI-linked price escalation, partly offset by the end of previously advised higher yielding contracts.

Importantly, it has been a busy year with new contracts signed, including:

- a 10-year contract for the Maxwell mine in the Hunter Valley;
- a 5-year contract for the New Wilkie mine in Southeast Queensland;
- a 5-year contract for the Tahmoor mine in the Illawarra coal region; and a
- BMA Rail maintenance contract that commenced in July.

We are also expecting first coal to be railed for Olive Downs in this financial year.

Bulk has seen a step-up in earnings from the One Rail acquisition, but partially offset by the impact of wet weather, supply chain disruptions and customer specific production issues – with much of this in the first half of the financial year.

Bulk also signed a number of new contracts across a diverse selection of regions and commodities. The contracts cover a mix of supply chain solutions and have a duration of up to six years.

We have spoken about the growth platform that has been set for Bulk, and the contract book we have announced today provides evidence of this success.

Turning to Bulk Central, we are now at 12 months of ownership and the Bulk leadership team has focussed on establishing the growth platform that is already in-place across the rest of Bulk. As such, the commercial activity to date has been with contract extensions. The next phase is of course growth and I look forward to updating the market in due course.

Network volumes were below the regulatory forecast resulting in an under-recovery of allowable revenue and triggered revenue protection mechanisms including take-or-pay of $76m,a further $21m of revenue will be recovered in two years' time.

Network EBITDA growth is expected in 2024 driven by a $125m increase in Allowable Revenue, as a result of the uplift in the preliminary WACC and the reset of the asset base.

A submission was made to the Queensland Competition Authority in July with a proposed final reset WACC of 8.51% to apply through to the end of UT5 in 2027. This compares with 6.3% that applied up until June 2023 and a preliminary WACC of 8.18% used in FY24 tariffs.

Finally to Containerised Freight where we are now operating two weekly National Interstate services in addition to our Central Corridor services, with almost 100 thousand TEUs transported during the year.

From our announcement in February, I am pleased by the progress to-date in standing-up capacity. We have begun railing spot volumes for a second customer for National Interstate and I look forward to the full schedule being in operation in April.

On that I will hand over to George.

George Lippiatt: Chief Financial Officer & Group Executive Strategy

SLIDE 11: KEY FINANCIAL RESULTS

Thank you Andrew and good morning to those joining us on the call.

These results are characterised by two major themes:

- firstly, a recovery across all key financial metrics in the second half after a weather impacted first half; and
- secondly, investments in One Rail and equipment as outlined at the recent Investor Day. This meant higher depreciation and interest costs during the year, but will provide benefits as we utilise the capacity in future periods.

As you can see on the table, underlying EBITDA declined 3% to $1,428m, however I note the second half was up around 12% on the first due to take or pay being booked and improved volumes across all Business

Units. The change in full year EBITDA was driven by an increase in Network and Bulk earnings being more than offset by:

- the adverse impact of lower volumes in Coal; and
- start up costs for Containerised Freight, captured in Other.

The prior period also included the benefit of the divestment of the Rockhampton Workshops and tax benefit from the Aquila sale. As noted on this page, we have also recognised a $15m long-service leave provision adjustment as a result of a legislative change impacting a period prior to the IPO.

Aligned with an uplift in revenue, the inclusion of Bulk Central has also driven an increase in operating costs. The other main contributor to operating cost increases is Fuel and energy cost, which increased across all business units, and is mostly passed through.

Staying at a Group level, you can see in the table that depreciation increased 13%, again driven by Bulk Central and investments made in support of Bulk and Containerised Freight. We expect a further, albeit much smaller step-up in depreciation in FY24.

You can see Interest costs outlined in the table. The increase was largely due to a higher debt balance to fund acquisitions and new equipment, with interest rates being a smaller contributor to the step up as we had pre-existing hedges in place for FY23.

As foreshadowed at the first half results, Free cash flow was materially lower for the year. In addition to the change in EBITDA, this reflects higher capital investments and increased interest costs, as well as a number of one-off or timing impacts which we expect to reverse out in FY24, as I will cover on a later slide.

A final dividend of 8 cents per share has been declared, bringing the total for the year to 15 cents per share and representing a payout ratio of 75%. The dividend is to be franked at 60%, with this franking amount reflecting our expectation of paying lower cash taxes in FY24 and therefore having fewer franking credits to distribute.

Moving now to Coal.

SLIDE 12: COAL

The result for Coal highlights the volume impact of prolonged wet weather and abnormally high non-pass through access take or pay costs.

Turning to the bridge, EBITDA, at the far right was $455m for the year, a decrease of 16% against the prior period. The first and largest impact was from volumes, which accounted for $52m or 60% of the EBITDA reduction. As mentioned at the first half results, we witnessed high levels of rainfall and it occurred over a prolonged period of time, meaning that our Coal customers and Network operators found it difficult to recover their operations at a time of labour shortfalls.

The second red bar on the bridge is Net-Take-or-Pay which was unfavourable against the prior period by $28m. In addition to wet weather impacts, volume was further impacted by a third-party derailment in late January, which saw the Blackwater corridor closed for almost two weeks, this contributed to higher non-pass through take or pay costs. As we have highlighted previously, commercial arrangements for customers vary and this Take or Pay feature has been in place for several years, with a small number of customers. The last bar I'll touch on is Operating costs, which increased $13m against the prior period when fuel and access costs are excluded. This increase represents a 2% uplift, which is a good result in a higher inflationary environment. We've also taken significant steps during the year which provide operating cost certainty in future periods, including the commencement of TrainGuard, with the first Driver Only Operation successfully commencing in July 2023, as well as the agreement of Coal QLD EAs at 4 to 5% for Year one and inflation for years two to four with a floor at 3% and a ceiling at 4%.

It was a challenging 12 months for Coal, however we did see a recovery in performance in the second half. For example, if the net take-or-pay of $28m is excluded, Coal EBITDA improved 10% or $23m compared with the first half, and that's despite the third party derailment in January blocking Coal traffic in central Queensland for two weeks.

Looking forward to FY24, we are expecting volumes to increase and the benefits from CPI contract resets to flow-through driving a strong improvement in Coal earnings.

Moving to Bulk.

SLIDE 13: BULK

Bulk EBITDA increased to $214m, an uplift of $79m or 59%. This reflects the first 11 months of the new Bulk Central business and higher earnings from the WA operations, partially offset by lower earnings on the East coast.

For those with a keen eye, you will notice we've restated FY22 Bulk EBITDA from $130m to $135m, this is due to the transfer of our third-party rail welding and infrastructure services area to Bulk, noting that it sat in Other during FY21 and FY22.

Revenue in Bulk was 52% higher driven by the inclusion of Bulk Central as well as higher iron ore and grain volumes in WA .

In terms of Operating Costs, this was $849m or 50% higher, however, similar to Coal, when excluding fuel and access costs which are largely a pass-through, operating costs were up $260m, as you can see on the bridge. This mainly reflects the new Bulk Central business, wage and materials escalation, and the build of traincrew capacity in the Bulk business in anticipation of higher future volumes.

Our performance expectations for Bulk for the year were not met due to derailment and weather impacts in Queensland, New South Wales and the Northern Territory, as well as slower ramp-up of two key growth customers.

It was encouraging however that the Bulk second half EBITDA stepped up to $114m and that the fourth quarter was particularly strong. Looking forward, we expect higher revenue and EBITDA in FY24, driven by increased volumes and the full year inclusion of Bulk Central, including full realisation of targeted synergies.

Moving to Network

SLIDE 14: NETWORK

Network EBITDA increased $12m or 1% to $813m for the year. This outcome is despite railed volumes being 19mt or 8% below the regulatory forecast, once again highlighting the revenue protection mechanisms of our Network business.

I'll turn now to the bridge, which is shown net of fuel and electricity charges – that's done due to these charges being a pass-through to Network's customers.

As you can see on the bridge, access revenue was $19m higher – this largely relates to higher allowable revenue and a lower net-under recovery compared with FY22.

You may recall that at the half, we had expected a $100m under-recovery due to a reduction in railings compared to the regulatory assumption – with $60m of that to be recovered via take or pay. The final outcome was a $97m under-recovery excluding GAPE, with Take or Pay triggering in two of the four main CQCN systems and the booking of $76m of non-GAPE Take or Pay in 2023. The remaining $21m is the net under-recovery and will be a part of the usual true-up in two years' time and be reflected in the FY25 revenue cap.

The second green bar shows Other revenue which was $23m higher as a result of external construction works with associated operating costs on the bar to the right. Higher energy connection costs also contributed to the increase in costs.

To assist you to model future years for Network, we've included a detailed maximum allowable revenue or MAR breakdown for FY24, FY25, FY26 and FY27 at page 47. This shows the FY24 MAR excluding GAPE will increase to $1.088bn, before stepping up again in FY25 to $1.125bn. That figure excludes the expected $27m revcap from FY23, which if included would take the FY25 MAR to $1.15bn. This means the MAR has stepped up by $125m in FY24, before stepping up a further $35m for FY25 – or a $60m step up for FY25 if the revenue cap is included.

Looking forward, the regulatory assumption of 208 million tonnes for FY24 is far more aligned to current volumes, and puts us in a better position to fully recover allowable revenue in the year ahead, after having under-recovered for a number of years.

Turning to free cash flow

SLIDE 15: FREE CASH FLOW

We've dedicated a single slide to this topic because there are a number of one-offs and timing related drivers behind the decline in Free Cash Flow. Free cash flow excluding growth capex was $297m for the year which is down by $468m.

Working left to right, and the first item shown is one I spoke to earlier, which is the $39m reduction in Group EBITDA for the year.

The second item is working capital, which was $102m unfavourable, this is due to the inclusion of Bulk Central in FY23 as well as lower cash receipts in Network due to take or pay, take or pay is booked in June, but not collected from a cash perspective until the following year. In this case, FY23 take or pay was materially higher than FY22, and we're expecting around $70m of net take or pay to be received in the coming months.

The third bar across is sustaining capex, which increased from a cash perspective by $127m. This was driven by the addition of Bulk Central, as well as escalation impacts across the business.

The next item across on the bridge is an adverse cash tax movement of $118m against the prior period. That prior period included the one-off cash tax benefit from the Aquila sale, and we've seen higher tax instalment rates for FY23. Due to the instalment rates, as well as accelerated tax depreciation of One Rail assets and the benefits of temporary full expensing from recent equipment purchases, we're expecting a cash tax refund of around $100m in the second half of FY24.

Interest costs were also higher by $82m, reflecting higher interest rates and additional debt to fund the One Rail acquisition and Bulk equipment purchases. This then arrives at $297m.

As you can tell from the nature of the items in this bridge, we are expecting free cash flow to be materially higher in FY24 with higher interest costs being more than offset by higher earnings, lower cash tax and receipt of FY23 take or pay.

Turning to capex.

SLIDE 16: CAPEX

Capex for the year was $770m, with $212m of that for growth capex. In terms of sustaining or non-growth capex, it increased $121m to $558m in FY23. Turning then to the two major drivers of this increase:

- Firstly, we expanded the footprint of our business with the inclusion of Bulk Central and several port terminal operations, resulting in a $30m sustaining capex increase for FY23.
- Secondly, for Network, we've seen escalation of materials and contractor rates in addition to FY22 track work being delayed and pushed in FY23. As a result, Network represented about half of the sustaining capex increase and 59% of total FY23 sustaining capex.

Looking forward, we are expecting an uplift in FY24 sustaining capex to $600 to 660m, with $40m of that capital for transformation such as the Trainguard rollout in FY24 and more than half of the spend attributable to Network, therefore expected to roll into the regulated asset base.

We expect growth capex for FY2024 to be in the range of $250m – $300m, predominantly for fungible equipment that can be used across different geographies, as I will talk to on the following slide.

SLIDE 17: GROW CAPITAL: KEY PROJECTS

You may recall from first half results, we presented a slide showing the key growth capital projects supporting Bulk growth. This profile was subsequently updated when we announced the TGE contract and the stand-up of our Containerised Freight business shortly after results. At Investor Day in Darwin, we also introduced the land-bridging concept with a small, incremental investment.

Both the historical and expected FY24 investments for Bulk and Containerised Freight are shown on this page. You can see that the majority of growth capital relates to standard gauge rollingstock and port and terminal equipment that can be used across multiple commodities and freight types across Australia. I'd also comment that the additional locomotives and wagons being bought represent additions of 4% and 3% respectively to our existing fleet.

As outlined in Darwin, around $425m of growth capital in total is expected to be initially allocated to Containerised Freight including stage one of land-bridging. Growth capex across all business units beyond this is likely dependent on new contracts or the successful delivery of Containerised Freight earnings.

Moving to funding now.

SLIDE 18: FUNDING UPDATE

Our Treasury team have also been busy on the Aurizon debt profile, with over $2.4bn of bank refinancing and debt capital market issuances. This continues to highlight the support we receive from Australian and overseas banks, as well as institutional debt investors.

For Aurizon Network, funding activity consisted of:

- Issuance of $100m of new 10 and 12 year private placements following reverse enquiries from Asian based investors;
- re-financing of $1bn of Network bank debt facilities across three, four and five year tenors; and
- a debut US Private Placement issuance of $306m across tenors of 10 and 12 years.

While for Aurizon Operations, funding activity included:

- a $465m re-financing of existing bank debt facilities, with maturities lengthened to FY2027; and
- a debut US private placement issuance of $503m across 7, 10, 11 & 12 year tenors, with funds used to repay debt sourced as part of the One Rail acquisition

These recent funding outcomes are shown in green on the chart on the bottom-right side of this slide.

The long term funding strategy remains unchanged, that is to ensure we access multiple pools of capital and lengthen debt maturity to align it with Aurizon's long duration assets.

Looking at some of the metrics on the page I note the weighted average cost of drawn debt at 4.1%, which reflects a high fixed portion of Network debt throughout FY23. For the year ahead, we've now hedged a large portion of Network debt to June 2027 aligned with the June averaging period on the WACC reset. This means the benefit of the WACC uplift in Network will be partially offset by an increase in Group interest costs to around $300m in FY24, noting the final cost will be dependent on timing of cash receipts and debt refinancings.

We also saw group gearing increase to 53.7% during the year, a reflection of the debt utilised for the One Rail acquisition and recent equipment purchases. Despite that increase, with the trade sale of East Coast Rail and the dividend at a payout ratio of 75%, we no longer plan the issuance of a hybrid.

Importantly, we maintain a commitment to strong investment grade ratings, with Aurizon Operations and Aurizon Network's credit ratings both at BBB+/Baa1.

Finally, I'll say in closing that while this year didn't deliver the intended financial performance due to the challenges outlined, we continued to deliver on our strategy, cost control and inflation linked earnings in Coal, Bulk and Network, and investments across the supply chain to meet the demand from containerised freight customers and the expected uplift in Australian Bulk commodity exports.

Thank you and I'll now hand back to Andrew.

Andrew Harding: Managing Director & Chief Executive Officer

SLIDE 20: OUTLOOK

Thanks George.

Aligned with guidance provided at Investor Day, we are guiding to a step-up in earnings in FY24, with an EBITDA of $1.59 billion to $1.68 billion.

The top and bottom of this range is primarily driven by volumes across all business units, including an over- or under-recovery of Network volumes when compared to the regulatory assumption of 208 million tonnes

Network is supported by:

- an uplift in the regulatory asset base to $6.2 billion; and
- the preliminary reset WACC of 8.18% applying from 1 July, up from 6.3% in the year prior.

Coal revenue and earnings are supported by the expectation of a recovery in volumes from existing and new customers, in addition to CPI-linked contracts.

Bulk revenue and earnings are supported by the expectation of higher volumes and activity, in addition to the full year contribution of Bulk Central.

Finally, to Containerised Freight, which for this year will be reported in Other. We are expecting EBITDA to be broadly neutral as we ramp-up to the full schedule.

As per our normal practice, we do not assume any material disruptions to supply chains such as extreme or prolonged weather or major derailments.

SLIDE 21: KEY MESSAGES

Returning to what I said at the start of the presentation, Aurizon has continued to build upon our position as Australia's leading integrated rail provider with an operational footprint covering mainland Australia and the largest fleet of locomotives and wagons.

Aurizon is a strong and resilient business, with a capital allocation framework that has seen $5 billion returned to shareholders since 2016 while at the same time investing in Bulk and Containerised Freight. This investment has driven the uplift in our aspirations as presented at Investor Day.

We are excited by what lies ahead for the business including the land-bridging opportunity that has the potential to revolutionise supply chains in Australia. We look forward to delivering for investors both in 2024 and against our longer-term aspirations.

With that, we will take your questions.

Questions and Answers

Operator:	Thank you. If you wish to ask a question, please press star one on your telephone and wait for your name to be announced. If you wish to cancel your request, please press star two. If you're on a speakerphone, please pick up the handset to ask your question. Your first question comes from Andre Fromyhr from UBS. Please go ahead.
Andre Fromyhr:	Thank you. Good morning. Probably a question for George first, to what extent would you add up some of the data that you provide in the presentation to give a whole number for what you think are the impacts in FY23, from weather and from derailments? I see you’ve got $21m under recovery at network, you've given us $52m EBITDA impact on volumes in coal, is it fair to add those things together?
George Lippiatt:	Want me to take that one, Andrew?
Andrew Harding:	Definitely, George.
George Lippiatt:	Yeah, Andre, I mean, you've got a few things you need to bear in mind, the first one is weather impacts, the second one is derailments, the third one is just customer production issues. What I'd probably say, if you look at weather and impacts on our above rail business and below rail business, in our coal volumes, it's probably about 10 million tonnes. You then need to look through that as to the earnings impact. The good sign-on network is the one you've picked up, which is the under recovery of 21 million. We will of course get that back in two years’ time. What we won't get back is the volumes we lost in our above rail coal business, but that's why our earnings guidance in FY24, as Andrew said, assumes no significance of supply chain disruptions or prolonged wet weather.
Andre Fromyhr:	Okay. Just one on the Bulk business, you've given some flags around new contracts that have been signed and those that have been extended. Can you talk a little bit about the, you've talked about the term then, up to six years, but what's the average contract term in the Bulk business and what are the other sort of margin protections that you've got in those contracts, like cost pass throughs?
Andrew Harding:	George, I might get you to talk a little bit about some of the cost pass throughs and then, Anna, I'll get you to talk about contract links and that sort of stuff.
George Lippiatt:	Yeah, each of those contracts, Andre, have cost pass throughs for fuel and access, so there's nothing unusual about those. The other protection that you might be referring to is capacity charge or take or pay. Each of those contracts is different, but the general rule of thumb across our Bulk business, when you look at it as a portfolio, is around about 40% to 50% capacity charge or take or pay. So I hope that's the first part of your question. I might hand to Anna.
Anna Dartnell:	Thanks, George. Andre, in terms of the Bulk contract book, there's quite a lot of variety that we see across Bulk customers, and some of that comes down to commodity, some comes down to customer appetite and their actual means of production themselves. So we see anything from three year out to 10 year terms

across that contract book, some even extending beyond that, but it really is on a customer by customer basis.

Andre Fromyhr: Okay. And then one last one from me, specifically about the contracts in the coal business. We've seen in the period just gone, I guess an increase in track access costs, but a decrease in track access recoveries. And George, I think you commented on a role that the derailment might have played in what's driving that. But it'd be good to just understand why that's not fully covered under your current contracts?

Andrew Harding: Ed, I might get you to handle that.

Ed McKeiver: Yeah, thanks you, Andrew. Thanks, Andre. Look, historically we've carried some network access take or pay risk in a small number of our haulage contracts. We find this strategic and it's less than 10% of our book. Some customers request it of us in exchange for trade in tariff risk tenure. It can be upside or downside, depending on planning assumptions and actual railings. In FY23, we experienced, as you know, unprecedented low volumes in CQCN corridors, especially Blackwater, and this impact by the weather and the major derailment, which had an effect, which you called out. So overall haul volumes well below network regulated volumes and it went against us. Don't expect it to eventuate again in FY24.

Andre Fromyhr: Okay, thank you.

Operator: Thank you. Your next question comes from Matt Ryan from Barrenjoey, please go ahead.

Matt Ryan: Oh, thank you. My first question's just on the Bulk division and the disclosure around the, I think seven new customers that you signed during the year. I'm just curious to know about what that level of customer signups requires in regards to new train kits or capex. So obviously you've disclosed the increased capex number for FY24, how do we think about what's needed as you bring in a lot of customers within that Bulk division?

Andrew Harding: Anna, I might get you to give some colour in response to that question.

Anna Dartnell: Yeah, no problem, Andrew. Thanks, Matt. So, a lot of the additional volumes that we're looking at will come in as incremental, depending on the corridors that they're operating on. But anything that does require additional capital, will actually need to meet that capital allocation framework that George talked about earlier. So realistically, on a case by case basis, we'll actually look at each opportunity, the region that it operates in and the returns that we can generate from it.

Andrew Harding: George, do you want to add something?

George Lippiatt: Yeah, Matt, probably what I'd add to that is a lot of the capital for those contracts was spent in FY23. So, if you look at our FY23 growth capex, Bulk was more than 100 million of it, about 130 odd. We would expect lower Bulk capex in FY24, with more of the capex in FY24 being driven by containerised freight. And so the reason I draw that out is it's a reflection that we invested with the confidence of the pipeline that

Anna has spoken about before, and these opportunities are really realising what we expected when we signed up for that capital. So, these contracts just fill the capacity that we've brought online or are bringing online.

Matt Ryan: Got it. Thank you. Maybe a question for Ed. I think you've outlined a few contracts that you've won in coal, but I think the actual contracted coal volume number looks to be pretty flattish. So I might be stating the obvious, but does that sort of assume there was something in there that's gone away? And then just a question on utilisation, it's been quite a long time since we moved back towards that sort of 90% mark that we've spoken about in the past. Just anything structural in regards to why we couldn't get back to that sort of number in the FY24 year?

Ed McKeiver: I might take the second question first there, Matt. Nothing structural and nothing other than what we've talked about in relation to the weather impact and the mining related issues and some labour tightness. And in relation to the first part of the question, then getting to the 90%, I had said this time last year, we'd expect to see those sorts of volumes flow through. We are certainly, our collective customers this year indicating they expect full year volumes more in line with FY21 and that is to say up about 10% on FY23 volumes, which will put us closer to the 90% mark.

George Lippiatt: Just a couple of things I'd add there. The thing that's the negative on contract volumes in FY24 is the Newlands mine closure, and effectively that's being offset by the new contract wins that we've announced today. Just on your utilisation point, the thing I'd underline is what Ed spoke of before, which is the Blackwater system. So while the overall coal utilisation was 80%, Blackwater was actually in the low 70%, which is weather, but also that derailment that occurred in February. So both of those things I don't think are structural.

Matt Ryan: Thank you.

Operator: Thank you. Your next question comes from Jake Cakarnis from Jarden Australia. Please go ahead.

Jake Cakarnis: Morning guys. Just the first one for Anna, if I could please. Can you commentate to the Bulk East performance through the second half of '23? Obviously it was challenged in the first half. What gives you confidence that Bulk East can continue to improve into FY24 please?

Anna Dartnell: Yeah, thanks, Jake. I guess if I start with what gives me confidence, we know that we've got a strong business there and it's performed well before. To put, I guess, the weather and production impacts in Bulk East into context, the Queensland business lost over 81 days due to network closures across a number of weather events and three major derailments across their operations in FY23. So that becomes a pretty challenging task to overcome, in terms of lost volumes that you just simply can't catch up on. But yeah, my position would be, as Andrew said, we don't plan for weather and disruption, we plan for delivering our customer's requirements as stated to us.

Jake Cakarnis: Okay. And then the second one, just for George, what was the motivation to tap in the USPP market this time around? Is it right in thinking that you haven't really accessed that market historically? I was just wondering why now for both ops and network?

George Lippiatt: Yeah, no, that's a good question. It's diversity of funding sources, really, Jake. So we haven't tapped that market for network or ops. It tends to be a long tenor market, so we think it's well suited to both network and ops given their long duration assets. It's also the case that the Aussie bond market tends to be a bit more fickle, whereas the USPP market tends to be open more consistently. So, we thought it was important to open that as a market to us, and from now on, will be a follow-on issuer rather than a debut issuer. So that was the drivers.

Jake Cakarnis: Okay. Thanks, guys.

Operator: Thank you. Your next question comes from Justin Barratt from CLSA. Please go ahead.

Justin Barratt: Hi, guys. Thanks very much for your time today. Just wanted to ask, within ORA, or did ORA meet your expectations from a financial perspective in the first 12 months of ownership? I think you were targeting to get to about $100m of EBITDA over the first 12 months post acquisition?

Andrew Harding: George, I might get you to talk through that.

George Lippiatt: Sure. The short answer is it fell short, Justin. I mean, the first thing I'd say though is we only had it for 11 months, and so it's only 11 months reflected in this result. The second thing I'd say is much like Queensland, the Northern Territory weather worked against us and we had two derailments in the second half, and we also had a slower ramp up of one growth customer. Probably the flow on from that though is we absolutely expect One Rail to contribute $100m of EBITDA in FY24.

Justin Barratt: Fantastic. Thank you very much. And then maybe one for Ed. Just wanted to ask, just in relation to the lifting of the Chinese import ban on Australian coal, just wanted to see if that end market had actually started taking some coal to a material extent, and whether that was broadly in line with your expectations to this point?

Ed McKeiver: Yeah, thanks, Justin. Yeah, it was pleasing to see the first ship sail off to China in January, and we've certainly seen an uptick in demand from our customers, of course, as their end users. So, at a portfolio level, certainly seeing good volume flowing through in the second quarter, which seems to be continuing to the first quarter.

Andrew Harding: Justin, I think if I just add, I think it's through the first ship sailing to the end of June, we saw 21.1 million tonnes of coal moved. 94% of that was thermal coal, if that helps your calculations.

Justin Barratt: No, thanks very much. That's very clear. Thank you.

Operator: Thank you. Your next question comes from Anthony Moulder from Jefferies. Please go ahead.

Anthony Moulder: Good morning all. Can I start with Coal please? You've got Olive Downs that are contributing sometime in '24. You've got the West Morton mines that have come back. Obviously Newlands is a negative drag to that. So are you seeing other mines that will get to end of mine that will drag down contracted volumes over the next little while please?

Andrew Harding: Ed, do you want to paint a bit of a picture for the next little while?

Ed McKeiver: Yeah, for the next little while, in the appendices, we've got our pie chart about contract and our pipeline. You can see that 21% of our contracted volume is contestable in the next three years. That gives you an insight. 80% of that expires in 2026. We're already working on those recontracts. So does that answer your question, Anthony?

Anthony Moulder: Well, I guess, recontracting is fine because those mines are continuing. But are you starting to see mines coming to end of life that obviously wouldn't be re-contracted from yourselves or others?

Ed McKeiver: Other than Newlands, certainly later in this decade, there'll be some mines that will probably end. Clermont, particularly before the end of the decade, we expect. And other than that, of course we’ve got the Mount Arthur mine in Hunter Valley.

Anthony Moulder: Yeah, depending on when that closes, I guess. So a question for George, if I could. Net interest cost, obviously, stepping up a lot in FY24 to that $300m, which obviously you've given 4.1%, I think, for FY23. That's obviously going to be a lot higher for FY24, but it sounded like the building blocks approach for Network WACC is allowing you to recover some of those higher interest costs, but not all of that. Did I mishear that? And if I didn't, why is building blocks approach not allowing for a full recovery of Network interest costs, please?

George Lippiatt: I think Anthony, we'll effectively recover all of it, but they're through different mechanisms. So I mean, maybe to start with interest costs, we're expecting FY24 interest costs to be about $300m. Whether it's a bit less or a bit more will depend on the timing of when we do debt refinancings and whether we do them early in FY24 ahead of the Euro bonds that we've got coming due in FY25 and 26. So that's on the interest cost line. In terms of how that flows through to our Network WACC, we've seen our WACC step up from 6.3% to 8.18% in FY24, so that's a MAR step up of $125m. We are also expecting it to step up a further $60m from FY24 to FY25 driven by the further WACC step up to 8.51% as well as the rev cap.

So all in aggregate, that's about $180m of MAR step up that we're expecting over that two-year period. The other point I'd make is that our weighted average margin on our debt costs in Network is pretty aligned with what we submitted to the regulator as our debt risk premium of about 2.5%. So hopefully, that gives you a bit more colour.

Anthony Moulder: All right. Thank you. And lastly, obviously, land bridging was talked about in Darwin, which is probably a good soft launch for the service. Have you had any indications from freight forwarders, shippers that they would consider that? Or is it still too early days to start thinking about an earnings growth profile for land bridging, please?

Andrew Harding: Great. Thank you very much for the question. I'll do a little bit of a response on that and I might ask Gareth to clean up anything that I get wrong. The thing that has surprised me and we were expecting when we made the announcement in Darwin, and since the idea becomes public that you would get a greater interest being received and that is indeed what has happened. We're seeing interest across the full spectrum from large shipper to small shipper, from specialist project cargo type people. The number of MOUs in discussion has gone up dramatically. And what I'm most delighted with is that... One quote that I had was five days faster than Melbourne is gold, seven days, whatever's better than gold. So I expected it. I'm delighted with what's happened to date. But Gareth's living it every day, so I might just hand over to him to make a few comments.

Gareth Long: I think you summarised it very well, Andrew. When we announced, as Andrew said, we anticipated we'd get reaction from the individuals we were speaking to but also beyond, and that certainly has been the case, and continue to approach it in a considered and cautious manner and evaluating the options as we proceed. But yes, it's certainly been well received from the market.

Operator: Thank you. Your next question comes from Sam Seow from Citi. Please go ahead.

Sam Seow: Good morning guys. Thanks for taking my question. Just on the call, I just noticed in the second half volumes we're about 4 to 5% better, but looked like EBITDA declined in the second half there and first half. Just wondering if you can provide some colour around the moving factors there. Thanks.

Andrew Harding: George, you might get to respond to that.

George Lippiatt: Yeah. There's probably two things driving it. The first is that non pass through take-or-pay, which is unusual, as Ed touched on. But that was about a $30m impact to the second half because take all pay is only booked in June. So that would probably be the key one that drove the change half on half, which is why in my speech, Sam, when I look at the half on half, I back out that net take-or-pay. And if you do that, the EBITDA for coal improved half on half.

Sam Seow: Got it. Thanks. And just on contract utilisation, just following up on some comments around volume has been 10% better. If you think back to pre, I guess, La Niña, you're expecting Coal volumes nearly 25 to 30 million tonnes higher, on essentially the same, for 230 million tonnes contracted volumes. Just wondering if something's changed there in the underlying customer production behaviour you'd call out since then.

Andrew Harding: Ed, do you want to help with that?

Ed McKeiver: Yes. Thank you, Andrew. And thanks, Sam. Nothing structural, Sam. The way we do our planning and budgeting is to listen to our customers and compile their orders for the year and what they expect to move. There's certainly some shifts with new customers coming online and we're continuing to move the volume when it presents. So, with a 230 million tonne contract headline, as I said earlier, I think we will push, we hope to hit closer to the 90% contract utilisation next year and there's nothing stopping us moving beyond there when the coal shows up.

Andrew Harding: I think I'd just add Sam, I think from an industry point of view, it just takes time for the system to ramp back up from your producers through the supply chain.

Sam Seow: Ok, cool. Thank you. Appreciate the colour.

Operator: Thank you. Your next question comes from Paul Butler from Credit Suisse. Please go ahead.

Paul Butler: Hi, thanks for taking my question. I just wondered if you could give us some colour on how you're seeing market conditions for contract bidding in the Bulk segment, because you've obviously highlighted number of contract wins in FY23. What's the outlook for the opportunities going into FY24?

Andrew Harding: You go Anna. I'll let you talk to that.

Anna Dartnell: Thanks, Andrew. And thanks for the question, Paul. Yeah. Look, the bulk market is always fiercely competitive no matter which region we're operating in. One of the things, I guess, that the Aurizon Bulk team are blessed with is an extraordinary footprint, and we absolutely are seeing the benefit of that connection of our east to west, north to south footprint across the entire country really coming into effect now. So yeah, I think continuing to see difficult conditions and I would never say that we'd back it away, but we are certainly seeing ourselves compete really strongly with the addition of that gift of a strong footprint.

Paul Butler: And if I could just ask a couple on Network. Is there any significant risk around the QCA approval of the 8.5% WACC? And if so, any particular aspects of it?

Andrew Harding: Pam, can you talk through process and any risks that are attached to the process from here.

Pam Bains: Sure. Thanks for the question, Paul. I think it's fair to say the only contentious issue if there was one to consider as part of the reset, it's DRP. Again, the risk is fairly small, it's quite a narrow range, so that's probably the area that the QCA will consider. In terms of timing of the process, I think the QCA hasn't actually communicated a timetable for the final decision. So, I would expect this first half of FY24 for a decision. Because we have already set prices for FY24, there's actually no pressure to make a decision prior to that point.

Paul Butler: Okay. And just one more on Network. The regulatory volume forecast for FY24, basically 208 million tonnes, I mean, that's pretty much in line with the volume last year. Whereas in past years, that forecast volume tend to be a bit optimistic. So, I'm just wondering what's driven that apparent change in the way the QCA is having a look at that forecast?

Pam Bains: Yeah. I mean, it's a process that we go through with the QCA. Obviously, remember that the volumes are Network, we have four operators and many customers. And the way we set the volumes is looking back as well as looking forward. So, some elements are quite mechanical and there's an element of judgement. But given the last three years, it made sense to set it up where it is now. Remember, the purpose of regulatory volumes is to purely recover the MAR, not to over recover, not to undercover. Again, things happen like weather, derailments, mine issues through the year. So again, you can't predict that number.

George Lippiatt: The other thing I'd add, Paul, just to reiterate is that the midpoint of our EBITDA guidance is based on that regulatory assumption of 208 million tonnes, which is a practice that we've consistently adopted over the last few years.

Paul Butler: Okay, great. Thanks very much.

Operator: Thank you. Your next question comes from Cameron McDonald from E&P. Please go ahead.

Cameron McDonald: Good morning. Just a quick question on depreciation for George, if I can, before some other Bulk questions. So, with the depreciation step up of $74m this year, and you've said it's going up again next year, but by not the same amount. But yet you've got capex invested this year and next year also stepping up from the prior periods. So, when you say it's going to go up, what sort of quantum should we be thinking about there in terms of that increase?

George Lippiatt: Yeah, Cameron. I'm not going to get into the providing guidance on depreciation, but maybe this is a way to help you with it. So, of that $70 odd million step up in depreciation from FY22 to 23, a bit more than a majority of that, so call that $40m to $50m was due to One Rail depreciation. So that's not dependent on that growth capex that we called out in our presentation. And so, if you back that out, then that gives you a step-up based on the rest of the capex profile. As I said, we are expecting a step-up, but nothing like the step-up we had from FY22 to FY23 because we're not acquiring another One Rail.

Cameron McDonald: Yep. No, that's perfect. Thank you. And then just in terms of the Bulk you've talked about, the potential requirement for capex expenditure to support that. What about OPEX? Are you actually having to invest in capability from an OPEX perspective to support these contracts as they come through?

Andrew Harding: Anna, do you want to just take that one?

Anna Dartnell: Yeah, sure. Thanks Cameron. So, look, we've already talked about the investment that goes into creating those opportunities. But I think, fundamentally, when we're looking at operating expenses, most of the time we're working through installed capacity. So, adding stuff to the back of a train, it's the same operations requirements as running a shorter train as running a longer train for the most part. So we're always trying to maximise the amount of product that we're putting on each service and any sort of incremental growth just adds to the bottom line in that respect.

Cameron McDonald: Okay. So not much in terms of OPEX. And then finally, Anna, while I've got you, how do you think about counterparty risk in your analysis of these customers? I mean, six months ago, you highlighted that you'd signed Aeris Resources. And I note that they've put themselves into care and maintenance on one of their major projects, and so it won't be hauling anything. So I mean, a lot of these companies that you're dealing with are significantly smaller with significantly less financial capability. How do you protect yourself from that when you're having to spend capex and potentially trucks, et cetera, to actually support these companies?

Andrew Harding: George, it might be worth just talking through the general approach. I mean, it applies to all of our customers and not just the Bulk ones.

George Lippiatt: Yeah, sure. So, Cameron, whether it's a coal or a Bulk customer, we look at the commodity and the end market. For the commodity, we look at the counterparty in terms of their financial position but also their background in mining. And then we look at the specific cash flows and contract positions we're taking. Before I hand over to Anna, the thing I'd point out is that we have very much focused on putting in assets into our business that are fungible across customers. So, whether that's locomotives or whether that's flatbed wagons, if you look across a lot of the customers that we've announced today, they can all be serviced with the same equipment. So, while there could be a lead time to shift that equipment from one customer to another, it gives you a lot of operational flexibility.

Anna Dartnell: Yeah. Thanks, George. I think, George has done a great job, Cameron, of educating us on the thresholds and expectations that he has when I'm coming to him looking for investment and new opportunities. And the way he's described it is exactly as it is. We look at each additional opportunity and assess it on its merits. And where we assess a risk to be higher on either of those functions, we'll actually make sure that we're working within the contract to ensure we're controlling for the risk.

Andrew Harding: And Cameron, I'd add that not only to George's point about the fungibility of the asset that we install to actually haul the product, the reality is if a mining operation goes into care and maintenance, which is not an unusual sort of activity, it's happened for probably the life of mining. And if you look in our coal business, to look at a non-Bulk, example, when the coal assets shut down regularly from time to time, they start up again. So as long as the minerals in the grounds, at some point in time, it will find its way to the marketplace. So, in a sense, it's a timing. It might be several years of timing, but it's a timing issue.

Cameron McDonald: Great. Thank you.

Operator: Thank you. Your next question comes from Owen Birrell from RBC. Please go ahead.

Owen Birrell: Yeah. Good morning guys. Just a couple of questions for me. The first one on Network take or pay. I just wanted to confirm, in the network accounts, talks to a $100m of take-or-pay to be taken during the period, whereas in the presentation, it's about $76m. I just wanted to confirm what the difference between those two numbers were. And also, just in terms of the structuring of that take or pay agreement, I noticed you say that the volumes are only down 8% versus regulatory. Is regulatory the mark that the take or pay is measured against? And what are the trigger points?

Andrew Harding: Pam, I might get you to talk through that network issue.

Pam Bains: Yeah. Thanks for the question. With regard to the trigger points, there are a number of trigger points and it's done at the mine sort of level. It includes things like FM or cancellations by Network. So, it's more complicated than just looking at the pure tonnage and we look at GTKs. So, the calculation is quite a formula we follow, but not as simple as just looking at the tonnes a year-on-year.

Owen Birrell: And just to confirm, that's done on a year-on-year basis, not a monthly basis.

Pam Bains: Yes. Correct, correct. So that's why we sort of book it at the end of the year because it can change as we go through the year depending on how each mine is operating.

Owen Birrell: Okay, and in terms of the discrepancy of the numbers that were quoted?

George Lippiatt: Yeah. I can cover that one, Owen. The difference is GAPE. So, the $76m of take or pay relates to two of the four major systems, that's ex-GAPE. There's $24m of GAPE take or pay. That's the difference between the $100m and the $76m.

Owen Birrell: Perfect. Yeah, excellent. That clarifies that. I know it's sort of calculated at the mine level. But is that mine level calculation versus what the regulatory assumption is at that mine level? Or is there a different trigger point?

Pam Bains: The key is the regulatory volume. So compared to what is actually railed, and then you look at other things like FM and cancellations, et cetera.

Owen Birrell: Okay. And just a second question for me for Anna. Looking at the, I guess, the Bulk opportunity going forward, a lot was made around the road to rail conversion that you guys are kind of expecting to emerge through to 2030. I'm wondering if you're able to quantify what the market opportunity is that you are seeing ahead of you. Not in terms of what you think you're going to get, but what is the size of the opportunity as to 2030, noting that you've delivered 68 million tonnes in FY23? I'm just trying to get a sense of what the runway is.

Anna Dartnell: Yeah, sure. Thanks Owen. So, when Andrew talked earlier in the presentation about our restated Bulk aspiration, that 1.7 billion market sizing was based on what we call kind of the sweet spot in Bulk, so end-to-end customer requirements. So that includes the rail centre, but also the diversification of service offering is included in that restatement. And then we've given you a good guidance on how much of that we're going after with our Bulk aspiration in the 25% to 30% mark.

Owen Birrell: In terms of the tonnage you sort of drawn on that? Because it gives us a sense of what types of tonnage you're going to be picking up.

George Lippiatt: Owen, I don't think we've talked tonnage, but if you got your ruler out and looked at that pie chart that we presented at investor day, you'd get to about a third of that profit pool is road. More is rail, but about a third is road.

Owen Birrell: All right. No, that's great. Thank you.

Operator: Thank you. Your next question comes from Reinhardt van der Walt from Bank of America. Please go ahead.

Reinhardt van der Walt: Hi, good morning folks. Thanks for taking my question. First one, maybe for Ed. It's been a pretty active year for new coal contract wins. Can you maybe just give us a bit of colour around what you saw on the competitive dynamics, specifically on pricing and whether you think we may be looking at a period now of yield improvement after the negative role of a couple of years? Thanks.

Ed McKeiver: Yep. Thank you for the question Reinhardt, and hello. So, there's a couple of questions in there. In terms of yield improvement, I think prices have stabilised. In the recent negotiations, we've seen certainly acceptable and above threshold returns. On a competitive dynamic or market, we're always alert to the risk, not alarmed, and keep focused on what we can control. We did a little bit today, we can recontract tomorrow. We have a solid contract book. Haulage capacity in my view is constrained at a macro level, especially in CQCN. So no structural shift in surplus capacity. And we are seeing that our value proposition continues to appeal to customers in evidence by the recent wins, BMA Railing - Goonyella, Tahmoor - Wollongong, Malabar - Hunter Valley, and Pembroke, and New Wilkie, of course. Four of those being metallurgical coal related. So we never take our customers for granted and our people understand we need to continually transform, improve our safe delivery performance for them.

Reinhardt van der Walt: Got it. Thanks Ed. And maybe just a question for, Pam. I noticed that the latest QCA schedules have got capex for Blackwater and Goonyella stepping up towards, I think it was FY25 and FY26. Is that growth capex or is it just periodic increase in maintenance capex?

Pam Bains: Yeah. Most of it is sustaining. We don't tend to have too much growth at this point in time.

Reinhardt van der Walt: Got it. Perfect. Thanks. And maybe just a final one for George perhaps. You've obviously been engaging with debt capital markets over the last year. The businesses obviously in different shape to the last time you went through a big refinancing. Where do you think your creditors are seeing the investment grade thresholds now for the business in terms of curing and FFO to net debt?

George Lippiatt: Yeah. Look, it's something we discussed with the rating agencies as well as debt investors, Reinhardt. In terms of FFO to debt on network, the threshold's 13%, we sit at the mid to high teens. We're pretty comfortable there and I don't see those thresholds changing much. If you were to equate that to net debt to EBITDA on network, it'd be about four to four and a half times. On the operations side, what we've seen change is that the rating agencies post One Rail reduced their thresholds. We used to be at 50%, FFO to debt on ops. They've now come down to 35% to 40% FFO to debt. And that was really a reflection of the fact that we bought a business in One Rail that has track infrastructure and has a really strong market position as well as it being diversified from a commodity perspective.

We're expecting to be within that credit rating thresholds on ops by the end of FY24. And from a net debt perspective or net debt to EBITDA, that's about two to two and a half times on ops.

Reinhardt van der Walt: Perfect. Thanks a lot, folks.

Operator:	Thank you. Your next question comes from Scott Ryall from Rimor Equity Research. Please go ahead.
Scott Ryall:	Hi, thank you very much. First one, hopefully for Ed, a reasonably easy one. Could you just give us an update on the train guard progress please?
Ed McKeiver:	Yeah. Certainly. Thanks for the question, Scott. It's going well. We've been really pleased with the rollout during the first quarter. We've done about 100 driver only legs between Kalamunda and Bluff and backwards and quarter to date. And we expect to be fully deployed in the system by the end of the first quarter.
Scott Ryall:	Okay, great. And then rolling out the other systems?
Ed McKeiver:	We've already started training in the northern system. So, this time next year, probably again first quarter all going well, we should be, we'll again roll the system into the Goonyella corridor between Coppabella and Jilalan. In both cases we expect the technology to release about 60 FTEs in each system, a qualified train crew, which we'll be able to deploy to business.
Scott Ryall:	Okay, great. Thank you. This one's probably for Andrew. I forget whether it's annual or bi-annually that you guys at board level discuss the ownership of the network. But I was wondering if you could give us an update on how that process went for 30 June just gone. Whether or not you guys would consider, I'm not so much asking about a full sale or a control sale but a minority stake if that's something that's on the table or not.
Andrew Harding:	Yeah. We actually do the review every 12 months as part of the annual planning process. We did that in the first half of the calendar year. And we do consider all the options that you and more that we put on the table. And it's about what generates the best value. The reality is the result of the calculations and discussion at board level would say that it is not the right thing to consider at this point in time, but to your original way you introduced the question, it is something that we do on an annual basis. And that at some point that position may change and we're open to that.
Scott Ryall:	Okay, great. And then, my last question just on the containers and your land-bridge strategy. And I apologise I wasn't able to make it to Darwin. But now that it's public as you say, you're talking to customers about it, I'm just interested if you're getting any residual issues from the manner in which you exited the intermodal business please.
Andrew Harding:	No, we're not getting any residual issues. Not at all. What we are getting is a broad-based interest and desire to be part of or not be left out of is probably more important, an alternative supply chain to the eastern states of Australia. That's how I'd summarise where we're up to at this moment in time.
Scott Ryall:	Okay, great. Thank you. That's all I had.
Operator:	Thank you. Your next question comes from Anthony Longo from JP Morgan. Please go ahead.

Anthony Longo: Good morning, everyone. Just a quick question on coal and the volumes there. I just wanted to just confirm my understanding. With respect to the revenue yield improvements, and appreciate your commentary with respect to the utilisation and the like, but he's largely saying that that incremental volume that you have signed is incrementally margin accretive or how should we be thinking about that?

Ed McKeiver: Happy to take that one. There's a couple in there. Short answer is modestly accretive. CPI benefits we're going to see flow through again, but remember there'll be offset by capacity charge dilution over a higher volume base. In addition, we've always got to remember the impact on revenue yield of haul mix and in particular, performance mechanisms for the customers who rail for in the year. Overall, expecting modest revenue yield improvement on the increased volumes for 24, consistent with recent trends.

Anthony Longo: Yeah, great. Thank you. And then in terms of thinking about the ROIC targets, I mean clearly with the invested capital base rising and the impact and operations, it's really compressed this year. But still in the context of the amount of investment you've got over the next few years. How should we be thinking about the timeline for you to ultimately hit some of those targets that you place out there, whether it's mid double-digit type targets. I mean any colour around that that you can provide?

Andrew Harding: George, do you want to provide some colour?

George Lippiatt: Yeah, I can, Anthony. I mean what I said when we announced the TGE contract was that we expect that as an example to be hitting those return targets in year three or four. And so, if you think about that $425m that we're putting into containerized freight, that gives you a good example of where we're expecting the broader business. We've invested ahead of the volume coming online and I'd expect in year three or four the group to be similar to what I described with containerized freight.

Anthony Longo: In terms of, so I mean if you've done seven and a 7.5% this year, you were over 10 last year, getting above 10 just given the operational improvements and some of the challenges you face this year. You're still expecting that still in what, three to four years from now?

George Lippiatt: Yes, yes. And we're expecting a step-up in FY24 pretty consistent with the broader earning step up.

Anthony Longo: Yeah, no worries. And look final one from me with respect to just following up on a previous question on debt, just looking at that gearing within network and the regulated asset base has certainly grown, but I'm just wondering why that amount of gearing certainly stepped up a lot. I'm just wondering number one, about the optimal level within network but also why do you need to carry that high level of debt within there?

George Lippiatt: Yeah. I mean I can answer that, Anthony. The first thing to go back to an answer I gave on an earlier question, while it has stepped up in terms of the net debt, we're comfortably within our BBB+ rating threshold, so our threshold is 13%, we're at the mid to high teens. And you have to remember we've got an earnings step-up in network in FY24 because of regulated revenue, so it'll become even more comfortable in network in FY24.

The one thing we don't want to do is be under geared because debt is cheaper cost than equity. And if we geared lower than the regulatory assumption then we wouldn't be or we'd be losing value rather than creating it.

Anthony Longo: Understand. Thank you.

Operator: Thank you. Your next question comes from Ian Myles from Macquarie. Please go ahead.

Ian Myles: Good morning, guys. A couple of quick questions for you. Firstly, franking. With that tax refund you're getting through, should we be thinking that you're not be able to frank the FY24 dividend?

Andrew Harding: George, do you want to talk about that?

George Lippiatt: We will still be able to frank it, Ian. It just won't be a level of franking consistent with what we've done over the last year. We've just announced this dividend, our final at 60% franking. We'll have to see how the final tax refund sits, but I wouldn't expect it to decline materially from the level we're talking about today.

Ian Myles: Okay, that's great. Onto network, you indicated WIRP, you've got a $19m one-off payment for termination I assume of future fees. I was just wondering what does that translate into reduced WIRP income in FY24?

Andrew Harding: Pam, do you want to talk about that?

Pam Bains: Ian, I'll take that away and come back to you but it's not material.

Ian Myles: Okay. Can we also ask about or talk about the customer contracts? I assume it's a bit like Reg, where you book a profit upfront and then you depreciate it over the years. You made a comment that you picked up 23 extra million. I was wondering how sustainable is that customer contract revenue that you've got in there or are we going back to step down to something more normalised? And what sort of level would that be?

Pam Bains: Ian, it's a one-off construction which flows into FY23 and some into FY24. It's not a repeating revenue as such.

George Lippiatt: But the margin, Ian, certainly is not $23m.

Pam Bains: No.

George Lippiatt: It's immaterial in the scheme of network.

Pam Bains: Correct.

Ian Myles: There's a corresponding cost?

George Lippiatt: Absolutely.

Ian Myles: In the op cost side or capex?

Pam Bains: Yeah, it's in the op cost.

George Lippiatt: In the op cost.

Ian Myles: Okay. Just one final one. You talk about on the land bridging, the seven day saving. What terminal are you thinking about bringing that into in Victoria? Is that into the Beveridge terminal or is that into an existing terminal in the system?

Andrew Harding: Gareth, I might let you talk through options.

Gareth Long: Yeah. Hi, Ian. In terms of our terminal strategy, we have both our immediate and then our medium term optimal strategy. Our immediate terminal operation is Vic Dock and that's where we're operating our interstate volumes from. In the medium term, we will be operating out of Beveridge. You've seen the announcement around that and there may well be other locations. That saving can be attributed both to operating out of Vic Doc but also out of Beveridge.

Ian Myles: Okay. Look, that's great. Thank you very much.

Operator: Thank you. Your next question comes from Rob Koh from Morgan Stanley. Please go ahead.

Rob Koh: Good morning. Thank you. May I firstly start a question with slide 47 which is the detail on the MAR. And thank you very much for that slide as always. I just want to double check because the FY24 is off the preliminary WACC of 8.18%, there's the true up versus 8.51% should come in FY26. I think the footnote says that, but I'm getting a bit older and can't read it. Sorry.

Andrew Harding: Pam, do you want to talk?

Pam Bains: Yeah, the difference between the preliminary and final WACC that we don't collect in FY24 will come back in FY26. And these numbers don't include that, so that's about $25m.

Rob Koh: Okay, great. Thank you. Thank you.

George Lippiatt: Rob, these numbers also don't include the rev cap, so which you'd have to add to FY25. You add $27m to FY25 and then you add that WACC through up that Pam spoke about to FY26.

Rob Koh: Great, thank you. That's super clear. Much appreciated. My next question, I guess following on from Mr Ryall's question because you've done your annual review of network. Within the One Rail business, there's also some below rail assets, albeit light regulated. Is that covered in the scope of the review and any thoughts on monetizing any of that asset?

Andrew Harding: It's not. The particular review that I was referring to is only about the consideration of the network business as a part of Aurizon or otherwise, and that's the one we do every year. We haven't made any thoughts or decisions about whether separating the value and gaining value out of the Bulk central line would be. I'd have to say that as a first pass thought it would be a resoundingly difficult decision to make given the value that we see by having the asset and providing a lot of the rolling stock operation in that area.

Rob Koh: Yeah, yeah, no, that makes a lot of sense. All right. And then, just final question on the land-bridge strategy. Apologies I couldn't attend your Darwin presentation. But there's the review of the ownership of Port of Darwin, which I believe the report's gone to government, but we haven't seen result of it yet. Does that have any implication at all on your strategy? I presume not.

Andrew Harding: I think your presumptions right. I mean at the end of the day, what we're most interested in and have announced many times is increasing volume through the rail system. And it has to go either through the Port of Darwin in one direction or the other.

For that to happen, it generates more returns for the port of Darwin owners. I suspect that issue is attractive to anybody owning the Port of Darwin. A review by the government, and I won't speculate as to, because I have no idea, what the outcome may be, it won't change the underlying fact that the volume will be very attractive. I'm not seeing it have play out in any way that is of concern.

Rob Koh: Okay. Good, good. Good to hear. And then last question. I guess you had talked about the land-bridge strategy potentially providing a carbon saving versus shipping and low grade shipping, oil being burned all around the east coast. Have you got an indicative sense of what the carbon saving would be for diesel train versus ship?

Andrew Harding: I might get Gareth to talk through the general thinking in that area.

Gareth Long: Yep. Thanks, Rob. Certainly, there is a dividend there, but recognising that shipping continues to evolve and shipping equally as we are looking at lower carbon footprint methods of fuel. We're actually targeting carbon neutrality, we're not necessarily seeking to see a carbon dividend through the land-bridge solution.

Rob Koh: Okay. Cool. Thank you so much and all the best with it. Appreciate it.

Operator: Thank you. Your next question comes from Nathan Lead from Morgans Financial. Please go ahead.

Nathan Lead: Thanks for your presentation, guys. Just two quick questions from me. The first one, in your presentation you reference labour market tightness or sourcing of labour tightness. I've been hearing that it's difficult for industry to actually source sufficient train drivers, so I'm just wondering how meaningful is that an issue for Aurizon, particularly in the context of the volume requirements for the guidance. And just what you're doing to mitigate the issue.

Andrew Harding: Sure. Look, train driving tightness has been around for quite some time. The particular area where it impacted us in recent months or in the recent financial year was around central Queensland, where on top of just the general tightness there was another rail business was ramping up. And that they don't train their staff. So that they went to the one place where you think if you've got nearly 70% market share where you get a fair chunk of your train driving personnel and other personnel.

To address that, we put in place a comprehensive review of our training processes to improve the time taken to train. Reducing it being a significant benefit. And that is monitored right through to me on a monthly basis.

And we look at all the hotspots there have been and the trends in the future. The reality is I'm very happy with what I'm seeing and the issues with central Queensland, while it does take 12 months to train a train driver, are largely recovered and will be completely recovered in the next couple of months.

Where the business is growing volumes is obviously where you'll get other areas with train driver availability. And that same process that we have I talked about for central Queensland is in place across the country. We are alert to issues. There are no alarms going off.

The issue is not with attracting people for the role of train driver, the issue is actually the time taken to train somebody who comes in off the street to a role of train driver. It just takes so long to do that. We get more than enough applicants for the role of train driver.

And so, the issues where you have really short-term need as we did in central Queensland, where it's just very difficult to hire people off the street as train drivers because there was a shortage of them. Hopefully that helps you understand where the issues are and have been.

Nathan Lead: Yep, that's great. Second question for me. Obviously when it comes to networks, the MAR, the $125m step-up, you referenced that excluding GAPE. Can you talk about what the profile is, excuse me, for GAPE going forward through its MAR? But also just give us a refresher in terms of what's happening with the top-up revenue. My belief was that there was every three years the risk-free rate under that got reset. If we could just give us a refresher on that please.

Andrew Harding: Pam, do you want to do a refresher on MAR?

Pam Bains: Yeah. Thanks, Nathan. Yes. With the GAPE asset base, as you know, it doesn't inflate, it depreciates, so you have a dropping asset base. And 2027 is the end of the GAPE term. Obviously, that will ramp down going back to the regulatory recovery with those assets.

George Lippiatt: There's one more reset left, Nathan. It does happen every three years. The last one happened, I think it was June 2021, so the next one I think is June '2024.

Nathan Lead: There's a bit of risk-free rate upside on that one?

Pam Bains: Potentially.

George Lippiatt: We'll see what the risk-free rate is in 12 months.

Nathan Lead: Thank you.

Operator: Thank you. There are no further questions at this time. I'll now hand back to Mr. Harding for closing remarks.

Andrew Harding: Look, thank you very much, everyone, for attending the call. I hope that you can see that Aurizon has continued to build upon its position as Australia's leading integrated rail provider and particularly with the expanded operational footprint and with Australia's largest fleet of locomotives and wagons. It was, as a result, a tough year, but we're excited with what lies ahead of for the business, including the land-bridging opportunity that has the potential to revolutionise supply chains in Australia. Thank you very much.

[END OF TRANSCRIPT]