Andrew Harding: Managing Director & Chief Executive Officer

Good morning and welcome to the first half results for 2024.

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.

SLIDE 3: SAFETY

At full year results in August, I spoke about continuing efforts by Aurizon and the rail industry to improve level crossing safety for our traincrew and the general community. This work is ongoing but near misses and collisions continue to happen far too frequently.

Tragically, two industry colleagues from Pacific National were killed in a level crossing collision with a truck in South Australia on New Years' Eve. This terrible event again highlights the need for care and vigilance across the community when using level crossings, and the risks faced by traincrew in going about their daily work.

Aurizon strongly supports the upcoming national rail level crossing safety roundtable in Brisbane next month.

Collectively, we must step up efforts and investment to improve safety at level crossings. This includes the rail and road industries, all levels of government, enforcement and road safety agencies, and the general community.

Given increasing instances of level crossing incidents and near-misses over the past 18 months, an Aurizon taskforce had already been established to combat this issue. The focus continues to be on technology, enforcement and awareness.

During the period, we also launched a number of safety frameworks and strategies to support our employees including a New Fatigue Risk Management Framework.

We saw an improvement in both Total Recordable Injuries and Potential Series Injuries during the half and note that these measures now include Bulk Central.

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

SLIDE 5: KEY MESSAGES

As planned, Coal, Bulk and Network, all contributed to the step-up in earnings published today. This was driven by:

- the contribution of new contracts;
- an increase in Network revenue as a result of the regulatory reset in July; and
- a recovery in volumes, although noting heavy rainfall impacted railings in the last two weeks of the half and has continued into this calendar year.

Group containerised freight volume increased by almost 70% as national interstate capacity is being stood-up.

Although the ramp-up schedule, including costs, remains on-track, Containerised Freight is expected to be an immaterial negative EBITDA contribution in FY2024 driven by softer freight market conditions flowing through to volumes.

Despite the strength of the first half, full year EBITDA guidance has been maintained given:

- the impact on supply chains in Queensland and Northern Territory in January and February from Tropical Cyclone Kirrily including the heavy rainfall thereafter; and
- a projected reduction in Coal revenue yield in the second half.

The interim dividend declared represents 75% of Net Profit After Tax in accordance with Aurizon's capital allocation framework.

As noted on the slide, the strong cashflow that Aurizon is generating provides more flexibility to increase shareholder returns in FY2025.

Turning to the Results

SLIDE 6: 1HFY2024 RESULTS

Group EBITDA increased by 26%, flowing through to the uplift in Net Profit After Tax, Return On Invested Capital and Free Cash Flow.

Volume recovery and new contracts supported volume growth across Coal, Bulk and Network. Despite this performance, the period still saw production issues from some mining customers and also lower grain volumes, particularly on the East Coast.

As noted earlier, an uplift in regulatory revenue flowed through to Network earnings and the period also saw the approval of the final WACC of 8.51%.

An interim dividend declared of 9.7 cents per share maintains the payout ratio at 75% of Net Profit After Tax.

Moving to our business units

SLIDE 7: COAL

Coal volumes increased by 4% driven by both a recovery in railings compared to the prior period and contracts in New South Wales and Southeast Queensland. While volume increased, maintenance, mine sequencing and unscheduled stoppages impacted some customer coal production during the period, primarily in the Goonyella corridor.

As George will speak to shortly, the increase in revenue yield during the period was supported by the mix of volume between corridors and customers, in addition to CPI indexation.

New contracts were executed in the period including a 12-year contract with New Hope which commenced in October 2023 for the New Acland Stage 3 mine. A contract extension was also signed with Queensland Alumina.

In January, we railed first coal for Pembroke's Olive Downs – a greenfield metallurgical coal mine in Central Queensland.

During the half we railed for New Wilkie Energy in Southeast Queensland. We are currently working with the receivers of that operation and it is important to note that rollingstock deployed on that haul is fungible across the corridor.

SLIDE 8: BULK

Bulk earnings increased by 12% driven by increased iron ore volumes in Western Australia and the additional contribution of Bulk Central during the period. This was partly offset by customer specific production issues primarily in Queensland and lower grain volumes on the East Coast.

Additional contracts secured during the period include:

- a rail haulage contract extension and volume uplift for Mineral Resources in Western Australia;
- a rail haulage contract extension for Ampol in Western Australia; and
- a rail haulage and terminal services contract extension for Glencore in Queensland.

Importantly, volume growth has been secured in Bulk Central with two new contracts to commence in the second half of this financial year. The opportunities for Northern Iron and Linecrest were both identified at Investor Day in July and it is great to see these progress so soon after. A reminder that revenue captured on Bulk Central is for both above and below rail, a key differentiator compared to Bulk hauls outside this corridor.

We have previously spoken about Aurizon's fleet position and the flexibility it gives us in deploying capacity to maximise earnings. As a result of lower grain volumes on the East Coast, we transferred locomotives and train drivers from Bulk into Coal to match the step-up in demand for coal haulage.

While the short-term performance has been impacted by customer production issues in Queensland and lower grain volumes on the East Coast, our confidence in the Bulk opportunity remains unchanged, particularly in Central Australia.

SLIDE 9: NETWORK

The step-up in Network earnings was driven by a recovery in volumes and an uplift in regulatory revenue as a result of the reset of the Regulated Asset Base and the preliminary WACC applying to tariffs from 1 July.

In October, the QCA approved the Final Reset Values including a WACC of 8.51% which will be incorporated into tariffs from July 2024.

In a higher interest rate environment, it is important to remember that around 70% of Group debt is held in Network. The regulatory revenue of Network provides compensation for higher interest costs and is reflected in the uplift in WACC.

SLIDE 10: CONTAINERISED FREIGHT

Finally, to Containerised Freight where we continue to ramp-up to the full schedule of seven weekly services from April. The sixth service, Sydney to Perth, begins next week.

In addition to our launch customer, we are railing spot volumes for three additional customers, with a utilisation across the period in the mid-to-high 60s.

As noted earlier, we now expect an immaterial negative EBITDA contribution in FY2024, driven by softer freight market conditions flowing through to volumes.

From our announcement this time last year, I am pleased by the progress in standing-up capacity and establishing a truly national service for critical freight.

On that I will hand over to George.

George Lippiatt: Chief Financial Officer & Group Executive Strategy

SLIDE 12: KEY FINANCIAL RESULTS

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

We have seen an uplift in earnings with Coal, Bulk and Network business units all contributing. This performance has enabled an increase in the interim dividend and when combined with strong free cashflows should enable balance sheet and shareholder return flexibility in FY2025.

Turning to the Results table, underlying EBITDA increased by 26% to $847 million.

Growth in revenue and earnings was achieved through:

- a recovery in volumes in addition to new contracts coming on-line; and
- an uplift in Network revenue following on from the regulatory reset in July.

As expected, operating costs increased due to additional labour and maintenance costs associated with volume growth, along with general cost escalation. Total FTEs increased 6% as growth areas of the business begin to establish and ramp-up operations. This includes the ramp-up of Containerised Freight, which is captured in the Other segment.

I will go into more detail on each of the Coal, Bulk and Network business units and their performance shortly, including showing how each performed when we exclude fuel, energy and access pass-throughs. As you'll hear we are expecting a stronger second half for Bulk but a softer second half in Coal and Network, driven by recent weather events and a less favourable customer and corridor mix. For those reasons earnings guidance, as Andrew will cover remains unchanged.

Staying at a Group level and the first half result, you can see in the table that depreciation increased 4%, driven mainly by investments in Bulk and Containerised Freight.

Net Finance costs increased, primarily driven by debt related interest expenses due to higher interest rates and a higher debt balance to fund new equipment. I'd also note that the higher interest rate environment is reflected in the uplift in Network WACC, which flows through to regulated revenue.

FY2024 group debt related interest expense is expected to be around $300 million, noting we are carrying temporarily high debt loads as we have done proactive debt raisings to cover debt repayments in ~6 months time.

Free cash flow was materially higher for the half driven by of course earnings, but also cash receipt of FY2023 Network Take-or-Pay. Looking forward, the second half will include higher capex, but that will be offset by a tax refund of around $100 million. Group cash flow should also benefit from the expected$125m of deferred consideration from the East Coast Rail divestment. While the East Coast Rail cashflow won't be reflected in the underlying, continuing numbers at full year, these cash inflows will further reduce gearing levels and assist the balance sheet flexibility I mentioned earlier.

An interim dividend of 9.7 cents per share has been declared, 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 FY2024 and therefore having fewer franking credits to distribute.

Moving now to Coal.

SLIDE 13: COAL

A strong half one performance for coal, reflecting a volume recovery, the contribution of new contracts and an uplift in revenue yield.

Turning to the bridge, EBITDA, at the far right was $283 million for the half, an increase of 23% against the prior period. The first impact was from volumes, which increased $21 million. Coal volumes increased by 4% driven by New South Wales and Southeast Queensland corridors. Central Queensland volumes were flat with an uplift in Blackwater and Moura offset by declines in both the Goonyella and Newlands corridors.

The second and largest bar on the bridge is Net Revenue yield, which was favourable against the prior period by $50m. This was driven by the corridor and customer mix, as well as CPI indexation of customer rates.

The last bar I'll touch on is Operating costs, which increased $23 million against the prior period when fuel and access costs are excluded. This was driven by additional traincrew and maintenance costs associated with volume growth, along with the escalation of labour and materials.

In terms of the second half for coal, we expect it to be weaker than half one due to recent weather impacts and a reversal in customer mix, with higher Goonyella corridor volumes driving lower net revenue yield.

Moving on to Bulk.

SLIDE 14: BULK

Bulk EBITDA increased to $112 million, an uplift of 12%, outperforming revenue growth of 7%. The result was driven by higher iron ore volumes in Western Australia and new contracts, offset by lower grain volumes in Queensland and New South Wales.

In terms of Operating Costs, this was $447 million or 6% higher – however, similar to Coal, when excluding fuel and access costs which are largely a pass-through, operating costs were up $23 million, as you can see on the bridge – this mainly reflects, labour and materials escalation, and the build of traincrew capacity in the Bulk business.

Although Bulk achieved revenue and earnings growth in the half, our performance expectations for Bulk fell short during the period, due to customer specific production issues, primarily in Queensland, and lower grain volumes on the East Coast.

As Andrew mentioned earlier, we spoke about the fungibility of our assets at Investor Day and the ability to redeploy to match demand. Within the half, as grain volumes on the East Coast dropped, we redeployed narrow gauge locomotives, wagons and traincrew from Bulk to capitalise on coal volume growth opportunities in Southeast Queensland, and we are doing the same with standard gauge grain equipment in New South Wales. This means lower Bulk earnings, but the assets and traincrew are now generating higher Coal earnings, and it reinforces the benefits of our fleet and footprint, as outlined at Investor Day.

We expect higher revenue and EBITDA in half two, with lower grain volumes being more than offset by the commencement of the two new contracts in Bulk Central, as well as the step up in Mineral Resources volumes for Aurizon.

Moving to Network

SLIDE 15: NETWORK

The result for Network reinforces that it's a business which should perform well in a higher interest rate and inflationary environment. Network EBITDA increased $123 million or 34% to $486 million for the half. This outcome is driven by an uplift in regulated allowable revenue and higher volumes.

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

As you can see on the bridge, access revenue was $140 million higher – this largely relates to higher allowable revenue as a result of the preliminary reset WACC of 8.18% compared to 6.30% in FY2023 and the escalation of the regulated asset base, which lifted from $5.65 billion in FY2023 to $5.86 billion in FY2024, excluding access Facilitation Deeds of $0.3 billion.

Moving to the third bar, which shows operating costs increasing by $18 million, driven by higher maintenance costs due to labour inflation. There was also higher external construction costs, which is offset in revenue.

The full year FY2024 volumes are now assumed to be ahead of the approved regulatory forecast of 207.8 million tonnes for FY2024, likely leading to an over-recovery – noting the volume related over - recovery in the first half was $27 million.

In terms of the second half for Network, we aren't expecting the same level of over-recovery as the corridor mix shifts towards more Goonyella volumes, and I also note we won't have the same level of external works revenue in half two.

Beyond the FY2024 Maximum Allowable Revenue uplift of $125 million, there will be a further step up of around $70 million in FY2025 driven by:

- the final WACC of 8.51% coming into effect;
- FY2023 Revenue Cap of around $30 million; and
- The usual inflation true-ups.

This means that we will see a MAR uplift of $195 million between FY2023 and FY2025.

As usual, MAR tables and waterfalls are included in the appendix.

Turning to Capex

SLIDE 16: Capex

Total capex for the half was $400 million, of which sustaining or non-growth capex was $308 million. More than 60% of sustaining capital is deployed to Network, which benefits from regulatory return of capital mechanisms.

On the right-hand side is just a reminder of the breakup of growth capital with both the historical and expected FY2024 investments for Bulk and Containerised Freight. 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.

We continue to expect growth capex for FY24 to be in the range of $250 – $300 million. As can be seen on the table, growth capex in the first half was less than $100 million, therefore I expect it to come in closer to $250 million by full year end, but still within the range. This is due to equipment deliveries being weighted to the second half of the financial year. While we will provide more detail at full year results, I can also say that we are expecting lower growth capex in FY2025.

As for sustaining capex, we continue to expect FY2024 to come in at $600-$660 million, with $40 million of that capital for transformation such as the TrainGuard rollout and more than half of the spend attributable to Network, therefore expected to roll into the regulated asset base.

Moving now to a Funding Update.

SLIDE 17: Funding Update

Our Treasury team, as always, has been busy on the Aurizon debt profile, with over $1bn of bank refinancing and debt capital market issuances completed in the first half. 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:

- A$500 million Syndicated Institutional Term Facility across 5 and 6-year tenors; and
- A$150 million bilateral bank debt across 5, 6 and 7-year tenors

I'm pleased to report that Aurizon Network's lending group has expanded to 21 banks, with an additional nine joining during the period from Japan, Taiwan and India.

This additional debt will be used to repay the AMTN and EMTN in about 6 months that you can see in the Debt Maturity Profile chart, noting we are temporarily carrying higher debts levels and therefore interest costs.

I won't cover the Aurizon Operations activity as I spoke about that at the full year results last August, and it settled in July.

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 6.1%, which reflects higher base rates and hedging for Network at the time of the WACC reset.

As I mentioned earlier, the interest cost increases we've seen have been more than offset by regulatory revenue step ups.

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

Finally given debt and interest rates are topical at present, a reminder on Aurizon's funding structure and leverage ratios. Around 70% of Group net debt is held in Network, which has regulatory interest rate and inflation reset mechanisms.

Gearing remains conservative with Network at 63% or around 4x net debt to EBITDA and Operations at 2.3x at the half. While network will remain around this level, the strong cashflow that Aurizon is generating will continue to drive down Operations' debt and we expect it to be around 2x by the end of this financial year - a level aligned with our BBB+/Baa1 credit metrics.

I'll say in closing that it is pleasing to see Coal, Bulk and Network business units all contributing to the uplift in earnings in the first half.

With lower debt and lower growth capex expected in FY2025, the strong cashflows Aurizon generates provides flexibility to increase shareholder returns.

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

Andrew Harding: Managing Director & Chief Executive Officer

SLIDE 19: PROGRESS AGAINST STRATEGIC AIMS

Thanks George.

At our Investor Day in July, we took the opportunity to update our strategic aims, and this slide summarises progress to-date. This includes:

- the resilience of our highly-disciplined Network and Coal businesses;
- growth in Bulk driven by a national footprint and increased capacity reflecting the opportunities presenting to the business; and

- our progress against the 500 thousand TEU aspiration in Containerised Freight, including the contribution of Bulk Central and National Interstate volumes.

Although in time we anticipate the growth in Bulk and Containerised Freight to reduce the share of thermal coal revenue, there has been an uptick in this half given the underlying strength in coal markets and the opportunities presented to the business. Our operational footprint and fleet gives us the flexibility to respond and capture such hauls and we will continue to leverage this position.

Turning to Outlook.

SLIDE 20: OUTLOOK

As noted at the start of the call, we have maintained guidance for FY2024 with an EBITDA of $1.59 billion to $1.68 billion.

Network earnings continue to be supported by the uplift in regulatory revenue and volume growth, now expected to be ahead of approved regulatory forecast.

Coal revenue and EBITDA across the full year is expected to be higher than FY2023 driven by volume and revenue yield improvement. In the second half, we expect a lower revenue yield than what was achieved in the first half based on the projected corridor/customer mix.

Bulk revenue and EBITDA across the full year is expected to be higher than FY2023 driven by volumes and the full year inclusion of Bulk Central.

We now expect Containerised Freight, as captured in Other, to be an immaterial negative EBITDA contribution in FY2024, driven by softer freight market conditions.

As noted earlier, heavy rainfall has impacted operations, particularly in Queensland and Northern Territory in January and February in the wake of Tropical Cyclone Kirrily. The Mount Isa line remains closed and the Network-owner, Queensland Rail, has advised that the line will not reopen until later in February.

Beyond the impact on supply chains as a result of this activity, no further significant disruptions are assumed such as major derailments or extreme/prolonged wet weather,

The results today demonstrate a strong and resilient business with Coal, Bulk and Network each contributing to the step-up in earnings. We have a conservative balance sheet providing more flexibility to increase shareholder returns in FY2025.

With that, I will hand over to the Operator for 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 Matt Ryan from Barrenjoey. Please go ahead.

Matt Ryan: Well, thank you. My first question is just about the comments around increased shareholder returns in FY2025, and I think you've articulated that part of that might be driven by lower growth Capex, presumably, that's within the Bulk division.

So I was just keen to get some, I guess, high-level thoughts on how you think customer signups or growth in volumes has played out so far relative to your expectations, and then also just with the comments around having fungible train kits and transferring staff, just the extent to which you think that would play out over the next year or so if you were to achieve your aspirations in Bulk.

Andrew Harding: Okay, Matt, that's one hell of a series of questions, but I'll do my best to remember various parts of it. So I think the first part was around expectation from sign up of contracts in Bulk generally. What I think if I was to break it down and work my way across the country, you'd see in Western Australia we talk about the expansion of the relationship with Mineral Resources and a number of other contracts that are contributing in Western Australia.

So broadly happy with what we’ve seen in Western Australia. Although I do note, that Alcoa has made an announcement from a refinery point of view, which has some impact on Western Australia, but in the scheme of the many different tasks that we do for them, something that is manageable in the scheme of things.

If I move to Bulk Central, we talk about the contracts of Linecrest and Warrego, we in previous times that we've spoken expected those contracts to come in. If I was thinking from a downside point of view, I would've expected them earlier than - from a budgeting and planning point of view, it's obviously up to the customer when the final document gets signed. But happy with what's happening there, albeit we have to actually execute the actual railing of some of that material in the second half.

If I move across to the East Coast, it's not a strong story on contracting, it's a story around a customer that had issues from, well, an explosion in their plant actually, and then grain issues. So it's not really been a story around future contract growth.

I think, what we've seen in the last year is probably something that'll play out over a reasonable amount of time as you see a lot of the bulk-oriented projects more strongly presenting West Australia and Northern Territory and South Australia with a little bit in Queensland.

George, you look like you want to add something to my commentary.

George Lippiatt: Oh, I think just the one thing I'd clarify, Matt, is we're expecting lower growth Capex not just Bulk, but also Containerised Freight, but what we're saying about FY25 is broadly what we expected six months ago, it's just we're six months closer to FY25, have more certainty, that's the first part.

The second one is we've got better line of sight of which assets we can redeploy and which stored rolling stock we can rebirth to meet the growth in demand that we've seen.

Matt Ryan: Does that include the, I guess, fungible train kits and staff that you're moving around? I mean, is that happening to a greater extent than what you first envisaged?

George Lippiatt: Yes, we've certainly seen more evidence of it, and the near-term or the recent one that I spoke about is Southeast Queensland where we moved narrow gauge equipment from grain to coal, and that happened in a matter of weeks. So I think we're getting better at that. Certainly we're doing it in New South Wales, which is standard gauge equipment. So certainly we're getting better line of sight of it, and we're getting more used to doing it faster than we have in the past.

Matt Ryan: Thank you. Just cash flow, I think you called out six months ago that you'd get something like a $70 million benefit to Network or from Network in first half FY24. Just wondering what the other movements were during the period?

Andrew Harding: George, do you want to keep going?

George Lippiatt: Yes, your question, Matt's, probably going to the half 1, half 2 of free cash flow. We're expecting a stronger second half, I'll come to that. But if I just focus on the first half first, we did get the take-or-pay cash receipt, so that's the FY23 take-or-pay into Network in the first half. But what is the benefit that's more weighted towards the second half is from a cash tax perspective.

So we'll get a bit more than $100 million cash tax refund in the second half, we'll also have a lower tax instalment rate, and you should see an unwind of some of the working capital build-up in the second half as well. So a stronger second half free cash flow is what we're expecting.

Matt Ryan: Just one last one on that. So I think you're guiding now to a 25% effective rate on cash tax, you said over the medium-term. Can you define how long medium-term goes for?

George Lippiatt: No, I can't because it largely depends on our Capex profile. So the reason our cash tax is lower than 30% is because of accelerated depreciation that relies on you continuing to invest and spend at the same rate. So if I was to give you that, then I'd be giving you a Capex forecast over a longer period of time than I typically am willing to give.

Matt Ryan: Okay, thanks.

Operator: Thank you. Your next question comes from Andre Fromyhr from UBS. Please go ahead.

Andre Fromyhr: Thank you. Good morning. Just going back to revenue, I'm wondering if you can help reconcile some of the step ups from last year. Obviously the WACC is a big part of it, but previous guidance you had given was that that would result in about $125 million EBITDA uplift in FY24, but you've done almost that amount already just in the first half.

So what are the non-RAB things that are driving that performance in the first half, and does it mean that you're tracking ahead of that previous guidance that you've given for Network?

Andrew Harding: George, I might get you to break that down.

George Lippiatt: Sure. Andre, so there's three broad moving pieces in Network revenue in the first half. The first is we had a lot of external works revenue that flowed through. So that's for Pembroke, so that shouldn't repeat in the second half, but the other two drivers, which are access revenue related is the MAR step up. We said that'd be $125 million for the full year. So if you divide that by two, that gives you the split broadly that's due to the maximum allowable revenue step up.

The other gap then is around volumes and we had a volume over recovery, if you just look at the second half relative to the prior corresponding period where we had a volume under recovery. So hopefully that gives you the building blocks for the first half revenue bridge.

Andre Fromyhr: Yes, that's helpful. Just make sure there wasn't something else going on. Just it'd be good to understand a bit more about the Containerised Freight comments as the contributions to the full year guidance. So overall expecting negative but immaterial for the full year. But I would note there are some comments in the financials saying that Containerised Freight ramp-up was the main contributor to the $14 million worsening of the other segment profitability.

I guess I'm asking is it fair to expect that roughly a $14 million impact would unwind in the second half, and is that a fair run rate to project into next year?

Andrew Harding: You want to help out, yes?

George Lippiatt: Yes. So and probably a few things I'd say, Andre, and then I can perhaps get Andrew or Gareth to comment more broadly on Containerised Freight. The first thing is included in the other segment are things apart from Containerised Freight, so think about the CEO cost centre, think about investor relations strategy. So there are other things flowing through that cost centre, is the first thing I'd say.

The second thing I'd say about the accounts is when we talk about ramp-up for Containerised Freight, the ramp-up is on track, but what that means is that our cost base is what we expected and revenue is slightly off in the first half driven by volume. So costs as we expected, revenue off, and that's why we're saying an immaterial negative contribution for Containerised Freight for the full year.

The second half should improve though because you're getting more of your services stood up, and therefore more volume and revenue.

Andrew Harding: Thanks George, I’m really happy that you picked on the CEO cost as being the first part of it. But anyway, Gareth, do you want to talk a little bit? I think just give some colour on Containerised Freight through the second half on what’s needed.

Gareth Long: Sure. Hi Andre. So yes, as George mentioned, I think the first thing to call out is we are delighted at the progress that we’ve made to implement our ramp-up. We've delivered on those commitments that we made to our customers, and we remain on schedule for the remainder of the services. Again, as Andrew mentioned earlier, our second Sydney-Perth service starts next week.

In terms of that financial outcome, again, as Andrew referred to in his speech, volumes have been softer, reflecting the broader macroeconomic conditions. As we are standing up those services, there is an element of taking some of the costs before the revenue flows through, and a good example of that is the recruitment obviously of train crews ready for those services to be stood up.

The final piece that I'd reference is as we are still in our ramp-up, we are, I suppose haven't got our complete solution ready yet for the market. Again, a good example is that Sydney-Perth service starting next week, we'll see the doubling of the frequency that we're able to offer to the market. So those three things in turn mean that we're a little behind on where we'd expect on EBITDA.

Andre Fromyhr: Thank you. Maybe just an expansion on that ramp-up and the commercial conversations you're having in, I guess, both Containerised Freight in what you're doing now, but I guess it relates to land bridging as well. There was previous guidance around the total capital investment into Containerised Freight of $425 million. I understand some of that has now been spent as part of FY23 and the first half FY24.

Maybe this is more one for George, but how much of that $425 million is left to go and will it be done as part of the guidance that you've given for the FY24 Capex?

Andrew Harding: This is definitely one for you, George.

George Lippiatt: So we're on track with that $425 million, Andre. In terms of the spend, when you get to the end of FY24, I'd expect that we will have spent about three-quarters of that with the balance being for FY25 and beyond.

Andre Fromyhr: Great, thank you very much.

Operator: Thank you. Your next question comes from Anthony Longo from JP Morgan. Please go ahead.

Anthony Longo: Good morning, Andrew. Good morning, George. Just again, an additional question on Containerised Freight. Appreciate the utilisation that you have highlighted today, that low to mid 60s percentage. Just a reminder, what level of utilisation do you need for the investment to break even, if you like, and ultimately how are you starting to see that progress or track into next year and beyond or next year?

Andrew Harding: So when the business case was for TGE to provide 70% of the utilised capacity, and at that point the business would make a very small profit. The backfilling of percentage of the back of the train from 75% - I think when we announced it, we said 75% to 85% would give us a return from a WACC point of view that we'd be proud of and that would be expected.

Anthony Longo: Okay. So I guess in terms of what you're seeing, and I guess marrying up the comments that you are giving on the current freight environment, you're still reasonably comfortable that you can achieve that on that timeline?

Andrew Harding: So yes. So that's why Gareth started by saying he was delighted with where we'd actually come from a ramp-up point of view. So as we've established, the services notwithstanding, all the intricate many difficulties you find on a daily basis. We actually have the national footprint established. We've got to get the service frequency up there, so that we can move on with making a full service offering to our future customers that aren't just interested from a spot point of view. We have to do that on the back of the TGE volumes coming through.

The reality is all the mechanics of supplying the movement of the freight are going well. The volumes are – when you look at them – have been impacted by economic conditions, but given the circumstances we're in, not significantly so. The remaining conversations that we have – I'm doing your job, Gareth, but the remaining conversations we are having with customers indicate that we remain very confident of being able to deliver the business case, as I described earlier.

Anthony Longo: Thanks very much for the colour. last one from me, just on the refinancing. I appreciate you being proactive in terms of looking at the broader debt book and the like and the overall tenor. Can I just get a bit more colour – and I appreciate the comments with the respect to the operational business gearing and getting it down to about 2 times by the end of the year, what's the natural level do you think is appropriate for Network?

I mean, 4 times feels like it's reasonably high, but again, I do take your comments on the regulated nature of those revenues and the like, but perhaps additional colour around that would be great.

Andrew Harding: George, do you want to give some colour to the conversations we have and then say how we position it?

George Lippiatt: Sure, Anthony 4 times net debt to EBITDA at Networks level, we're really comfortable with. There's a good buffer between that and our credit rating metrics for BBB+/Baa1 which, of course, is two notches above investment grade. So a strong rating. We're very comfortable with that at the Network level. I think that credit rating agencies reiterate that regularly and so we're comfortable there.

Where there is deleveraging is on the Operations side of the balance sheet. You'd remember that about a year, year and a half ago, we were pushing 3 times net debt to EBITDA, we're now down to 2.3 times. We expect to be at 2 times net debt to EBITDA by the end of this financial year. So, with Network at 4 times, Operations at 2 times, they're both levels that we're pretty comfortable with.

Anthony Longo: Thank you, appreciate that.

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

Owen Birrell: Morning guys, I just wanted to ask a question around the Coal outlook. Obviously, a lot of moving parts with different customers doing different degrees of maintenance and moving volumes around there. I just want to draw back to some colour that was provided at the Investor Day where you were looking at roughly at 10% increase in Coal volumes through FY24.

I'm just wondering where your head is at, at the moment, in terms of what your expectations are for second half Coal growth across your different exposures.

Andrew Harding: Ed, do you want to talk to Coal expectations?

Ed McKeiver: Yes, thanks for the question. You're right, I did say we were expecting a 10% uplift, based on what customers were telling us. The way that the first half's played out and looking forward, I think it's going to be more in line with about a 5% uplift.

Owen Birrell: and that's across both Southeast Queensland, New South Wales and…

Ed McKeiver: That's the portfolio, yes, portfolio, Owen.

Owen Birrell: At the aggregate level, okay. And just want to confirm that, as you move into the second half, we're expecting BMA to come back on with their full volumes and then that will, obviously, change the margin mix into the second half?

Ed McKeiver: Yes, that's correct. As George said, we expect second half earnings to be weaker because the dilution of revenue yield. There's actually three reasons. Firstly, we do expect – the BMA are telling us that they expect to come in at the high end of their recent guidance. That's a stronger half than the first half. We also expect lower inflation, relative inflation, at the September, December quarters.

They're going to drive a lower CPI escalation in the second half. You'll also be aware of the dilution effect of moderate and high volumes in revenue yield as well. So, all those factors are going to drive a reduction in revenue yield in the second half.

Owen Birrell: That's excellent. Just as a second question, I just wanted to ask again on the freight strategy. I think, at the Investor Day, there was an indication that the capacity level by the end of FY24 would be around about 350,000 TEU. Just wondering if that is still the expectation in terms of the total capacity for freight.

Ed McKeiver: Yes, it is.

Owen Birrell: That's it, thank you.

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

Sam Seow: Morning all. Thanks for taking the question. Just a quick question on Bulk. You've obviously had the 34 million tonnes, up 1% and there's obviously a lot in that segment. So, just wondering, is that a like-for-like for NTK or how should we be thinking about what the actual underlying volume growth is in that business? What seasonality already comments around the current contracting booking Bulk?

Andrew Harding: Anna, it's about time we heard from you, I think, on some of the more detailed for the Bulk and the make-up.

Anna Dartnell: Thanks Andrew, and thanks for the question, Sam. We've talked for some time now around that commodity mix in Bulk and, you're right, it is shared across a portfolio of a range of different commodities. That overall increase in Bulk volumes is probably, whilst slightly up reasonably flat, based on movement in commodities. We're seeing iron ore up and alumina and bauxite being somewhat down.

Obviously, we've talked to the challenges in grain on the East Coast, whereas that's been more stable in South Australia and Western Australia. I think the reality of our business and our market is – it's about managing that diversified commodity mix and making sure that we're running full trains and filling them up with what is available and what commodities are strong.

Sam Seow: Thanks for that. Then maybe a quick question on Coal. I think previously you've talked to about 90% utilisation. I'm guessing the 82% today means that might be off the cards this year. Appreciate some of your comments on some of the 5% volume uplift. But just looking forward, I guess, into to future years, is that 90% still a realistic target going forward?

Andrew Harding: Ed, keep going.

Ed McKeiver: Yes, I think it's a realistic target. It'll take us time to get there, but if you look at the last three quarters, we've rebuilt post-COVID from 78% to 82%. Then we stayed flat into the first part of FY24 and we're expecting the guidance I gave on volume will drive about a mid-80s utilisation. So, it's trending the right way and we continue to build.

Sam Seow: Thank you, appreciate it.

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

Reinhardt van der Walt: Hey there, good morning, folks. Thanks for taking my question. Just back on the Bulk business, maybe a question for Anna. Can you just give us an update on whether you're seeing market share increases or decreases in any of the West, Central of East parts of the business? Can you maybe just give us an update on what the yields are looking like on some of your newer contracts? Thanks.

Anna Dartnell: Thanks Reinhart. We continue to be encouraged by the response that we're getting from customers for the Bulk offering. Certainly, been working very closely with customers in the Central regions, so South Australia and Northern Territory, around maximising the benefit of that combined above and below rail offering to unlock project opportunities there. Really positive response from customers within that region, where we have seen a change in customer behaviour and customer engagement, to look for ways to bring projects to fruition.

I think, more broadly, as both Andrew and I think George have alluded to in their discussions, we've seen some challenges in the East, in Queensland and New South Wales that have made us, I guess, lean into that strategy around looking at the best case use for capacity across the country.

We're seeing the strength in the West Australia market and, obviously, the addition of Bulk Central is really driving a lot of that decision making around where growth is coming through and where we're going to deliver the best returns for shareholders.

Reinhardt van der Walt: Understood. Can I maybe just get a little bit more colour on just the competitive dynamics that you're seeing in that Bulk business just as far as yields are concerned on some of the newer contracts? Are you seeing a generally deflationary, or inflationary, environment?

Anna Dartnell: Well, I think the Bulk portfolio is always a mix from a yield perspective. But that combined impact of, if you look at the announcements that we've made today around new contracts, the addition of Bulk Central contracts, where you get that combined impact of above and below rail revenue, it certainly does generate an uplift in yield.

Reinhardt van der Walt: Understood. Thank you. Just maybe a question on Coal. Conscious, obviously, that the BHP contract is coming up in just a couple of years. Magnetic Rail, can you just give us a sense of how they're progressing with the new asset? How competitive the New South Wales market is at the moment?

Andrew Harding: Before I hand over to Ed to talk about how competitive the New South Wales market is, it's best for us not to make any comments on what we think about Magnetic Rail. Pretty much I'd go and ask them how they're performing. I'll hand over to Ed to talk about competitiveness in New South Wales.

Ed McKeiver: Yes, thanks for the question, Reinhardt. As Andrew said, we don't typically comment on competitors or specific customers and commercials. I think it's a little too early to tell in relation to Magnetic Rail. We've really not seen any more assets enter the market yet as a consequence of the dynamic. We've not really seen a change in the competitive dynamic in Queensland or in New South Wales.

We continue to recognise that our best competitive response is to control what we can control, run our business well, continue to innovate, develop customers and we've – and, as our track record shows over the last 12 months, we've been able to pick up all of the contracts that we've actually competed for and have started four of those up in the first half. Which is the first time we've ever had to do that. Too early to tell, is the short answer.

Reinhardt van der Walt: Perfect, thanks a lot.

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

Ian Myles: Hey guys. Just a couple of things. In the Bulk business, did One Rail actually deliver to its budget expectation?

Andrew Harding: George, do you want to answer that?

George Lippiatt: Yes, we always expected a stronger second half than a first half, Ian. You'd remember at the guidance, we said we're assuming $100 million for Bulk Central. We're still broadly assuming that for the full FY24. The driver of first half to second half is those couple of new contracts that Andrew spoke of and Anna reiterated before.

Ian Myles: Then, if we look at that and we think about One Rail taken out, the new contracts that you've got look all great but what is the drag caused by loss of our coal volume and also notice the Pilbara rail maintenance contract. Will we see commentary that that's a handbrake to your earnings growth in subsequent periods?

Andrew Harding: Anna, do you want to give some colour on that? Ian, when you refer to One Rail, I think about a business prior to Bulk Central that we didn't own. It helps if you state it, just to get the right response out of us if you refer to it as a business we're running which is Bulk Central.

Ian Myles: Bulk Central, sorry.

Andrew Harding: Then it doesn't confuse us. Anna, do you want to talk about handbrakes?

Anna Dartnell: I have a very different image when you talk about handbrakes, Andrew. So, Ian, again just reinforcing, when we look at the Bulk contract book, we look at the whole. Then, we manage down to the individual contracts. Just to reiterate George's earlier point, first half, yes, has been somewhat down on expectations, but second half we do see the strength coming through. The impact of the changes in the West, the Alcoa Kwinana Refinery closure really that particular outcome is immaterial in the broader Bulk results, and the reason being there's 10 hauls in that contract.

With the changes at Kwinana, we're seeing increased demand for inputs into the Wagerup and Pinjarra Refineries. You'll just see that washed through the operation as we run them. The decision not to extend in the ballast cleaning contract, this really does allow us to continue to focus our people and our efforts on areas for strong returns in terms of growth strategy. Whilst there is some impact in the plan, we manage the forecast around bringing in additional opportunities to fill that gap in the second half.

Ian Myles: Okay, and can you maybe explain Lynas your trucking? I thought you guys didn't want to actually get into too much trucking and just what the thought process behind that is?

Anna Dartnell: Yes, absolutely. We're not opposed to the idea of trucks, Ian. We often find ourselves leaning into support customers where they're looking to connect discrete aspects of their supply chain. The Lynas example is actually about ensuring that we're connecting activities in and around their operations, depots and the rail haulage that we do for them.

Ian Myles: Okay and then, one final question on the land-bridging. Could you maybe go through what actually has changed in the development since July? We're now, I don't know, eight months on and what initiative occurred since then to make this look like a good opportunity?

Andrew Harding: Good question, I'm just going to get George to talk a bit about East Coast Grain, I think, just from a drag point of view, because I think Anna missed that.

George Lippiatt: So, this probably goes back to your question earlier, Ian. Bulk Central, and Western Australia delivering broadly to our expectations at the start of the year. Where the weakness is, particular in the first half, is Bulk East. It's grain, it's one or two customers in Queensland. If you back those out, then we'd be on expectations for first half. Noting we're expecting a stronger second half in Bulk Central and in Western Australia.

Those small things that you mentioned around Alumina and also ballast cleaning offset by mineral resources volumes up. That's the broad way to think about the Bulk portfolio and first half, second half.

Andrew Harding: Thanks for that George. Gareth, do you want to talk about what work you've done since July?

Gareth Long: Yep, thanks Andrew. So, in terms of progress since Investor Day, you recall those mobile harbour cranes that we spoke about? They have been commissioned and are ready for operation. And you remember, as well, when we talked to the land-bridge opportunity the focus really was around ensuring we get the ramp-up in place. Referring back to my answer earlier, delighted at where we are, in terms of having those services in place and. As we get through ramp-up, we'll certainly be looking to prosecute further those land-bridging opportunities. Since then, as well, we've had a number of very constructive discussions with a number of counterparties and, as I say, once we have our final services in place, we look to progress those discussions further.

Ian Myles: How long does it take for ramp-up? To complete your ramp-up?

Gareth Long: Final services come on stream in April, Ian.

Ian Myles: And how long do you give to smooth things over before you go and start committing more volume into the service?

Gareth Long: That would be dependent on the conversations we're having with various counterparties. As you can imagine, any investment would need to be considered in the light of what revenue we think we're going to generate through that activity.

Ian Myles: Okay, thanks guys.

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

Cameron McDonald: Just following on from the Bulk comments earlier, sorry, actually going to Containerised Freight, not Bulk. With the numbers that you've given so far and the utilisation, can we just get some further clarity around what's happening with the market share shifts? And obviously, there's been press reports that Linfox has transferred some of the containers away, back to one of your competitors but you've then picked up some spot volumes.

How do we reconcile the picking up of those spot volumes, and what are you offering to pick those services up, given that you still haven't got the full suite of services up and running at this stage then, other than discounting to get that additional volume?

Andrew Harding: Gareth, do you want to give some colour to that?

Gareth Long: Yes. All right, Cameron. The first thing I think to point out is the containerised freight market is quite different and distinct say from coal. It tends to be more dynamic. Contracts tend to be shorter. Therefore, given the number of counterparties, you will see a degree of wins and losses. That's a natural feature of that market.

And as we are ramping up, as we're standing up those additional services, we continue to have very, very productive discussions with our current customers about expansion of volumes that they may be able to deploy across our services, as well as prospective new partners and customers going forward, Cameron. It's a very dynamic environment.

Cameron McDonald: Yeah, but you've called out weakness in that market. So my question is, what are you actually offering, other than a discounted price, to actually get those spot contracts?

Gareth Long: I'd say offering to the market, or our engagement with the market, is not solely around a conversation around price, Cameron. It's very much about how we partner with customers and how we engage with customers, as we're building and designing our services, to meet and respond to what customers require. That, I think, is quite unique in the marketplace.

Cameron McDonald: Okay, and then, the comments around the outlook for weakness in that freight market. What are your customers telling you in terms of the outlook?

Gareth Long: Listen, without a doubt there has been some softness near term, but when you look at the containerised freight market longer term, it's a market that grows year on year, around 2.5%. Which, by our estimates, is probably something in the order around 25,000 TEUs per annum. So the market, over the long term and remembering that cornerstone customer contract, is an 11-year contract. When you look at it from a long term perspective, Cameron, it is very positive.

Cameron McDonald: Yeah, I get that, but you've called out weakness in the next six months. So, do we anticipate that getting worse or better than the last six months, given the feedback that your customers are giving you? And then, obviously, that feeding into your planning processes.

Gareth Long: Certainly, my outlook is still that I'm holding to the original business plan that Andrew referenced earlier. I don't see any further degrading in the market. Certainly, in the conversations that we've had with our customers, that holds as well. Remember, this is a market that's around 1 million TEU of rail freight. It's a sizeable market.

Cameron McDonald: Okay Gareth, thank you. Then, Andrew, just in terms of the comments around increased shareholder returns, how are you going to prioritise increased distribution back up to 100% payout range from the current 75% versus other forms of capital management? I'm thinking buybacks, particularly given the outlook for the cash tax payments is at 25% and the impact that has on franking.

Andrew Harding: Yeah, I thought I was brave enough pointing to flexibility to do this, Cameron. At this moment in time, I'm comfortable to talk about the flexibility. I'm comfortable to say that – where the business has come in recent times it's going to support that. That's all in the context of the Board has the final say, of course, and I'm not going to do anything to actually bind them. But remain open to the detail of how we actually work that through. And as in previous years where changes have been made, I am going to get flooded with suggestions from shareholders about how to best work my way through that. But it is too early to actually get into any very specific detail.

Cameron McDonald: Okay, thank you.

Operator: Thank you. Your next question comes from Scott Ryall from Rimor Equity Research. Please go ahead.

Scott Ryall: Hello, good morning. Andrew, I'm very glad you started to talk about that, because that was my first question. Right at the start of George's prepared comments he made a comment about in fiscal 2025 a lot of the financial flexibility returns. So, I guess I just wanted to confirm with you, does that mean – you've been very open of the reasons why you've gone for the bottom end of your dividend payout range and the drivers behind that.

I just want to confirm the most up-to-date thinking in terms of those circumstances to reverse out in fiscal 2025. That's still correct, right?

Andrew Harding: Yeah look, what I might do is, just to be very clear, is to get George to just give everyone a little bit of a history. I know you guys know it, but to remind everyone in the Group about the history lesson on dividends and buy backs George, in depth.

George Lippiatt: Yeah, sure, Andrew. I mean, this management team and our Board has a history of paying out. If you go back six or seven years and look at the history of paying out at the top end of our range of 70% to 100% and doing capital management in the form of buy backs. What changed a couple of years ago was we saw the opportunity to do One Rail, we made that acquisition and then we took on the task of divesting East Coast Rail, which we were successful in doing.

We'll get though the final payment, that $125 million of deferred consideration for East Coast Rail in the second half of FY24. If you look at our results for this first half, it is exactly what we said it would be: stronger earnings, stronger cash flow, we're starting to see the benefit of that in the deleveraging of the balance sheet, which, assuming that then flows through to FY25, and gives us the flexibility that both Andrew and I spoke about.

It'll be a matter four our Board as to how they use that flexibility and, as Andrew said, I'm sure we'll get feedback from investors on it. But hopefully, that answers your question, Scott, both the history and where we sit now in terms of outlook.

Scott Ryall: Yes, that's perfect. And the only other bit in there was you had some additional growth Capex on top of One Rail that you needed to get out of the way and, again, you've been pretty clear what that is in fiscal 2024, but that comes down a lot in FY25 as well, right?

George Lippiatt: Exactly right. We have been clear that we're expecting lower growth Capex in FY25 and, when I say lower, I wouldn't be saying that if I expected it to be $10 million lower, it will be more than that lower, which also assists us to give the information that we have today around expectations for flexibility.

Scott Ryall: Great. And then the second question I had was around Network. It's more around the access to the Network to put in the place the technology that you need for to single driver trains. Can you just confirm where that's up to, maybe Andrew? I'm not sure who you want to bring in there, but just where we're up to on that journey in terms of the putting in the enabling infrastructure please?

Andrew Harding: Yes, so that's not something that Pam's going to cover, because it's an overlay done from our Operations Group. I might just get Ed to give the current operating position on it.

Ed McKeiver: Yes, thanks for the question – thanks, Andrew, and thanks for the question, Scott. TrainGuard is the technology we refer to it. It's been successfully implemented in Blackwater, and we transitioned to driver-only operations on our electric fleet throughout the second quarter of FY24. It's delivering budgeted business cases in Blackwater and we're seeing already improvements in rail safety and, essentially, a structural reset of fixed costs, as we move to driver only on that fleet.

We're pleased how it's going. Really appreciative of our people and how they've embraced the change and the capacity that we've released has largely relieved our labour tightness in that entire region, and therefore, avoided recruitment and training costs. So really pleased and on track for deployment in Goonyella in the fourth quarter of this year.

Scott Ryall: But in terms of the access to the Network that you need, for implementation, where's that up to? I guess you've then got an implementation in your locomotives, but just in terms of the access to Network please.

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

Pam Bains: Yes, thank you for the question. In summary, like with all access requests, we get various stakeholders requesting access to do various things on the network. This would be considered as part of that, to make sure we continue to run trains and allow for any changes to be made by various stakeholders. So, that's how it's managed.

Scott Ryall: But where are you up to? I'm imagining Goonyella is done, from a Network perspective, is looking in 2025 to roll it out.

Andrew Harding: It's the installation of an orange rectangle called a balise every kilometre along the railway track. Is that your specific question?

Scott Ryall: Yes, that is my specific question.

Andrew Harding: Sorry, we took a while to get there.

Pam Bains: That's fine. It's working very much in parallel with the timing that Ed was talking about. So, Goonyella is the first system and we'll work with the project team to ensure the rest of it gets delivered.

Ed McKeiver: And the work is largely done in closures, so we're not going to impact access for our revenue services.

Scott Ryall: All right, that's all I had, thank you.

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

Justin Barratt: Thank you so much for your time today. Any comments on the utilisation rate of the Containerised Freight business or where the utilisation levels are at currently and whether they will be impacted by the new Sydney – Perth service?

Andrew Harding: *Do you want to try, Gareth? We still didn't hear everything, Justin, but Gareth, do you want to have a go?*

Gareth Long: I think I've got it. I think you were asking whether the utilisation rate would be impacted by the Sydney - Perth service that starts next week. That utilisation that Andrew referred to previously is our rolling average. As we bring on new fleet and new services, volumes then transition from our cornerstone customer's existing provider, onto our service. So, expect the utilisation would stay the same, if not increase.

George Lippiatt: Justin, if the part we missed was around the yield of the different services, or the rates of the different services, generally speaking, the longer services in Containerised Freight achieve a better yield. So, Sydney to Perth is a longer corridor, therefore, a better yield, if you like.

Justin Barratt: Yes, are you willing to share what exit utilisation rates for the half, or where they are right now?

George Lippiatt: I don't think we will. Mainly because there's seasonal factors that go into that. You come into a peak that's Christmas, you then come down and then you go into another peak that's Easter. Looking at one month won't necessarily give you a good basis for the go forward.

Justin Barratt: Then, quite impressed by the yield that you've achieved in Coal in the first half, and appreciate your comments around what that will happen – or, what will incur in the second half in Coal. But I was just wondering if you could share, or are willing to share, the percentage contribution from the corridor of customer mix versus the CPI contract escalation in the first half?

Andrew Harding: Ed, do you want to share what you feel you can?

Ed McKeiver: Yes, absolutely. As George said in his speech, first half revenue yield was primarily driven by the corridor and customer mix that we railed. Acknowledging CPI was close to 50%. So overall yield upside in the first half was very pleasing, of course, but it's worth remembering that those escalations for first half FY24, based on the March and June quarter CPIs of 7% and 6% respectively.

So, we're going to see – they're subsequently 5.4 and 4.1, as you'd know, for September and December. So, going into the second half, we're going to see an attenuation of the CPI escalation.

Justin Barratt: Fantastic, thank you very much.

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

Rob Koh: Good morning, congrats on the result. May I just ask a question about Network and debt hedging? I understand that QCA is proposing to move to a trailing average. Just wondering if – when does that come in? Does that come in 2028 for you guys, or within the current reset and if you're bothered either way by a change to hedging practice?

Pam Bains: To answer the question, Rob, it's something that's still not in place and it's a discussion we're having. So, it's probably too early to comment whether that would be something that is implemented as part of UT6 but, at this point, probably nothing to add.

Rob Koh: Okay cool. Thank you. Then, I guess the second part of that question was, if that comes in, does that just mean you adjust your interest rate hedging practice and if you're particularly bothered either way?

Pam Bains: You're correct.

Rob Koh: Then, just another final question if I can, I note there's a slide 26 in the pack which refers to the battery electrification of the fleet. That looks to me like an identical slide to the full year – or the Investor Day presentation from last year. I'm just wondering if there's any update to the battery electrification initiatives and know that it's early days. In particular, if there's any Network Capex that might be a good thing out of this, please?

Andrew Harding: I'll get George to talk about that in his role of looking after rolling stock.

George Lippiatt: So, the battery electric loco trial continues at pace. We're doing that retrofit of a diesel locomotive, replacing it with a battery pack out at Redbank and we're expecting to be able to say more about that being operational as a prototype in the next six months. The battery electric tender is the next part that we're focused on. Again, we expect to be able to say more about a trial there in the near future.

In terms of Network Capex, look, we're fortunate that 2,000 kilometres of our 2700 kilometres of network track is already electrified. It's already well-placed to see decarbonisation. What we'd need to work through with these battery electric locos and battery electric tenders, is where we're going to prioritise operating them and what associated infrastructure we'll need. But that's right across Australia, not just in the CQCN. Pam, is there anything specific to Network that you wanted to cover?

Pam Bains: I think in terms of – not specific to your question, but more broadly across the Network in the Goonyella system over a few years, we will see some renewal of traction related infrastructure, which will happen over the future three years. But that would be done regardless, it's older feeder stations that need some renewal expenditure. That will go into the RAB, as you'd expect.

Rob Koh: Excellent, all right. That's very helpful. Much appreciated. Thanks so much.

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

Jakob Cakarnis: Hi guys, thanks for taking a question. Two just for me on Bulk. I'll pitch the first one at Andrew and George. Just interested in the Bulk Central commentary. Obviously, the second half of FY23 was a little bit behind your expectations for that business and it seems as though you're guiding to hitting that run rate in the second half of FY24.

Just wondering judgements about the success of that acquisition and whether or not you're seeing synergies at the levels that you expected and how much more you need to see in the second half, just to be firm that it is performing as you guys have spoken to.

Andrew Harding: George, I know you'd be delighted to answer the first synergies question.

George Lippiatt: Well, synergies delivering their cash flow and we've said $7 million to $10 million of synergies and they are delivering at that level. You've got to remember, Jake, when we bought the business, it was doing $80 million of EBITDA. So, we're expecting in FY24, a step up from that and, as I said, broadly, that $100 million. What that second half step up depends on is growth volumes, not synergies.

The synergies, as I said, are delivering. So, the two customers that we're expecting to rail in the second half are Frances Creek Linecrest and Warrego. They're the two big contributors to the step up in second half earnings and we're working closely with those two customers to try and do what we can on our side to help them rail in the second half. That'll be how we'll measure success in the second half. Then, we'll have more to say around FY25 expectations, at the full year.

Andrew Harding: When we put the Bulk slide in the results pack, part of it reflects a slide that was done at Investor Day and talks about, I think it was eight opportunities, in Bulk Central, these two contracts being two of them. If you remember at the time, we said we'd be very happy from an acquisition point of view if we delivered three or four of those eight. So, to your question about whether we feel that we're on a good path, the answer is, yes, we're on a good path. Notwithstanding movements between halves sometimes.

Jakob Cakarnis: Thank you both. I'll pitch the second one at Anna. Just in Bulk East, obviously, in the first half of FY23 there were some weather impacts, maybe some similar customer impacts. Can you just size how the customer impacts may have changed? Then, just give me a relativity of the grain impacts versus the weather impacts that you would've seen in the first half of FY23 please.

Anna Dartnell: Thanks Jakob. I think the majority of the impacts that you're seeing in the half 1 results in FY24 really do come down to changes as we've said in the grain market. The opportunity that that created for us was then to take an enterprise approach as to where those assets and people best resided and would deliver the best returns which you can see in Ed's results.

In terms of the weather-related impacts, in the Bulk East business in half 1, relatively little. It was actually more customer impacts, whether or not customer production delays or we did have a customer who had a pretty serious incident on their site, which impacted their production over the period. In terms of a half 1, this year versus last year comparison, I'm not sure that they necessarily are like for like. But if I take it up a level, what it is doing is demonstrating when we look at the national business, really where we expect to be investing resources, time and effort to get that greater shareholder return.

The Bulk East businesses in both Queensland and New South Wales, important part of the portfolio, but they will drive different decisions in terms of being able to carry the level of growth and investment that we see in the Central and West Australian business.

Jakob Cakarnis: Thanks Anna. Just one final one for George. The working capital changes into the second half. How much of that now is the release of the take-or-pay that you've now received?

George Lippiatt: None of that is the take-or-pay, Jake. That was collected in the first half.

Jakob Cakarnis: Sorry, that's what I'm saying. So, now you've collected that, are we back to BAU working capital?

George Lippiatt: Yes, broadly. Look, working capital's not the big driver of the stronger free cash flow in the second half, it's more the tax refund that we'll collect actually, this month and also, the lower tax instalment rate.

Jakob Cakarnis: Thank you.

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

Nathan Lead: Hi team. Thanks for your presentations. Two or three from me, if you don't mind? The first one, just I suppose in terms of increased shareholder flexibility that you reference. Just interested in just timing on that. Is that something that's potentially an August this year type decision or is it actually a February next year just given you've obviously got these big cash flows that are going to be coming in to help out with the restoration and the credit metrics, by the end of the financial year?

Andrew Harding: Nathan, I think I'll go back – I made a comment earlier on in answering more specific detail around the flexibility. I think at this stage we've pointed to, and described why, we think the statement is supportable around having greater flexibility. Actual detail is something that I think we'll have to provide as we get closer to the date. Unless, George, you want to be very brave?

George Lippiatt: No, I think we said, FY25, Nathan, we won't get more specific than that.

Nathan Lead: All right, fair enough. Second question, obviously there's been a lot of capital that's gone into the Bulk business and it's probably not quite hitting people's expectations in terms of the growth. Can you just – so I suppose, given the new contracts coming into the changing mix et cetera, just give us an update on where you see EBIT margins and ROIC over the medium term?

George Lippiatt: The first thing I'd say, Nathan, is the assets and equipment we're putting into Bulk are 30-year assets. So, we'll measure success of those investments, not over 30 years, but I guess, my point is, we won't measure success over one or two years. In terms of margins, Bulk, at the moment, is delivering. I think it's high teens, if not 20% EBITDA margins. We're expecting between 20% and 25% EBITDA margins. They'll be stronger in Bulk Central and Western Australia, it's more competitive market in Queensland, New South Wales, so lower there.

In terms of ROIC, you can do those calculations in Bulk and it's in the mid to high single digits. We're expecting it to get to double digits. In terms of the timeframe from that, for that you're talking about two to three years, we expect.

Nathan Lead: Okay, and just a final one from me. Just the renewals Capex, the sustaining Capex, particularly in Above Rail and I suppose with the cascading very much so in the Coal business in particular. But, just wondering, it's obviously been quite a smooth number over time, is there any spikes that are going to be coming up within that sustaining Capex profile for repowering of the fleet, et cetera?

Andrew Harding: George, do you want to talk about rolling stock first?

George Lippiatt: Yes, we've been going through a big overhaul program in Coal, in particular, on wagons, Nathan, over the last couple of years. There's nothing in the immediate future that tells me there's going to be a spike in either Coal or Bulk in the fleet. I think the one that we're tracking is the one Pam mentioned, where we do have some electrical infrastructure in Network, which, in the next couple of years, there'll need to be decisions made around renewals.

Nathan Lead: That's within Network that would get rolled into the RAB?

George Lippiatt: Yes.

Nathan Lead: So there's no major loco overhauls required?

George Lippiatt: No, nothing that would see a big spike in the next couple of years.

Andrew Harding: So Nathan, we're always overhauling locomotives and wagons and we do a lot of them every year. The aim has been, over the last – probably now seven years in, over the first few years, it was to actually establish a more smooth pattern to that arrangement and more predictability and we've achieved that for some time.

Nathan Lead: That's been able to push out expected life, or end of life?

Andrew Harding: So, it's not as simple as that. We've introduced the concept of component change-out, so that we actually move away from largescale locomotive overhauls and actually smooth that as well, as we go on. There's no – there is component life extension that we do using some of our quite sophisticated reliability and maintenance software that we have courtesy of Ox-Mountain to generate value.

But, in the context of your question, is it pushing some sort of wave in front of us? No, that's never been the intention and, as we look forward in our planning process, there's nothing that says that's the case.

Nathan Lead: Okay, great. Then just a final one from me, this is more of a modelling one. George, you referenced the tax instalments coming through. Could you just give us a bit of a line on what that's going to look like?

George Lippiatt: I won't give you a percentage, Nathan, but we'll come back to you on what we can give you.

Nathan Lead: Okay, that'd be great, 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: Thank you. As seen in today's results, Aurizon is a strong and resilient business and we will continue to build upon our position as Australia's largest rail operator with:

- an operational footprint covering mainland Australia;
- the largest fleet of locomotives and wagons; and
- over five-thousand kilometres of rail infrastructure

I look forward to delivering for investors both in 2024 and against our longer-term aspirations. Thank you.

[END OF TRANSCRIPT]