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HD **Twiggy moves to slash his debt**

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AUSTRALIAN **billionaire** Andrew “Twiggy” Forrest’s risky gamble on **China**’s appetite for **iron ore** is paying off, with Fortescue Metals Group getting its debt pile down below $US10 **billion** ($A11.19 **billion**).

Australia’s third-largest **iron**-**ore** miner, founded by Mr Forrest, said yesterday it was paying back $US1.6 **billion** of debt not due until 2015 and 2016.

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Cashed-up Fortescue is repaying the debt early to take advantage of an **iron ore** price that has stayed above $US130 a tonne since last July, despite analysts predicting a drop.

The latest repayments will reduce gross debt to $US9.6 **billion** from a peak of $US12.7 **billion** last year, with net debt down to $US7.8 **billion** from a peak above $US10 **billion**.

Debt repayments and refinancing have cut Fortescue’s annual interest payments by $US300 **million**.

The miner used debt to drive what was seen as a risky tripling of production over the past two years to 155 **million** tonnes a year.

The world’s largest miner BHP Billiton produced 155 **million** tonnes of **iron ore**, its biggest-earning business, two-and-a-half years ago.

Fortescue was forced into an emergency debt restructure in 2012 amid a cashflow crisis when **iron ore** prices plunged.

But chief executive Nev Power is convinced **Chinese** demand will stay strong for at least another two decades.

The latest voluntary payment underscored the **company**’s commitment to repay the debt that funded its production expansion program that is due to be finished by March, Mr Power said yesterday.

“The substantial increase in production and strong market conditions have strengthened our balance sheet and enabled us to accelerate our debt reduction program,” he said.

Fortescue hopes to reduce its gearing — the rate of **equity** or capital to borrowed funds — from a peak of 70 per cent to 40 per cent this year and to achieve an investment-grade rating from agencies.

Fortescue has long been criticised for trying to grow too quickly, but analysts have acknowledged its debt gamble is working out.

“If prices stay good for another year or so they will have a lot of debt paid off,” said Morningstar’s Mathew Hodge.

“I think its inevitable that the **iron ore** price will fall. The amount of money the whole industry is making is obscene.

“Is that sustainable? I don’t think so. We are going to get more supply coming in too from BHP, Rio, Vale, Gina Rinehart.”Fortescue’s shares rose 18 cents, or 3.5 per cent, to $5.33 yesterday.

CO ambol : Fortescue Metals Group Ltd

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