

SE Business
HD **AURIZON SPEEDING IN RIGHT DIRECTION**
BY LOUISE BRANNELLY, RHIAN DEUTROM
WC 496 words
PD 14 July 2014
SN The Courier-Mail
SC COUMAI
ED CourierMail
PG 24
LA English
CY © 2014 News Limited. All rights reserved.
LP

AURIZON shares have more than doubled since listing four years ago and analysts say the stock still has momentum.

RBC Capital Markets recently upgraded its ranking on Aurizon to “outperform”, from “perform” and pushed its 12-month price target out to \$5.50, from \$5.25.

TD

“(Aurizon) is undergoing a major transformation that should offer investors substantial earnings growth, improving returns ... and dividend upside,” RBC analysts Paul Johnston and Paul Mason said.

JP Morgan is similarly bullish, lifting its price target for Aurizon to \$5.20 a share, from \$5.16.

Investors who took a punt with Aurizon (previously QR National) when it floated in November, 2010, have been richly rewarded. The stock, issued to Queensland retail investors at \$2.45, climbed as high as \$5.26 in April this year.

The stock closed on Friday at \$5.03, just days after Aurizon and joint venture partner, **Chinese** steelmaker Baosteel, announced they had accumulated a more than a 90 per cent **stake** in takeover target Aquila Resources.

Aquila’s major assets are the West Pilbara **Iron Ore** Project in Western Australia and Eagle Downs Hard Coking **Coal** Project in Queensland.

Not all investors are enamoured by the Aquila deal. Superannuation fund Unisuper has ceased to be a substantial shareholder in Aurizon after offloading a 66.5 **million** shares last month.

RBC analysts also have some reservations regarding the Aquila **acquisition**. “(But) we are of the view the market will ‘move on’ from this deal and focus again will return to the transformation,” they said.

As part of its transition from a government-owned corporation to an ASX listed **company**, Aurizon has undergone a massive restructure.

It has slashed 2000 jobs or more than 20 per cent of its workforce since its float.

It has also increased its cost control, as measured by its Operating Ratio. When it floated, Aurizon was spending 91¢ for every \$1 of revenue. By December last year it had cut that figure to 78.4¢ of spending for every \$1 of revenue. The goal is an OR of 75 per cent or 75¢ of spending for every \$1 of revenue by next financial year.

Aurizon CEO Lance Hockridge said the **company**’s transformation “is a work in progress”.

It is all about cutting costs, lifting productivity and creating new growth opportunities.

“Four years back, who would have thought for instance that we would be contemplating a \$ 5 billion greenfield rail and port development for iron ore in the Pilbara, where we’ve joint ventured with one of the globe’s largest iron and steel companies, Baosteel,” he said. “We understand and value the pivotal role we hold in export supply chains and, by extension, the global competitiveness of Australian resource exports. By driving our company towards world-class performance – pushing down our cost base, lifting productivity and nurturing innovation we know the benefit will be delivered to customers and the broader economy.”

CO qrntnl : Aurizon Holdings Limited

IN i71 : Railroads | icargo : Freight/Cargo Transport | irailtr : Road/Rail Transport | irfrght : Railroad Freight | itsp : Transportation/Shipping

NS ccat : Corporate/Industrial News

RE austr : Australia | apacz : Asia Pacific | ausnz : Australia/Oceania

PUB News Ltd.

AN Document COUMAI0020140713ea7e000ba