

# FINANCIAL REVIEW

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HD **Asciano seeks global network for Patrick**  
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Asciano is keen to make its container ports business part of a "global network" but remains open to selling all of Patrick ports if it receives the right price, chief executive John Mullen said.

"We've been focusing on a partial **sale** that delivers financial value and also delivers partnership value and strategic value by working with a big overseas player to be part of a global network," Mr Mullen told The Australian Financial Review.

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"There are all sorts of procurements and other benefits that come from being tied with a strong partner with a lot of other **operations** around the world rather than just being a little island down in Australia."

Mr Mullen declined to comment on when talks on a potential **sale** of all or part of Patrick, which operates container terminals in Sydney, Perth, Melbourne and Brisbane in competition with DP World Australia, were likely to conclude but said negotiations had been "progressing".

**Chinese** industrial conglomerate **China Merchants** is understood to be the **lead** contender to invest in Patrick, which analysts estimate is worth between \$2 **billion** and \$2.5 **billion**, to broaden its international network of ports.

Asciano is prepared to sell all of Patrick but only if it receives "the right price," Mr Mullen said. "To date, we have not received an offer or an approach for the **sale** of the whole business that we think adds more value than continuing to operate it."

Asciano's shares rose 2 per cent to their highest levels since October after underlying earnings before interest and taxation (EBIT) rose 5 per cent to \$720.3 **million**, beating analysts' consensus expectations of \$711 **million**. Asciano also increased its final dividend by 36 per cent and forecast stronger growth in underlying earnings in fiscal 2015.

Underlying earnings were driven higher by growth in the group's **coal** haulage business. **Coal** haulage volumes rose 22 per cent while earnings from the **coal** division rose 15.4 per cent to \$288 **million**.

Investors said they were generally happy with the **company's** performance as Patrick ports returned to growth. Earnings from Asciano's terminals business rose 5.4 per cent while Patrick's container lifts rose 3.7 per cent.

"Cyclical volume headwind seems to have come to an end," Sonda Bensan said, an investment analyst at BT Investment Management, Asciano's biggest institutional shareholder.

"The business improvement program is delivering cost cuts, **coal** volume momentum continues, capital spending is falling, returns are improving, and free cash flow and dividends are rapidly growing."

But investors were disappointed by the poor performance of Asciano's freight rail division, which is being merged with its **coal** division. Freight rail earnings fell 17 per cent to \$217 **million** due to falling grain volumes and weaker demand for transport services from the resources industry.

Asciano's statutory annual net profit dropped 24 per cent to \$257 **million** from the year earlier figure of \$336.8 **million** due to an 8.1 per cent rise in depreciation and amortisation linked to capital spending and acquisitions.

Asciano's shares are up 11.5 per cent over the past 12 months compared with a 10.6 per cent rise in the S&P/ASX 200.

Full-year 2014 2013 Sales (\$**m**) 3,926.1 3,688.2 Pretax (\$**m**) 358.7 467.3 Net (\$**m**) 257.0 336.8 EPS 26.1¢ 34.3¢ Final div\* 8.5¢ 6.25¢ –\*Payable Sep 19 Close Change Shares (last) \$6.16 +14¢

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