

HD Iron-Ore Price Helps Fortescue Speed Debt Payments -- Update**BY** By Rhiannon Hoyle**WC** 660 words**PD** 15 January 2014**ET** 18:20**SN** Dow Jones Institutional News**SC** DJDN**LA** English**CY** Copyright © 2014, Dow Jones & Company, Inc.**LP**

SYDNEY--Robust **iron-ore** prices are helping Australia's Fortescue Metals Group Ltd. pay down its multibillion-dollar debt pile a lot faster than expected.

Fortescue said Wednesday it had accelerated the repayment of **bonds** accumulated during a decadelong campaign to turn itself into the world's No. 4 **iron-ore** producer supplying **China's** thirst for the steelmaking ingredient.

TD

According to Fortescue, it will pay back US\$1.64 **billion** in March on a pair of senior unsecured notes due to mature over the coming two years. That follows a US\$1.00 **billion** repayment last month, and will chop the **company's** net debt down to US\$7.80 **billion** by the end of March, compared with US\$10.53 **billion** on June 30.

The **mining company**, founded by **billionaire** Andrew Forrest, used large loans to build up a network of land assets, power-and-water infrastructure, and rail-and-port facilities in the resource-rich Pilbara region of Western Australia state.

Its massive borrowings have weighed on Fortescue's stock price, however, and forced emergency talks with lenders to renegotiate its finances when **iron-ore** prices slumped in 2012.

Investors said Fortescue's decision to back away from a multibillion-dollar **sale** of a **stake** in its port-and-rail assets last year signaled confidence in its ability to repay its debt—even as many investment banks forecast the pace of **Chinese** demand for **iron ore** would soften.

"This debt reduction exceeded our expectations" and shows that Fortescue is well-positioned to pay back its loans rapidly, said Chris Drew, a Sydney-based analyst at RBC Capital Markets.

Credit Suisse analyst Matt Hope said the repayments were scheduled to take place earlier than he had anticipated too, given that Fortescue's newest operation in Pilbara, known as Kings, had only just started producing **iron ore**.

Fortescue is one of a number of big **mining** companies prioritizing debt reduction in the face of a cooling commodities boom that has already triggered thousands of job losses across the industry.

Last month, Rio Tinto PLC detailed plans to cut spending significantly over the next couple of years--part of efforts to reduce debt it accumulated alongside an expansion of its own **operations**. The London-based **company** reported net debt of US\$22.1 **billion** as of June 30. Chief Executive Sam Walsh said he wanted to reduce that to the "midteens."

Ratings companies have rewarded Fortescue's efforts. In November, Standard & Poor's Ratings Services lifted the **mining company's** long-term corporate credit rating to BB from BB-minus. It said it would consider increasing Fortescue's credit rating again if its debt-reduction strategy maintained a solid pace.

The decision to pay down the **bonds** early will also save Fortescue about US\$111 **million** a year in interest payments, even though the **company** will spend about US\$55 **million** on redeeming the notes, according to RBC's Mr. Drew.

The relatively strong performance of **iron-ore** prices last year has helped Fortescue take the latest debt-reduction measures. The metal has mostly traded above \$130 a metric ton since the middle of 2013, holding **firm** even as the value of other commodities like **gold** and nickel fell.

Prices plunged to less than US\$90 a ton in 2012 at the height of worries that **China**'s economy may be headed for a hard landing. Still, the outlook for **iron-ore** prices this year looks less rosy, with a great deal more supply coming onstream, slower growth expected in **China**, and Beijing's moves to rein in steel production.

The benchmark price is showing signs of weakness already, dipping below US\$130 a ton earlier this week for the first time since August.

Write to Rhiannon Hoyle at rhiannon.hoyle@wsj.com

(END) Dow Jones Newswires

January 15, 2014 02:20 ET (07:20 GMT)

CO ambol : Fortescue Metals Group Ltd

IN i221 : Iron/Steel/Ferroalloys | imet : Mining/Quarrying | i22 : Primary Metals | ibasicm : Basic Materials/Resources | i211 : Metal Ore Mining

NS ccat : Corporate/Industrial News | mirono : Iron Ore Markets | ncmac : Commodities Asset Class News | neqac : Equities Asset Class News | nfiac : Fixed Income Asset Class News | ntop : Top Wire News | nttwn : Today's Top Wire News | m14 : Commodity Markets | m142 : Metals Markets | mcat : Commodity/Financial Market News | ncat : Content Types | ndj : Dow Jones Top Stories | nfact : Factiva Filters | nfce : FC&E Exclusion Filter | redit : Selection of Top Stories/Trends/Analysis

RE austr : Australia | china : China | apacz : Asia Pacific | asiaz : Asia | ausnz : Australia/Oceania | bric : BRIC Countries | chinaz : Greater China | devgcoz : Emerging Market Countries | dvpcoz : Developing Economies | easiaz : Eastern Asia

PUB Dow Jones & Company, Inc.

AN Document DJDN000020140115ea1f000oi