Fortescue dividend delivers for Forrest despite modest profit jump

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Highlight: A month after shedding 700 workers Andrew Forrest's iron ore miner ***Fortescue*** has posted an annual profit of $8.4 billion supporting a $2.2 billion pay out to the company founders family's interests.

Body

Fortescue has beefed up its dividend payout for the full year despite posting a modest jump in profit, handing a $2.24 billion windfall to the miner's biggest shareholders Andrew and Nicola Forrest.

The iron ore miner on Wednesday posted an underlying net profit of $US5.7 billion ($8.4 billion) for the 12 months to June, slightly below forecasts, as it battled higher costs and a slump in iron ore demand from its key customer China. Revenue for the period edged up 8 per cent to $US18.2 billion.

Fortescue received an average of $US103 a tonne for the 192 million tonnes of iron ore it shipped in the financial year, however the price of the steelmaking ingredient has dropped by more than a third since January.

The miner announced a final dividend of 89¢ a share, taking its full-year dividends to $1.97 a share (a payout ratio of 70 per cent), higher than the payout ratio of 65 per cent a year earlier. Andrew and Nicola Forrest own a 36.7 per cent stake in ***Fortescue***.

Link to Image

Peter Milne

The latest results come as ***Fortescue*** has had to re-evaluate its green energy ambitions, cutting 700 jobs in July, as it scaled down its plans to become a green hydrogen superpower. The company had earlier set a target of producing 15 million tons of green hydrogen (produced by splitting water into hydrogen and oxygen molecules using renewable energy) a year by 2030.

Fortescue is also more exposed to the dip in iron ore demand, compared to its more diversified rivals - BHP and Rio Tinto. Iron ore accounts for almost 90 per cent of ***Fortescue***'s operating sales revenue.

Jarden's analysts said on Wednesday that while the miner's underlying earnings met consensus expectations, net profit after tax for the year fell short by 10 per cent due to increased depreciation. They added that continued falls in the iron ore price would put the miner's future dividends under pressure, forcing ***Fortescue*** to keep a tight leash on costs.

Fortescue Metals chief executive Dino Otranto said the result was the third-highest earning in ***Fortescue***'s history.

Meanwhile, ***Fortescue*** Energy chief executive Mark Hutchinson said the division had achieved its two final investment decisions during the year to produce green hydrogen in Arizona and Queensland.

The company expects to spend up to $US3.8 billion on capital works in its mining division, and the nascent clean energy business will be funded with about $US700 in operating expenses and $500 million of capital expenditure.

Fortescue shares were trading 1.8 per cent weaker at $18.30 in afternoon trading.

Graphic

Fortescue chair Andrew Forrest after driving a prototype hydrogen-powered electric haul truck called Europa - named after a moon of hydrogen-filled Jupiter.

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