

Fortescue delivers net profit after tax of US\$5.7 billion



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Body

Fortescue Metals Group Ltd has achieved its third-best financial result with an underlying profit after tax of \$US5.7 billion, reflecting a 3% increase.

Revenue rose by 8% to \$US18.2 billion with the company receiving \$US103 per tonne of iron ore, also an 8% increase.

Despite these gains, the profit result fell short of consensus estimates of \$US6.12 billion.

The company provided guidance for iron ore shipments in the current year to be between 190 million and 200 million tonnes, nearly consistent with the 192 million tonnes shipped in the previous year.

Expected C1 cost for hematite production is projected to rise slightly to \$US18.50-\$US19.75 per tonne, compared to \$US18.24 in the previous year.

The company's iron ore division is expecting a modest increase in shipments, which offsets the green energy division's reported loss of \$US659 million in the past financial year.

Projected spending for its green energy division is set to exceed \$US1.2 billion this year.

Fortescue Metals CEO Dino Otranto said, "The team has delivered another year of outstanding performance contributing to the third highest earnings in **Fortescue**'s history and free cash flow of US\$5.1 billion.

"This was achieved while remaining focused on safety with our lowest ever Total Recordable Injury Frequency Rate of 1.3 across our iron ore operations.

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"We celebrated a number of significant milestones including first ore from the Flying Fish and Hall Hub deposits as well as the commissioning of our gaseous and liquid hydrogen plant which is the largest of its kind on a mine site in Australia.

"We will use the hydrogen from this plant for our Green Metal Project, which we commenced work on earlier this month.

"We also now have several electric excavators operational across our mine sites and, as a demonstration of our values in action, our aerodrome at Cloudbreak became the first in Australia to have a fully operational, solar-powered airfield lighting system.

"Reflecting our ongoing commitment to delivering shareholder returns, the board has declared a fully franked final dividend of A\$0.89 per share, bringing total dividends declared for FY24 to A\$1.97 per share. This represents a 70% payout of net profit after tax."

Green energy focus

Despite green energy losses, the company is committed to its energy transition ambitions.

"We're steadfastly committed to the green energy transition and making solid progress towards our goals, while also maintaining the financial discipline that has made **Fortescue** a success for the past 20 years," **Fortescue** Energy CEO Mark Hutchinson said.

"This year, **Fortescue** took our first energy projects to Final Investment Decision. We turned the soil to launch Arizona Hydrogen, our green hydrogen project in the United States, and started work on Gladstone PEM50, a 50MW green hydrogen project utilising **Fortescue**'s own electrolyser technology.

"Our board has also agreed to fast-track two more projects, with Holmaneset in Norway and Pecém in Brazil progressing to feasibility phase.

"We officially opened our Gladstone Electrolyser Centre in Queensland earlier this year and started selling our electrolyser systems. This technology and our other **Fortescue** Zero products and solutions are key to everything we are doing.

"Not only are we using them to decarbonise our own mining operations by 2030, we're also now selling them to other customers, so they too can eliminate emissions.

"These are significant achievements, and we must continue to be focused, move fast, be agile and deliver for our shareholders and our customers."

Finances in review

Fortescue achieved a total of 191.6 million tonnes in iron ore shipments during FY24, bolstered by robust operational performance across its hematite supply chain and the first shipments from the Iron Bridge project.

The company reported a revenue increase of 8% compared to FY23, reaching US\$18.2 billion. This growth was driven by an 8% rise in the average revenue from hematite, which stood at US\$103 per dry metric tonne (dmt).

The hematite C1 cost also saw a 4% increase, reaching US\$18.24 per wet metric tonne (wmt). This was primarily due to higher labour rates and cost escalations related to the mine plan, though these were partially mitigated by a continued emphasis on cost control.

Fortescue's underlying earnings before interest, taxes, depreciation and amortisation (EBITDA) grew by 7% year-over-year to US\$10.7 billion, reflecting the revenue increase. The underlying EBITDA margin remained strong at 59%.

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Meanwhile, the company's underlying net profit after tax (NPAT) rose by 3% to US\$5.7 billion. This increase was mainly due to the higher EBITDA, although it was partially offset by increased depreciation and amortisation expenses stemming from higher capital expenditure and the commissioning of assets, including Iron Bridge, in FY24.

It maintains a robust balance sheet, characterised by low-cost, investment-grade terms and the absence of financial maintenance covenants.

As of June 30, 2024, the company reported a cash balance of US\$4.9 billion and gross debt of US\$5.4 billion, resulting in a net debt position of US\$0.5 billion. **Fortescue**'s credit metrics remained strong, with a gross debt to last 12 months earnings before interest, taxes, depreciation, and amortisation (EBITDA) ratio of 0.5 times and a gross gearing of 22%.

The company also demonstrated strong cash flow performance, with net cash flow from operating activities reaching US\$7.9 billion, a 7% increase from the previous year. Free cash flow grew by 18%, totalling US\$5.1 billion.

In FY24, **Fortescue**'s total capital expenditure and investments amounted to US\$2.9 billion. This included US\$1.9 billion for sustaining and hub development, US\$271 million for exploration and studies, US\$155 million for iron ore projects, US\$224 million for decarbonisation efforts, and US\$317 million invested by **Fortescue** Energy.

Looking forward, FY25 guidance based on an assumed FY25 average exchange rate of AUD:USD 0.68 is:

- Iron ore shipments of 190-200 million tonnes, including 5-9 million tonnes for Iron Bridge (100 per cent basis);
- C1 cost for hematite of US\$18.50-US\$19.75/wmt;
- **Fortescue** Metals capital expenditure of US\$3.2-US\$3.8 billion; and
- **Fortescue** Energy net operating expenditure of approximately US\$700 million and capital expenditure of approximately US\$500 million.

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