FED:Fortescue profit surges, bigger dividend

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Body

Andrew "Twiggy" Forrest's ***Fortescue*** Group has revealed stellar profits on near-record iron ore shipments and higher prices for his Pilbara ore.

The iron ore giant reported on Thursday a net profit of $US3.3 billion for the six months to December 31, up 41 per cent amid strong demand for the company's products in China.

Shares in ***Fortescue*** rose 1.3 per cent or 35 cents to $27.60 by midday AEDT but investors remain wary about "elevated" green spending on hydrogen, shipping, trains and electric trucks.

Earnings before interest, taxes, depreciation, and amortisation, a key measure of profitability, rose 36 per cent to $US5.9 billion.

The company is aiming for zero emissions across its iron ore operations by 2030 at a cost of more than US$6 billion in capital.

The energy division's chief executive Mark Hutchinson said the decarbonisation plan continues to gain momentum, including the testing of the first battery electric haul truck prototype in the Pilbara.

He said important progress was made across green energy production, battery technology development, hydrogen systems and capital.

"We have a strong pipeline of projects to come, and we will continue to show the same financial discipline that ***Fortescue*** has shown for 20 years," he said.

Analyst Sean Williams at Moody?s Investors Service said earnings growth was supported by favourable iron ore prices, strong shipment levels and cost discipline.

"***Fortescue***'s solid financial profile sets the company in a good position given its investment spending will likely remain elevated in the coming years," he said.

As well as decarbonising its mining operations, the group plans to advance its renewable energy and green hydrogen projects through the ***Fortescue*** Energy division.

Plans include the deployment of an additional two to three gigawatts of renewable energy generation and battery storage, in addition to the deployment of a green mining fleet and locomotives.

Total capital expenditure for the half-year period was $US1.5 billion, including $US104 million on decarbonisation and $US165 million by ***Fortescue*** Energy.

Overall, the cash balance was $US4.7 billion at 31 December 2023 and gross debt was unchanged at $US5.3 billion, resulting in net debt of $US0.6 billion.

Guidance for full-year shipments, cost and capital expenditure was unchanged.

"***Fortescue***?s performance in the first half of FY24 has been excellent, with the team achieving our second highest first-half shipments while maintaining our strong focus on safety and keeping our costs low," metals chief executive Dino Otranto said.

Cost management will continue to be a focus, however inflationary pressures remain a risk, the company said.

Iron Bridge went into operational production in August 2023 and completed ***Fortescue***?s first shipment of higher grade magnetite product.

The company said there was also progress on the Pilbara Energy Connect project with the completion of 320km of transmission lines to connect Solomon to Iron Bridge and through to Port Hedland.

In the critical minerals portfolio, ***Fortescue*** said it was ramping up exploration activities in copper, rare earths and lithium.

Fortescue Capital, launched last November, is seeking investors to support the pipeline of green hydrogen and green ammonia projects and emissions reduction at Pilbara operations.

UBS analyst Lachlan Shaw said the result was "solid and clean" but maintained a "sell" rating on the stock.

Maintaining full-year shipment guidance of 192-197 million tonnes despite weather and train derailment delays in January would require a strong second-half, he warned.

"This is not unusual seasonally, but we will need to monitor for disruptions over coming months," he said.

The group declared a fully franked interim dividend of $A1.08 per share, up from 75 cents a year earlier.

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