



# FY21 Full Year Results

30 August 2021



Thriving communities | Global force

# Forward Looking Statements Disclaimer



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## Additional Information

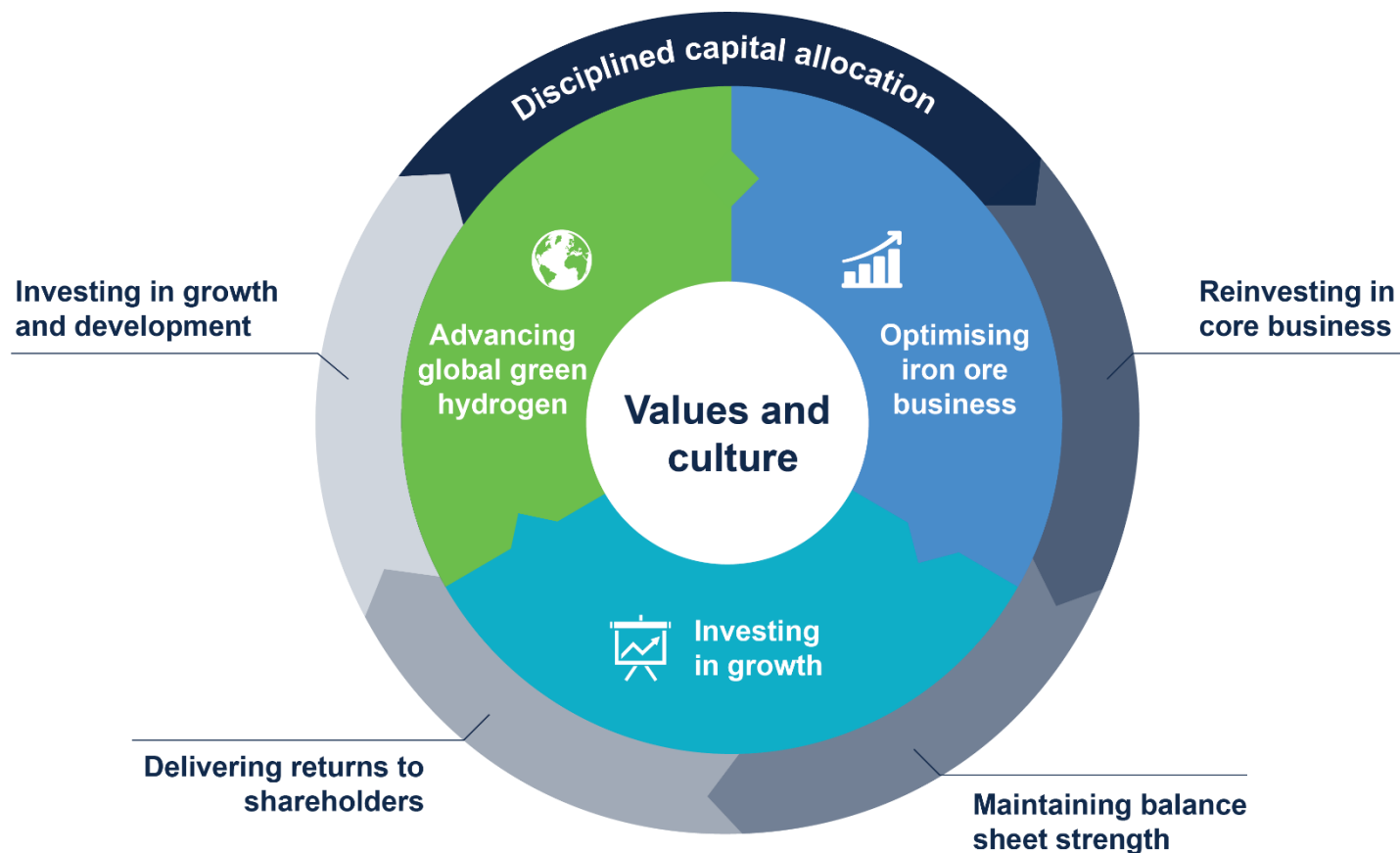
This presentation should be read in conjunction with the Annual Report at 30 June 2021 together with any announcements made by Fortescue in accordance with its continuous disclosure obligations arising under the Corporations Act 2001 and ASX Listing Rules. Any references to reserve and resources estimations should be read in conjunction with Fortescue's Ore Reserves and Mineral Resources statements released to the Australian Securities Exchange on 27 August 2021. Fortescue confirms in the subsequent public report that it is not aware of any new information or data that materially affects the information included in the relevant market announcement and, in the case of estimates of mineral resources or ore reserves, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. All amounts within this presentation are stated in United States Dollars consistent with the functional currency of Fortescue Metals Group Ltd, unless otherwise stated. Tables contained within this presentation may contain immaterial rounding differences.



# World class company

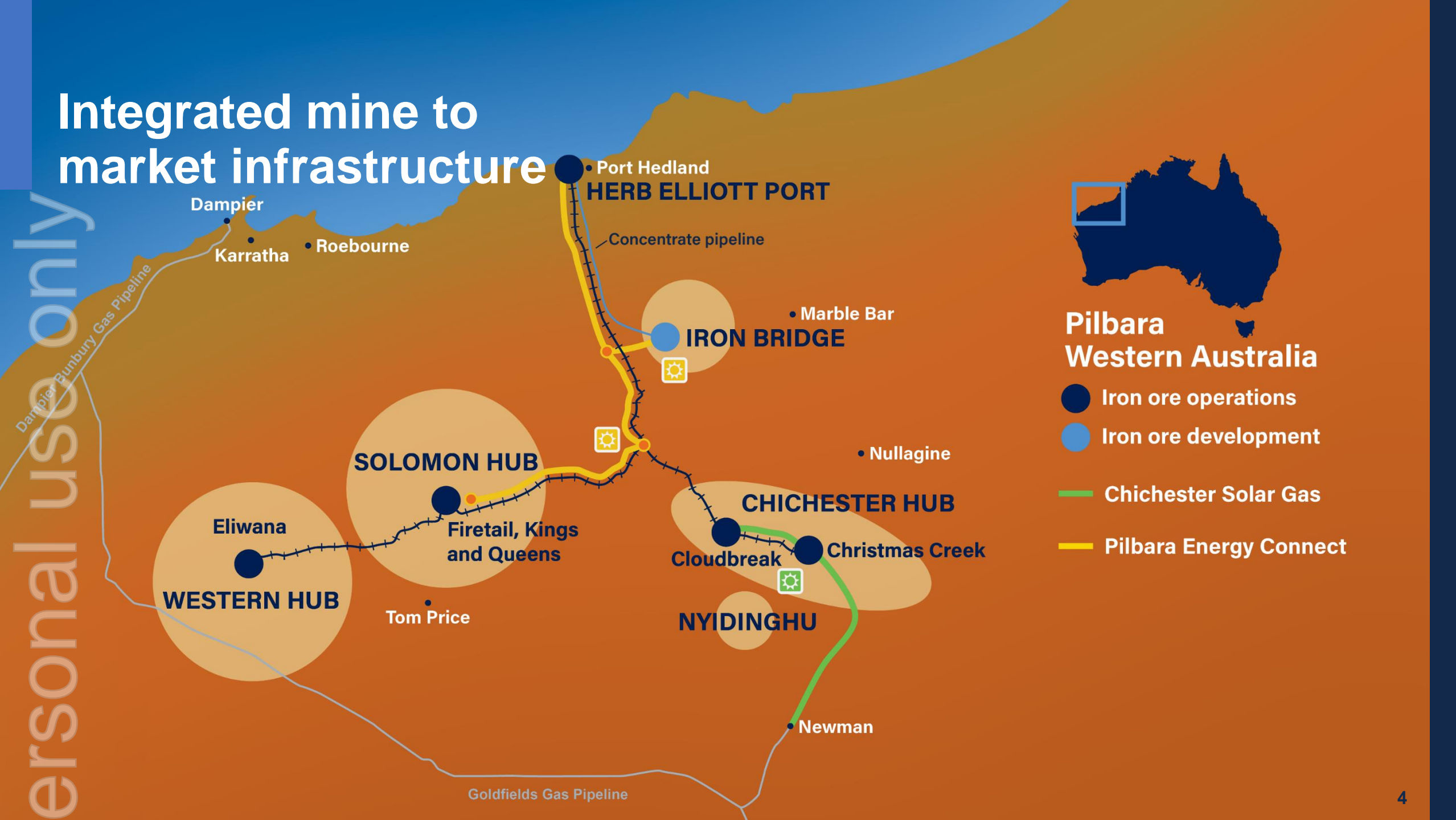


## Thriving communities | Global force



# Integrated mine to market infrastructure

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# FY21 Results





# Safety and unique culture



Unwavering focus on health and safety of the Fortescue family

## 2.0 TRIFR

Total Recordable Injury Frequency Rate  
at 30 June 2021

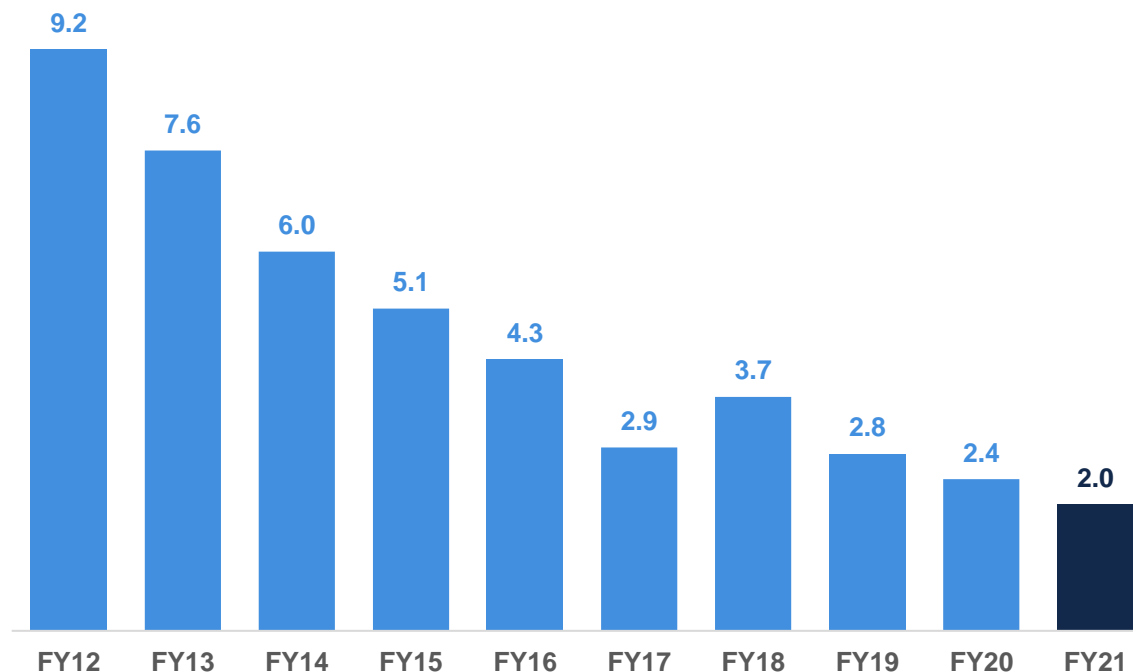
## 17% improvement

From 30 June 2020

## 99% participation

Safety Excellence and Culture Survey

Total Recordable Injury Frequency Rate





# FY21 production highlights



## Outstanding operating performance delivers record annual shipments

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**182.2 mt**

Record annual shipments  
2% increase on FY20

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**US\$13.93 /wmt**

Industry leading C1 cost

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**US\$135 /dmt**

Average revenue  
72% increase on FY20

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**88%**

Average revenue realisation

# FY21 financial highlights



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**US \$22.3 bn**

Revenue  
74% increase on FY20

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**73%**

Underlying EBITDA margin

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**US \$16.4 bn**

Underlying EBITDA  
96% increase on FY20

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**US \$99 /dmt**

Underlying EBITDA per tonne

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**US \$10.3 bn**

Net profit after tax

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**US \$3.35**

Earnings per share (<sup>A</sup>\$4.48)  
117% increase on FY20



# FY21 financial highlights



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<sup>US</sup> **\$12.6** bn

Net operating cashflow

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<sup>US</sup> **\$9.0** bn

Free cashflow

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<sup>US</sup> **\$6.9** bn

Cash on hand

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<sup>US</sup> **\$4.3** bn

Gross debt

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<sup>US</sup> **\$2.7** bn

Net cash

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**19%**

Gross gearing

# Shareholder returns



Dividend policy to payout 50 to 80 per cent of full year net profit after tax

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<sup>A</sup> **\$2.11** per share

Fully franked **final** dividend

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<sup>A</sup> **\$3.58** per share

FY21 total dividends  
80% payout ratio

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<sup>US</sup> **\$8.2** billion

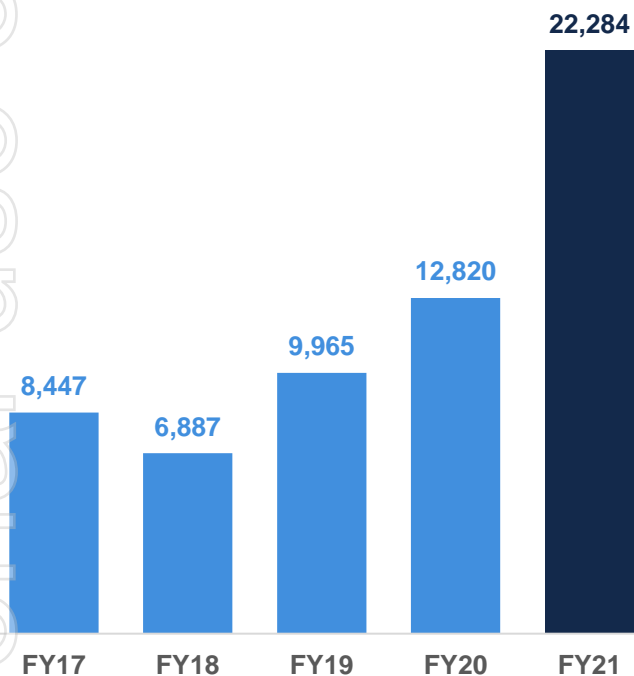
Value of FY21 dividends



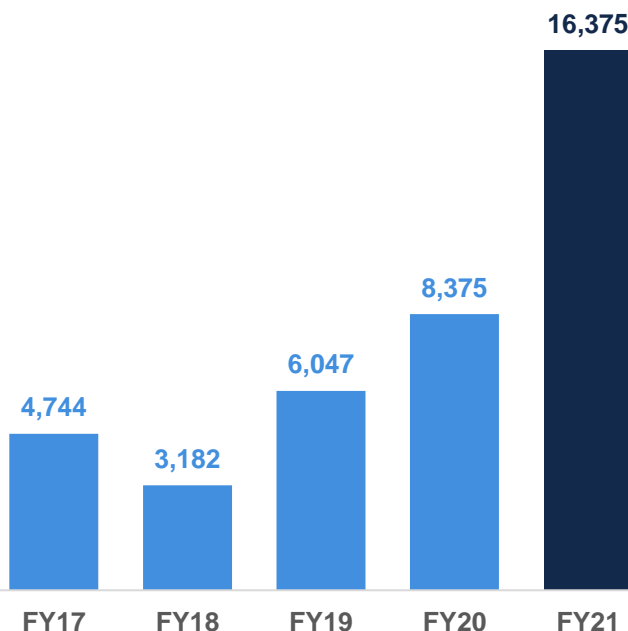
# Revenue and earnings

Record full year revenue and earnings

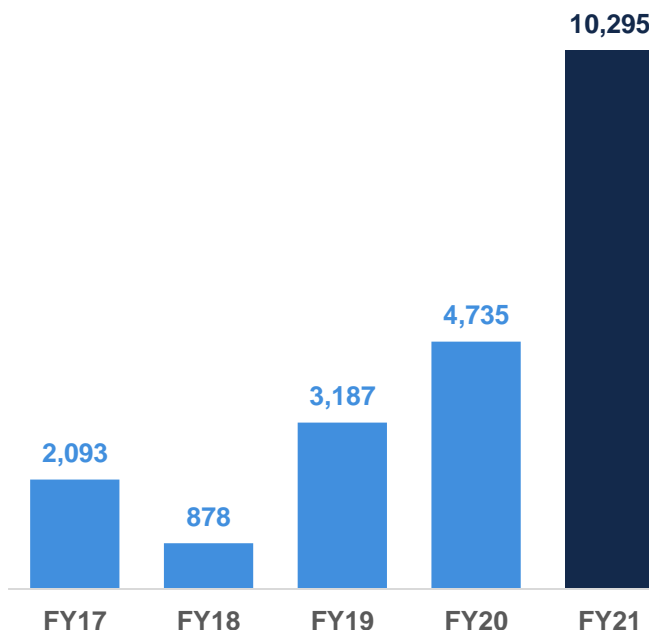
Revenue (US\$m)



Underlying EBITDA (US\$m)



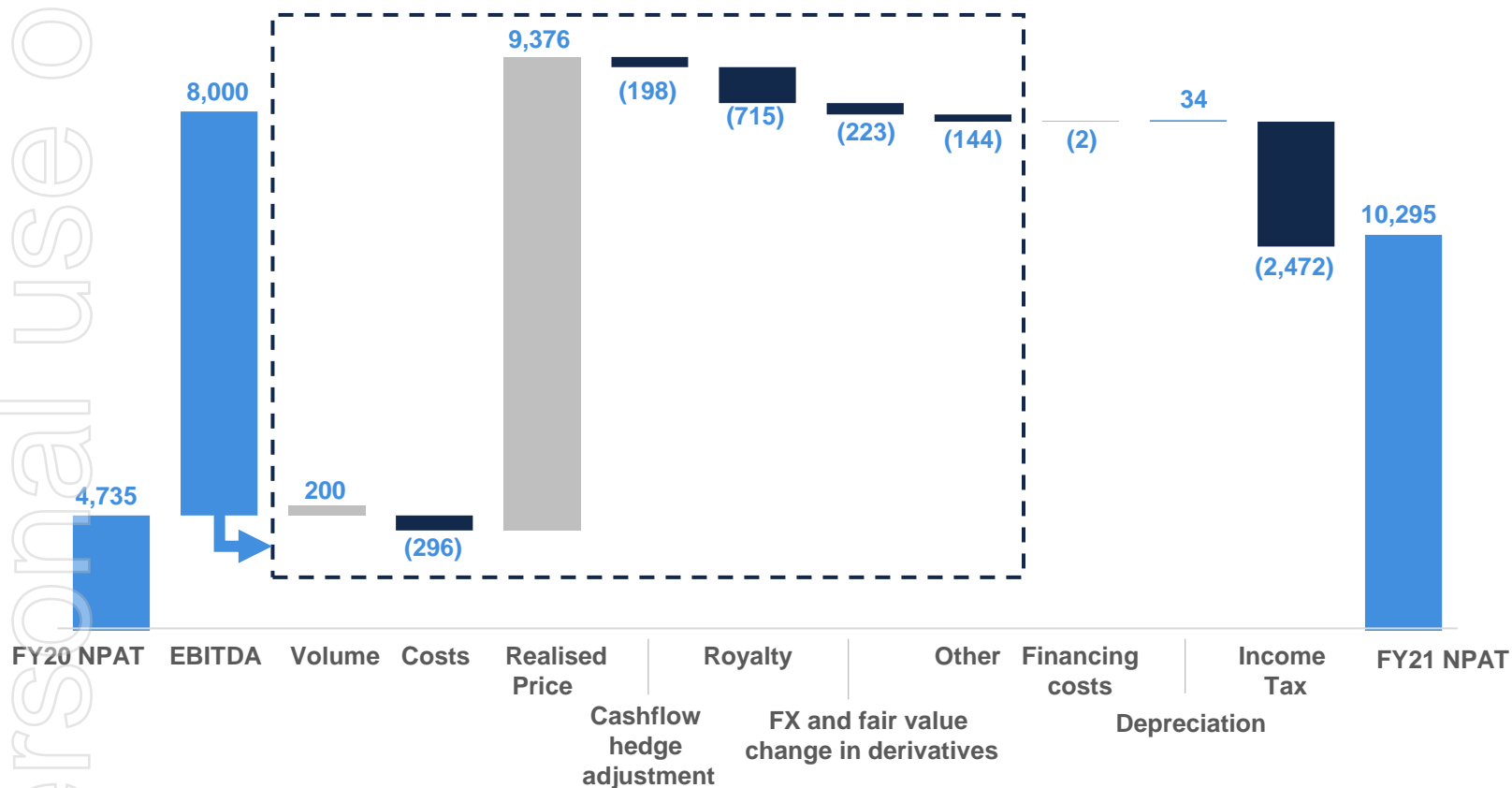
NPAT (US\$m)



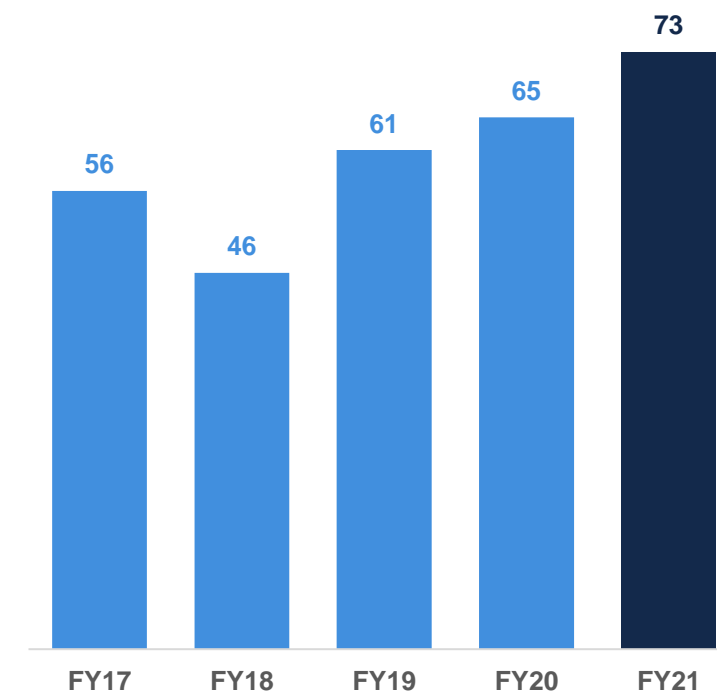
# Underlying EBITDA

Strong prices, volume growth and disciplined cost control

Underlying EBITDA and NPAT reconciliation (US\$m)



Underlying EBITDA margin (%)





# Price and margins

## Strong margins through all market cycles

Prices and Underlying EBITDA margin (US\$/dmt)

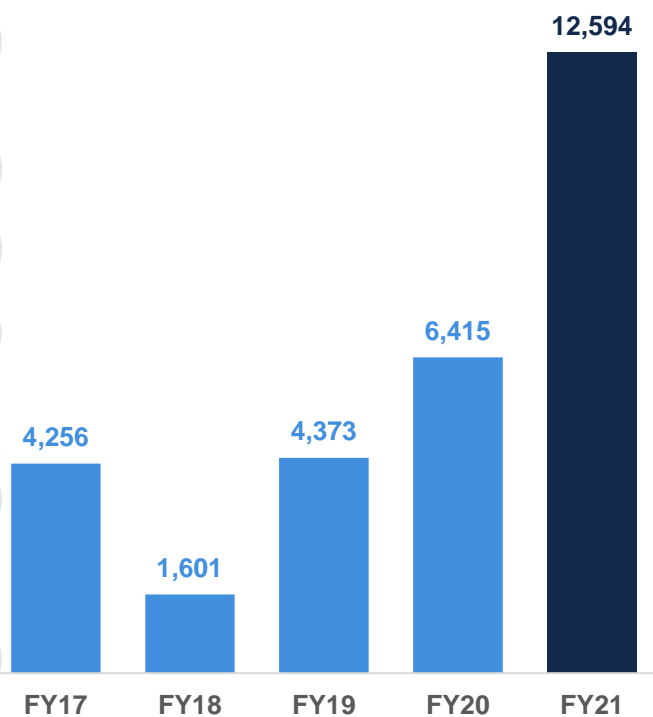


<sup>1</sup>Excludes Fortescue Future Industries costs recognised as an administration expense

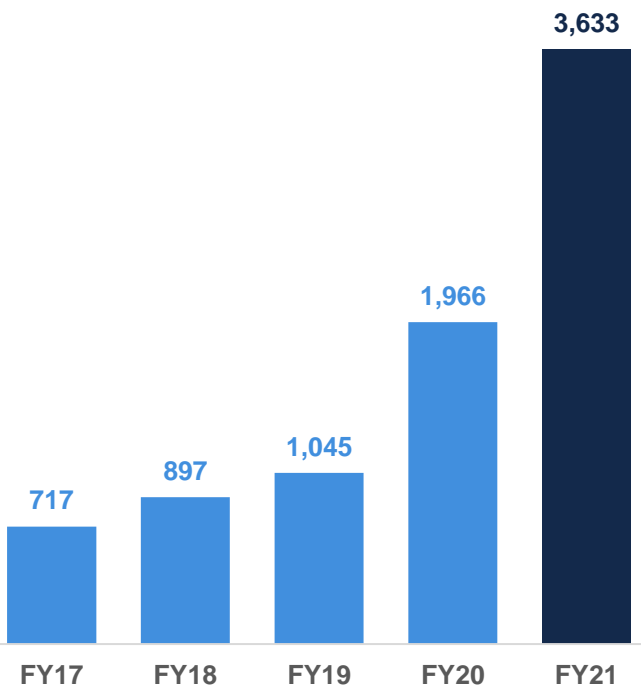
# Cash generation

Strong operating performance, disciplined investment and free cash flow

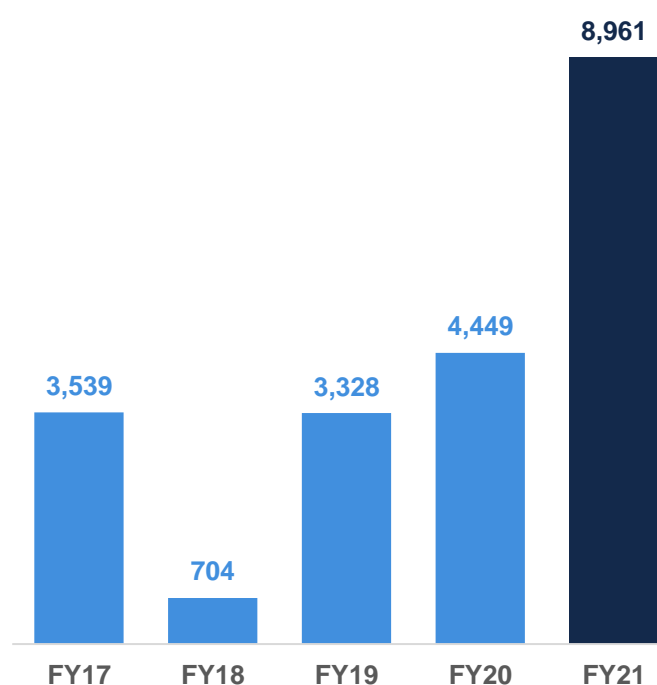
Net cash from operations (US\$m)



Capital expenditure (US\$m)



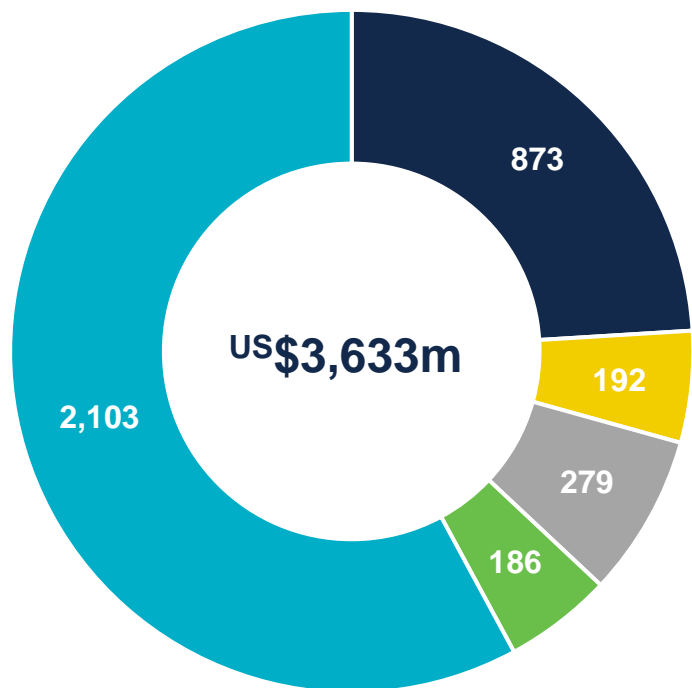
Free cash flow (US\$m)



# Capital expenditure

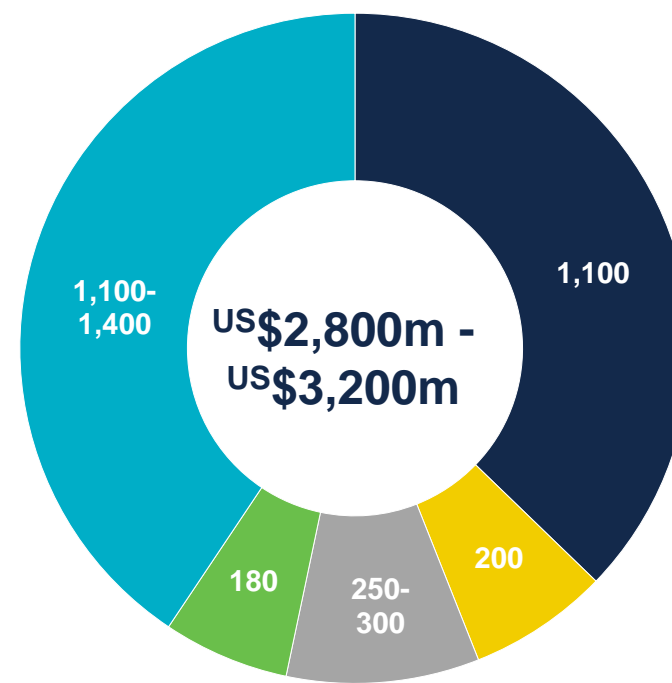
Reinvesting in the business and growth

FY21 capital expenditure (US\$m)



- Sustaining
- Operational development
- Major projects
- Hub development
- Exploration and studies

FY22 capital expenditure guidance<sup>1</sup> (US\$m)



- Sustaining
- Operational development
- Major projects
- Hub development
- Exploration and studies

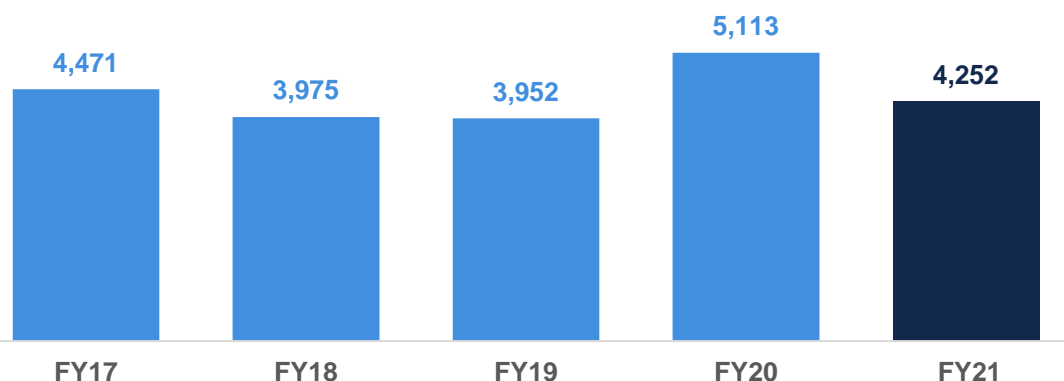
<sup>1</sup>Excluding Fortescue Future Industries



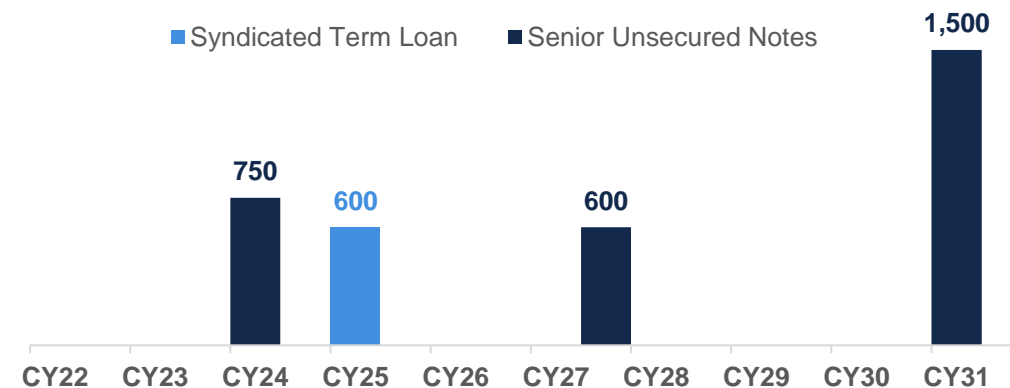
# Robust balance sheet

Credit metrics below target range, with future capacity

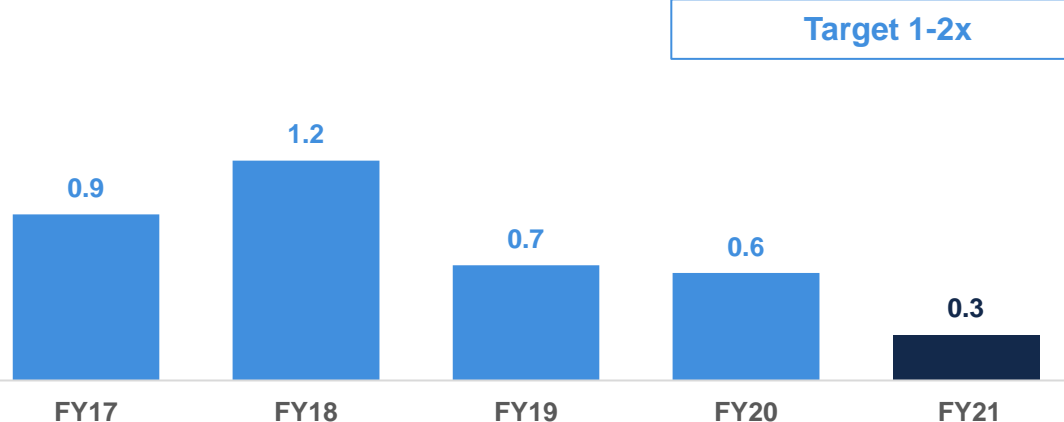
Gross debt (US\$m)



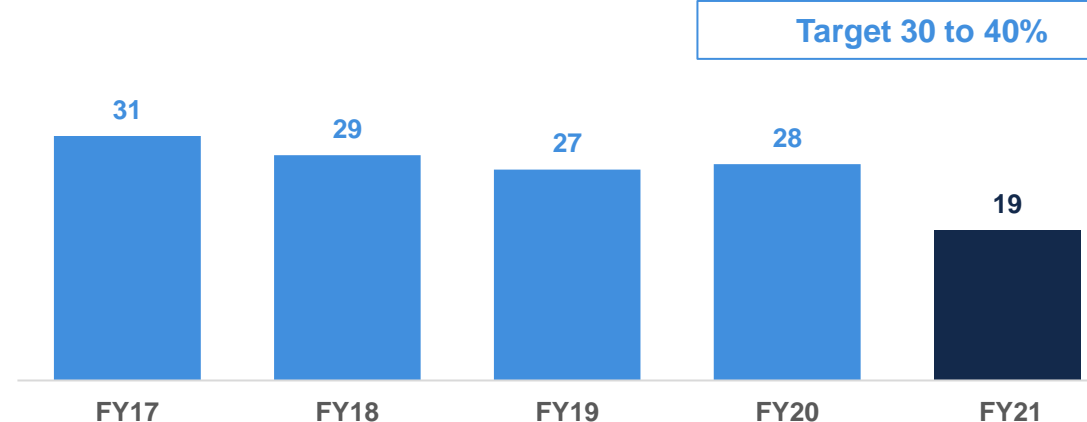
Debt maturity profile excluding leases (US\$m)



Gross debt to EBITDA (x)

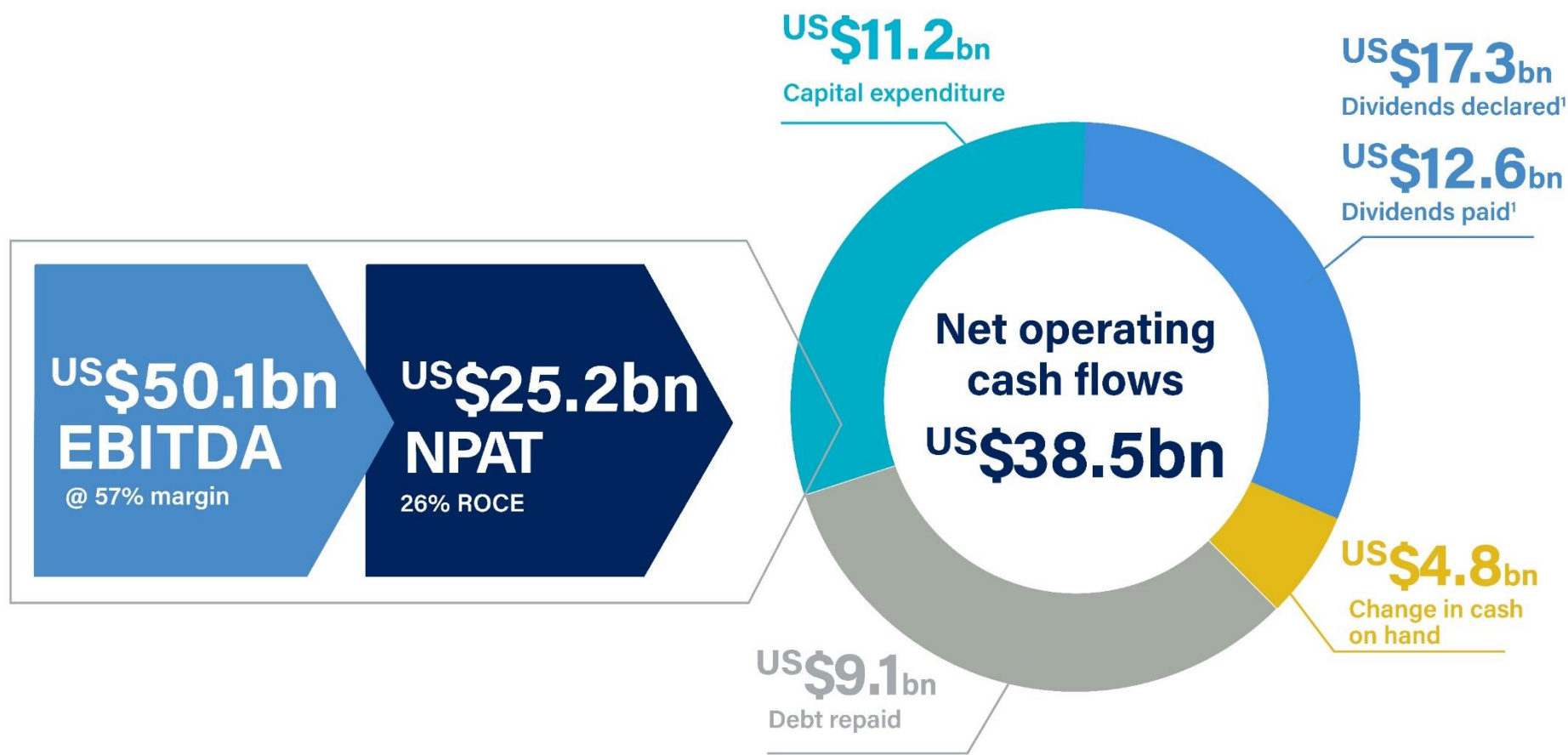


Gross gearing (%)



# Disciplined capital management

Aggregate earnings and cashflows FY14 – FY21

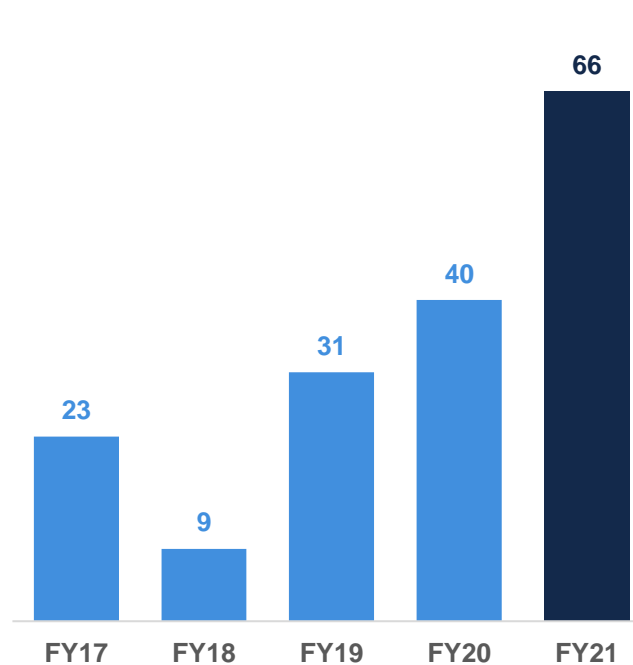


<sup>1</sup> Includes share buyback

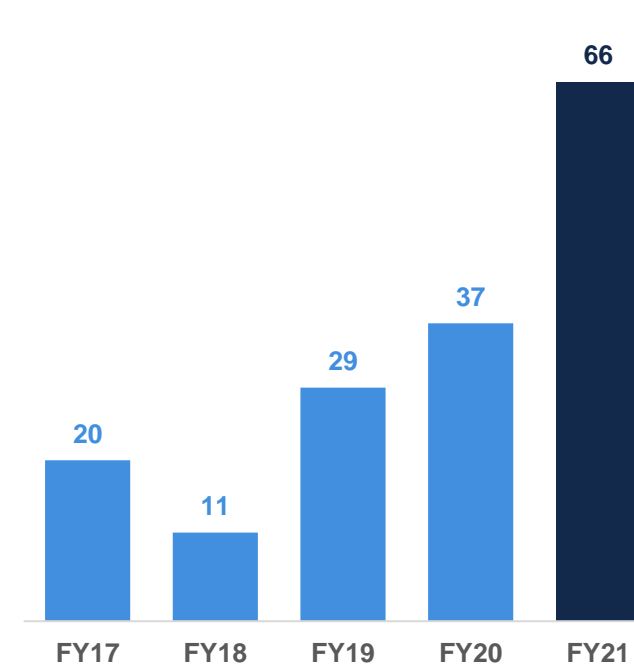
# Return on capital

## Profitable and capital efficient

Return on equity (%)



Return on capital employed<sup>1</sup> (%)



<sup>1</sup> ROCE is calculated as earnings before interest and tax divided by average capital (total assets minus current liabilities)

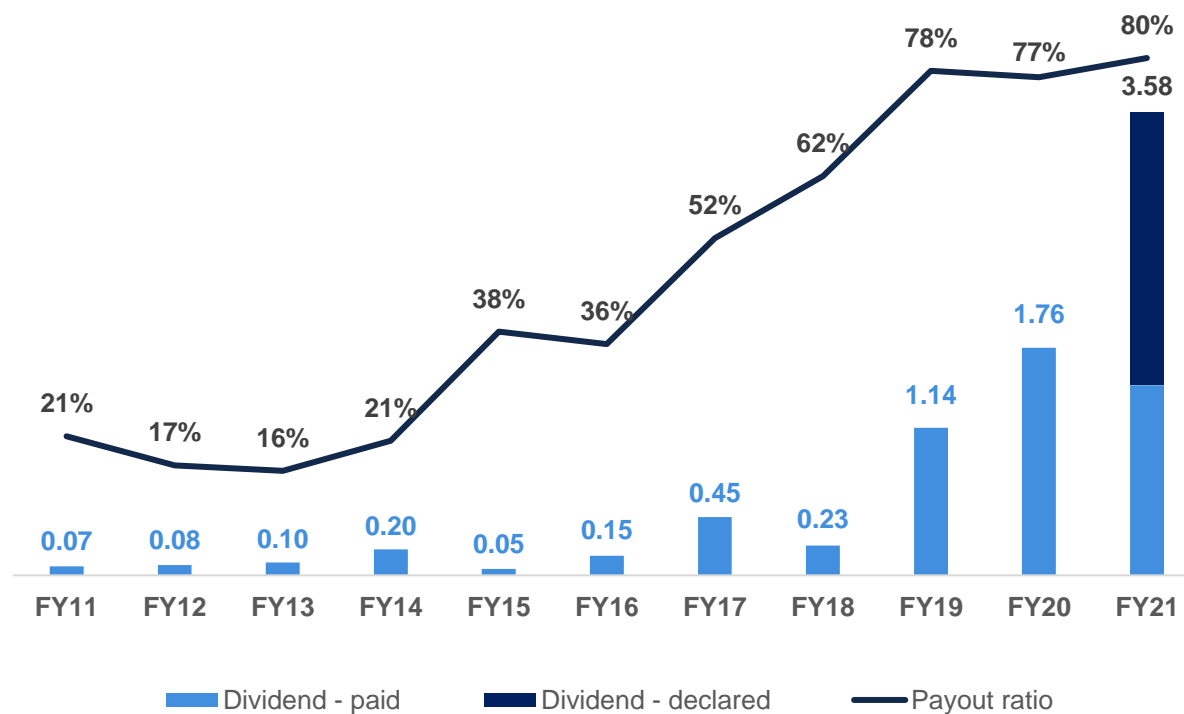


# Delivering dividends



Fully franked dividend of <sup>A</sup>\$3.58 per share, representing an 80 per cent payout of FY21 NPAT

Dividends (A\$/share) and payout ratio (%)



# FY22 guidance



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**180 – 185 mt**

Iron ore shipments

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<sup>US</sup> **\$15.00 –**

<sup>US</sup> **\$15.50 /wmt**

C1 cost based on assumed  
exchange rate of AUD:USD 0.75

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<sup>US</sup> **\$2.8 –**

<sup>US</sup> **\$3.2 billion**

Capital expenditure, excluding  
Fortescue Future Industries

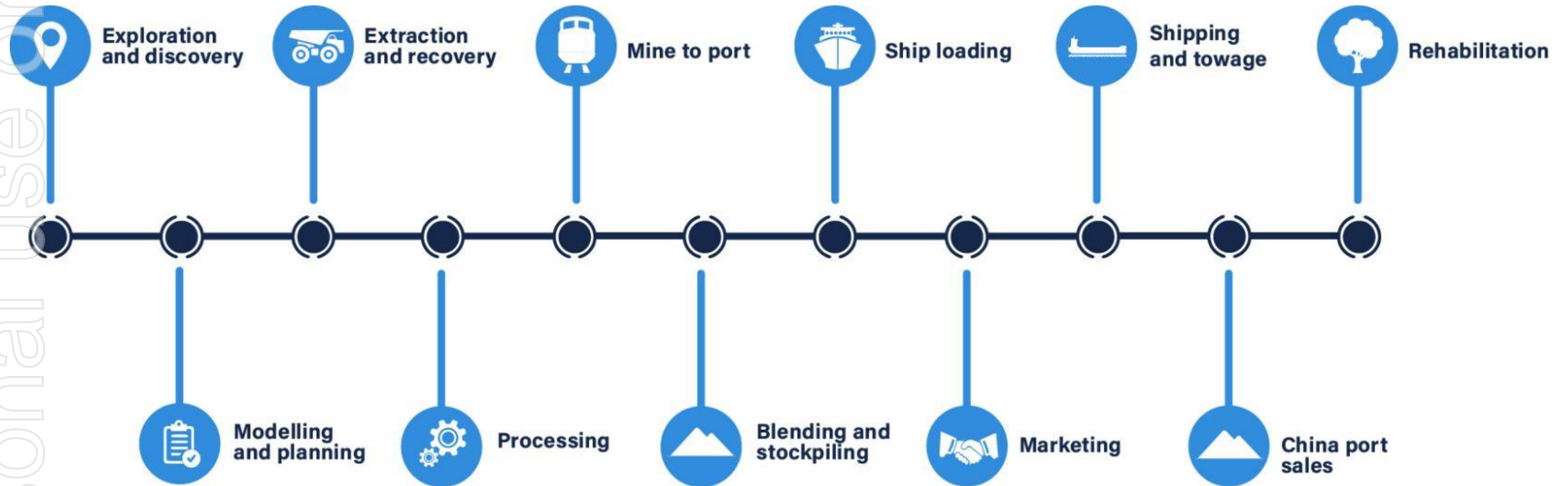


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# Integrated operations and marketing



# Supply chain





# Forefront of innovation

Delivering safety, productivity and efficiency benefits



## Operational excellence

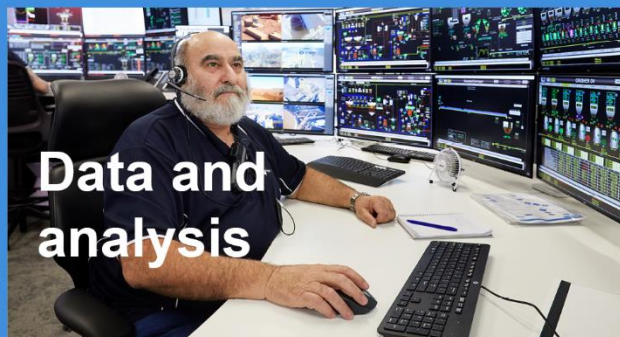
### Optimising asset base value

#### Current

- Autonomous haulage
- Relocatable conveyors
- OPF upgrades and WHIMS

#### Under development

- Remote dozing station
- Additional equipment automation
- Magnetite processing



## Data and analysis

### Driving informed decision making

#### Current

- Fortescue Hive
- Robotic Process Automation

#### Under development

- Advanced analytics and machine learning
- Transformation of information and decision support systems



## Carbon neutrality

### Maximising opportunities

#### Current

- Solar power
- Integration of renewables
- Battery storage

#### Under development

- Heavy industry decarbonisation technologies
- Hydrogen mobility
- Hydrogen refuelling infrastructure

# Marketing strategy



**Aligned with needs of customers and market**

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## **Direct engagement**

Customers and stakeholders

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## **Flexible and innovative**

Product and logistics offering

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## **Long term relationships**

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## **Product suite**

Aligns with needs of the market

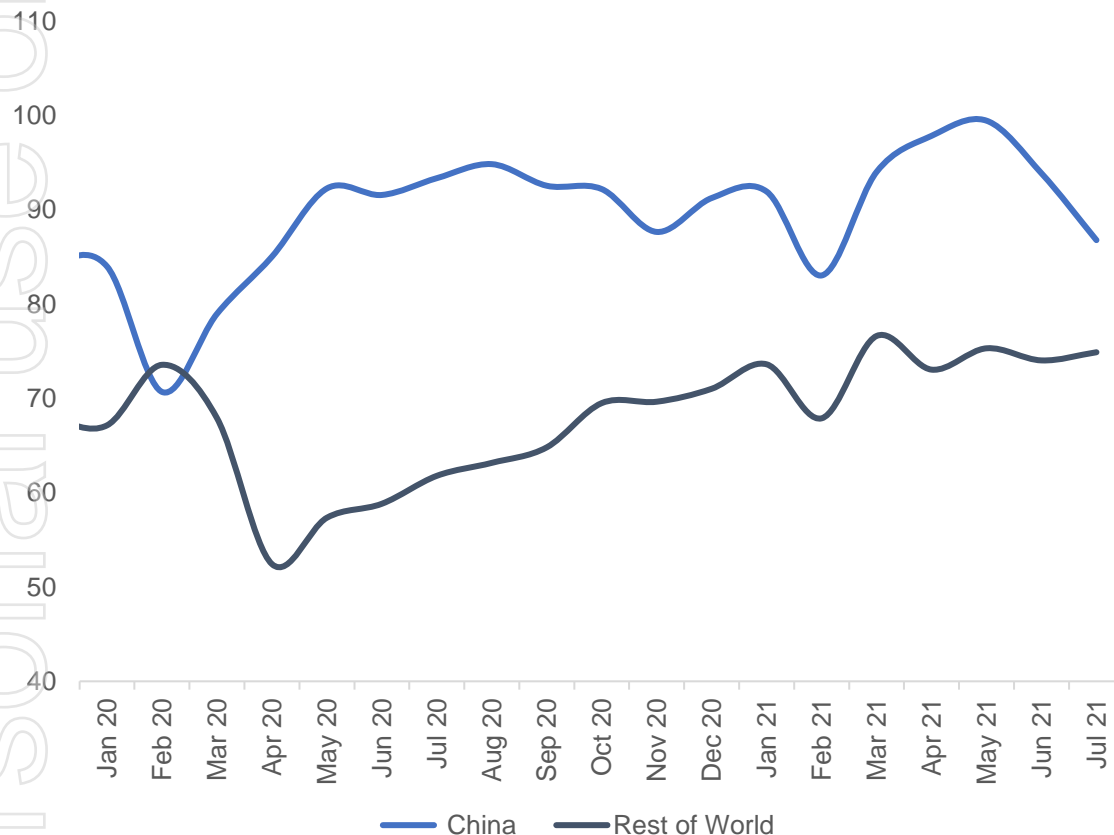


# Strong demand for steel and iron ore

Global economic growth supporting elevated steel prices and incentivising crude steel production



Monthly global crude steel production (mt)



## Steel prices

Supported by strong demand

## Iron ore supply

Constrained from traditional producers

## Iron ore imports

Robust into China and rest of world

## China port inventories

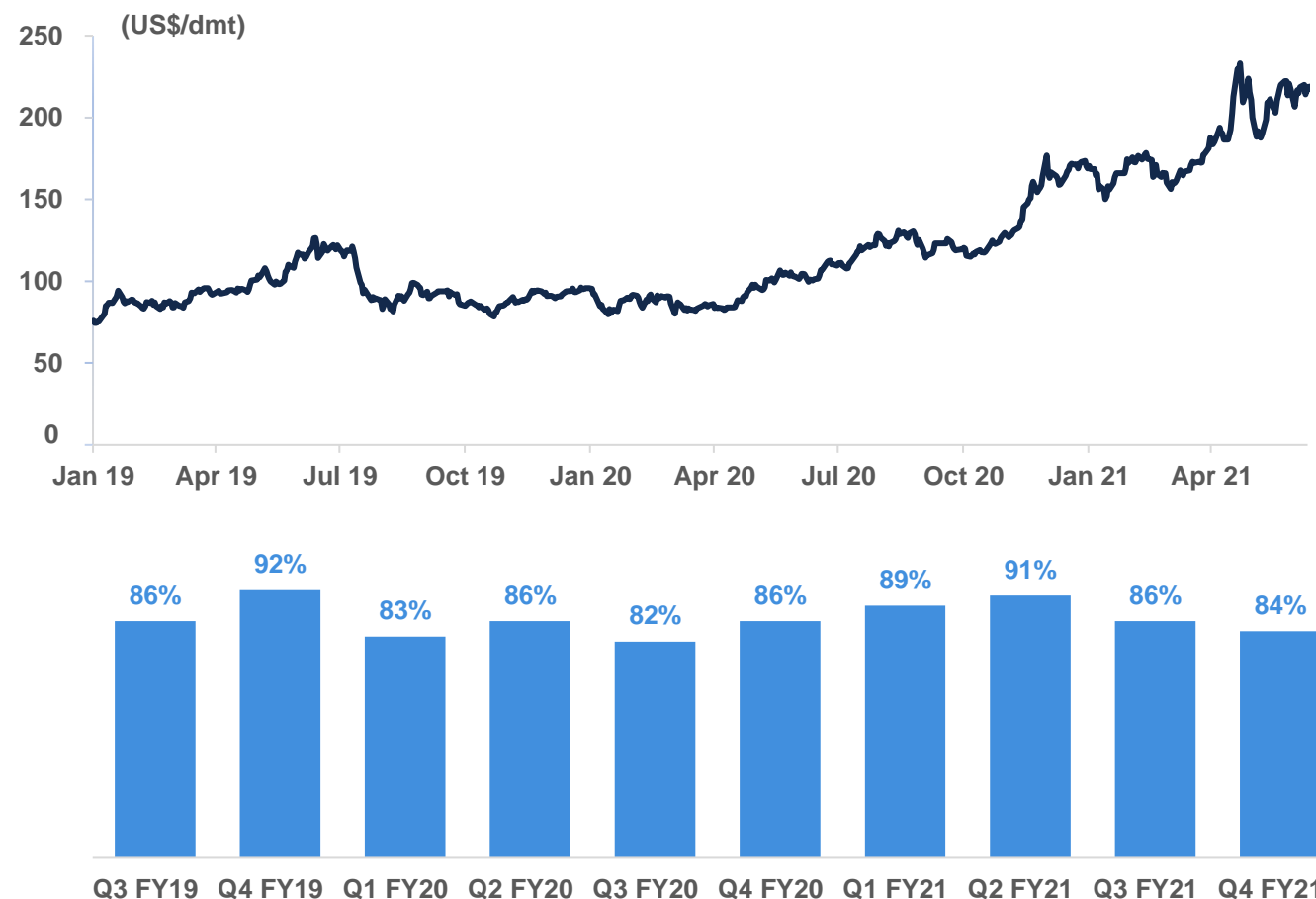
Iron ore stocks stable at low levels



# Strong realisations



Fortescue's FY21 average revenue of <sup>US</sup>\$135/dmt, 88% of the Platts 62% CFR Index



Source: Platts, Fortescue analysis



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# Growth and development





# Eliwana operations

Ramp up and integration of Eliwana contributed to record performance in FY21



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## First ore

Achieved in December 2020

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## 30 mtpa dry OPF

Running at annualised rate of production

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## Low capital intensity

Fast payback on investment

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## 143km rail

First east-west line through Hamersley Ranges





# Iron Bridge

Strategic investment providing enhanced product range to meet customer demand

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**US\$3.3 – US\$3.5bn**

Capital estimate

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**67% Fe**

High grade magnetite concentrate

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**22 mpta**

First production by December 2022

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**US\$33 – US\$38/wmt**

Competitive C1 cost



# Iron Bridge progress



Construction of primary crusher



Delivery of large modules to Iron Bridge



# Exploration

Focus on iron ore and commodities that support decarbonisation



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## Pilbara

Extensive iron ore tenement footprint providing further optionality

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## Australia

Early stage target generation for copper-gold in WA, NSW and SA

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## International

**Argentina** >300,000ha of tenements

**Ecuador** 135,000ha of tenements

**Peru, Chile, Brazil, Kazakhstan**



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# Fortescue Future Industries

FORTESCUE  
FUTURE  
INDUSTRIES



Fortescue



# Industry leader in addressing climate change

## Carbon neutral by 2030

Clear short term priorities on pathway to decarbonisation

## Stationary energy

Energy infrastructure supporting incorporation of large scale renewables

## Green fleet development

Heavy industry decarbonisation initiatives underway at Fortescue Future Industries

## Fortescue Future Industries

Establishing global portfolio of renewable energy, green hydrogen and green ammonia projects



# Fortescue Future Industries



**100 per cent renewable energy and green industry company**

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## **Enabler of 2030 target**

Investing in decarbonisation technologies  
Supplier of green energy

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## **New energy business**

Assessing global portfolio of renewable energy and green industry opportunities

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## **Capital allocation**

10 per cent of net profit after tax



# Global demand for green hydrogen

**Accelerated global commitment to emissions reduction, increasing future demand for green hydrogen**

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**US\$12 trillion**

Estimated global market for green hydrogen by 2050

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**US\$70 billion**

Public funding committed worldwide for hydrogen projects

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**Net zero targets**

>80% of global GDP located in countries with net zero ambition

>30 countries with hydrogen roadmaps

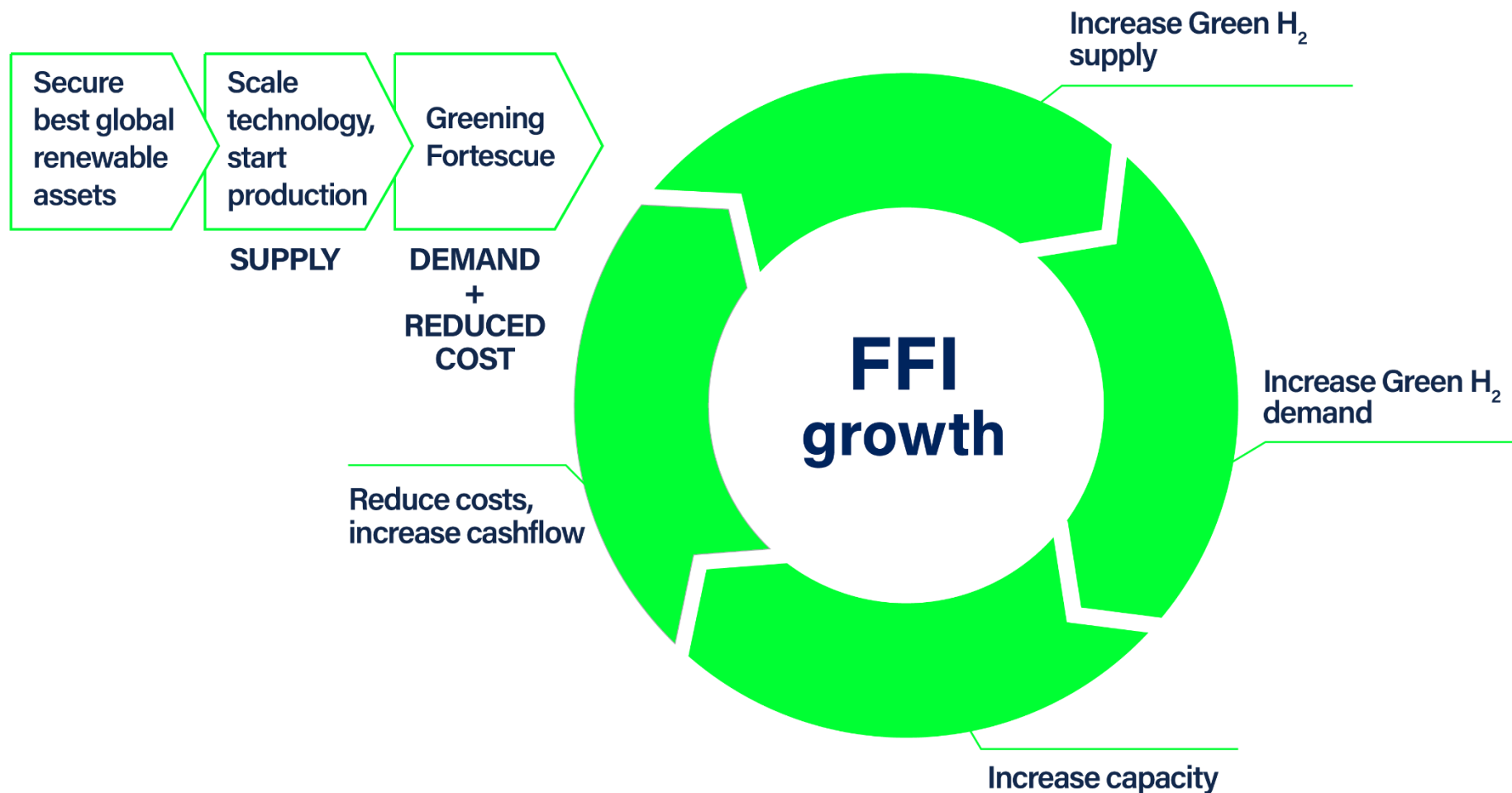
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**Global transport**

24% of global CO<sub>2</sub> emissions

Viable alternative for passenger and heavy industry transportation

# Fortescue Future Industries flywheel



# Emissions reduction pathway

## Investing in renewables and decarbonisation technologies



### Stationary energy

#### Integration of large scale renewables

##### Current activities

- Pilbara Energy Connect
- Chichester Solar Gas

##### Future investment

- Large scale wind, solar and battery storage to support 2030 target



### Mobile fleet

#### Eliminating diesel fuel

##### Technology development

- Trialling battery electric, green hydrogen fuel cells and green ammonia as a fuel

##### Forward looking strategic position

- Aligning strategic fleet renewal with decarbonisation objectives



# Green fleet development

Progress at Fortescue Future Industries testing facility in Perth



Systems testing on hydrogen powered drill rig for technology demonstration



Construction of hydrogen powered haul truck for technology demonstration completed

# FY22 priorities

FORTESCUE  
FUTURE  
INDUSTRIES



Anticipated expenditure of US\$400 – US\$600 million in FY22



## Green fleet development

### Trialling hydrogen, ammonia and battery power technology

- Haul trucks
- Locomotives
- Drill rigs
- Ore carriers / ships
- Passenger coaches
- Light vehicles



## Domestic projects

### Asset identification and studies

- Solar, wind and hydropower resources
  - Green hydrogen and green ammonia production
- 
- Pilbara, Western Australia
  - Kimberley, Western Australia
  - Bell Bay, Tasmania
  - Port Bonython, South Australia
  - Queensland
  - Northern Territory



## International projects

### Asset identification and studies

- New Zealand
- Papua New Guinea
- Democratic Republic of Congo
- Indonesia
- Latin America
- Africa
- Europe
- North America



## Capital spend

### Investments

- Technology and innovation
- Research and development
  - Green Iron
  - CSIRO partnership
  - University partnerships
- Manufacturing and value chain capabilities



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# Sustainability



# Approach to sustainability

Ensuring communities benefit from Fortescue's success



## Setting high standards

Health, safety and wellbeing

Workforce diversity

Protecting Aboriginal heritage

Business integrity

Economic contribution



## Safeguarding the environment

Climate change action

Protecting biodiversity

Water management

Mine closure and rehabilitation

Waste management



## Creating positive social change

Creating opportunities

Building sustainable communities

Social investment

Protecting human rights

Eliminating modern slavery



# Setting high standards



A focus on safety and building a diverse workforce reflective of our community

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## 2.0 TRIFR

17% improvement from 2.4 in FY20

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## 21% female

Employment rate

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## 14% Aboriginal

Employment rate across Pilbara operations



# Safeguarding the environment



**Minimising the impact of our  
operations on the environment**

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**Zero**

Significant environment incidents

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**A\$2.6 million**

Invested in research and conservation

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**98% water reinjected**

Innovative managed aquifer recharge scheme

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**87% non-mineral waste**

Recycled across all operational sites



# Creating positive social change



**Empowering thriving communities and creating opportunities through training, employment and business development**

## **Billion Opportunities**

><sup>A</sup>\$3 billion in contracts awarded to Aboriginal businesses and joint ventures since 2011

## **><sup>A</sup>\$63 million**

Social investment in communities

## **Local procurement**

95% of total procurement spent with Australian businesses and entities



# Our Values

Safety

Family

Empowerment

Frugality

Stretch targets

Integrity

Enthusiasm

Courage and  
determination

Generating  
ideas

Humility



Thriving Communities | Global force



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