March 2025 Quarterly Production Report

Investor and Analyst Call Transcript

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[START OF TRANSCRIPT]

Operator: Thank you for standing by and welcome to the Fortescue Ltd March 2025 Quarterly Production Report. All participants are in a listen only mode. There will be a presentation followed by a question and answer session. If you would like to ask a question, you will need to press the star key followed by the number one on your telephone keypad.

I would now like to hand the conference over to Mr Andrew Driscoll, Director of Corporate Finance. Please go ahead.

Andrew Driscoll: Thank you, Darcy, and welcome all. I'm joined today in Perth by Dino Otranto, CEO Metals, Mark Hutchinson, CEO Energy, and Apple Paget, Group CFO.

Now, we appreciate it's a busy day on the reporting calendar for you all, so I'm going to share a brief summary of the operational performance for some context before there will be opportunity for those that have dialled in to ask questions of the Executive and some of the Leadership Team here in the office.

We delivered another strong operating performance in the March quarter across our key metrics of safety, production, and cost. This included an outstanding safety performance which included the rolling 12 month Total Recordable Injury Frequency Rate of 1.1. That is a 27 per cent improvement year on year.

We achieved record production and record shipments for the nine months to 31 March 2025, up five per cent and four per cent year on year, respectively. Now, this is particularly impressive as the team effectively managed the impacts of several significant weather events during the quarter. This resulted in heavy rainfall across parts of the Pilbara and the Port at Port Hedland was closed for five days.

Total shipments in the quarter were 46.1 million tonnes, contributing to shipments of 143 million tonnes in the nine month period. That included shipments from Iron Bridge of 1.5 million tonnes during the quarter, meaning shipments from Iron Bridge year to date of 4.7 million tonnes. The Iron Bridge supply chain was impacted by Tropical Cyclone Zelia during the quarter, and we ended the period at Iron Bridge with healthy ROM and port stocks.

As reported in February, we've commenced the assessment to optimise the performance of the dry circuit which will inform the ramp up schedule to its 22 million tonne capacity. That assessment will be completed this quarter.

The Hematite C1 cost was US$17.53 a tonne in Q3. That's four per cent lower quarter on quarter and the lowest C1 cost in over three years. It did reflect some FX tailwinds, a lower strip ratio during the quarter, as well as the strong operational performance.

Moving to revenue, the Hematite average revenue was US$87 a tonne, realising 84 per cent of the average Platts 62 Index. The Iron Bridge Concentrate revenue was actually flat quarter on quarter at US$117 a tonne. That meant an improvement in the realisation to 100 per cent of the Platts 65 Index and 113 per cent of the Platts 62 Index.

There were several other milestones to call out. For the first time, we partnered with NAB to expand Fortescue's Buriya Capital Funding program. This enables First Nations businesses to access funding at competitive rates, supporting business capacity building.

We commenced construction on the 190 megawatt Cloudbreak solar farm. This follows the completion of the 100 megawatt solar farm at North Star Junction last year.

And we launched and completed the acquisition of Red Hawk Mining for A$254 million and that Blacksmith Iron Ore Project will be integrated into Fortescue's Life of Mine Plan.

It was also a big quarter for our green technology business, reaching a key milestone with the successful production and shipment of the first T 264 Power System to Liebherr. Our Fortescue Zero teams have also developed and supplied the Formula E World Championship with our innovative Pit Boost technology, bringing mid-race charging to the series for the first time.

Meanwhile, we continue to optimise and refine the Green Energy project pipeline with timelines being reassessed and adjusted to reflect global market conditions and we do anticipate having better visibility on key projects by the end of this financial year.

Onto the balance sheet. You can see cash was US$3.3 billion at 31 March 2025 and net debt was US$2.1 billion. This compares with net debt of US$2 billion at the end of December 2024 and that's after capital expenditure and investments of US$1 billion, as well as payment of the interim dividend of approximately US$1 billion in the quarter.

Finally, you can see the guidance for FY25 shipments, C1 costs, and capital expenditure is unchanged. Darcy, on that note, we would be pleased to move to the Q&A part of the call, thank you.

Operator: Thank you. If you would like to ask a question, please press star one on your telephone and wait for your name to be announced. If you would like to cancel your request, please press star two. If you are on a speakerphone, please pick up the handset to ask your question. For the sake of time today, we ask that you please limit yourself to two questions. If time permits, you'll be able to rejoin the queue.

Your first question today comes from Rob Stein from Macquarie. Please go ahead.

Rob Stein: (Macquarie) Hi team. Noted the lower strip ratio for the quarter. Just curious whether what we can expect in 4Q, obviously had a big benefit on unit costs, as does FX, but just looking for some colour on what the sustainability of that lower strip is. Obviously, there's the Life of Mine strip ratio which we anchor to but just wondering on the quarter by quarter impact. Thank you.

Dino Otranto: Thanks Rob, Dino here. I'll pass over to Stephen Cole who I'll introduce, he's our Director of Mining Operations in the Pilbara. So Steve, over to you.

Stephen Cole: Thanks, Dino. Rob, so you've obviously noted our strip ratio was lower during the quarter. It's mainly due to timing factors impacting our mine sequencing. So it's all about how we adapt and fine tune our mine plans on a continual basis and we assure we're delivering as best optimisation as possible and we take one off advantages as we can. The forward forecast will be slightly lower than the 1.8 we previously indicated, around 1.7 for the full year.

Rob Stein: (Macquarie) Thank you and just one on Iron Bridge. Just looking for an update on the guided full year cost there, noting obviously the time you're taking to assess the ramp up. Where can we expect that to come in, noting your previous guidance?

Apple Paget: Yes, thanks, Rob, I'll take that. So as you know, in the quarterly reports, we don't provide guidance in terms of the cost. But in H1 we did say that it was around US$250 million which is tracking in line with our cost guidance for FY25 opex, net of royalties and shipping being about the US$500 million.

Operator: Thank you. Once again if you would like to ask a question, please press star one on your telephone and wait for your name to be announced. Your next question comes from John Tumazos from Very Independent Research. Please go ahead.

John Tumazos: (Very Independent Research) Congratulations on getting so much shipped in such terrible weather. With regard to the reassessment of energy projects, and the mention of Arizona, Gladstone, Norway, Brazil, what is the first year that one of these projects will have commercial revenue?

Mark Hutchinson: Hi John, Mark here. Good to hear from you again. Look, I think at the moment, we are reassessing all the projects given where the market is and where the governments are deliberating on how they're going to support some of these projects.

So, we will have a much clearer indication of when that first revenue will come in at the end of this financial year.

John Tumazos: (Very Independent Research) Is it safe to say it won't be by 2030?

Mark Hutchinson: Well, we're reassessing when it's going to happen. At the moment, the original plan was to have revenue before 2030. We're reassessing that and we'll let you know at the end of the financial year.

Operator: Thank you. Your next question comes from Glyn Lawcock from Barrenjoey. Please go ahead.

Glyn Lawcock: (Barrenjoey) Good morning, team. Just interested in any thoughts you've got around the tariff impact on your business and if there's anything you buy that may be indirectly or directly impacted by the tariffs.

Then just what you're hearing on the ground in China regarding production cuts? I mean they seem to be rearing their head again a little bit about the government talk about 5 per cent cuts. Just wondering what insights you've got from on the ground up in China as well. Thanks.

Dino Otranto: G'day, Glyn. Yes, good question on the tariffs in terms of procurement pressure. We haven't really seen anything materialise whatsoever in that space. I've got Ben Kuchel here just to talk about the steel mills on the ground. We're there often, as you can imagine. Ben?

Ben Kuchel: Thanks, Dino. Yes, hi, Glyn. In terms of the most recent rumours, I think it's still in that rumour category but it's certainly getting a little more coverage at the moment. I think it's worth noting that production has been running harder year on year, year to date. There is an expectation though that crude steel production will come in slightly lower for the full calendar year 2025. So, I think it remains to be seen whether those rumours become fact as this point.

Glyn Lawcock: (Barrenjoey) Okay and there's no sign of anything from your end of any slowdown right now? I mean we're still in sort of the peak construction period but is that what you sort of think, based on your expectations of demand and exports, you might still see production down year on year despite the year to date up?

Ben Kuchel: At this stage, Glyn, not seeing any sign of any slowdown in production so it's full steam ahead from a pig iron production perspective at the moment. Steel inventory is extremely low. Order books still holding up well.

Operator: Thank you. Your next question comes from Lachlan Shaw from UBS. Please go ahead.

Lachlan Shaw: (UBS) Good morning, team. Thanks very much for the opportunity. So just a quick one on Iron Bridge and the issues with the air classifier. Obviously, we'll find out a little later this quarter. Can you give us any more colour in terms of the nature of the challenges?

I know last time, you talked to the idea that this is not going to impact ultimate capacity. But are we talking about tweaks? Are we talking about maybe more moderate to sizeable expenditure required to remediate here? Can you give us any more colour on how that's coming together please?

Dino Otranto: Thanks, Lachlan. As you said, we have committed to the market the June quarter for the full review and any impact down the line. What we're seeing with the air classifiers, we're actually ahead of schedule with the optimisation of what's going on there. It's actually, the lining issue that I spoke about last time in the air classifiers, we had to change it for a better lining material. As we're changing them out, the units are coming online, as per our expectations. Just watch this space, mate. We'll update in due course.

Operator: Thank you. Your next question comes from Rahul Anand from Morgan Stanley. Please go ahead.

Rahul Anand: (Morgan Stanley) Hi, team. Thanks for the call. Sorry I dialled in a bit late. I'm not sure if some of this has been covered, but I wanted to talk about Iron Bridge. Specially, the nameplate question. I did hear part of Lachlan's question there. Just to touch on it a bit more perhaps, obviously you've mentioned the air classifiers and the requirement to basically reline with better material, and it seems to be going well.

But at any point - are we in concern of whether the project hits nameplate? Or is purely a timing issue, and it's basically getting all these air classifiers up and running with the right lining material, and that's the extent of it? As in, are there any throughput issues to be worried about in terms of the actual nameplate of the project?

Dino Otranto: I'll reiterate what we mentioned last time on the call, the target is not in question, and we're working through the timing of that in this review. Last time, if you remember, we did push out the September quarter ramp-up time, which is under review.

Rahul Anand: (Morgan Stanley) Got it. Okay. Perhaps one quick follow-up from Glyn's question around production cuts. Obviously last time, what we had in China was capacity cuts, and it seems this time it's going to be more on the production cuts side. Is there any view or feedback that you have from your customers, what it looks like and whether the last time is if at all any type of a guide to look at in terms of price realisations for your product versus the benchmark?

Dino Otranto: Nothing specifically. I attended quite a senior delegation not too long ago, and clearly the mood around the tariff situation was spurring more domestic consumption to balance the domestic versus export steel demand, but nothing more specific than that.

Operator: Thank you. Your next question comes from Paul Young from Goldman Sachs. Please go ahead.

Paul Young: (Goldman Sachs) Hi Dino. Hi Apple. I hope you're both well. Dino and Apple, a question on just expenditure in general and how you look at your budgeting, and in light of what is an uncertain market out there. I know the Chinese market might be steady - the steel market might be steady at the moment, but we just don't know, no one does, around the corner what happens to steel demand domestically and exports - ex-China market in general.

You guys have been pretty flexible and actually pretty nimble with respect to cutting costs when required, and I know probably you're going through, Apple, soon to your FY26 budgeting, et cetera. But just to - very high level, are you looking at reducing expenditure, and what levers do you have, whether it be exploration, green opex, et cetera, if you had to pull cost-cutting levers?

Apple Paget: Thanks, Paul. That's a very good question. It's like you work as part of the management team. We are looking at the FY26 budget. Look, I would say that we don't all of a sudden look at cost cuts. It is constant, every morning when we wake up, just to maintain the best fiscal discipline that we always carry out. With that, it's all centred around that capital allocation framework, which is our commitment to maintaining a strong balance sheet.

With this in mind, we focus on the things that we can control, that is production, safety and of course, cost, as you touched on. With that, it is so important for us to be at the bottom of that cost curve, so we are reviewing throughout any cycles of the commodity prices, any tariffs, anything like that, which will help us ride that out and maintain strong headroom and profitability.

Paul Young: (Goldman Sachs) Thanks, Apple. Maybe a question for Dino about mine planning and maybe the medium term sentiment. Now you've locked away and completed the takeover of Red Hawk, Dino, just high level - not getting into the nitty gritty, on different ore types, et cetera, as we discussed last time - but just conceptually, how do you think this deposit fits into the mine plan, whether it be west of Queens or - how do you think it, just conceptually, high level, will fit into the mine plan?

Dino Otranto: You are way too smart for me, Paul, to talk about types of iron ore, mate. We are - as you've said, we've closed in on the Blacksmith Project for the Red Hawk business. It's very exciting for us. We see upside in the broader tenement base, having Red Hawk in the basin, and it was less than US$1 a tonne. It's a pretty good deal for us. We're not at the stage yet where we can announce what that looks like for our mid-term Life of Mine Plan. At this stage, we still have Mindy South towards the end of the decade, but now that we've got feet on the ground, we're looking at the data. We're certainly running the numbers on what the effect is for the operations.

Operator: Thank you. Your next question comes from David Fang from CICC. Please go ahead.

David Fang: (CICC) Hi. Good morning, and thanks for taking my question. Just a quick follow up on Iron Bridge. We understand that you are still continuing with the review on the ramp up timeline. You just mentioned in the announcement that you have built a healthy run of mine and port stock position. With that, in terms of the June quarter, shall we expect a good recovery of shipments based on these stockpiles?

Dino Otranto: Thanks, David. I wouldn't be talking about recovery of Iron Bridge. We're on track with our guidance that we've issued of 5 to 9 million tonnes for this year, and we remain unchanged on that guidance after today.

David Fang: (CICC) Understood. Thank you so much.

Operator: Thank you. As there are no further questions at this time, I'll now hand back to Mr Driscoll for any closing remarks.

Andrew Driscoll: Thanks, Darcy. We certainly pride ourselves on reporting a concise and clean set of numbers for our shareholders and to the investment community, so thanks all for joining the call. As you can see, we've had a really strong nine months, we are well on track to meet guidance this financial year and look forward to updating you all soon again. Thank you.

Operator: That does conclude our conference for today. Thank you for participating. You may now disconnect.

[END OF TRANSCRIPT]