

(BN) Fortescue Sees Dividend Bonanza as Miners Reward Investors

(1)

+-----+

Fortescue Sees Dividend Bonanza as Miners Reward Investors (1)

2017-08-21 03:18:12.450 GMT

By David Stringer

(Bloomberg) -- Fortescue Metals Group Ltd., the fourth-biggest iron ore exporter, tripled its full-year dividend and may lift returns further as top miners reward investors with higher payouts amid a price revival.

The Perth-based producer declared a total annual dividend of 45 Australian cents a share, compared with 15 cents a year earlier, topping the average 39 cent forecast among 19 analysts surveyed by Bloomberg. Fortescue expects to pay between 50 percent to 80 percent of net profit after tax in dividends in the current fiscal year, the company said Monday when reporting full-year earnings.

Rio Tinto Group aims to pay a \$2 billion interim dividend and increased its share buyback by \$1 billion this year on stronger materials prices, while Anglo American Plc last month announced plans to resume dividend payments about six months ahead of schedule. BHP Billiton Ltd. is forecast to raise its full-year payout almost to 88 cents a share when it reports earnings Tuesday, according to the average of 15 analysts'

forecasts.

"They are making hay while the sun shines, and it's been a while coming," said James Wilson, a Perth-based analyst at Argonaut Securities Ltd. "Hard times have driven a lot of innovation, and the miners are now very lean and extremely efficient -- when prices come back, they pop in a big way, and make a lot of money."

Iron ore, the top earning material for Fortescue, BHP and Rio, has rebounded since mid-June on strong steel demand in China and weaker-than-expected gains in low-cost supply.

Fortescue, which cut cash operating costs 17 percent in fiscal 2017, plans to hold annual shipments at the current rate of 170 million tons, the producer said last month.

Spot ore with 62 percent content in Qingdao advanced 3.4 percent to \$77.94 a dry ton on Friday, the highest price since April, according to Metal Bulletin Ltd. The Bloomberg Commodity Index, a gauge of returns on 22 raw materials, has also rallied, advancing about 5 percent since touching a low June 22.

Fortescue jumped 6.4 percent to A\$5.85 at 1:11 p.m. in Sydney trading. The potential for higher returns over the next

12 months may attract renewed investor interest, Melbourne-based RBC Capital Markets analyst Paul Hissey said Monday in a note.

To watch RBC's Hissey discuss the iron ore outlook, [click here](#)

The producer's full-year profit more than doubled on higher prices to \$2.1 billion in the year ended June 30, compared with

\$985 million a year earlier, Fortescue said. That missed the

\$2.2 billion average of 11 analysts' estimates compiled by Bloomberg.

"Fortescue has continued to generate excellent cash flows allowing further repayment of debt, strengthening of our balance sheet and increasing returns to our shareholders," Chief Executive Officer Nev Power said in the statement. The company repaid \$2.7 billion of debt in fiscal 2017 and lowered net debt to \$2.6 billion as of June 30, according to the statement.

(A previous version of this story corrected the dividend estimate in the second paragraph.)

To contact the reporter on this story:

David Stringer in Melbourne at dstringer3@bloomberg.net To contact the editors responsible for this story:

Jason Rogers at jrogers73@bloomberg.net

Keith Gosman, Jake Lloyd-Smith