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Qube Consortium submits binding proposal to acquire Asciano

Key highlights

- Offer of A\$6.97 cash and 1 Qube share for every Asciano share, representing an implied value of A\$9.17 per Asciano share based on Qube's 30 day VWAP and A\$9.08 based on the closing price of Qube on the last trading day prior to the date of submission of the Consortium proposal¹
- The Consortium proposal allows Asciano to pay fully franked permitted dividends of up to a maximum of A\$0.90 per share in aggregate, with the cash component of the consideration to be reduced by an equivalent amount
- Represents superior value to the Brookfield proposed transaction, currently valued at A\$8.77 per Asciano share²
- Qube equity component provides Asciano shareholders with participation in future upside of the combination of Qube with Asciano's Ports businesses and direct exposure to benefits of Qube strategy and management
- Clear, achievable regulatory path to completion

Overview

Qube Holdings Limited ("Qube"), Global Infrastructure Management, LLC (on behalf of itself and its managed funds and clients) ("GIP"), Canada Pension Plan Investment Board ("CPPIB") and CIC Capital Corporation ("CIC Capital") (collectively the "Consortium") today announced it has submitted a binding proposal for the acquisition of all of the issued share capital of Asciano Limited ("Asciano" or the "Company") not already owned by the Consortium (the "Proposed Transaction").

The Proposed Transaction would enable:

- Qube to acquire Asciano's Patrick container terminal business and 50% interest in Australian Amalgamated Terminals ("AAT") (referred to collectively as "Ports");
- GIP, CPPIB and CIC Capital to acquire the rail business of Asciano (by acquiring, through a jointly-owned bid vehicle ("BidCo"), shares in Asciano); and
- the remaining Bulk, Auto and Ports Services businesses and 50% interest in ACFS Port Logistics Pty Ltd (referred to collectively as "BAPS") to be sold to an entity to be established and owned by GIP, CPPIB and CIC Capital initially ("BAPS HoldCo"), with the intention that the BAPS assets be ultimately sold to a third party. Qube may subsequently seek to acquire certain of the BAPS assets (subject to regulatory approval).

¹ Based on Qube's VWAP of A\$2.20 for the 30 trading days to 25 January 2016, and Qube's closing price of A\$2.11 on 25 January 2016.

² Based on Brookfield's last closing price of US\$32.82 on 25 January 2016, and exchange rate of 0.6956 US dollars per Australian dollar.

Qube believes that combining Ports with Qube under a single ownership and management structure will generate an estimated A\$30–50 million per annum of benefits from synergies and business improvement projects over two to three years, producing double digit EPS accretion³ to Qube on an FY15 pro forma basis. Qube believes there is potential for substantial additional value creation from longer term supply chain efficiencies.

Benefits for Asciano shareholders

The consideration to be provided to accepting Asciano shareholders under the Proposed Transaction comprises A\$6.97 cash and 1 Qube share per Asciano share. The Proposed Transaction has an implied value of:

- A\$9.17 per Asciano share based on Qube's volume weighted average price (VWAP) for the 30 trading days to 25 January 2016 of A\$2.20; and
- A\$9.08 per Asciano share based on Qube's closing price on 25 January 2016 of A\$2.11, the last trading day prior to the date of submission of the proposal.

The Consortium intends to allow the Board of Asciano to declare fully-franked permitted dividends of up to a maximum of A\$0.90 per share, in aggregate, to enable franking benefits of up to A\$0.386 per share to be distributed to Asciano shareholders. The cash component of the Consideration would be reduced by the amount of any such permitted dividends.

The implied value of the Proposed Transaction:

- represents a significant premium to Asciano's recent trading levels; and
- is at the upper end of the Independent Expert's valuation range of A\$8.42 to A\$9.40 per Asciano share as disclosed in the Asciano Scheme Booklet and Asciano Target's Statement.

The Proposed Transaction offers Asciano shareholders a mixture of cash and Qube shares, so Asciano shareholders can retain an exposure to Asciano's Ports businesses, and benefit from the upside potentially available from the combination with Qube and with it the capability and experience of Australia's most successful port logistics management team.

The Proposed Transaction is highly attractive relative to the uncertain, conditional scheme of arrangement and conditional takeover offer by Brookfield Infrastructure Partners L.P. ("Brookfield"). In particular, the Proposed Transaction:

- is at a material premium to the value of the Brookfield proposal based on all relevant recent trading benchmarks, including its current value of A\$8.77 per share as at 25 January 2016⁴; and
- removes Asciano shareholders' potential exposure to the significant risks associated with Brookfield's business and operations. Specifically, the Brookfield proposal involves Asciano shareholders receiving relatively illiquid CDI securities with a materially different risk profile, management fees, governance, tax (including franking benefits) and management structure to their current investment in Asciano.

Strategic rationale for Qube

Qube believes that a combination with Asciano's Ports businesses would be transformational for the company. The combination creates significant opportunities for productivity improvement and innovation across the Australian logistics and transportation sector, delivering substantial value for Qube shareholders as well as the broader logistics chain.

Importantly, the transaction is expected to accelerate the timeframe for delivery, reduce the risk and enhance the value of the Moorebank project. Ownership of the largest, most efficient container terminal in New South Wales will enable Qube to undertake the necessary investment to ensure the delivery of efficient rail operations and support a more reliable overall logistics supply chain from port to importer and from exporter to port resulting in lower costs and improved customer service.

³ Pro forma EPS accretion calculated before the impact of amortisation of identifiable intangibles, based on FY2015 underlying earnings for Qube and the Ports businesses, includes the full run rate impact of synergies based on Qube management's estimates, assumes funding comprising A\$1.8 billion of Qube equity with the remainder funded through debt, A\$100 million of one off transaction costs, and assumes the BAPS assets are divested for A\$850 million (i.e. no gain or loss on divestment to Qube).

⁴ Based on Brookfield's last closing price of US\$32.82 on 25 January 2016, and exchange rate of 0.6956 US dollars per Australian dollar.

Qube Managing Director, Maurice James, said: "We know Asciano's Ports businesses better than any other potential owner. The ports are a core element for Qube to provide customers seamless coverage through Australia's international trade supply chain."

"The acquisition of Asciano's Ports businesses would provide significant opportunities to create substantial shareholder value, both through improving the operations of the Ports businesses and through the benefits of combining the businesses with Qube's assets."

"Having delivered significant returns to shareholders since listing, Qube sees the acquisition of Asciano's Ports businesses as the natural next step in its growth story."

Transaction details

The Proposed Transaction would be implemented by an off-market takeover offer with a proposed minimum relevant interest condition of 50.1% (including the Consortium's existing interest). Brookfield alone is therefore unable to block implementation of the Proposed Transaction. In addition, the Proposed Transaction has been structured to enable Qube to acquire the Ports businesses without the support of Brookfield.

It is proposed to implement the Proposed Transaction through:

- A Bid Implementation Agreement, which:
 - provides for BidCo, jointly-owned by GIP, CPPIB and CIC Capital, to make an off-market takeover bid subject to conditions as set out in the Bid Implementation Deed, including a minimum relevant interest of 50.1%; ACCC, FIRB, OIO, ASIC and ASX approvals; a shareholder approval condition (see below); no regulatory restraints, no Asciano material adverse change, no Asciano prescribed occurrence conditions and third party consents.
 - includes exclusivity provisions and other obligations to support the bid, provisions which largely mirror the provisions agreed to by Asciano in its agreement with Brookfield.
- A Ports Share Purchase Agreement between Asciano and Qube, under which Asciano agrees to sell to Qube the shares in an entity holding the Ports businesses for consideration of A\$2,650 million.
- A BAPS Share Purchase Agreement between Asciano and BAPS HoldCo, under which Asciano agrees to sell to BAPS HoldCo the shares in an entity holding the BAPS businesses for consideration of A\$850 million.

The takeover offer, the Ports Share Purchase Agreement and the BAPS Share Purchase Agreement would be subject to a condition that Asciano shareholders by majority vote in general meeting approve the sale of the Ports business to Qube, the BAPS business to BAPS HoldCo, and the pro-rata distribution of the sale proceeds to Asciano shareholders (net of the total quantum of the permitted dividends paid to Asciano shareholders, of up to a maximum of A\$0.90 per share, in aggregate).

Completion of the Ports Share Purchase Agreement and the BAPS Share Purchase Agreement would occur after the close of the takeover offer, assuming that the takeover offer has become unconditional.

Funding considerations

The cost to Qube for the acquisition of Ports will be A\$2,650 million (before transaction costs), of which at least A\$1,800 million will be equity funded (including scrip issued to Asciano shareholders), with the balance funded through new debt facilities. This funding structure is consistent with Qube's prudent approach to leverage and ensures that post completion of the transaction, Qube will remain well positioned to fund the continued growth in its business, including the transformational Moorebank project.

In addition to the funding for Ports, Qube will also contribute between A\$129 million (at 50.1% relevant interest) and A\$258 million (at 100% relevant interest) towards the takeover consideration, proportional to the level of acceptances under the takeover offer.

To the extent the total relevant interest in Asciano following the close of the takeover offer is between 50.1–90%, while Qube's ability to acquire 100% of Ports will be unaffected, Qube will have issued less equity to Asciano shareholders. In this case, Qube will conduct an equity raising, such that its total equity funding under the transaction remains at least A\$1,800 million.

Qube has underwriting commitments in place for any such incremental equity funding. In addition, CPPIB has provided Qube a letter of commitment in relation to investing an amount equivalent to

9.9% of Qube's expanded issued share capital (subject to any necessary regulatory approvals), with the price of the investment to be agreed prior to lodgment of the bidder's statement. Any further required equity funding is expected to be raised on a pro rata basis.

Qube will also provide an A\$850 million debt bridge to fund the acquisition of the BAPS assets by BAPS HoldCo, which will be repaid from the proceeds of their subsequent sale to Qube or third parties following completion of the Proposed Transaction. Qube maintains exposure to any upside or downside risk in relation to the price of any subsequent sale of BAPS assets not acquired by Qube. Qube will have the right to acquire any of the BAPS assets from BAPS Holdco (subject to any necessary regulatory approvals).

Qube's existing stake in Asciano will be divested to BidCo within the transaction, with the cost of the stake incorporated within the transaction funding requirements above.

Regulatory approvals

The Consortium has submitted its applications for FIRB and OIO approvals. The Consortium has maintained constructive engagement with both FIRB and OIO and is confident of these approvals being obtained within the timeframes of the offer.

The Proposed Transaction is subject to ACCC approval of BidCo's acquisition of shares in Asciano, Qube's acquisition of the Ports businesses and BAPS HoldCo's acquisition of the remaining BAPS businesses.

The Proposed Transaction has been structured to minimise the potential for perceived competition issues and the Consortium does not anticipate that there will be any material adverse ACCC concerns.

The ACCC has commenced its review and the Consortium has been engaging with the ACCC about the Proposed Transaction since early November 2015.

Indicative transaction steps

Key steps in the Proposed Transaction are set out below, subject to agreement with Asciano and the timing of regulatory approvals.

#	Event
1	Proposal made to Asciano
2	Entry into binding transaction documentation with Asciano <ul style="list-style-type: none"> - Bid Implementation Agreement - Ports Share Purchase Agreement - BAPS Share Purchase Agreement
3	Dispatch transaction documentation <ul style="list-style-type: none"> - Bidder's Statement - Target's Statement - Notice of Meeting for Asciano shareholders to approve the sale of Ports and BAPS and for the pro rata capital return
4	Asciano shareholder vote
5	Payment of special dividend
6	Takeover offer period closes
7	Payment of consideration under the takeover offer
8	Ports and BAPS sales complete and payment of pro rata capital return

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About the Consortium

The Consortium comprises Qube, GIP, CPPIB and CIC Capital, each of whom have a strong track record of efficiently and promptly executing material transactions, including public market transactions. The Consortium members are logical and credible acquirors of Asciano, with a focus on best practice in operations and stakeholder engagement.

Qube (ASX Code: QUB) is Australia's largest integrated provider of import and export logistics services with national operations that provide a broad range of services. Listed on the ASX with a market capitalisation of ~A\$2.2 billion (as at 27 January 2016), Qube operates divisions covering automotive, bulk and general stevedoring, landside logistics and strategic development assets. For more information about Qube, visit www.qube.com.au.

GIP is a leading global, independent infrastructure investor that combines deep industry expertise with industrial best practice operational management. GIP targets investments in single assets and portfolios of assets and companies in power and utilities, natural resources infrastructure, air transport infrastructure, seaports, freight railroad, water distribution and treatment and waste management. GIP has offices in New York and London, with an affiliate in Sydney and portfolio company operations headquarters in Stamford, Connecticut. As at 30 September 2015, GIP manages approximately US\$18.5 billion for its investors. For more information about GIP, visit www.global-infra.com.

CPPIB is a professional investment management organisation that invests the funds not needed by the Canada Pension Plan (CPP) to pay current benefits on behalf of 18 million contributors and beneficiaries. In order to build a diversified portfolio of CPP assets, CPPIB invests in public equities, private equities, real estate, infrastructure and fixed income instruments. Headquartered in Toronto, with offices in Hong Kong, London, Luxembourg, Mumbai, New York City and São Paulo, CPPIB is governed and managed independently of the Canada Pension Plan and at arm's length from governments. At 30 September 2015, the CPP Fund totaled C\$273 billion, of which C\$6.7 billion is invested in Australia. For more information about CPPIB, please visit www.cppib.com.

China Investment Corporation ("CIC"), founded on 29 September 2007, was established as a vehicle to diversify China's foreign exchange holdings and seek maximum returns for its shareholder within acceptable risk tolerances. The overseas investment and management activities of CIC are undertaken by CIC International Co., Ltd. ("CIC International") and CIC Capital. Both CIC International and CIC Capital are market-oriented commercial entities with a specialized mandate and global reach. CIC Capital specializes in making direct investments to refine CIC's overall portfolio management and enhance investment on long-term assets. As of the end of 2014, CIC's total assets amounted to US\$746.7 billion, including several in Australia (e.g. Goodman Trust Australia, Investa Property Trust). For more information about CIC, please visit www.china-inv.cn.