

21 November 2019

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## ASX Announcement

[qube.com.au](http://qube.com.au)

## Chairman's Address and Managing Director's Presentation – 2019 AGM

### Chairman's Address

In the face of a slowing economy, Qube achieved earnings growth across all divisions in FY19. The company's broad diversification and strong market positions protected the company from ongoing economic headwinds during the last financial year.

Highlights for the financial year to June 30 included:

- An increase of more than 15% in underlying Net Profit after Tax to more than \$123 million after amortisation.
- Underlying revenue growth of 4.7% to 1.73 billion dollars
- And a statutory NPAT attributable to Qube of more than 196 million dollars.

Throughout FY19, the Board worked on broader strategic issues that will position Qube for further growth in the long-term. At the same time, we tested and supported management's initiatives to improve profitability and returns for shareholders.

### **Safety performance**

The Board remains closely focussed on maintaining and improving Qube's strong track record on safety and we continue to invest significantly in safety initiatives and the promotion of improved health and well-being amongst its workforce.

The company delivered a very strong safety performance in FY 19. However, two months ago, very sadly, a Qube employee died in hospital after being injured while loading material at a mine site in Western Australia.

Our management in Western Australia provided extensive support to the man's family after the incident. On behalf of the board and management I would like to record formally our condolences to the employee's family.

Management is working closely with workplace health and safety investigators to determine the cause of the incident which related to mechanical failure of a load covering mechanism on a Qube vehicle.

## **Operating Division**

Qube's diversification strategy across Ports, Bulk and Logistics operations delivered pleasing growth in underlying earnings considering certain ongoing challenges in parts of the business.

Management continued its focus on growing market share, defending margins in a competitive environment while maintaining tight control of costs across the business units.

Managing Director Maurice James will present more details of the operating division's achievements shortly.

## **Moorebank Logistics Park**

Progress at the Moorebank Logistics Park project was very pleasing throughout the year. Building Australia's largest logistics precinct was certain to produce some major challenges which I believe our teams are meeting very successfully.

Construction of the IMEX terminal and the rail link from the Southern Sydney Freight Line was completed in July and I can confirm today that revenue-earning trains running to and from Port Botany commenced a little over two weeks ago.

A major tenant, Target Australia, has now commenced operations. Progress on attracting other tenants has been excellent and in accordance with the company's expectations.

The Board is confident the Moorebank project is living up to expectations and that, when fully operational, the project will transform rail and road freight handling in NSW and deliver significant environmental benefits.

As foreshadowed at our full year results announcement, the Board is continuing to consider a range of options with regard to funding and monetising the Moorebank project.

## **Patrick**

The Board is pleased with the performance of Patrick in which Qube holds a 50% interest.

Patrick delivered a solid result and improved its market share despite a slight slowdown in container volume growth nationwide. Patrick contributed \$30.0 million NPAT to Qube, an increase of 11.5% on the prior year.

Patrick's strong cashflow also allowed distributions of \$100 million to Qube in the period through a combination of interest, franked dividends, repayment of shareholder loans and return of capital.

## **Board's actions on climate change**

Qube supports the Australian Government's international commitments to respond to the effects of climate change and is committed to minimising our carbon footprint.

Qube has undertaken a climate change risk assessment aligned with the Task Force on Climate-related Financial Disclosures recommendations and against future, long-term climate change scenarios.

The assessment included a detailed assessment of six major assets in Australia and one in New Zealand, collectively covering 27% of Qube's FY18 consolidated underlying revenue.

The analysis indicated that Qube has a low-to-moderate risk exposure to climate change.

Qube will continue to monitor its climate change risk and policies to ensure it remains appropriate to its activities.

## **Outlook**

In FY20, Qube expects broadly similar overall economic and competitive conditions to FY19 with a continuation of the subdued trends in container, grain, vehicle and general cargo volumes.

Qube will seek to continue to mitigate these pressures through its scale, diversification, further cost reductions where possible, and ongoing benefits of its investments.

In FY20, although there is some downside risk, Qube expects to report another solid increase in underlying NPAT (pre-amortisation) and continued improvement in underlying earnings per share (pre-amortisation). This assumes that there is no material change to domestic or global economic conditions for the remainder of FY20.

The Board believes the company's strategy of becoming Australia's lowest cost and most efficient logistics solutions provider is now widely understood by the market and we will continue to attract significant long term investors interested in companies with strategic fixed assets and a history of growth.

Finally, before handing over to Maurice James, I'd like to thank personally my fellow directors, Qube management and all our employees and contractors for delivering another successful year for shareholders.

Allan Davies

21 November 2019

### *Further Enquiries:*

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# QUBE HOLDINGS LIMITED ANNUAL GENERAL MEETING

21 November 2019



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Non-IFRS financial information has not been subject to audit or review.

# AGENDA

1. Chairman's Address
2. Managing Director's Address
3. Formal Proceedings



The background of the slide is a photograph of two people, a man and a woman, standing on the side of a yellow and grey train. The man, on the left, is wearing an orange high-visibility safety vest over a dark shirt and is looking down. The woman, on the right, is also wearing an orange high-visibility safety vest over a black top and is smiling towards the camera. The train has the text "GML 10" printed on its side in blue. In the background, a city skyline with several tall buildings is visible under a cloudy sky. A semi-transparent yellow banner with a white border is positioned at the bottom of the image, containing the text "Chairman's Address".

## Chairman's Address



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# Managing Director's Address



# QUBE TODAY

## OPERATING DIVISION

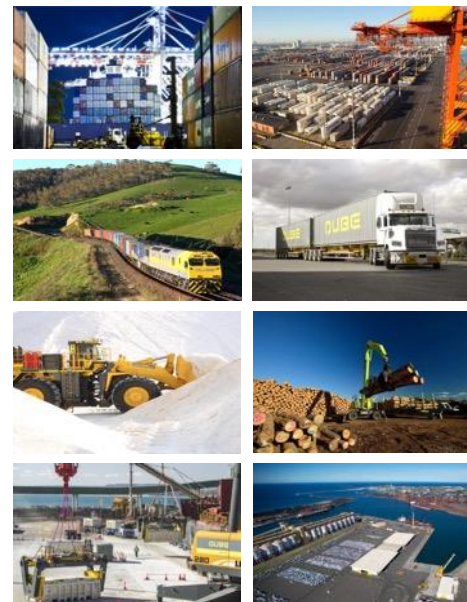
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### Qube Logistics

- Provides a broad range of services for the import and export of primarily containers
- Offers an integrated solution suite covering multiple aspects of the supply chain
- Operates nationally across Australia including in all capital city ports and has an expanding footprint in inland metropolitan and country regional areas with connections to Australian ports
- Holds an investment in Intermodal Group (49%), a provider of rail transport services and operator of rail terminals in the Perth area

### Qube Ports & Bulk

- Provides a broad range of logistics services for the import and export of primarily non-containerised freight
- Focus on automotive, bulk and break bulk products including vehicles, forestry products, bulk commodities, oil and gas projects and general cargo
- National operator, with port facility locations across Australia, New Zealand and South East Asia
- Holds investments in NSS (50%) and Prixcar (25%) for logistics services to the mining and automotive industries



**FY 19**  
**Revenue \$1,624.6m**  
**EBITDA \$263.3m**

**Note: All revenue and EBITDA figures above are underlying for the 12 months to 30 June 2019.**

The underlying information excludes certain non-cash and non-recurring items in order to more accurately reflect the underlying financial performance of Qube. References to 'underlying' information are to non-IFRS financial information prepared in accordance with ASIC Regulatory Guide 230 (Disclosing non-IFRS financial information) issued in December 2011. Non-IFRS financial information has not been subject to audit or review.

# QUBE TODAY

## STRATEGIC INVESTMENTS

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### Infrastructure & Property

- Holds interests in strategically located properties suitable for development into logistics infrastructure and operations
- Developing the Moorebank Logistics Park, expected to become the largest intermodal logistics precinct in Australia, and another property at Minto
- Owns AAT, a multi-user facility provider to stevedores and focused on vehicle imports, bulk and project cargoes
- Holds investments in Quattro (47.2%), a grain and fertiliser terminal, and TQ (50%) for future development of a fuel storage and handling terminal



**FY 19**  
**Revenue \$103.8m**  
**EBITDA \$45.1m**

### Patrick Stevedores (50%)

- Qube owns a 50% interest in Patrick, one of two major established national operators providing container stevedoring services in the Australian market
- Holds long term lease concessions for and operates shipping container terminals in the four largest container ports in Australia
- Complements Qube's other logistics activities
- Other 50% owned by Brookfield and its managed funds



**FY 19**  
**Revenue \$312.2m (50%)**  
**EBITDA \$105.1m (50%)**

*Note: All revenue and EBITDA figures above are underlying for the 12 months to 30 June 2019. Patrick revenue is shown on a proportionate basis (ie reflecting Qube's 50% ownership interest).*

The underlying information excludes certain non-cash and non-recurring items in order to more accurately reflect the underlying financial performance of Qube. References to 'underlying' information are to non-IFRS financial information prepared in accordance with ASIC Regulatory Guide 230 (Disclosing non-IFRS financial information) issued in December 2011. Non-IFRS financial information has not been subject to audit or review.

# QUBE GEOGRAPHICAL PRESENCE

## QUBE TODAY

- Workforce of over 6,500 employees
- Working at over 135 locations across Australia, New Zealand and South East Asia
- Leading positions in its core markets





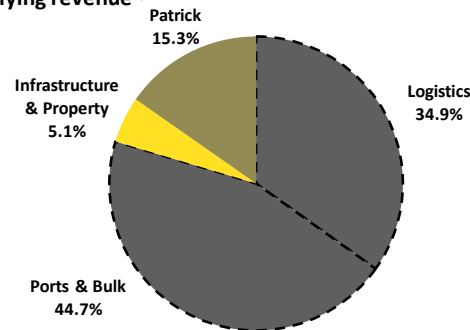
# STRENGTH THROUGH DIVERSIFICATION

**QUBE**

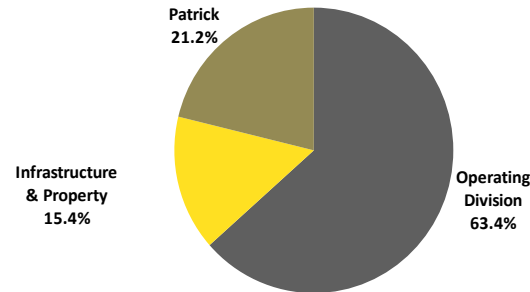
Qube's revenue and earnings are well diversified, including by:

- Business
- Geography
- Service / Product
- Customer
- Mix of Imports and Exports

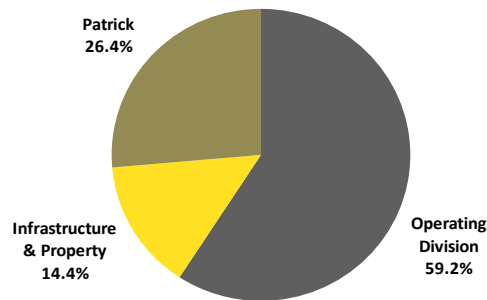
**FY19 underlying revenue<sup>1,4</sup>**



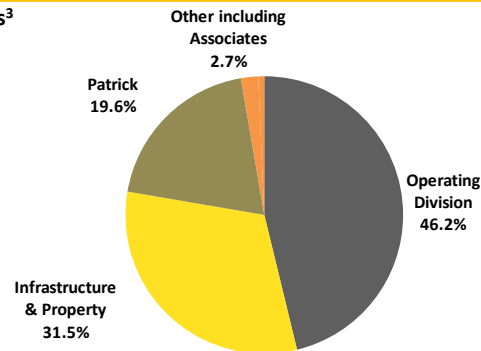
**FY19 underlying NPATA<sup>1,2</sup>**



**FY19 underlying EBITA<sup>1,4</sup>**



**FY19 Assets<sup>3</sup>**



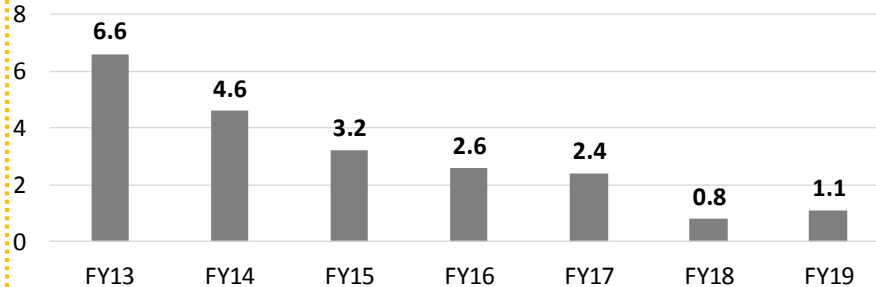
## Notes:

1. Indicative split excluding contribution of Corporate division.
2. Indicative split excluding contribution of other Associates.
3. Excluding cash balance of \$139.9 million at 30 June 2019.
4. Figures include proportional contribution from Qube's 50% interest in Patrick.

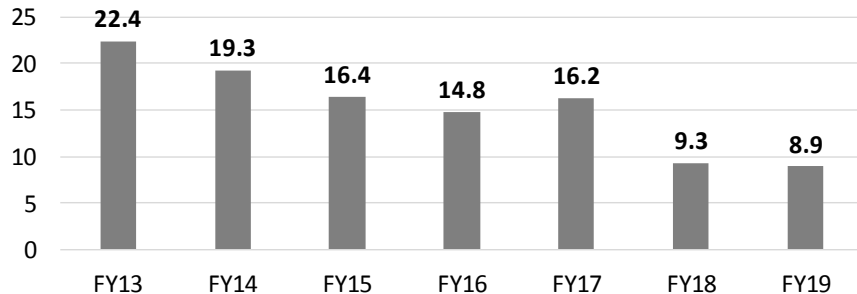
# COMMITMENT TO VALUE CREATION

Through continued focus on safety and health

Lost Time Injury Frequency Rate (LTIFR)\*



Total Recordable Injury Frequency Rate (TRIFR)\*\*



\*Note: LTIFR is the number of Lost Time Injuries for every million hours worked.

\*\*Note: TRIFR is the combined number of recordable Return to Work, Medical Treatment Injuries and Lost Time Injuries for every million hours worked.

- LTIFR remained at low levels despite a marginal increase in FY 19 reflecting a small number of incidents during the period, including one tragic fatality in October 2018
- Improvement of 4.3% in the TRIFR in FY 19
- During FY 19, Qube has continued to:
  - Develop risk programs, focusing on verification of critical controls in the field, through risk reviews and leadership walks undertaken within the divisions
  - Promote health and wellbeing across the Group, focusing on health promotion campaigns targeting key lifestyle and health factors, resulting in a reduction in the cost of workers compensation claims

# COMMITMENT TO VALUE CREATION

## Through focus on sustainability

- Qube has undertaken a climate change risk assessment aligned with the Task Force on Climate-related Financial Disclosures recommendations and against future, long-term climate change scenarios
- This involved a detailed assessment of six assets in Australia and one in New Zealand, collectively covering 27% of Qube's FY 18 consolidated underlying revenue
- The analysis indicated that Qube has a low to moderate risk exposure to climate change
- This reflects the nature of Qube's activities as well as multiple initiatives undertaken to minimise greenhouse gas emissions as well as fuel and electricity consumption, through:
  - Modal shift from road to rail being a pillar of the long term strategy of the Group
  - Investment in greener and energy efficient equipment (e.g. Euro 5/6 compliant truck and plant fleet) when shift to rail is not achievable
  - Development of an embedded energy grid at the Moorebank Logistics Park to capture solar energy from the roof of warehouses to be constructed on the site
  - Adoption across the Group of energy efficient or renewable energy installations including solar panels and LED lighting



*Roof of the new NSW distribution centre for Target Australia at the Moorebank Logistics Park*



*New Euro 6 compliant prime mover*



# COMMITMENT TO VALUE CREATION

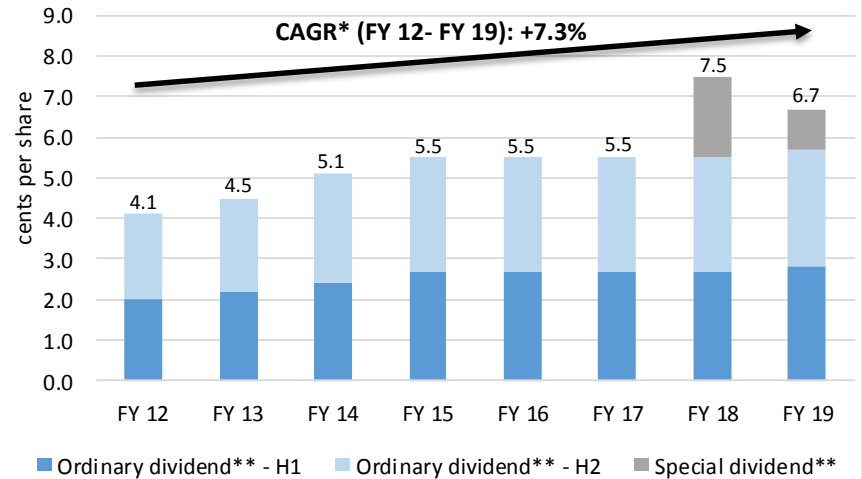
Through delivery of economic value for our shareholders

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QUB vs ASX 200 (Accumulation Index)  
from 1 July 2018 to 30 June 2019



Historical dividend distribution profile



\*Note: Compound annual growth rate.

\*\*Note: Fully franked dividends.

# SHELL CASE STUDY

Video link to be loaded here

# FY 20 Q1 BUSINESS UPDATE

## No change to full year outlook despite some downside risk



### Operating Division

- Trading slightly behind expectations in FY 20 Q1 with no change to full year outlook
- FY 20 Q1 result benefitted from:
  - Full period contribution from the Altona warehouse operations
  - Stronger than anticipated base metal and mineral sand volumes in the Bulk activities
  - Continued increase in oil and gas related activities in the Ports activities
  - Full period benefit from contract wins secured in FY 19 and capex including the Russell Park property and LCR acquisitions
- Chalmers transaction completed in September 2019 with synergies associated with consolidation of the sites expected to be delivered during FY 20
- New contracts secured during the period including a five year contract with Shell Australia across Queensland, the Northern Territory and Western Australia, utilising a broad range of capabilities across the Qube Group. Expected to contribute to earnings from FY 20 Q3
- Logistics activities at the Moorebank Logistics Park (freight services to Target and manual operations of the IMEX terminal) started in line with expectations

### Infrastructure & Property

- Trading slightly ahead of expectations in FY 20 Q1 although currently downside risk to full year outlook
- AAT's FY 20 Q1 result reflected higher bulk volumes which partially offset a continued decline in vehicle and RoRo cargo volumes which is expected to continue for the remainder of FY 20
- Year to date result at the Moorebank Logistics Park benefitted from revenue from the new warehouse tenant as well as other income
- The total capex to be undertaken by Qube for the Moorebank Logistics Park project is currently forecast to be around \$150 - \$200 million higher than previously indicated. The additional costs primarily relate to the enabling and precinct infrastructure works which are necessary to be undertaken to enable future warehouse developments. The forecast increase is a result of the following factors:
  - Increased scope of works and complexity of design compared to original expectations to accommodate higher specification warehousing (e.g. raising of site level and increases in loading capacity); and
  - Additional requirements to comply with planning and consent approvals (e.g. on-site water detention and overall stormwater requirements).

The impact of the higher capex is expected to be partly offset by reduced costs to construct future warehouses, and is not expected to materially impact Qube's overall target project returns given the material increase in the value of quality industrial properties.

### Patrick

- Trading behind expectations in FY 20 Q1 due to weaker market volumes
- Achievability of full year outlook will partly depend on the extent of any continued decline in market volumes over the remainder of the period (compared to the pcip in FY 19) and Patrick's ability to maintain its market share
- FY 20 Q1 volumes serviced by Patrick (lifts) were broadly flat compared to pcip as the full period impact of FY 19 market share gains mitigated the weaker market growth
- Successfully recontracted around 60% of its volumes (by customer/service) until CY 21 Q4
- Distributions to Qube of \$5.0 million (interest income) in FY 20 Q1
- Works associated with the rail automation project at Port Botany started in late August 2019
- Finalisation of the terms of the lease extension in Fremantle expected to be completed shortly



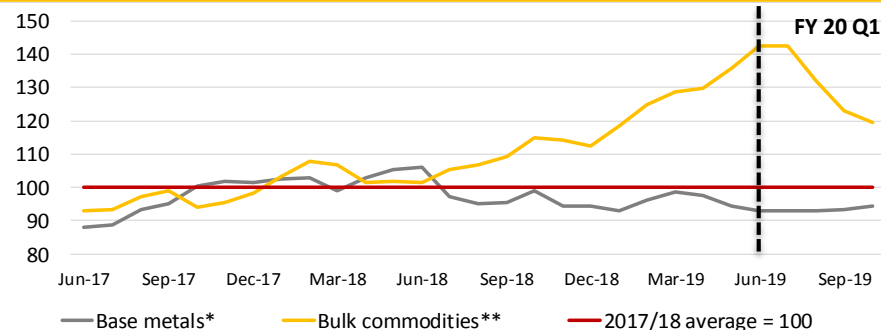
# FY 20 Q1 BUSINESS UPDATE

Solid growth achieved in FY 20 Q1 compared to pcp (NPATA) despite the continuation of headwinds

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- FY 20 Q1 result impacted by:
  - Decline in container and vehicle volumes (compared to pcp)
  - Weakness across a number of commodities including grain exports, forest products, steel and scrap metal products as well as lithium

## Price index (AUD) – Base metals and bulk commodities

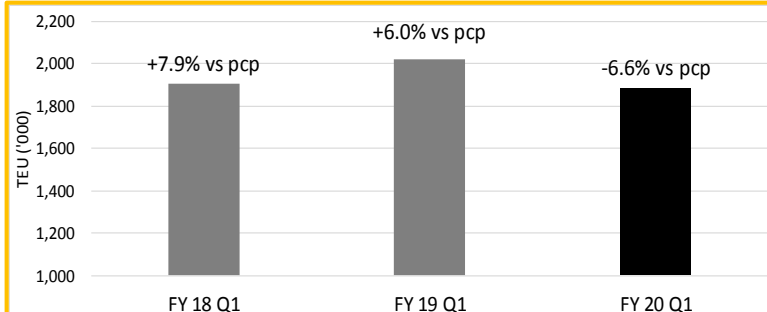


Source: Reserve Bank of Australia.

\*Note: Includes aluminium, lead, copper, zinc, nickel.

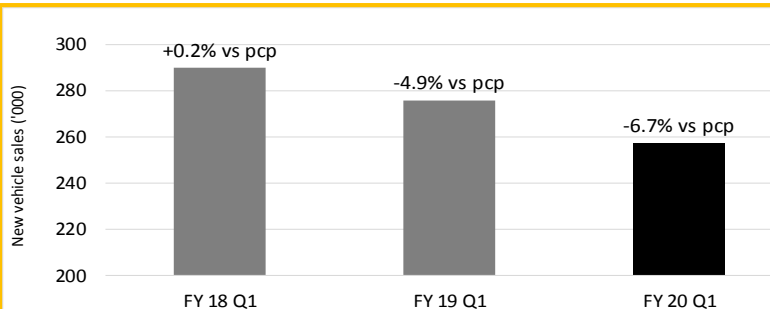
\*\*Note: Index based on export price movements. Includes iron ore and coal (metallurgical and thermal).

## Container trade growth (TEU) at 4 ports



Source: Port Authorities, Qube analysis.

## New vehicle sales in Australia



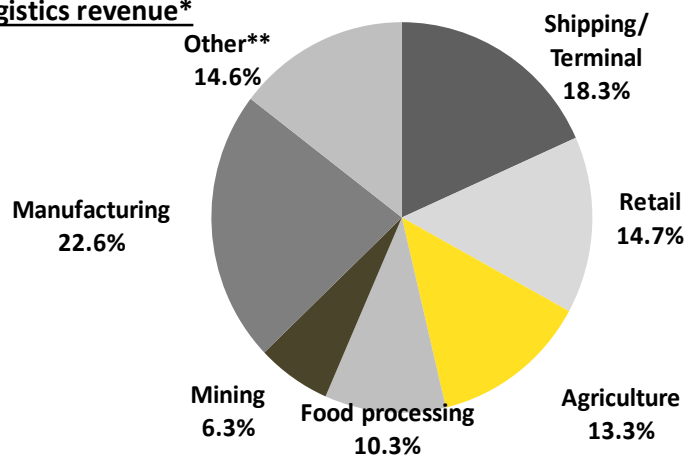
Source: Federal Chamber of Automotive Industries, Qube analysis.

# FY 20 Q1 BUSINESS UPDATE

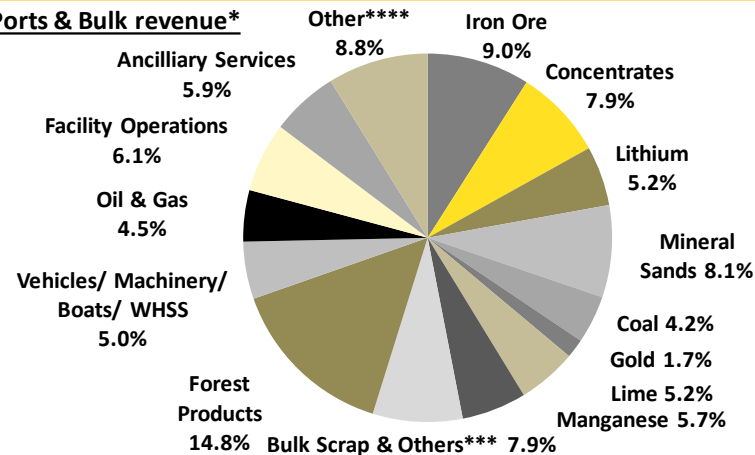
Reflecting the benefits of the diversified nature of the business

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## Logistics revenue\*



## Ports & Bulk revenue\*



\*Note: Indicative revenue segmentation based on FY 19 underlying revenue.

\*\*Note: "Other" include freight forwarders as well as infrastructure and project works.

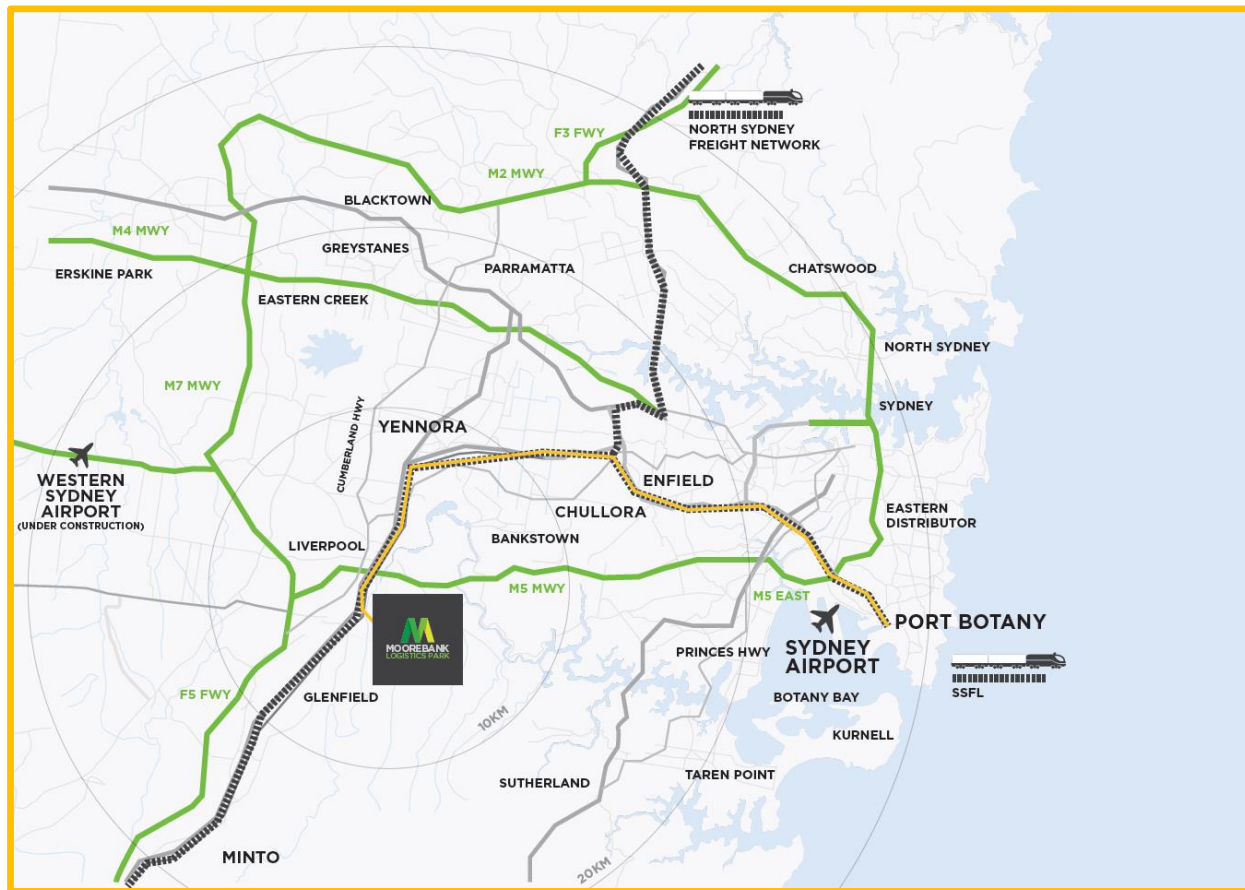
\*\*\*Note: "Bulk Scrap and Others" include cement, frac sands, talc, fertilisers and aluminium.

\*\*\*\*Note: "Other" include containers, general cargo, metal products and sundry income.

# KEY MILESTONES ACHIEVED DURING THE PERIOD AT MOOREBANK

- Revenue earning rail operations at the Moorebank Logistics Park commenced in early November 2019
- Approval for Moorebank Precinct West Stage 2 granted on 11 November 2019

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# MOOREBANK CONSTRUCTION UPDATE

Video link to be loaded here

# FY 20 OUTLOOK

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- No change to full year outlook despite some downside risk
- Continued headwinds across parts of the business expected to be mitigated by the benefits from the diversified nature of Qube's activities and customers
- Qube continues to expect to report a solid increase in underlying NPAT (pre-amortisation) and a continued improvement in underlying earnings per share (pre-amortisation)
- Outlook assumes no material adverse change to domestic or global economic conditions for the remainder of FY 20
- Qube will continue to progress the potential funding and partnering options for its investment in the Moorebank Logistics Park

