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ASX Announcement

Qube achieves record financial results across key metrics in FY22 including underlying revenue of $2.57 billion (+26.6%) and underlying profit (NPATA) of $200.7 million (+25.8%)

Record full year dividend of 7.0 cents per share fully franked (+16.7%), inclusive of a 0.7 cents per share special dividend

	Underlying Information[1]		Statutory Information (Including discontinued operations)[1,2]	
	FY22 ($m)	Change (from pcp)	FY22 ($m)	Change (from pcp)
Revenue	2,572.8	26.6%	2,517.8	15.6%
EBITA	221.1	20.9%	224.3	43.2%
NPAT	185.7	30.3%	127.5	39.2%
NPATA	200.7	25.8%	142.5	31.1%
EPSA (cents)	10.6	26.2%	7.5	31.6%
DPS (cents)	7.0	16.7%	7.0	16.7%

Qube delivered an excellent financial performance in FY22 with strong underlying revenue growth of 26.6% to around $2.6 billion flowing through to underlying earnings (EBITA) of $221.1 million, a 20.9% increase over the prior corresponding period. Underlying NPATA increased by 25.8% to $200.7 million, a record result for Qube.

The performance was driven from a combination of organic growth within each of the Operating Division and Patrick, as well as the contribution from acquisitions and growth capex.

The strong result versus the prior year reflected continuing high volumes across most of Qube's core markets, including containers, grain, steel, most mining bulk commodities, and general cargo. It also demonstrates Qube's ability to effectively mitigate cost pressures through scale, operational performance and productivity initiatives, as well as through contractual mechanisms.

[1] Underlying financial information excludes discontinued operations and certain other non-cash and non-recurring items in order to more accurately reflect the underlying financial performance of Qube. Income tax is based on a prima-facie 30% tax rate applied to profit before tax and associates.
[2] As a result of the MLP monetisation, the earnings associated with these assets were classified under discontinued operations in the FY21 and FY22 financial statements. Excluding discontinued operations, FY22 revenue is $2,505.7 million and EBITA is $229.8 million.

Patrick also delivered strong earnings growth despite slightly reduced lift volumes. The business benefited from operational efficiency initiatives including increased automation as well as increased landside and ancillary charges.

The Moorebank Logistics Park (MLP) monetisation process was successfully completed in December 2021. This allowed Qube to complete a $400 million share buy-back capital management initiative in May 2022. The divestment also significantly reduces Qube's ongoing capex requirements, Qube's leverage and the group's ongoing operating risk profile.

Highlights for FY22

- Strong financial performance with underlying revenue growth of 26.6% and underlying earnings growth (NPATA) of 25.8%.
- Record underlying earnings per share (pre-amortisation) (EPSA) of 10.6 cents, a 26.2% increase on FY21.
- Excellent financial outcome that demonstrates the resilience of Qube's business and ability to mitigate multiple challenges including the ongoing impact of COVID-19, China lockdowns and trade sanctions and extreme weather events which all adversely impacted earnings.
- Successful completion of the MLP monetisation process enabled Qube to reduce debt and undertake a $400 million share buyback.
- Record full year fully franked dividend of 7.0 cents per share (inclusive of a 0.7 cents per share special dividend), a 16.7% increase, reflecting Qube's strong FY22 financial performance, positive outlook and the benefit of the MLP monetisation outcome.

Releasing the full year result, Qube's Managing Director Paul Digney said he was delighted the company had delivered an excellent financial performance in FY22 with record underlying earnings (NPATA) despite a very challenging environment.

"This result reconfirms Qube's robust diversified logistics strategy across geographies, assets, service offerings, customers, and markets.

In FY22, the strength across most of our core markets including containers, grain, steel, most mining bulk commodities, energy and general cargo enabled Qube to deliver strong earnings growth despite weakness in certain markets and continued cost and operational impacts from COVID-19.

It also demonstrates Qube's ability to effectively mitigate cost pressures through scale, operational performance, and productivity initiatives, as well as through contractual mechanisms.

Given the extraordinary challenges presented by the pandemic and weather events over the past 12 months, I am immensely proud of the resilience and ongoing efforts of our experienced Qube team in working to respond to customer needs and the ever-changing market conditions" Mr Digney said.

Safety, Health and Sustainability

In FY22, Qube continued its strong focus on safety and zero harm with improvement in its SHS performance. The outcome was an improvement in key metrics including:

- Qube achieved a 7.4 per million hours worked Total Recordable Injury Frequency Rate (TRIFR) which represented a 17.7% reduction from FY21.
- The Lost Time Injury Frequency Rate (LTIFR) was 0.75 per million hours worked, which was a 6.3% reduction from FY21.
- Qube had a strong focus on identifying and minimising critical risks in FY22 which saw the organisation deliver a Critical Injury Frequency Rate (CIFR) of 0.69 against a target of 1.0.
- Qube continues to embed a commitment to providing a safe and healthy workplace for all employees through effective systems, culture, and secure operations. This commitment includes supporting the overall health and wellbeing impact, fatigue, mental health, physical

hazards, and minimising risk of employees in line with our divisional SHS plans.

- Net emissions (scope 1 and scope 2) decreased by 2.0% while underlying revenue increased, resulting in Qube's carbon intensity (tCO^2-e per \$M) further decreasing by around 8.9% in FY21 as reported in the National Greenhouse Energy Reporting Scheme (NGERS) in October 2021.
- Qube developed a decarbonisation strategy that includes a plan to transition from its reliance today on fossil fuels to focus on the potential of using alternative fuel supplies.
- Our first Task Force for Climate-Related Financial Disclosures (TCFD) Statement is included in our soon to be released FY22 Sustainability Report.

Tragically, despite these achievements, in February 2022 there was a fatality of a Qube employee on a public road in South Australia. The cause of this single light vehicle accident remains unknown.

Operating Division

The Operating Division reported strong underlying revenue growth of 28.1% to $2.57 billion and underlying earnings growth (EBITA) of 19.1% to $252.4 million. The result was driven by very strong underlying earnings growth by the Logistics & Infrastructure business unit and more modest underlying earnings growth from the Ports & Bulk business unit.

Qube remained highly diversified by customer, product, service, and geography. In FY22, the top 10 customers across the division represented approximately 20% of the Operating Division's total revenue and included mining companies, energy companies, retailers, and manufacturers. No single customer represented more than 4.0% of the total divisional revenue.

<u>Logistics & Infrastructure (L&I)</u>

Qube's Logistics & Infrastructure business unit had a very strong year and reported revenues of $1.13 billion in FY22, which was 31.3% higher than FY21. Underlying EBITA (pre-divisional corporate overheads which are not allocated to the business units) grew an impressive 37.1% to $145.6 million.

The business experienced operating challenges caused by shipping schedules, port congestion and extreme weather events but nonetheless delivered a record financial result.

L&I enjoyed a much larger contribution from grain related activities comprising bulk and containerised haulage, grain storage and loading. L&I also benefited from the Newcastle Agri Terminal (NAT) acquisition in October 2021, as well as a stronger grain harvest generally.

L&I also experienced generally higher volumes in a number of other products and services, including steel and food processing, transport, container and warehousing revenues.

AAT also performed well with higher roll-on roll-off (RoRo) and general cargo volumes a key driver. Motor vehicle import volumes at AAT's facilities were slightly down on the prior year, however total vehicles handled were higher overall due to transhipment volumes (motor vehicle movements between Australian states).

The new BlueScope rail contract commenced early in H2 FY22 and is ramping up in line with expectations, albeit disruptions have been experienced due to rail lines being impacted by flooding events during H2.

<u>Ports & Bulk (P&B)</u>

Qube's Ports & Bulk business unit delivered pleasing results in FY22 and reported revenue of $1.44 billion, which was 25.7% higher than FY21. Underlying EBITA (pre-divisional corporate overheads which are not allocated to the business units) grew by a more modest 5.9% to $137.2 million, largely due to lower margins in the NZ and Australian forestry businesses and parts of the bulk business.

The Australian general stevedoring activities were strong with higher bulk and break-bulk volumes (mainly steel imports and grain exports) than the previous year. Imported vehicle volumes also rebounded, though included a higher-than-normal number of low margin transhipment volumes.

Operations continued to be negatively impacted by port congestion and skilled labour supply challenges, as well as several east coast weather events in H2 FY22 which disrupted operations. Additionally, some financial impact was incurred from industrial action at the Port of Fremantle in H1 of FY22.

Qube's energy activities delivered a strong FY22 performance with growth in revenue and earnings derived from a new contract win with Chevron and the expansion of service offerings and projects with existing customers who are increasing exploration and production activities.

New Zealand forestry activities experienced a very challenging year due to a near 20% reduction in log volumes to China driven by a decline in construction as well as the significant disruption to operations and the associated additional costs (predominantly labour and travel) due to long COVID-19 lockdowns and the flow-on impact on the cost and supply of skilled labour.

The bulk export activities continued to generate solid returns for Qube, with the majority of Western Australian bulk operations performing well during FY22. Certain operations were however adversely impacted by the extended hard border closures, which led to skilled labour shortages and operational challenges.

Our East Coast business had flat earnings on increasing volumes and revenues. These businesses had a challenging year resulting from COVID-19 lockdowns, skilled labour shortages and in some cases the impact of weather events, all of which disrupted operational efficiencies and resulted in temporarily higher operating costs during this period.

Our mobile crane activities were negatively impacted by delays to several large infrastructure and energy projects caused by a combination of extreme weather and other project scheduling delays however these began to ramp up in Q4 FY22 and should deliver improved results in FY23.

Completion of Moorebank Logistics Park (MLP) Monetisation Process

On 15 December 2021, Qube successfully completed the transaction with LOGOS for the sale of 100% of its interest in the warehousing and property components of the MLP project. Qube received up front proceeds of around $1.36 billion with another $0.2 billion received in early August 2022. The remainder of the deferred consideration ($0.1 billion) will be paid progressively as construction of stage 1a of the MLP Interstate Terminal is delivered.

The transaction with LOGOS allowed Qube to realise a strong value for the MLP property assets, avoid the risk associated with delivering the leasing and development of future warehouses and significantly reduced Qube's ongoing capex requirements.

The MLP project delivered a large profit to Qube that was crystallised by the completion of the monetisation. The resulting tax payable on the gain (inclusive of the deferred consideration) is estimated at $190-200 million and will be payable in December 2022.

Patrick Terminals

Patrick delivered a strong contribution to the Qube FY22 result with an underlying contribution from Qube's 50% interest in Patrick of $54.4 million NPAT and $64.7 million NPATA, an increase of 31.7% and 27.4% respectively, over the prior corresponding period. This contribution is inclusive of Qube's share of interest income ($11.7 million post-tax) on the shareholder loans provided to Patrick.

Patrick continued to generate strong cash flow, with total distributions to Qube in the period of $85 million compared to $120 million in FY21 (noting that the FY21 distributions were higher as they included distributions relating to an external debt upsizing undertaken by Patrick in the period).

The financial performance was the result of improved margins on a modest decline in volumes (lifts). This reflected productivity improvements and continued diversification of revenue streams including a higher contribution from landside and ancillary charges.

In April 2022, Patrick finalised a new Enterprise Agreement with the Maritime Union of Australia (MUA), effective from January 2022 for a 4-year period. The new agreement provides for additional flexibility in relation to recruitment, rostering, and training.

Patrick renewed several contracts in the period and its market share stabilised at 42% across the year (compared to 44% in FY21). Market share was impacted by industrial action mainly in the first half of the year, vessel scheduling issues and the loss of a service to a competitor. Patrick's volumes (lifts) in FY22 were 2% below FY21, against market growth in lifts that was broadly flat year on year (0.5% growth).

Patrick delivered sound operational productivity for both shipside and landside customers despite shipping line vessel schedule integrity at record low levels through the period which resulted in increased peaking and troughing of operations and congestion through the supply chain.

Dividend

As a result of Qube's strong performance in the period, positive earnings outlook and strong financial position, the Board has determined to pay a fully franked final ordinary dividend of 3.3 cents per share, bringing the full-year ordinary dividend to 6.3 cents per share fully franked. The full year ordinary dividend represents around a 59% payout ratio of Qube's FY22 underlying earnings per share pre-amortisation (including Qube's share of Patrick's amortisation) (EPSA) which is at the upper end of the target dividend payout ratio of 50-60%.

As a result of the receipt of the MLP monetisation proceeds, including the receipt of the majority of the deferred consideration in early August 2022, combined with Qube's positive earnings outlook, the Board declared a 0.7 cents per share fully franked special dividend in addition to the record full year ordinary dividend.

This brings the total full year dividend to 7.0 cents per share, being a 16.7% increase on the prior year's dividend. The dividend reinvestment plan will not apply in relation to the final dividend.

FY23 Outlook

<u>Operating Division</u>

In FY23, Qube currently expects strong growth in underlying revenue and earnings (EBITA) in the Operating Division, with the Logistics & Infrastructure business unit again expected to achieve higher earnings growth than the Ports & Bulk business unit. The extent of growth is expected to depend on a range of factors including:

- volumes in Qube's key markets (which are currently expected to be broadly consistent with activity levels in FY22)
- organic growth and productivity initiatives
- contribution from prior year growth capex and acquisitions
- ongoing cost and operational impact of COVID-19
- extent of accretive growth capex and acquisitions in FY23.

Earnings are not expected to be materially impacted by cost inflation given Qube's ability to recover higher costs through a combination of contractual protections, rate adjustments and productivity improvement.

Qube is presently forecasting FY23 capex to be around $400-$500 million excluding potential acquisitions although the actual level of capital expenditure in FY23 could vary materially (up or down) from this estimate and will depend on finding suitable opportunities that meet Qube's key investment criteria.

Growth capex across the Operating Division is expected to include locomotives and rolling stock, new warehouses and storage sheds and transport fleet equipment. Maintenance capex is expected to be around 85-95% of depreciation expense.

Our guidance includes the MLP IMEX and Interstate Terminals capex which is expected to be around $140-160 million (which excludes the deferred consideration of up to $100 million relating to the funding of the development of the Interstate Terminal, the majority of which is expected to be received during the period). The two MLP terminals are very strategic infrastructure assets that are expected to deliver long term earnings and value to Qube, although will not contribute to Qube's underlying earnings in the short term.

Patrick

Qube expects continued strong growth in underlying EBITDA/EBIT for Patrick driven by modest market growth, stable market share and improved margins through productivity initiatives and the full period benefit of higher infrastructure and ancillary charges which offset higher operating costs (including labour, fuel and rent).

Overall Qube expects that the NPATA contribution from Patrick will be modestly higher than FY22 due to an increased interest expense for Patrick, mainly resulting from higher base rates. Qube expects continued strong cash distributions from Patrick in FY23.

Corporate and Interest Costs

Corporate costs are expected to increase in FY23 mainly due to cost inflation, higher insurance costs and some additional resourcing.

Qube expects a significant increase in interest expense (indicatively $25-30 million above FY22) mainly resulting from higher average base rates expected in the period as well as reduced capitalisation of interest costs relating to the MLP IMEX automation which is expected to be operational in H1 FY23.

Qube Group

Underlying NPATA is expected to grow relative to FY22 although the extent of growth is dependent on the factors outlined above as well as interest rates over the period.

Growth in underlying EPSA is expected to be higher than the NPATA growth due to the full year benefit from the share buyback completed in May 2022.

"Overall, FY23 is expected to be another positive year for Qube, though significant risks and challenges remain.

I am confident with the foundation that we have established with our supply chain diversification strategy, coupled with our robust operating and financial position and predictable earnings profile, that Qube is well positioned for continued long term earnings growth", Mr Digney said.

This outlook assumes no material adverse change to current conditions in Qube's markets or domestic or global economic and/or political conditions, including any deterioration due to COVID-19 that impacts Qube's workforce, customers, markets, or operations. It also assumes that the multiple extreme weather events such as those that impacted the east coast of Australia and parts of New Zealand in H2 of FY22 are not repeated in FY23.

Authorised for release by:

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