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ASX Announcement

Qube delivers increased profits on strong container revenues and mining volumes.

Underlying NPAT up 9.3% despite lower revenue in first half.

Commercial terms reached for sale of Moorebank property assets to LOGOS.

Monetisation process of Moorebank and Minto Properties totals c.$1.86 billion.

Qube to retain ownership and operation of strategic Moorebank IMEX and Interstate terminals and Beveridge project.

Board declares 2.5c interim dividend fully franked.

	Underlying Information		Statutory Information	
	$m	Change (from pcp)	$m	Change (from pcp)
Revenue	953.3	(1.7%)	939.3	(1.9%)
EBITA	93.3	(2.4%)	94.4	(8.2%)
NPAT	74.3	9.3%	57.8	11.8%
NPATA	82.8	8.5%	66.3	10.5%
EPSA (cents)	4.4	(6.4%)	3.5	(5.4%)
DPS (cents)	2.5	(13.8%)	2.5	(13.8%)

FIRST HALF FY21 HIGHLIGHTS

- Underlying earnings growth (NPATA) despite ongoing impact of COVID-19 highlights the resilience of Qube's business and its strong market positions
- Safety performance continued to improve with successful management of COVID-19 across all operations
- A strong contribution from Patrick
- Non-binding commercial agreement reached with LOGOS Property Group (LOGOS) for monetisation of property assets at Moorebank Logistics Park (MLP)
- Continued strong interest from potential tenants at MLP with two leases signed for around 18,000 sqm of warehousing

- Results for the Operating Division (including AAT and Quattro) benefited from:
  - A rebound in the container trade in Australia which benefited all Logistics activities (except for Melbourne volumes which were impacted due to COVID lockdowns during the period)
  - Stronger volumes across a number of mining commodities in Western Australia
  - Continued solid volumes across forestry activities in New Zealand
  - Stronger volumes in the energy customer base in Australia and South East Asia
  - Higher general and project cargo volumes through AAT's facilities in Port Kembla and Appleton Dock terminals

Releasing the interim result, Managing Director Maurice James said, "This is a strong performance in the face of the unprecedented challenges of COVID-19."

"Once again the Qube group of businesses has proved their resilience and ongoing ability to deliver solid returns for shareholders."

"Qube is pleased to have reached commercial terms with LOGOS, who continue to recognise the high quality and significant strategic value of MLP. The commercial terms are subject to entry into binding documentation and several conditions including FIRB and the Government owned Moorebank Intermodal Company's (MIC) approval."

"The proposed transaction will allow Qube to realise a strong value for the MLP Property Assets and focus on growing its core logistics business, all while retaining exposure to long-term growth in container volumes at MLP through terminal and logistics activities."

"The transaction de-risks delivering the MLP development and warehouse leasing and significantly reduces Qube's ongoing capex requirements. We look forward to forging a strong partnership with LOGOS at MLP and benefiting from its strong tenant relationships and specialist development expertise."

"Combined with the Minto Properties transaction announced in 2020, Qube's property monetisation process will deliver approximately $1.86 billion of gross proceeds, with Qube continuing to retain ownership of the strategic MLP intermodal terminals as well as the options over the Beveridge site," said Mr James.

Proposed Moorebank transaction overview

- Qube has entered into a non-binding commercial term sheet to sell 100% of its interest in the warehousing and property components of the MLP project ("MLP Property Assets") to LOGOS[1]
- The term sheet is non-binding and any transaction remains subject to entry into formal transaction documents, final Qube and LOGOS approvals, and MIC approval
- Purchase price of c.$1.65 billion, taking total property monetisation proceeds to c.$1.86 billion (including $207 million for Minto Properties), before tax, transaction costs and other adjustments
- Consideration of c.$340 million deferred and the remainder payable on financial close, subject to customary completion adjustments including for working capital and for capital expenditure spent as compared to forecast until financial close

[1] Excluding a small area of developable MLP non-warehouse commercial land that Qube may divest to LOGOS for additional value or retain.

- Deferred payment partially drawn down to fund construction of Stage 1 of the Interstate terminal and balance payable upon receipt of certain planning approvals for the remainder of the warehousing development
- LOGOS to fund and deliver the balance of development for the MLP Property Assets including funding of the Woolworths warehouse distribution facilities
- Qube to retain its 100% interest in the intermodal rail terminals
- The term sheet contains alignment principles to align the long-term interests and objectives between the property leasing and rail terminal and logistics activities
- Finalised binding transaction documents expected to be entered into during H2 FY21
- Transaction subject to conditions including FIRB and MIC approvals
- Intention is to establish a new governance structure between MIC, LOGOS and Qube

MLP Property Assets

Under the potential transaction, LOGOS will acquire 100% of Qube's freehold land in MLP, 100% of Warehouse Trust (leasehold interest in MLP warehouses) and Qube's 34% interest in Land Trust (leasehold interest in MLP land).

Qube will retain its 100% interest in intermodal rail terminals and terminal operations activities at MLP.

Qube's MLP development capex obligations will reduce materially following the transaction, and will primarily comprise completion of the automation of the IMEX terminal and delivery of the Interstate terminal. LOGOS will fund and deliver the balance of the development for the MLP Property Assets from financial close including precinct infrastructure. In addition, Qube will be relieved of its obligations in relation to future ground rent payable to Land Trust on the warehousing land and the future rail access charges payable to the MIC owned Rail Trust.

An Alignment Deed and Interface Deed are to be put in place in order to align the long-term interests and objectives between the property and logistics activities.

Qube has sought to balance maximising value from monetisation of the MLP Property Assets with managing a limited number of risks associated with enabling delivery of the balance of the project. Qube is well positioned to prudently manage the risks associated with the deferred payments and is confident in the satisfaction of their conditions.

Expected to deliver significant value and focuses Qube on core logistics business

The contemplated transaction realises substantial value for the MLP Property Assets, while substantially de-risking the delivery of the development and warehouse leasing and materially reducing Qube's future capex obligations for the project.

Qube will benefit from LOGOS' strong tenant relationships and specialist development expertise, with Qube retaining upside potential through exposure to long-term growth in container volume at MLP through terminal and logistics activities. LOGOS is committed to the vision of MLP as a premier logistics precinct and growing container volume.

Post-transaction, Qube will be focussed on its core logistics business, and will benefit from income associated with logistics activities at MLP.

Post completion Qube intends to review its capital structure and the appropriate use of the after-tax proceeds from the monetisation transaction. This is expected to include repayment of debt, retaining adequate liquidity to support continued investment in attractive growth opportunities, and potentially capital management initiatives. Further details on any capital management initiatives and Qube's future capital structure will be communicated in due course.

JobKeeper

Qube received JobKeeper subsidies of approximately $16.8 million in the half. The majority of the JobKeeper payments went to entities operating in Qube's regional ports activities as these were the most impacted in terms of volume decline as a result of COVID-19, particularly stevedoring of motor vehicles, containers, forestry volumes, bulk grain volumes and passenger cruise ships.

As a result of the availability of JobKeeper, Qube has been able to offset significant additional costs in the period attributable to COVID-19 and also keep:

- The majority of Qube employees employed rather than impose redundancies
- All Regional Ports operating and critical supply chains open
- Qube's businesses operating to maintain customer requirements and ensure supply chains were open for essential products to all communities within Australia
- Additional capacity in its workforce to quickly respond to any improvement in activity levels and customer requirements.

Based on the pleasing first half result and positive full year outlook, the Board has determined to voluntarily repay the JobKeeper subsidies received in FY21.

The repayment of the JobKeeper subsidies will reduce Qube's full year pre-tax statutory earnings by the amount of the repayment, however, Qube's underlying earnings are not expected to be reduced by the repayment, given:

- In the absence of the subsidies, management would have implemented additional cost saving measures in the period, including reducing employment levels and/or hours, to mitigate the impact on Qube's financial performance from the challenging COVID-19 environment
- Growth in the second half (compared to the previous corresponding period) is expected to exceed H1 FY21 earnings growth given improved market conditions and lessened COVID impacts being experienced.

Management is monitoring trading conditions to assess whether any such cost saving measures need to be implemented, as it would normally do in the ordinary course of business given Qube will not be retaining any JobKeeper subsidies in H2 FY21.

Summary and Outlook

Qube delivered a pleasing operational and financial performance in the period, despite ongoing cost and revenue impacts associated with COVID-19.

This reflects Qube's favourable competitive position in attractive and diversified markets. It also reflects Qube's long term record of investment in equipment, systems, technology, facilities, as well as through complementary acquisitions to enable Qube to provide its customers with a comprehensive range of integrated cost-effective, reliable logistics services focussed on import and export supply chains.

Based on Qube's first half performance and expected trading for the remainder of FY21, Qube presently expects to deliver solid growth in underlying NPAT pre-amortisation (NPATA) (inclusive of the JobKeeper subsidy) and earnings per share pre-amortisation (EPSA) in FY21 compared to FY20 as a result of increased contributions from the Operating Division and Patrick, as well as lower net interest costs.

This assumes no material deterioration in the current economic conditions or volumes across Qube's key markets, including as a result of COVID-19 or an escalation of trade sanctions from China.

It also assumes no material acquisitions or divestments (and therefore does not reflect any outcome from the monetisation process).

Qube remains well positioned to deliver sustainable, long term earnings growth.

Authorised for release by:

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