

10 November 2023

## ASX Announcement

### Trading and Business Update

Qube, Australia's largest provider of integrated import and export logistics services, is pleased to provide an update on its recent performance and outlook for FY24.

#### Positive start to FY24

Based on unaudited management accounts, Qube's underlying financial performance for Q1 FY24 has been solid and consistent with Qube's guidance for delivering underlying earnings growth in FY24.

Key highlights include:

- Earnings growth ahead of Q1 FY23 for all business units reflecting:
  - Generally solid volumes in line with expectations across most activities;
  - Margin improvement reflecting benefits of scale, efficiencies and impact of prior year rate adjustments;
  - Higher automotive volumes which offset weaker agri and New Zealand forestry volumes;
  - Domestic forestry volumes broadly in line with expectations and early signs of improvement in New Zealand forestry volumes;
  - Skilled labour availability continues to be a challenge in some parts of the business and inflationary pressures are continuing.
- Increased market share and high volumes for Patrick although this is expected to moderate; and
- Other associates also performing above Q1 FY23.

#### Qube's FY24 Outlook

The pleasing start to FY24 supports Qube's expectation that it will deliver underlying earnings growth in FY24 compared to FY23, albeit below the strong growth rate that was achieved in FY23. The extent of earnings growth remains difficult to forecast given the various opportunities, challenges and uncertainty across Qube's core markets.

#### Successful Debt Refinancing

During Q1 FY24, Qube successfully refinanced a large portion of its debt facilities including:

- Repaying the ASX listed subordinated notes.
- Repaying or extending all debt facilities maturing in FY24.
- Increasing debt facilities by a net \$225 million to provide additional funding flexibility and capacity.

The refinancing process was well supported by Qube's existing banks as well as several new lenders and resulted in an extension to Qube's weighted average debt maturity profile from 2.5 years at 30 June 23 to around 3.6 years. Qube continues to maintain material headroom to its covenants, and has significant funding capacity to support suitable, accretive growth opportunities.

#### Delivering on our strategy to diversify by geography and market

In FY24, Qube has completed three bolt-on acquisitions comprising two company purchases and one asset acquisition, and continues to have a healthy pipeline of opportunities under consideration.

The total consideration for the three completed transactions is around \$100 million. While each acquisition is expected to meet Qube's financial return criteria and deliver ROACE of at least 10% and be EPSA accretive (in each case on a full year, normalised basis), they are not expected to have a material financial impact on Qube's FY24 financial results.

An overview of these acquisitions are as follows:

1. Agri Rail Terminal, Storage and Handling Facility at Narrabri (NSW)
  - 18 hectare site with 7 warehouses and 3 grain bunkers
  - Customers can be serviced by Qube Rail
  - Enhances Qube's NSW agri grain network
  - Transaction completed on 28 September 23
2. Remaining 50% interest in Pinnacle (NZ)
  - Will increase Qube's ownership to 100%
  - Financial metrics are consistent with those for the initial interest
  - Transaction supported by existing Pinnacle management, workforce and customer base
  - Pinnacle and Qube's ISO NZ business to be rebranded as Qube during FY24
  - Transaction completed 1 November 23
3. Stevenson Logistics
  - Established container transport and logistics operator located in the port precinct of North Fremantle
  - Expands Qube's capabilities and exposure to the hay/agri export market in WA
  - Opportunity for significant revenue and cost synergies
  - Transaction completed 1 November 23

#### Other Developments

##### Moorebank Logistics Park (MLP) – IMEX

The testing and commissioning of the IMEX has continued and automated operations are expected to commence in early 2024. There have been several positive industry developments in FY24 that should support increasing volumes through the IMEX over the short to medium term including:

- The completion of construction and commencement of operations of Patrick's automated rail terminal at Port Botany in November 2023.
- Additional tenants, being Maersk, and Sydney Tools, have been secured by LOGOS at MLP and are expected to utilise rail to move their volumes from Port Botany. These tenants will join existing tenants including Qube, Woolworths and Mainfreight at the MLP. The Mainfreight and additional Qube warehouses are expected to be completed by the end of 2023 with operations commencing in Q1 2024, while the two new warehouses for the most recent tenant signings are expected to be completed by March 2024.
- Qube is exiting its leased facilities at Yennora in November and will be diverting terminal and warehouse volumes to the MLP which should support the ramp up of activities and an improved overall financial return to Qube.

##### Moorebank Logistics Park (MLP) – Interstate Terminal

Construction of the Interstate Terminal continued during the period although progress was delayed due to performance issues associated with the principal contractor. On 25 September 2023, Qube terminated the contract with this contractor and has engaged John Holland Rail to manage and construct the remainder of the project.

At this stage, Qube expects to have the terminal operational in Q1 2024 and the total cost is expected to be within the previously advised estimate of \$200 million for Stage 1a and 1b.

Qube Managing Director, Paul Digney said: "Throughout this first quarter, Qube has maintained the momentum we built during FY23 to deliver continued earnings growth which further demonstrates the strength and resilience of the business and the benefits of our scale and diversification.

"While we are cautious about the outlook, given factors such as persistent inflationary pressures, geopolitical uncertainty and weather related impacts on agri volumes, we remain confident that the Group will deliver underlying earnings growth in FY24.

“Sadly, our financial performance is tarnished by the death of our colleague at Qube’s forestry harvesting operations in South Australia, in September. Investigations into that incident continue and we again extend our condolences to our colleague’s family and friends.

## **Acquisitions**

“We have continued to invest in our growth, with three new acquisitions during the period, including acquiring the remaining 50% share in Pinnacle in New Zealand.

“This acquisition will see Qube’s brand presence grow in the New Zealand container logistics market, with significant longer-term organic growth opportunities, and builds on our existing port logistics presence.

“The acquisition of Stevenson’s in WA expands Qube’s capabilities and exposure to the hay and agri export market in WA, while the Narrabri Agri facility further strengthens Qube’s paddock-to-port service offering in regional NSW.”

Authorised for release by:

**The Board of Directors, Qube Holdings Limited**

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