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ASX Announcement

Very strong financial performance underscores the strength and resilience of Qube

Underlying revenue growth climbs 23% with underlying earnings (EBITA) up 31%

Underlying NPATA up 37%

25% increase in interim dividend (to 3.75 cps, fully franked) reflects Qube's very strong performance and positive outlook

	Underlying Information		Statutory Information (including discontinued operations)*	
	$m	Change (from prior corresponding period)	$m	Change (from prior corresponding period)
Revenue	1,497.2	23.1%	1,455.8	22.3%
EBITA	145.2	30.9%	159.6	67.8%
NPAT	124.9	41.4%	111.3	97.7%
NPATA	132.6	37.0%	119.0	83.6%
EPSA (cents)**	7.5	47.1%	6.7	97.1%
DPS (cents)	3.75	25.0%	3.75	25.0%

**Note: As a result of the sale of the Moorebank warehousing-related assets, the earnings associated with these assets were classified under discontinued operations in the FY21, FY22 and H1 FY23 financial statements. Excluding discontinued operations, H1 FY23 revenue is $1,448.2 million and EBITA is $152.0 million.*
***Note: EPSA is NPATA divided by the fully diluted weighted average number of shares outstanding.*

Qube, Australia's largest provider of integrated import and export logistics services, today announced an excellent financial performance in the first half of FY23, with underlying revenue growth of 23.1% to $1.5 billion flowing through to underlying earnings (EBITA) growth of 30.9% to $145.2 million. Underlying NPATA increased by 37.0% to $132.6 million. These results were achieved despite some continued challenges in the period.

This very strong result reflects continuing high volumes across most of Qube's core markets, and was delivered by a combination of organic growth as well as from the full period contribution from prior acquisitions and growth capex.

The result was underpinned by the benefit of Qube's significant investment over many years, including on infrastructure, facilities, equipment, technology and people to build comprehensive, efficient, reliable integrated logistics capabilities across its markets.

Patrick, which is 50% owned by Qube, also delivered very strong earnings growth with the business benefitting from continuing operational efficiency initiatives including increased automation as well as increased landside and ancillary charges.

Qube Managing Director, Paul Digney, said the business' results for the first half of 2023 again demonstrated the strength of Qube's business and benefit from its diversification strategy.

"Qube's strength is the breadth and quality of its integrated logistics capability which has enabled it to build a highly diversified business across geographies, assets, service offerings, customer base and markets. The value of that strategy is demonstrated in the very strong results we've announced today.

"We have delivered a very strong financial performance for the period and this is despite ongoing skilled labour shortages, the continuing high inflationary environment and some ongoing supply chain disruptions. This is a testament both to the resilience of the business and the commitment of our team of more than 8,200 people delivering the high quality services our customers expect and value from Qube.

"With continuing high volumes across most of our core markets, and multiple drivers of growth which we expect to continue, we have built good momentum going into the second half, and expect to deliver a strong financial performance for the year."

Safety, Health and Sustainability (SHS)

Pleasingly, Qube's very strong financial performance was accompanied by further improvement in key safety metrics, including a 13.5% reduction in the Total Recordable Injury Frequency Rate (TRIFR) from FY22, and a 37.5% reduction in the Lost Time Injury Frequency Rate (LTIFR) from FY22.

Qube's Critical Incident Frequency Rate (CIFR) increased to 1.08 and this is attributable to the enhanced focus on reporting events with a potential critical consequence. Qube's strategy is to simplify systems, focus on what matters, and prevent fatal and catastrophic events from occurring. A new event management system also gives the business the capability to improve risk management and ensure Qube is focusing on prevention.

Following publication of Qube's decarbonisation plan in August 2022, the business has:

- Commenced delivering on our plan including to achieve a 50% reduction in Scope 1 emissions intensity by 2030 and for 95% of prime movers to be Euro 5,6 by 2027
- Entered into a number of partnerships to trial innovative technologies and alternative fuels over the next 2 years to accelerate decarbonisation
- Invested in additional resourcing to strengthen our in-house capability, build our expertise and to drive improved analytics and research to support execution of our plan
- Initiated customer and supplier engagement on Scope 3 emissions management and reporting.

Operating Division

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

Qube's L&I business unit delivered a very strong result in H1 FY23 and reported revenues of $692 million, which were 32.2% higher than in H1 FY22. L&I underlying EBITA (pre-divisional corporate overheads which are not allocated to the business unit) grew an impressive 69.5% to $118.5 million.

The L&I business experienced continuing high product and activity volumes across its core infrastructure. The benefit of Qube's substantial investment over many years on key infrastructure and building scale was reflected in the favourable earnings and margins in the period.

This included high volumes across container transport, handling and storage activities across Australia. Rail activities also grew and included containers, grain and bulk commodities across New South Wales and Victoria, and new rail services for the BlueScope (East Coast) steel contract.

Project cargo, general cargo and roll-on roll-off (RoRo) activities across our AAT facilities in Brisbane, Port Kembla and Melbourne also contributed to the record result, as did agri activities in upcountry regional New South Wales, and export volumes loaded from Qube's NAT (Newcastle) and Quattro (Port Kembla) grain terminals.

The result also reflects growth in warehousing activity nationally, including the commencement of operations of the new Altona warehouse.

The top 10 L&I customers represent around 14.5% of the Operating Division's total revenue and include retailers, manufacturers, shipping lines, food processors and grain traders.

Moorebank Logistics Park (MLP) - IMEX and Interstate Terminals

The MLP IMEX Terminal handled around 54,000 TEU in H1 FY23 with some volumes being diverted to Qube's other IMEX terminals while the automation rollout is being tested and refined.

Qube continues to believe in the long-term strategic value of this investment, and expects to see continued growth in volumes through the MLP IMEX Terminal as additional warehouses are developed at MLP and new tenants build demand and container activity levels for the terminal.

The construction of the Interstate Terminal and Rail Access Network continues to progress in line with expectations. The majority of inground services are now complete, rail and sleepers have been delivered to site and paving works will commence in the next three months.

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

Qube's P&B business unit reported H1 FY23 revenues of $806.4 million, which was 18.1% higher than H1 FY22. However, underlying EBITA (pre-divisional corporate overheads which are not allocated to the business unit) decreased by 8.5% to $64.4 million. This was largely due to the impact of skilled labour shortages, operational inefficiencies arising from port congestion, and the inability to fully recover some inflationary and supply chain driven cost increases in the bulk and domestic forestry activities.

The Australian general stevedoring activities saw reasonably strong H1 volumes however the business was impacted by ongoing port and yard congestion driven in part by quarantine and scheduling issues with arriving vessels. This resulted in lower productivity and higher operational costs, negatively impacting margins.

Qube's energy activities delivered a strong H1 FY23 performance with growth in both revenue and earnings derived from increased activities with existing customers. An increased level of lower margin pass-through revenues did dampen overall margins for this business.

The New Zealand forestry business experienced an improved performance in H1 FY23 versus the prior corresponding period. The Australian forestry business also saw material revenue growth, mainly due to the full period impact of prior period acquisitions. The earnings and margins of this business were however negatively impacted by acute skilled labour shortages, which resulted in operational inefficiencies and higher operational costs.

Qube's bulk mining export activities delivered higher revenues in H1 FY23 driven by continued strong volumes across most commodities. The earnings and margins of this business however declined versus the prior corresponding period driven by a number of industry wide challenges that continued in H1 FY23, including skilled labour shortages, in a number of the more remote locations in which Qube operates, including the Pilbara and other Western Australian operations.

The business also experienced significantly higher inflationary impacts for key cost lines such as spare parts, tyres, lubricants, travel and contract labour. Due to the timing lag of the rise and fall mechanisms in many contracts, and the specific cost recovery formula which does not fully capture some of the rapid and large cost increases in certain components of the operations, these cost increases may not be recoverable, in part or full, until later periods or contracts are renegotiated. A much higher recovery rate is expected in FY24.

Patrick Terminals

The underlying contribution from Qube's 50% interest in Patrick was $32.2 million NPAT and $37.0 million NPATA, an increase of 37.0% and 28.0%, respectively, over the prior corresponding period. This contribution is inclusive of Qube's share of interest income ($5.2 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 $45.0 million compared to $40.0 million in H1 FY22.

This financial performance was predominantly driven by high storage and other ancillary revenues despite volumes (lifts) being relatively flat compared to the prior corresponding period.

Patrick renewed and won a number of contracts in the period, however its market share decreased slightly to 41.0% (compared to 42.2% in FY22). Market share was impacted by the loss of a service to a competitor. Patrick's volumes (lifts) in H1 FY23 were -0.3% below H1 FY22, against market growth of 3.4%.

Key projects progressed through the period and are on track to be delivered as planned. These include:

- Port Botany rail terminal - phase 1 completed, phase 2 works are well progressed with the project on track to be delivered by September 2023

- Automated truck handling – project went live in Fisherman Islands in July 2022 and will be rolled out in Port Botany in mid-2023
- Crane automation – pilot program in Fisherman Islands is in the final stages and expected to be fully implemented by March 2023
- East Swanson rail facility - construction is well progressed and due for completion in mid-2023
- Fremantle redevelopment - construction in progress with civil works to be delivered by mid-2023.

Interim Dividend

Reflecting Qube's very strong performance in the period, positive earnings outlook and strong financial position, the Board has increased the interim ordinary dividend by 25.0% to 3.75 cents per share, equating to a 50% dividend payout ratio of Qube's H1 FY23 underlying earnings per share pre-amortisation (including Qube's share of Patrick's amortisation) (EPSA).

FY23 Outlook

Operating Division

Qube continues to expect to deliver strong growth in underlying revenue and earnings (EBITA) in the Operating Division for FY23, with the Logistics & Infrastructure business unit still expected to achieve higher earnings growth than the Ports & Bulk business unit.

The underlying earnings (EBITA) in H2 are expected to be lower than the underlying EBITA delivered in H1, mainly reflecting some moderation anticipated in imported container volumes and the impact of severe weather in New Zealand that occurred in January and February 2023 and disrupted some of Qube's forestry operations.

This outlook also reflects a range of assumptions for H2 including:

- Continued solid volumes and activity levels across most of Qube's markets.
- Ongoing cost and revenue impact from labour shortages in parts of Qube's business.
- Full recovery of cost increases in the bulk activities will occur in FY24.
- No material adverse weather events.
- No incremental earnings from new acquisitions that are currently being assessed.

Qube is presently forecasting full year FY23 capex to be around $400 to $500 million excluding potential acquisitions. Growth capex across the Operating Division will include locomotives and rolling stock, new warehouses and storage sheds and transport fleet equipment.

Maintenance capex is expected to be at or slightly above 100% of depreciation expense in FY23 mainly as a result of the operational decision to acquire rather than lease some replacement locomotives and some other mobile equipment.

The full year capex forecast also includes the MLP IMEX and Interstate Terminal capex which is expected to be around $130 million (which excludes receipt of the remaining deferred consideration of up to around $80 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 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.

Patrick

Qube continues to expect that Patrick will deliver strong growth in underlying EBITDA/EBIT in FY23, 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).

Qube expects that Patrick's earnings contribution to Qube (NPATA) in H2 will be lower than the H1 NPATA contribution, mainly reflecting some moderation in imported container volumes and higher interest costs in the second half of the period.

Overall Qube continues to expect that the NPATA contribution from Patrick in FY23 will be modestly higher than FY22. Patrick's earnings are expected to enable it to continue to deliver high cash distributions to its shareholders in H2 FY23.

Corporate and Interest Costs

Qube's full year net interest expense is expected to be around $20-25 million above the full year FY22 net interest expense. This is around $5 million lower than previously forecast, mainly resulting from lower net debt compared to previous forecasts, as well as some additional capitalisation of interest costs relating to the MLP related capex.

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

Qube Group

Qube is currently expecting to deliver strong growth in full year underlying NPATA and EPSA in FY23 compared to FY22. 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.

Underlying earnings (NPATA) in H2 are expected to be below the NPATA delivered in H1, mainly due to the lower expected earnings contribution from the Operating Division and Patrick in H2, as well as Qube's increased full year interest costs.

The actual full year earnings growth will depend on a range of factors including market conditions in Qube's key markets, any further weather events, and the inflationary and interest rate environment.

Qube is in a very strong financial and operating position, with a more predictable earnings profile from its well diversified and highly cash generative logistics operations focused on import, export and domestic supply chains. Qube will continue to maintain a conservative balance sheet that is supportive of accretive investments to enhance long term underlying earnings growth and shareholder value creation.

Authorised for release by:

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