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ASX Announcement

Another strong financial performance underscores the quality and resilience of Qube's business

Underlying revenue up 17.2% to $3.5 billion and underlying NPATA up 13.2% to $271.2 million

Statutory NPAT up 32.2% to $221.9 million

Dividends up 13% to 9.15 cents per share (fully-franked)

Qube, Australia's largest provider of integrated import and export logistics services, today reported another strong financial performance for FY24, with underlying revenue growth of around 17.2% to $3.5 billion and underlying earnings (EBITA) growth of 13.6% to $318.4 million.

Underlying NPATA increased by 13.2% to $271.2 million and underlying earnings per share (pre-amortisation) (EPSA) increased to 15.3 cents - a 13.1% increase compared with FY23 and the fourth consecutive year of double digit underlying EPSA growth.

Statutory revenue increased by 16.6% to approximately $3.4 billion and statutory profit after tax attributable (NPAT) to shareholders increased by 32.2% to $221.9 million.

	UNDERLYING INFORMATION		**STATUTORY INFORMATION** (including discontinued operations)[1]	
	$M	**CHANGE** (from prior corresponding period)	**$M**	**CHANGE** (from prior corresponding period)
Revenue	3,503.6	17.2%	3,357.2	16.6%
EBITA	318.4	13.6%	337.4	23.2%
NPAT	258.0	14.8%	221.9	32.2%
NPATA	271.2	13.2%	235.2	29.4%
EPSA[2] (cents)	15.3	13.1%	13.3	29.2%
DPS (cents)	9.15	13.0%	9.15	13.0%

NOTE:
[1]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 FY23 and FY24 financial statements. Excluding discontinued operations, FY24 revenue remained at $3,357.2 million while EBITA was $342.6 million.
[2] EPSA is NPATA divided by the fully diluted weighted average number of shares outstanding

The key drivers of this record result were:

- The Logistics & Infrastructure business unit which experienced high volumes of container related activities (including road and rail haulage and container parks), continued high automotive volumes (AAT), and a partial period's contribution from the acquisitions completed in H1-FY24. This was partly offset by much weaker agri volumes for most of the period and increased MLP IMEX terminal start-up losses;

- The Ports & Bulk business unit which generated strong earnings growth with most activities delivering growth in line with or ahead of internal expectations. The result also benefitted from the full year contribution from the Kalari acquisition completed in FY23; and
- A higher NPATA contribution from all of Qube's Associates compared to FY23, with the largest dollar contribution from Qube's investment in Patrick (50%) which delivered a record result due to a very high market share mainly resulting from industrial relations issues impacting its largest competitor for part of the period.

Qube Managing Director, Paul Digney, said the result, demonstrated the strength of the business and the benefits of diversification, combined with quality assets, people and systems, which are key market differentiators for the business.

"In FY24, Qube continued to deliver on its vision and strategy to be the leading provider of integrated logistics solutions within the Australasian market, expanding into new geographies, services, products and customers, while maintaining a focus on providing safe, reliable and valued logistics services for our customers.

"Our strong financial performance in FY24, including double digit underlying revenue and earnings growth, underscores the value of our strategy and the ability of the business to effectively manage ongoing cost pressures, areas of labour shortage and several adverse weather events."

Mr Digney said Qube had undertaken and announced a number of strategic acquisitions in both the Australian and New Zealand markets during the period, consistent with Qube's strategy to diversify by geography and market.

"These acquisitions provide further diversity and quality to Qube's business. Pleasingly, all acquisitions announced during the period are expected to contribute both to earnings growth in FY25 and beyond, as well as continued improvement in Qube's return on average capital employed (ROACE).

"Qube's ROACE improved from 9.1% in FY23 to 9.5% in FY24 despite having over $700 million of assets under development or still ramping up and not yet generating their target earnings. This has given us confidence to revise our overall ROACE target from 10% to be at least 12% over the medium term."

<u>Additional acquisition</u>
Mr Digney announced that post the end of the period, Qube had acquired integrated transport, logistics and storage business, Colemans, from its private owners.

The business incorporates a portfolio of specialised licensed infrastructure supporting the Security Sensitive Ammonium Nitrate (SSAN) supply chain in Western Australia.

Total consideration for the acquisition was approximately $119 million (exclusive of stamp duty and transaction costs) and has been funded from Qube's available, undrawn debt facilities.

"The acquisition of Coleman's includes over $90 million of assets, including high security storage sheds in key WA mining centres. These facilities are close to transport infrastructure, SSAN manufacturing and processing facilities and meet all regulatory and compliance requirements.

"This acquisition provides Qube with a platform to enter the Western Australia SSAN supply market and to use its financial and operational capabilities to invest to support further growth and deliver operational improvements for this business."

The acquisition is expected to be modestly earnings per share (pre-amortisation) (EPSA) accretive and exceed Qube's minimum ROACE target on a pro-forma basis, inclusive of synergies. These synergies are expected to be partly realised in the first year of ownership and fully realised within 24 months post-acquisition.

Safety, Health and Sustainability (SHS)

Qube's safety performance improved in the period, with highlights in FY24 including:

- Total Recordable Injury Frequency Rate (TRIFR) decreased by 11.1% in FY24, from 8.8 at the end of FY23 to 7.8 at 30 June 2024.
- The Lost Time Injury Frequency Rate (LTIFR) decreased from 0.63 at the end of FY23 to 0.37 at 30 June 2024, a 41.3% improvement compared to FY23.
- The Critical Injury Frequency Rate (CIFR), measuring events with actual or potential for one or more fatalities, decreased by 38% from 1.0 to 0.62 reflecting a strengthened focus on critical risk verifications, as part of the critical risk review program.

Regrettably, Qube's financial and safety performance in FY24 is marred by the tragic death of an employee at our forest harvesting operations in South Australia, and that of an employee of a third-party contractor in an incident at a Victorian level crossing.

Qube fully cooperated with SafeWork SA in the investigation that followed this terrible event. While the safety regulator did not identify any failings in Qube's work, health, and safety obligations under South Australian law, as part of our commitment to continuous improvement, additional controls have been implemented within Qube's forestry operations, including the installation of additional in-cab cameras and investments to create an industry first digital communications network to increase monitoring of these remote operations.

Decarbonisation

Reducing emissions remains a key area of focus for the business and in FY24 Qube achieved an 18% improvement in our carbon intensity compared with FY23 (from 141.0 tCO_2e/$M in FY23 to 115.1 tCO_2e/$M in FY24) and a 42% reduction in our carbon intensity compared with the FY18 base year.

Through technology investments and a focus on productivity, Qube avoided around 13,496 tCO_2e in FY24, which is the equivalent of around 3% of the business' total realised GHG emissions for the period, and continued to expand the rollout of renewable energy across our sites with 5% of electricity now generated by rooftop solar and battery applications.

More information is available in Qube's FY24 Sustainability Report.

Dividend

Reflecting Qube's record underlying earnings in FY24 and positive outlook, the Board has increased the final ordinary dividend by around 18.4% to 5.15 cents per share (fully franked). This brings the full year dividend to 9.15 cents per share (fully franked), an increase of 13.0% over the full year dividend in FY23.

The full year dividend equates to a 60% dividend payout ratio of Qube's FY24 underlying EPSA (being the upper end of Qube's targeted payout range and consistent with the payout ratio in the prior year).

FY25 Outlook

Operating Division

In FY25, Qube expects the Operating Division to deliver strong overall underlying earnings growth (EBITA), with both the Logistics & Infrastructure and Ports & Bulk business units expected to deliver higher earnings.

This forecast is based on the expectation of:

- Broadly stable volumes overall across most markets including containers, vehicles, resources, energy, forestry and general stevedoring;
- Improved agri volumes, benefitting transport, storage, handling and trading activities;
- Moderation in (higher margin) ancillary revenue at the automotive terminals as quarantine and supply chain related activities reduce;
- A full year contribution from acquisitions and growth capex completed in FY24;
- A partial period contribution from the MIRRAT and Colemans acquisitions (both expected to complete in H1), and growth capex to be completed during FY25; and
- A reduced loss from the MLP IMEX Terminal as volumes ramp up.

The revenue and margins in the Operating Division are expected to be impacted by a full year contribution from Qube's grain trading activities. These activities are very high revenue but low direct margin given Qube's objective is not to use grain trading as a major stand-alone profit-centre.

Patrick Terminals
Qube expects that Patrick will deliver a lower NPATA contribution to Qube (indicatively a 10%-15% NPATA decline) reflecting:

- Modestly lower underlying earnings (EBITDA/ EBITA) due to a combination of a decline in Patrick's national market share (lifts) with market share returning to long term expected range of 41-43%, partially offset by growth in overall market volumes (container lifts) at around long-term levels of 3%;
- An increase in Patrick's FY25 net interest expense mainly from increased average net debt as well as higher average base interest rates; and
- Lower interest income to Qube from shareholder loans due to a lower average shareholder loan balance in FY25.

Other Associates
Qube's other associates are each generally expected to contribute a broadly similar NPATA to Qube in FY25.

The main exception is Qube's investment in the MLP Interstate Terminal (MITCo) which is expected to generate a much larger loss in FY25 until operations and volumes ramp up. The size of the loss will be dependent on the timing of commencement of commercial volumes and the quantum of volumes through the terminal during FY25, but is currently forecast to generate a full year NPATA loss for Qube's 65% share of around $6-$10 million for FY25.

Qube is presently assessing its ownership and operational strategy for this asset and may sell some or all of its interest (although no transaction is assumed for the purpose of Qube's FY25 Outlook).

Corporate and Interest
Qube's corporate costs (EBIT) are expected to increase in FY25 mainly due to cost inflation, increased resourcing and higher technology and related licensing costs, reflecting Qube's greater size.

Qube expects that its net interest expense will be around $30-35 million above FY24. This is mainly due to a higher average net debt balance resulting from the expected completion of the two acquisitions as well as the full year impact of the cessation of the capitalisation of interest expense on the two MLP rail terminals.

Capital Expenditure
Qube expects to spend around $800-$850 million on capex in FY25. The main components of this capex are:

- Around $460 million on the announced acquisition of MIRRAT and completed acquisition of Colemans.
- Maintenance capex of around $200-$220 million.
- Other growth capex of around $150-$170 million, mainly comprising warehouses, storage sheds, rollingstock and other operating equipment.

The actual level of capital expenditure in FY25 could vary materially (up or down) from this estimate and will depend on finding suitable opportunities that meet Qube's key investment criteria.

Qube is also assessing several potential sales of surplus assets which are expected to realise at least $180 - $250 million of gross proceeds during H1-FY25.

Qube Group
Based on the above expectations, Qube expects to deliver continued underlying earnings growth in FY25 (NPATA and EPSA) compared to FY24. It is currently expected that the growth will be modest relative to the strong earnings growth achieved in FY24.

The actual level of earnings will depend on a range of factors including domestic and global economic conditions and the related impact on volumes in Qube's key markets, any unexpected industrial relations related costs or operational impacts, any adverse weather events that impact Qube's operations, as well as any change to the interest rate outlook over the period.

Mr Digney said: "Having achieved another strong financial performance in FY24, we are well placed to navigate the economic and geopolitical uncertainties ahead and to continue delivering earnings growth for our shareholders in FY25 and beyond.

"The diversification of our business is a key strength, and we continue to see both organic and inorganic opportunities across our key markets and geographies that should support long term underlying earnings growth."

Further information on Qube's FY24 performance and FY25 Outlook is contained in Qube's FY24 Annual Report and FY24 Investor Presentation that were released today.

Authorised for release by:

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