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ASX Announcement

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Qube enters into binding transaction documentation for sale of property assets at Moorebank Logistics Park (MLP) to LOGOS Consortium for c.\$1.67 billion

On 25 February 2021, Qube Holdings Limited (Qube) announced that it had entered into a non-binding commercial term sheet with LOGOS Property Group (LOGOS) for the sale of 100% of its interest in the warehousing and property components of the MLP project (MLP Property Assets).

Qube is pleased to announce today that it has entered into binding transaction documentation with the LOGOS Consortium in relation to the transactions outlined below. The LOGOS Consortium comprises Australian Super, T Corp (NSW Treasury Corporation), Ivanhoe Cambridge and AXA IM Altis, in addition to LOGOS.

Qube's Managing Director, Paul Digney, commented:

"We are delighted to announce Qube's entry into a binding sale agreement with the LOGOS consortium, who is an ideal partner for the Moorebank project as they recognise the high quality and significant long-term strategic value of MLP.

We believe that the transaction with the LOGOS consortium allows Qube to realise a strong value for the MLP Property Assets, de-risks delivering the leasing and development of future warehouses and significantly reduces Qube's ongoing capex requirements.

Further, the transaction positions Qube strongly to focus on growing its core logistics business, while retaining exposure to long-term growth in container volumes at MLP through terminal and logistics activities.

The LOGOS Consortium's arrival at Moorebank will also underpin the Commonwealth's investment in this nation building project. We consider this very much a win win for Qube, LOGOS and our partners, the Commonwealth owned Moorebank Intermodal Company (MIC)."

Transaction overview

- Purchase price of c.\$1.67 billion before tax, transaction costs and other adjustments
- Consideration of c.\$1.36 billion payable on financial close and c.\$312 million deferred, subject to several completion adjustments including working capital and for warehouse and precinct infrastructure capital expenditure spent compared to the forecast capex to 30 June 2021 and such further capital expenditure until financial close
- Part of the deferred amount is paid to fund construction of Stage 1 of the Interstate Terminal and the balance is payable upon receipt of certain planning approvals for the remainder of the warehousing development
- Qube well positioned to prudently manage the risks associated with the deferred payments and other transaction obligations
- The LOGOS consortium to fund and deliver the balance of development for the MLP Property Assets including funding of the Woolworths warehouse distribution facilities
- Qube to retain ownership of the intermodal rail terminals
- Transaction documents include alignment principles to align the long-term interests and objectives between the property leasing and rail terminal and logistics activities.

Transaction completion is expected in the fourth quarter of this calendar year and is subject to satisfaction of several conditions including FIRB approval, MIC approvals to the change in ownership, resolution of a number of material issues with MIC and other conditions.

Given the strategic importance of the MLP to Qube, the transaction will only proceed if those approvals and the satisfaction of those conditions are deemed by the Board to be in the best interest of Qube shareholders.

Attractive outcome allows Qube to focus on core logistics business.

The MLP transaction delivers a very positive outcome for Qube, including the following:

- Purchase price reflects full value reflecting the strategic value of MLP and its ability to deliver premium rents.
- Receipt of around \$1.36 billion in gross pre-tax proceeds on completion which can be deployed to reduce debt, to pursue accretive growth opportunities and for capital management initiatives.
- Avoids the need for Qube to deploy substantial capital to develop future warehousing with funds able to be deployed into higher returning logistics opportunities.
- Qube, and the Moorebank project, 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.
- The parties are also progressing the terms for the establishment of appropriate governance arrangements between MIC, Qube and LOGOS for the continued project development and operation post completion.

MLP Property Assets

On completion, 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's MLP development capex requirements 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 and upgrades to Moorebank Avenue.

In addition, LOGOS will assume and 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 have been put in place in order to align the long-term interests and objectives between the property and logistics activities.

The Alignment Deed promotes the selection of tenants at MLP that will increase container throughput in the IMEX and future Interstate Terminal.

Remaining Qube Capex Obligations

Qube estimates that its remaining total capital expenditure obligations at MLP will be in the order of \$200-\$300 million. This expenditure mainly comprises completion of the IMEX automation and Stage 1 of the Interstate Terminal. Stage 2 of the Interstate Terminal will be undertaken subject to future demand.

Interstate Terminal

A key issue requiring resolution with MIC is a dispute regarding the date for completion of Stage 1 of the Interstate Terminal which is subject to extension for relief events. MIC has given notice that in its view an Event of Default for failing to complete the Interstate Terminal by March 2021 has occurred.

To resolve the dispute, Qube is in active discussions with MIC to agree a plan to complete Stage 1 of the Interstate Terminal by an agreed date. This is expected to be resolved as part of the overall agreement to secure MIC's consent to the LOGOS transaction.

FY21 Preliminary Impairment and Fair Value Assessments

As part of its FY21 full year accounts preparation, Qube has commenced its impairment assessment analysis. Based on the preliminary work done to date, which is subject to review by Qube's auditor and Board, Qube does not expect that there will be any impairment of its existing cash generating units (CGU).

A consequence of the monetisation is that the Moorebank cash flows will be split between Qube and LOGOS resulting in a corresponding split of the existing MLP CGU.

As such, Qube is required, by the relevant accounting standards, to undertake an impairment assessment of the IMEX Terminal at MLP as at 30 June 2021 based on its discrete forecast cashflows separate from the cashflows of the warehousing and other assets being monetised. Previously the overall MLP cashflows were assessed as a single CGU.

Qube has recently undertaken a revised forecast of the expected short to medium term volumes through the IMEX Terminal, having regard to the targeted commencement of the automated IMEX Terminal operations in the fourth quarter of FY22. The latest forecast volumes reflect a slower ramp up in volumes compared to Qube's business case, with catchment volumes in particular being lower than originally expected. This has meant that Qube's substantial investment in automation at the IMEX is several years ahead of its likely requirement.

As a result, the high fixed costs associated with the automation are not expected to be recovered in the short term, leading to negative earnings and operating cashflow until volumes reach the necessary scale to generate the target sustainable earnings and positive cashflow.

The shortfall in volumes may be offset in the future if LOGOS is able to secure new warehouse tenants earlier, or achieve higher warehouse density across the site, compared to Qube's forecast business plan.

At 30 June 2021, Qube will have invested approximately \$305 million on the IMEX Terminal (excluding land, precinct infrastructure and capitalised interest) and expects to spend an additional \$80 million to complete the automation.

Qube currently expects to recognise a material impairment on the carrying value of the IMEX as part of its FY21 results. The precise quantum of the impairment is yet to be finalised and is subject to review by Qube's auditors as part of the FY21 audit process. Based on Qube's preliminary analysis, the impairment is expected to be in the range of \$150 million to \$215 million (pre-tax) although could be higher or lower.

The impairment will be non-cash and will not impact the actual operations of the IMEX nor Qube's continued belief in the long-term strategic value and expected volumes through the IMEX at Moorebank.

As in prior years, Qube's FY21 accounts will include a fair value assessment of its investment properties, including the warehousing component of MLP. Based on Qube's preliminary assessment, and having regards to continuing demand for quality industrial property and the unique attributes of MLP, it is presently expected that Qube will recognise a material non-cash fair value gain on its investment properties at 30 June 2021 which is currently expected to largely offset the IMEX impairment.

Further information will be provided as part of Qube's full year results.

Qube Post- Transaction Completion

Following completion of the transaction, Qube will be focused on its core logistics business, and will benefit from income associated with retaining the terminal and 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.

Authorised for release by:

The Board of Directors, Qube Holdings Limited

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