



## Solid earnings show value of diversification

<b>Company/ASX Code</b>	QUBE/QUB
<b>AGM date</b>	Thursday, 21 November 2019
<b>Time and location</b>	10.30am PricewaterhouseCoopers, Level15, One International Towers Sydney, Waterman Quay, Barangaroo. Street Sydney
<b>Registry</b>	Computershare
<b>Webcast</b>	Yes
<b>Poll or show of hands</b>	Poll on all items
<b>Monitor</b>	Ian Graves assisted by Colin Broad
<b>Pre AGM-Meeting?</b>	Yes with Chair Allan Davies, Chair Nomination & Remuneration Committee Peter Dexter, General Manager Safety, Health & Sustainability Belinda Flynn, and General Counsel and Company Secretary William Hara.

Item	Consideration of accounts and reports
<b>ASA Vote</b>	No vote required

## Financial Performance

Solid earnings result due to QUB's generally strong market positions and diversification. Revenue and earnings benefited from strong bulk activity, strength in project cargo and energy related projects and increased income from the Moorebank Logistics Park. These gains were partly offset by a decline in new vehicle sales which impacted stevedoring and storage volumes, the ongoing impact of the drought and slower container volume growth. Earnings also favourably impacted by large fair value gains on QUB's investment properties which were partially offset by the impairment of the Company's investments in NSS, Prixcar and Quattro.

Whilst leverage ratio (net debt/net debt + equity) of 32.5% is at the lower end of QUB's long term target range of 30% to 40%, net debt has significantly increased from \$861 million (m) to \$1,356m as at 30 June 2019. This has mainly been due to net capital expenditure of \$632m. In order to reduce future borrowing pressures, the company has introduced a more flexible dividend policy and is looking for a funding partner for Moorebank. At the pre-AGM meeting, the Chair indicated confidence that the current dividend level could be maintained.

## **Governance and Culture**

The Company has a strong sustainability culture having just completed a climate change risk assessment and has undertaken a number of initiatives to reduce greenhouse gas emissions including modal shift from road to rail, Euro 5/6 compliant truck and plant fleet and development of an embedded energy grid at Moorebank to capture solar energy from warehouse roofs. Indeed, at the pre-AGM meeting, ASA was advised that when the Moorebank project is completed the site will have the largest installation of solar panels in South East Asia.

## **Key Event**

Good progress with planning, construction and leasing activities at Moorebank with additional tenants, including Target, secured during the year. IMEX terminal and rail operations on track to be completed in 2019.

## **Board**

Six directors were appointed in 2011 thus the process of renewal should begin soon although ASA expects the transition to be gradual in order to ensure corporate/industry knowledge is retained. The Board has only one female member thus there is a lack of gender diversity which ASA would prefer being addressed sooner rather than later. Only seven meetings were held during the year, although the Chair explained that Board meetings were often held at various sites throughout Australia and also involve meetings with local management, staff and customers. Whilst some of the Directors have material shareholdings, two of the Directors have no holdings. The Chair indicated that future Board appointments would be required to have skin in the game.

## **ASA focus issue**

As has been noted under the Board summary gender diversity is currently 17% against a target of 30%. Although the Board has stated its commitment to improving overall diversity and has demonstrated this, by implementing a QUBE cadet program for females & males for Training & Development in logistics. Female personnel now occupy 10.5% of managerial roles up from 10.3% previously: 41% of professional roles and 56% of clerical & administrative roles. As well as the continued sponsorship of the Wayfinder Initiative aims to improve community understanding about supply chain & logistics careers for women.

## **Summary**

(As at FYE)	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
NPAT (\$m)	196.6	199.3	77.3	82.0	85.9
UPAT (\$m)	123.2	106.8	102.2	86.5	105.2
Share price (\$)	3.04	2.41	2.66	2.21	2.31
Dividend (cents)	6.7	7.5	5.5	5.5	5.5
TSR (%)	22.8	-6.6	19.8	-3.0	6.0
EPS (cents)	12.5	12.4	5.3	7.2	8.0
CEO total remuneration, actual (\$m)	5.22	3.19	3.23	1.67	1.98

For 2019, the CEO's total actual remuneration was **59 times** the Australian Full time Adult Average Weekly Total Earnings (based on May 2019 data from the Australian Bureau of Statistics).

<b>Item 1</b>	<b>Re-election of Allan Davies as a Director</b>
<b>ASA Vote</b>	<b>For</b>

### Summary of ASA Position

Mr Davies was appointed to the Board in August 2011 and appointed Chair in June 2017. Currently, he is Chair of the Safety, Health & Environment Committee and a member of the Nomination and Remuneration Committee. He has over 40 years' experience in mining both in Australia & internationally. From 2000-2006 he worked as Director of Operations for Patrick Corporation and was a Director of Pacific National from 2001 -2006.

ASA supports his re-election and will vote all undirected proxies in favour of this resolution.

<b>Item 2</b>	<b>Re-election of Alan Miles as a Director</b>
<b>ASA Vote</b>	<b>For</b>

### Summary of ASA Position

Mr Miles was appointed a Director of the Company in September 2011 and is a member of the Audit and Risk Management Committee and the Safety, Health & Environment Committee. Mr Miles is Managing Director of "K"Line (Australia ) Private Limited and has had more than 35 years' experience in the Australian shipping industry, including management roles in Bulk, Liner & PCC Shipping.

Mr Miles is Chair of Prixcar Services Private Limited, a Director of Kawasaki Australia, and director of other affiliated Kawaski companies in Australia. He is also a member of the Policy Council of Shipping Australia.

While there is some concern that his workload might be too high, ASA supports his re-election and will vote all undirected proxies in favour of this resolution.

<b>Item 3</b>	<b>Election of Stephen Mann as a Director</b>
<b>ASA Vote</b>	<b>For</b>

### Summary of ASA Position

Mr Mann was appointed to the Board in September 2019. He has extensive experience in Strategy, Transformation and Business development, with more than 20 years' experience in Senior Executive roles in different industries and multiple geographies and industries, including Aurizon, Qantas and BlueScope Steel.

ASA supports his election and will vote all undirected proxies in favour of this resolution

<b>Item 4</b>	<b>Adoption of Remuneration Report</b>
<b>ASA Vote</b>	<b>For</b>

### Summary of ASA Position

QUB's remuneration strategy is to reward exceptional results at the maximum opportunity with remuneration in the upper quartile.

The remuneration mix for the MD is fixed annual remuneration (FAR) 30%, short-term incentive (STI) 35%, long-term incentive (LTI) 35% with the STI paid 50% in cash and 50% in shares at the election of the employee. The LTI is paid in shares subject to vesting after 3 years. After vesting, these shares are subject to a 2-year holding lock.

The FAR was increased slightly for the MD to 1,310,904, an approximate increase of \$26,000.

It was noteworthy that STI was approximately the same as last year, reflecting the Boards commitment to setting stretch targets.

The STI performance scorecards contains a mix of hurdles. Financial 50% Safety 5-10% and nonfinancial linked to strategy and & growth of 20 to 22.5%, business operations 20 to 22.5%.

The MD achieved 96% of the Financial key performance indicators (KPI's) at Target & 68% of Maximum and other KMP's achieved 98% of their Financial KPI's at Target and between 60% and 70% at maximum.

The LTI is based on earnings per share (EPS) growth Hurdles. Although the EPS Hurdle was achieved in 2018 financial year (FY18), an additional condition was imposed to ensure the significant valuation uplift of Moore Bank Logistics Park (MLP) was sustained in FY19.

ASA supports the Plan as we assess it to be well aligned with shareholder interests. We will be voting all undirected proxies in favour of the resolution.

CEO remuneration framework	Target* \$m	% of Total	Max. Opportunity \$m	% of Total
Fixed Remuneration	1.310	30%	1.310	23.4%
STI - Cash	0.767	17.5%	1.073	19.3%
STI - Equity	0.767	17.5%	1.073	19.3%
LTI	1.534	35%	2.146	38%
Total	4.38	100.0%	5.6	100%

<b>Item 5</b>	<b>Approval of FY20 award of SARs under the Qube Long Term Incentive (SAR) Plan CEO/Managing Director Maurice James</b>
<b>ASA Vote</b>	<b>For</b>

#### **Summary of ASA Position**

This grant under the LTI of 4,207,884 SAR's (share appreciation rights), based on the LTI opportunity of \$1,556,917.

ASA supports this resolution awarding of the rights and will vote all undirected proxies in favour of this resolution.

<b>Item 6</b>	<b>Approval of issue of securities under the Qube Long Term Incentive (SAR) Plan</b>
<b>ASA Vote</b>	<b>For</b>

#### **Summary of ASA Position**

The purpose of this resolution is to comply with the ASX listing rules and to provide the company with the flexibility to raise further funds up to 15% of its issued capital and ensure that any securities issued under the LTI (SAR) Plan do not count towards the calculation of this limit.

ASA supports this resolution and will be voting all undirected proxies in favour of it.

<b>Item 7</b>	<b>Approval of grant of financial assistance</b>
<b>ASA Vote</b>	<b>For</b>

#### **Summary of ASA Position**

This resolution aims to include two wholly owned subsidiary companies acquired through purchases that are not signatory to specific agreements relating to QUB's financial agreements with its lenders. It is mandated by law that acquisition companies be subjected to the same financing arrangements as QUB under the terms of agreement with the lenders. The approval of this financial assistance grant is meant to satisfy these requirements.

As this is a compliance issue that the company needs to deal with, ASA will vote in favour of this resolution.

The individuals or their associates involved in the preparation of this voting intention have a shareholding in this company.

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