

ASX Code: QUB Price: \$3.23 12 Mth Target Price: \$3.80 Rating: Buy

Business Summary

Qube Holdings Limited (QUB) is integrated provider of import and export logistics services. Qube is comprised of five business units including Ports, Bulk, Logistics, Infrastructure and Property, and Strategic Assets. The Logistics and Ports & Bulk divisions are now presented as a single combined segment being the Operating Division. Qube owns a 50% interest in Patrick with the other 50% owned by Brookfield and its managed funds.

Ports Qube Ports is an integrated port services provider, providing bulk and general handling facilities. Ports team is providing purpose designed solutions for handling containers, bulk, automotive and general cargo.

Bulk Qubes bulk logistics activities are aimed at offering customers a comprehensive logistics solution from mine-to-ship covering activities including transport, stockpile management, storage facilities and stevedoring. Qube handles a diverse range of commodities including iron ore, copper, nickel concentrate and mineral sands.

Infrastructure & Property (including Strategic Assets): This division currently comprises the Moorebank Logistics Park Project, AAT, the Minto properties and the Strategic Assets division which comprises a non-controlling interest in the Quattro Grain joint venture 47.2% and TQ Holdings Pty Limited, a 50% joint venture with Japanese petroleum group JXTG Group.

Acquisition: In April 2019, Qube acquired a 49% interest in the Intermodal Group (IMG) from Watco International (Watco).

Acquisition: In June 2019, Qube launched an off-market takeover to acquire 100% of the shares in Chalmers Limited (Chalmers).

Acquisition: On Friday 10 May 2019, Qube Holdings Limited (QUB) through its subsidiaries has acquired LCR and its subsidiaries (LCR Group). LCR is a provider of outsourced industrial logistics services, operating across mining, heavy transport, mobile crane and renewable energy industries including Oil and Gas.

Latest Research

Price vs Value

Post disclosure of Qube's internal valuation of its Patrick stake, we see the key question as being will it ever get realized? While we can't speculate on

a potential sell down of the remaining 50%, we note other Brookfield assets held in the same fund are likely up for sale. However, we see limited interest from QUB to acquire it. With the potential for valuation realization and an implied 5-7x EV/EBITDA for what we consider a high-quality operating business, we remain Buy rated.

For more information see research 29 Aug 2023.

Snapshot

Date	16 January 2024
Market Cap.	\$5,706m
Shares on issue	1,766.7m
12 Month High	\$3.33
12 Month Low	\$2.60

Rating

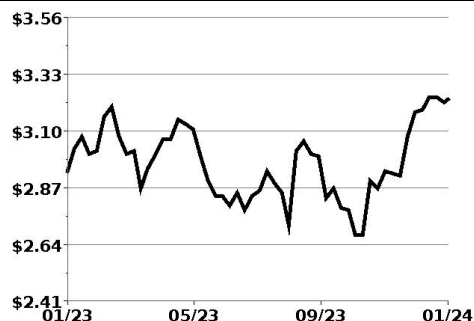
Rating	Buy
12 Mth Target Price	\$3.80
Capital Gain	17.3%
Gross Yield	4.0%
Implied Total Return	21.2%

Investment Fundamentals

FYE 30 Jun		2023A	2024F	2025F	2026F
Profit	\$m	225.0	226.0	240.0	252.0
Profit (norm)*	\$m	225.0	226.0	240.0	252.0
EPS*	¢	13.0	13.0	14.0	14.0
EPS Growth	%	30.0	0.0	7.7	0.0
P/E*	x	24.9	24.9	23.1	23.1
P/E Relative	%	0.0	0.0	0.0	0.0
DPS	¢	8.0	8.0	9.0	9.0
Yield	%	2.5	2.5	2.8	2.8
Franking	%	100.0	100.0	100.0	100.0

* Adjusted for goodwill and unusual items
Source: Based on Citi estimates

Share Price Chart



Total Return on \$10,000 Investment



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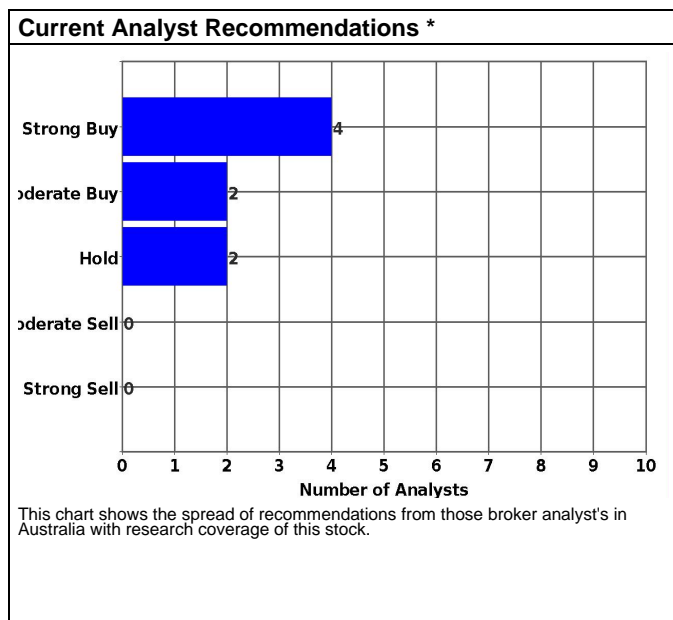
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Profit & Loss (\$M)					
	2019A	2020A	2021A	2022A	2023A
Sales Revenue	1,646	1,807	1,921	2,458	2,813
Total Revenue ex. Int.	1,839	1,902	1,963	2,506	2,880
EBITDA	454	427	437	514	586
Depreciation & Amort.	-120	-227	-234	-258	-277
Goodwill Amortisation	--	--	--	--	--
EBIT	334	200	203	256	310
Net Interest	-33	-65	-32	-23	-68
Profit Before Tax	302	135	170	233	242
Income Tax	-88	-44	27	-93	-68
Outside Equity Int.	1	1	-0	-1	1
Profit after Tax	214	92	333	132	168
Significant Items after Tax	-18	-5	-242	-4	-0
Reported Profit after Tax	197	88	92	128	168
Preferred Dividends	--	--	--	--	--

Cash Flow (\$M)					
	2019A	2020A	2021A	2022A	2023A
Receipts from Customers	1,871	2,027	2,150	2,598	3,204
Funds from Operations	305	415	417	377	603
Net Operating Cashflow	259	295	359	299	392
Capex	-330	-306	-361	-389	-440
Acquisitions & Investments	-112	-39	-314	-294	-147
Sale of Invest. & Subsid.	-157	-209	200	1,404	263
Net Investing Cashflow	-582	-479	-408	775	-241
Proceeds from Issues	-4	500	34	--	--
Dividends Paid	-134	-89	70	-107	-137
Net Financing Cashflow	358	270	-44	-1,040	-114
Net Increase Cash	35	86	-93	33	37
Cash at Beginning	104	140	224	126	154
Exchange Rate Adjust.	1	-2	-5	-5	0
Cash at End	140	224	126	154	192

Ratios and Substantial Shareholders						
	2019A	2020A	2021A	2022A	2023A	
Profitability Ratios						
EBITDA Margin	%	27.61	23.63	22.75	20.90	20.85
EBIT Margin	%	20.32	11.07	10.56	10.42	11.02
Net Profit Margin	%	13.02	5.10	10.28	5.67	6.26
Return on Equity	%	7.61	2.78	5.87	4.65	5.80
Return on Assets	%	5.39	2.60	3.81	2.99	4.17
Debt/Safety Ratios						
Net Debt/Equity	%	48.21	59.49	63.03	60.13	60.88
Interest Cover	x	10.22	3.08	6.26	11.04	4.59
Top 5 Substantial Shareholders						
Challenger Limited					9.3%	
Greencape Capital Pty Ltd					7.1%	
Unisuper Limited					5.2%	
State Street Corporation and its subsidiaries					5.0%	
Vanguard Group					5.0%	

Balance Sheet (\$M)					
	2019A	2020A	2021A	2022A	2023A
Cash & Equivalent	140	224	126	154	192
Receivables	327	340	383	864	582
Inventories	4	5	6	29	26
Other Current Assets	35	36	43	25	41
Current Assets	507	806	2,219	1,072	840
Prop. Plant & Equipment	1,315	2,182	2,236	2,682	2,996
Intangibles	864	873	875	898	903
Other Non-Current Assets	336	333	281	226	142
Non-Current Assets	4,241	5,144	4,022	4,564	4,832
Total Assets	4,748	5,950	6,241	5,636	5,672
Interest Bearing Debt	1,496	2,191	2,243	1,952	2,038
Other Liabilities	438	454	639	693	602
Total Liabilities	1,934	2,644	2,882	2,645	2,640
Net Assets	2,813	3,306	3,359	2,991	3,032
Share Capital	2,467	3,024	3,089	2,721	2,720
Reserves	12	7	3	--	13
Retained Earnings	336	278	270	272	304
Outside Equity Int.	-1	-3	-3	-2	-4
Total Shareholders Equity	2,813	3,306	3,359	2,991	3,032



Principals & Directors	
Principals	
Company Secretary	Mr Adam Jacobs Mr William Hara
Directors	
Mr Samuel (Sam) Kaplan(Non-Executive Director,Non-Executive Deputy Chairman)	
Mr John Stephen Mann(Non-Executive Director)	
Mr Allan Davies(Non-Executive Director,Non-Executive Chairman)	
Mr Ross Andrew Burney(Non-Executive Director)	
Ms Jacqueline (Jackie) McArthur(Non-Executive Director)	
Mr Lindsay Ward(Non-Executive Director)	
Mr Alan Laurence Miles(Non-Executive Director)	
Mr Paul Digney(Managing Director)	
Ms Jillian Hoffmann(Non-Executive Director)	

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