



**Sugar Terminals Limited**  
ABN 17 084 059 601

**T** +61 7 3221 7017  
**E** [info@sugarterminals.com.au](mailto:info@sugarterminals.com.au)  
Level 11, 348 Edward Street  
Brisbane QLD 4000  
GPO Box 1675  
Brisbane QLD 4001

## **NSX Announcement**

### **Chairman's Address - 2019 Annual General Meeting**

23 October 2019



Ladies and Gentlemen,

My opening remarks at last year's AGM acknowledged that 2018 had been a challenging year for Queensland's sugar industry.

As we all know, 2019 has been just as challenging, if not more so.

On the global stage, we have seen prices depressed as a result of subsidised raw sugar production in India.

Our purpose is to be a sustainable, globally competitive provider of storage and handling solutions for bulk sugar and other commodities.

[SUGARTERMINALS.COM.AU](http://SUGARTERMINALS.COM.AU)



At the local level, extreme weather events - drought, flood and bush fires - have all taken their toll on the industry, increasing input costs and reducing productivity.



Given these circumstances, STL has worked hard during FY19, in conjunction with QSL Operations, to keep costs down, and reduce the economic burden on industry.

Our focus on providing sustainable, globally competitive storage and handling solutions has delivered real value:

- 2019 operating expenses were lower than in 2018
- Activity charges to raw sugar customers reduced by 0.4%
- At the same time, STL's terminals handled 8% more raw sugar
- And our terminals stored, on average, 18% more raw sugar in 2019.

Our customers received tangible benefits as a result of responsible cost control and continuing improvements in operational efficiency.

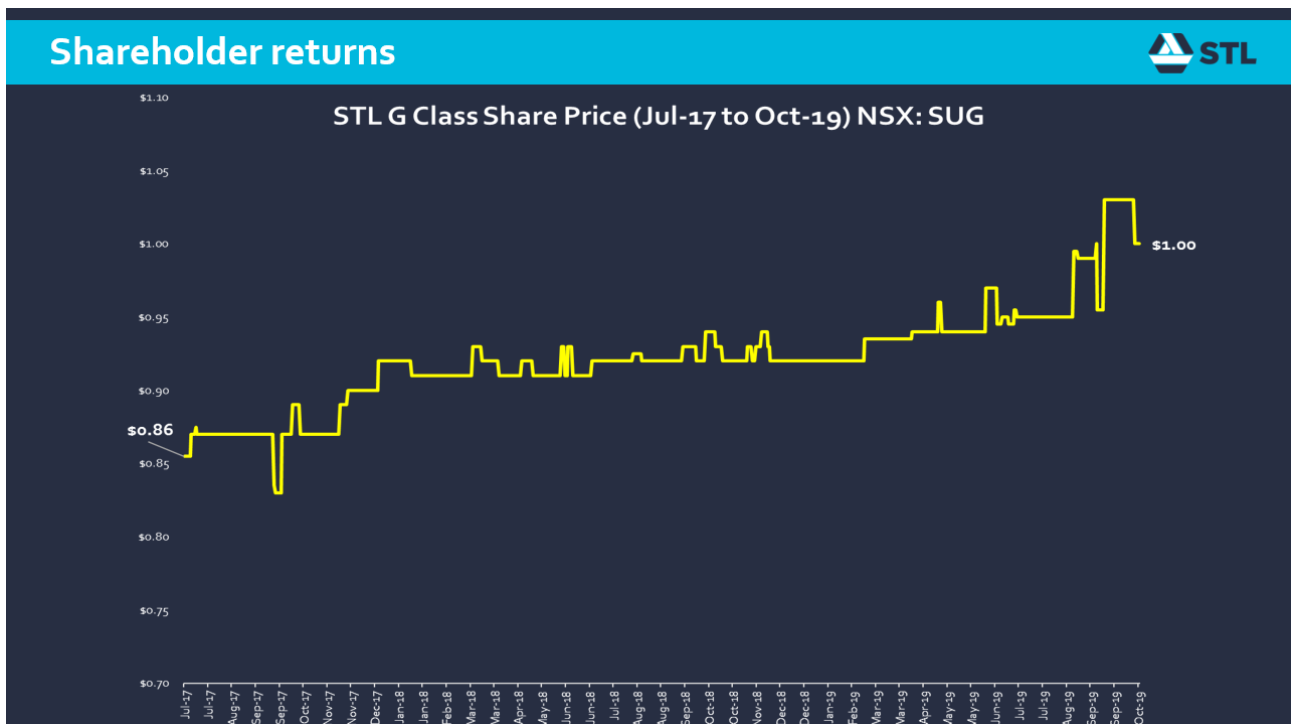
All raw sugar shipments were delivered safely, in full and on time, 100% of the time.



The team at STL understands the important role we play in the Queensland sugar industry's value chain.

That's why our focus in 2019 has been on reducing costs to customers, whilst still delivering value through our returns to shareholders.

At the same time, we continue to pursue our strategic direction against the background of a changing operating landscape.



Since the commencement of the new operating model on 1 July 2017, shareholders have experienced strong capital and dividend returns from their investment in STL, thanks to the stable and careful stewardship of your assets by the Company.

The STL G Class share price is currently trading at \$1.00 per share which is a 17% increase since July 2017, outperforming the ASX200 over the same period.



In the face of pressure on industry incomes, the increase in the asset value of your shareholding provides some consolation.

In addition to this capital growth are the fully franked dividend returns paid to shareholders.

Since July 2017, STL has paid dividends equating to a total of 17 cents per share. This represents an additional 20% return on the July 2017 share price of \$0.86 per share.

Therefore the cumulative returns to shareholders (before tax) over the period is 37%.

Strategic Scorecard		
Strategic imperative	Highlights	
1. Improve service	<ul style="list-style-type: none"> <li>- Lower operating costs (-0.4%)</li> <li>- Increase in throughput (+8%)</li> <li>- Increase in storage utilisation (+18%)</li> </ul>	
2. Improve investor returns	<ul style="list-style-type: none"> <li>- Increase in dividends (+6%)</li> <li>- Increase in share price (currently \$1.00)</li> </ul>	
3. Grow other income	<ul style="list-style-type: none"> <li>- Engineering Manager appointed</li> <li>- Business development framework in place</li> <li>- MOU signed with Gladstone Ports Corporation for development at Bundaberg BST</li> </ul>	
4. Enhance engagement	<ul style="list-style-type: none"> <li>- Shareholder events held in Cairns, Mackay and Lucinda</li> </ul>	
5. Plan for the future	<ul style="list-style-type: none"> <li>- Bundaberg roof replacement complete</li> <li>- Joint statement of intents signed with QSL</li> </ul>	

In 2019, STL made good progress against the strategic imperatives I announced at last year's AGM:

1. As already noted, in the first year of our three-year strategic plan, STL has improved our service offering to customers - with lower costs, increased efficiency and reduced activity charges.



2. At the same time, STL has improved returns to shareholders slightly, and has increased asset utilisation.
3. To grow other income and continue delivering value to customers and shareholders, we have invested in additional resources to identify and deliver new opportunities.
4. We continued our promise to improve the way we work with investors and other stakeholders, hosting well-attended events at our terminals in Cairns, Mackay and Lucinda, and engaging extensively with industry representatives throughout the year.
5. Our \$100 million re-roofing project was 67% complete at 30 June 2019, with the \$18 million Bundaberg project having just been completed in recent days on budget.

As you can see, we have made tangible progress in 2019 against all five of our goals for the past year.

Now, let's turn to our plans for the current 2020 fiscal year and beyond.

First, let's look at what we've been doing to use our existing assets to increase revenues from other bulk commodities in order to complement our core business in raw sugar.



As you may have seen in recent media reports, STL signed a Memorandum of Understanding with the Gladstone Ports Corporation in late August to investigate opportunities to expand our existing storage and handling operations in Bundaberg.

This was an important first step for STL in our strategic goal to diversify our income base and future-proof our operations.

In partnership with Bundaberg's port operator, we will now develop a detailed business case for designing and constructing Common User Infrastructure that can stimulate industry growth in the region and attract new commodities to the port.

Already, we know that wood pellet exports from Bundaberg are set to double this year and ilmenite exports are planned to begin in early 2020.

These are exciting developments that indicate how quickly the landscape is changing.

It also demonstrates your Company's proactive stance and preparedness to take advantage of business development opportunities as they arise.



We hope to replicate this approach at other STL terminals in coming years, allowing us to make the most of our existing assets and support the sugar industry in the process.

But let me be clear: Raw sugar will always be STL's core priority.

We are looking at diversification as a way of better utilising our valuable assets; reducing the cost burden on the sugar industry and future-proofing our operations, while enhancing shareholder returns.

STL's team is well qualified to achieve this objective: our people have decades of experience in bulk storage and handling across a range of commodities.

But this kind of systemic change is not something STL can achieve alone.

**Strategic partnership with QSL Operations** 

**Joint Statement of Commercial Intent**

STL and QSL agreed in July to:

- Implement best practice commercial arrangements
- Pursue other income opportunities

Both organisations (STL and QSL) must become agile, flexible and more competitive

The slide features a background image of a large industrial facility with a prominent metal structure and a green building. The text is overlaid on the image in white and blue. A yellow banner at the bottom contains the text 'Both organisations (STL and QSL) must become agile, flexible and more competitive'.

The world has changed profoundly for STL and QSL Operations over the last two years.



STL is becoming increasingly pro-active, and we rely on our operations contractor to deliver on our promises to customers and shareholders.

In recognition of that symbiotic relationship and changing commercial landscape, STL and QSL Operations agreed a strategic partnership in July.

Through a Joint Statement of Commercial Intent, signed by myself and Guy Cowan, the Chairman of QSL, our two companies have agreed to more vigorously ensure best practice commercial arrangements and pursue other income opportunities at all six terminals.

By working closely together, our commitment for the coming year is to keep costs at least flat in nominal terms, if not lower, while maintaining our world-class safety performance and service levels.

To meet these commitments, and respond to new opportunities, STL and QSL need to work closely together to ensure more agile, flexible and competitive operations at our terminals.

We are currently working through a range of productivity improvements with QSL with targets to drive costs down even further.





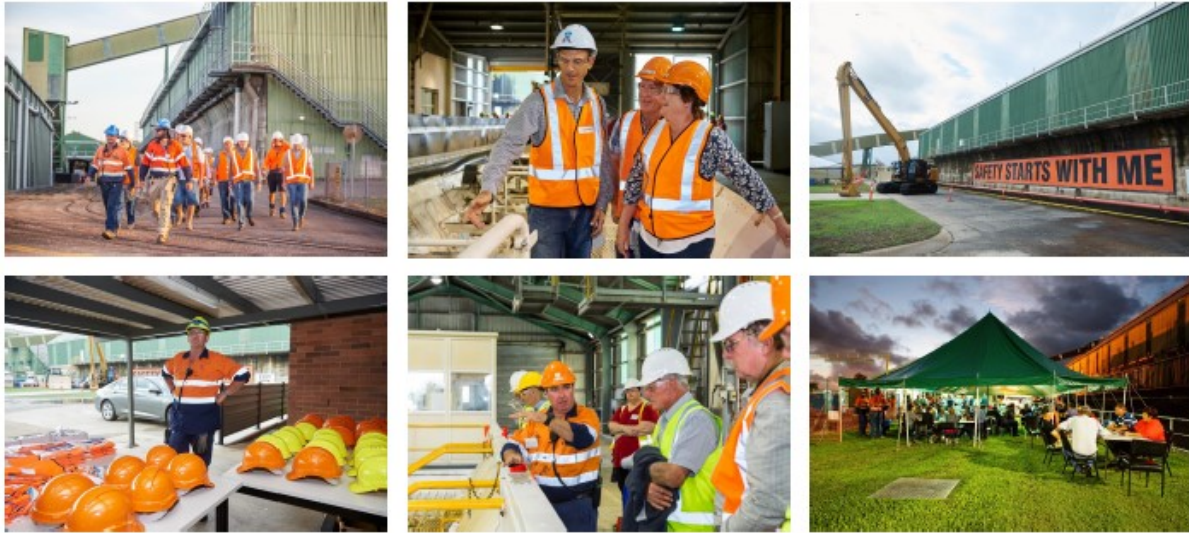
Your Board understands the gravity of the situation the industry is facing.

In recognition of these challenging conditions, your Board has elected to freeze Directors' fees for the 2020 financial year.

In addition, we have decided to defer further steps to equalise Directors' fees - an initiative designed to ensure fees paid to Directors appointed by G Class and M Class shareholders are the same as fees paid to Independent Directors.

Over the next year, we will speak with stakeholders about the merits of continuing that initiative.

If there is support for aligning Directors' fees, we will ask shareholders to approve an increase in the aggregate limit at the 2020 Annual General Meeting, industry circumstances permitting.



Over the last few years, we have worked hard to get to know the people in the sugar industry who collectively own STL.

My fellow Directors and our small team have travelled to each terminal and hosted open days to provide local communities and our local investors with a chance to tour the operations and get to know the faces behind the names.

On behalf of the STL team, I would like to thank all of our visitors at all of our events, including today's AGM, for making that effort to get to know us and our business.

And we've appreciated the frank feedback we've received about how we can do things better. I would also like to encourage you all to continue the conversation with STL.



Our industry faces significant challenges, both in the short term, and over the longer term.

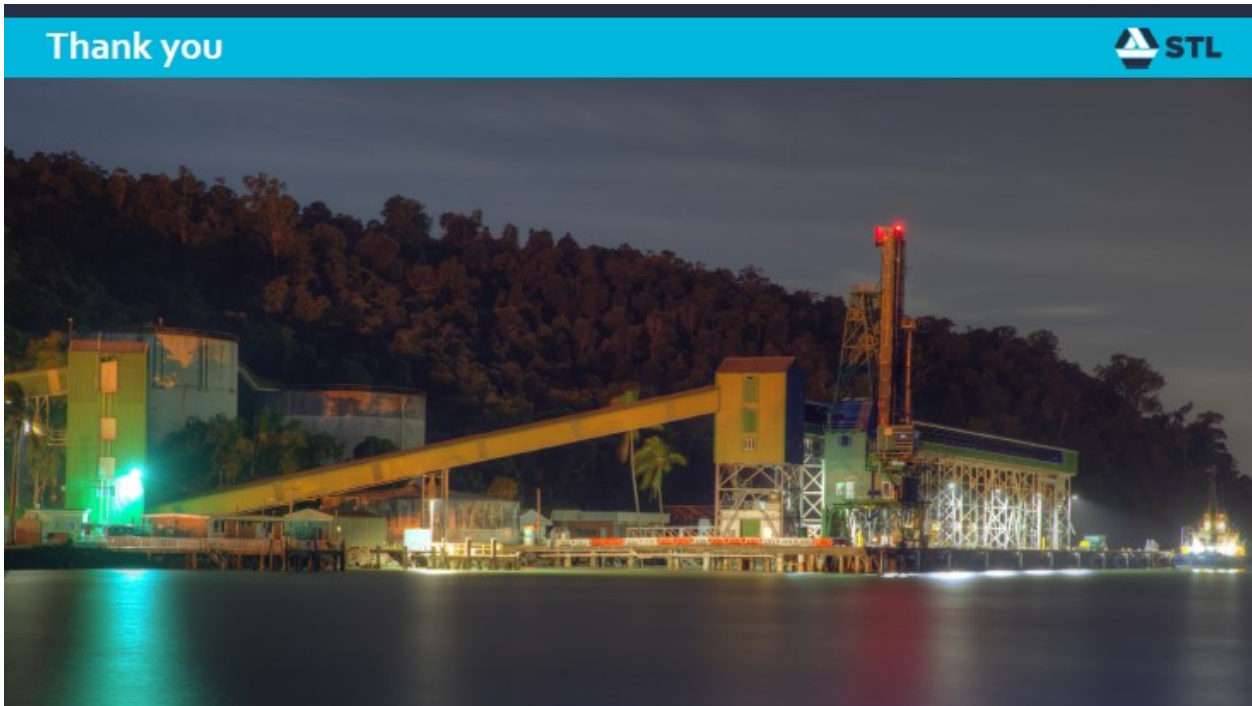
For its part, STL has a clear strategic direction, as I have outlined today.

But the business itself must reflect the changing nature of the sugar industry.

My Board's commitment is to ensure that STL continues to talk openly about the optimal structure of STL for the future, and whether constitutional change may be required to achieve it.

Over the next 12 months, STL will engage with stakeholders to discuss their views on the Company's existing structure and what changes, if any, might improve our ability to achieve our future goals together.

For its part, the Board and management of STL will be holding its second strategic planning workshop in November. The purpose of this two-day session is to refine our strategic plan and identify new opportunities to achieve our future goals.



I would like to conclude my address today with a few heartfelt thanks as we face the challenges of the future together:

- To my fellow Directors - particularly our newest Director, Tony Bartolo, who has very quickly become a valued member of our Board, thank you for your tireless efforts over the last year in guiding STL.
- To the STL team - for your boundless energy, dedication and commitment. You should be very proud of your achievements after only two years as a fundamentally 'new' business.
- To our colleagues at QSL Operations - thank you for your commitment to operating the terminals safely; your focus on reducing costs and meeting the challenges of the wider industry; and for your willingness to commit to commercial best practice as part of a new forward-looking strategic partnership.



- And to you, our shareholders - thank you for your loyalty to STL. I encourage you all to continue investing in the Company, as it's an integral part of your future.

That concludes my formal address.

A handwritten signature in black ink that reads "Mark Gray". The signature is fluid and includes a long, sweeping underline.

**Mark Gray**

Chairman | Brisbane | 23 October 2019