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# QR National float surprises market

Sue Lannin reported this story on [Sunday, November 22, 2020 18:42:00](#)

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**MARK COLVIN:** The Queensland Government's rail freight company, QR National, has performed much better than expected at its launch on the local share market. Shares in the company did open slightly lower than the offer price for big investors of \$2.55. But they soon rose and ended the day at \$2.65.

But Australia's biggest float in more than a decade has been marked by controversy.

Here's finance reporter, Sue Lannin.

**SUE LANNIN:** It was a much maligned share offer but QR National has done much better than anyone expected.

**JOHN PRESCOTT:** Today's listing on the ASX is a momentous day in the 145-year history of this icon.

**SUE LANNIN:** That's QR National chairman John Prescott.

Australia's biggest rail freight company debuted on the Australian Securities Exchange at \$2.54, just below the offer price for big investors of \$2.55. Shares reached a high of \$2.68 and closed at \$2.65. Mum and dad investors did even better. They made 20 cents on their \$2.45 investment.

The public float has made \$4.6 billion for the state's ailing coffers. But there has been opposition to the float from unions and community groups.

Queensland Treasurer Andrew Fraser was relieved.

ANDREW FRASER: The transaction has seen the price move forward today. The reality is that this is a transaction that has gone better than the market pundits put forward and I think that what happened today speaks volumes.

SUE LANNIN: Queensland owns about one-third of the shares, one-third are held by retail investors and most of the remainder by foreign fund managers and investment banks.

QR National chief executive, Lance Hockridge, was happy.

LANCE HOCKRIDGE: Everybody has the right to have their own view of course about this whole process and we respect and understand that people do have those views.

The view that the board and that management have of this company is the one that I've described; this is an extraordinary opportunity. This is going to be one of the great Australian companies; it is going to be a growth company as a result of the markets that we serve.

SUE LANNIN: But some commentators see QR as the new Telstra. Investors, who bought into the telco at \$7.40 in 1997 and kept their shares, have lost out. Myer investors have also yet to make their money back on last year's public float.

Local fund manager, Roger Montgomery, from Montgomery Investment Management, isn't impressed with QR National.

ROGER MONTGOMERY: Look I think the intrinsic value of this business is closer to about \$1.50 than it is to \$2.50. That doesn't mean that the share price is going to fall to \$1.50; so valuing a company is not the same as predicting its share price. But what that means is that it wouldn't be an attractive investment to me. If I was going to buy it at any price, it would have to be well below that \$1.50 level.

SUE LANNIN: Investment adviser, Chris Jones also thinks it's overpriced.

CHRIS JONES: Like the Myer stock there could be opportunity after the initial price offer that comes out and the stock could head south for a little while, then there could be a buying opportunity there. The current PE for it, the price earnings, is still up close to 20 times, so it means it's going to take 20 years to pay back your stock in dividends over that period of time; so for me, that's not attractive stock.

SUE LANNIN: There are other risks impacting on the future of QR National including the mining tax and a carbon price.

Lance Hockridge admitted there were challenges.

LANCE HOCKRIDGE: And so we will be again, set out in the offer document, watching all of that of course with interest and with a degree of detailed analysis and we will work through that as and when there is clarity around what is going to occur.

MARK COLVIN: Lance Hockridge, chief executive of QR National ending that report by Sue Lannin.

