K&S CORPORATION LIMITED

NEWS RELEASE

25 February 2020

KSC Announces First Half Result 2020

The Directors of K&S Corporation Limited (ASX: "KSC") today announce a statutory profit before tax of $4.2 million for the half year ended 31 December 2019. The result is 69.7% lower than the prior corresponding period.

Statutory profit after tax was $2.9 million, down 70.0% on the previous year statutory profit after tax of $9.6 million. The Company's statutory result for the period included $1.4 million of additional non-recurring costs relating to the Company's exit from its WA General Freight business, whist the prior comparative period included $9.5 million in settlement income from Aurizon, the Company's previous rail provider.

Operating revenue for the period was $422.6 million, 9.3% lower than the prior corresponding period.

The underlying profit before tax[1] was $5.6 million, an increase of 31.9% on the prior corresponding period.

The underlying profit after tax[1] was $3.9 million, up on the prior corresponding period by $0.9 million.

Cost reduction strategies have continued to be implemented across the business, in particular, operational efficiencies, supplier re-negotiations, and the rationalisation and replacement of specific fleet. Ongoing cost reduction initiatives had a positive impact on the result in the current period.

Operating cashflow for the period was $27.0 million, up $0.1 million on the prior comparative period.

Australian Transport

Steel volumes from our major customers remained strong. There has also been steady improvement within our K&S Energy and Chemtrans businesses in the first half of FY2020. These were offset by higher costs in our rail division, which continues to be negatively impacted by the increased rail network costs, and the bulk division which underperformed following the recent loss of a significant contract.

Our specialised aviation refuelling business, Aero Refuellers, performed well in the first half of FY2020; we continue to target growth opportunities.

The Group is pleased to announce that the sale of the Regal General Freight business and certain assets to Centurion Transport Co. Pty Ltd in August 2019 has now been finalised and we are now realising underlying financial improvements as a consequence. Remaining contributions from the contract logistics and heavy haulage sectors were also strong.

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New Zealand

The New Zealand operation, which is predominately aligned to the contract logistics market sector, has performed in line with expectations.

Fuels

The fuel trading business, K&S Fuels, has performed well in the current period

Balance sheet and Funding

The Group maintains a strong focus on the balance sheet through careful management of its capital expenditure program. This combined with a significant repayment of debt facilities, being $27.5 million repaid in the current period compared to $20.4 million in the prior period, reduced the overall gearing ratio from 35.4% (30 June 2019) to 32.4%, excluding the impact of the new lease accounting standard (AASB 16).

Dividend

A fully franked Interim Dividend of 2.0 cents per share (2018: 2.0 cents per share) has been declared by the Directors.

The Interim Dividend will be paid on the 3rd April 2020, with the date for determining entitlements being the 23rd March 2020. The last election date for participation in the Dividend Reinvestment Plan (DRP) is the 24th March 2020. Shares issued under the DRP will rank equally with the Company's Ordinary Fully Paid Securities.

The DRP will apply to the Interim Dividend and the issue price for the shares under DRP will be based on the volume weighted average price of K&S shares in the 5 trading days ended 23rd March 2020, with a discount of 2.5%.

Outlook

Providing specific earnings guidance for the second half remains difficult. However, we currently anticipate that our performance in the second half of FY2020 will be better than the prior corresponding period.

We believe the business is well positioned for growth as economic conditions improve.

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1. Underlying profits are categorised as non-IFRS financial information and therefore have been presented in compliance with ASIC Regulatory Guide 230 – Disclosing non-IFRS financial information issued in December 2011. Underlying adjustments have been considered in relation to their size and nature, and have been adjusted from the Statutory information for disclosure purposes to assist readers to better understand the financial performance of the underlying business in each reporting period. The adjustment in the current period relates to the sale of Regal General Freight. The adjustment in the prior period relates to the settlement of a claim made by the Group against its former rail provider. The exclusion of these items provides a result which, in the Directors view, is more closely aligned with the ongoing operations of the Consolidated Group. The non-IFRS information has not been subject to review by the auditor.

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