ASX ANNOUNCEMENT

29 November 2022

K&S Corporation Limited
Annual General Meeting

The K&S Corporation Limited (ASX: KSC) annual general meeting ("AGM") commences at 2:00pm AEDST on 29 November 2022.

Please find attached for immediate release to the market:

- Chairman's AGM address; and
- Managing Director's AGM address.

By authority of the Board of Directors
K&S Corporation Limited

Further Information:

Mr Chris Bright
Company Secretary
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CHAIRMAN'S ADDRESS – 2022 AGM

Good afternoon ladies and gentlemen, I am pleased to report on the performance of K&S Corporation Limited (ASX: KSC) and its subsidiaries (the "Group") for the year ended 30 June 2022.

Safety

Safety remains a key focus for the Group. The Group's lost time injury rate remained steady at 5.0 (FY2021: 4.9).

Trading Performance

The transport and logistics sector in FY2022 remained challenging, with continued high levels of competition and pressure on rates, a low growth economic environment and the concentration of bargaining power in large and sophisticated buyers of transport and logistics services.

The Group achieved an underlying profit before tax of $23.1 million, an increase of 34.8% on the prior corresponding period. The underlying profit after tax was $16.7 million, up on the prior corresponding period by $4.7 million.

Statutory profit before tax for FY2022 was $24.2 million, a decrease of $3.3 million or 12.3% on the prior corresponding period. Statutory profit after tax was $17.4 million, 3.9% lower than the previous year statutory profit after tax of $18.1 million.

Included in the Group's statutory result for FY2022 was a $1.6 million accounting gain attributable to the Group's interest rate swap instrument, as well as $0.7 million of one-off costs and bad debt recovery of $0.2m on a before tax basis treated as significant items.

Operating revenues increased by 12.7% to $776.2 million in FY2022.

The Australian transport segment provided another sound year in FY2022. While the overall result for the Australian transport segment was consistent with the previous year, the mix of contributions by the various operating divisions changed.

The New Zealand business had another strong result in FY2022, with the New Zealand economy proving resilient throughout the year despite inflationary pressures and COVID-19 related impacts. The New Zealand business continues to realise growth through the provision of its integrated and value adding service offering.

The fuel trading business has provided strong financial results in FY2022. The fuel retailing and wholesaling markets remain dynamic and continue to exhibit high levels of competition.

The ongoing benefits from the implementation of cost reduction strategies across the business continued to contribute to underlying profit. In particular, the Group has maintained its focus on operational efficiencies, supplier renegotiations, cessation of underperforming activities, and the rationalisation and replacement of specific fleet assets that reduced operating costs.

Our strategy remains to improve the quality and contribution of our revenue base, rather than targeting work solely to grow top line revenue.

We also completed the construction of our new company owned facility at High Wycombe in Perth in the fourth quarter of FY2022.

Balance Sheet and Funding

The Group has maintained a strong balance sheet in FY2022, underpinned by sound trading performance and increased property valuations, and coupled with prudent capital disciplines.

The Group's debt profile carries long maturities and the gearing ratio (excluding lease liabilities) decreased to 6.5% at 30 June 2022, compared to 9.0% in the prior year. The Group's net debt reduced to $21.4 million at 30 June 2022 (the lowest net debt experienced since 2003), down from $26.6 million in the prior comparative period. This is an outstanding result as, during the course of FY2022, the Group completed the $29.3 million purchase and development of its new High Wycombe facility.

The Group also acquired other fixed assets totalling $30.2 million, compared to $35.1 million in the prior year and continues to invest to maintain a modern operating fleet.

Based upon independent valuations, the Group increased the carrying value of its freehold property portfolio by $34.1 million. The Group's property portfolio consists of high-quality industrial assets.

The Group extended the maturity profile of its debt facilities and negotiated improved terms with its panel of lenders in the first half of FY2022. The Group's debt facilities now comprise funding in three-year tranches totalling $124 million (inclusive of a $30 million bank guarantee facility) and five-year tranches totalling $75 million. As part of that refinancing exercise, the Group also paid out previous facilities with Bank of China and brought in ANZ as a new lender, in conjunction with existing lenders Westpac and NAB.

Dividend

The Group paid a fully franked final dividend of 5.0 cents per share (2021: 3.5 cents per share). This follows the fully franked interim dividend of 4.5 cents per share paid in April 2022, making the total fully franked dividend 9.5 cents per share in respect of the year ended 30 June 2022.

The dividend reinvestment plan applied in respect of the final dividend. While the Group achieved record low debt levels at the end of FY2022, the Group has an extensive capital expenditure program for FY2023. Coupled with ongoing uncertainty about the economy in a high inflation and higher interest rate environment, Directors are of the view that a conservative approach to balance sheet management remains appropriate.

Board Composition

Robert Dalton was appointed as a non-executive director on 24 August 2021. Mr Dalton is considered by the board to be independent.

Mr Dalton's appointment continues a process of board renewal. Following the appointment of Mr Dalton, the majority of non-executive directors on the board are considered to be independent and the audit committee is now compromised exclusively of independent non-executive directors.

Outlook

Providing earnings guidance going forward remains difficult, particularly having regard to the current high inflation, and increasing interest rate environment coupled with ongoing limitations and uncertainties created by COVID-19. We have also noted throughout the COVID-19 period the accelerated rate at which changes to market related trading conditions can occur. Despite the various challenges, the trading environment for the Group has remained resilient in the first quarter of FY2023.

We currently expect first half underlying profit before tax for FY23 to be between $21.6 million and $22.6 million, versus the prior comparative period underlying profit before tax of $11.7 million.

While we currently anticipate a strong result in the first half of FY23, we have less confidence about trading conditions in the second half of FY23.

The Group has secure long term bank facilities and very low gearing levels. We will continue to take a balanced approach to financial risk as well as maintaining a strong focus on working capital management and underlying profit improvement, and as such will continue to target the ongoing improvement of the quality of our revenue base. Our focus will be maintained on growth in market segments, be that organic or through acquisition, that will provide accretive returns on investment.

On behalf of the Board, I thank our customers, suppliers and employees, who have contributed to the continued success of the Group.

In particular, I thank the senior management team, led by Paul Sarant, for their ongoing commitment and dedication.

Tony Johnson
Chairman
29 November 2022

Managing Director's Address – 2022 AGM

Thankyou Mr Chairman.

We continue to focus on realising initiatives that improve all facets of K&S Corporation Limited (ASX: KSC) and its subsidiaries (the "Group"), and in doing so provide increased shareholder and customer value.

Despite the Group being adversely impacted by supply chain disruptions, we delivered a strong result in FY2022. Timeframes for delivery of new fleet have substantially increased and driver recruitment remains a challenge. While the Group works closely with its equipment suppliers for the procurement of new fleet assets and has been diligent to invest in fleet renewal on an ongoing basis for a prolonged period, sustained delays in the delivery of new fleet assets by equipment manufacturers will continue to impose some operational constraints, as well as increased fleet maintenance costs for the foreseeable future. Substantial supplier cost increases are also being experienced.

The COVID-19 pandemic has adversely affected our workforce throughout the year, with a significant number of employees being required to isolate during the period, resulting in reduced utilisation of our fleet. It appears likely that this will continue into FY2023.

We have maintained our strong focus on safety performance.

We completed the construction a new major facility in High Wycombe West Australia, and consequently exited two externally leased properties.

I will now provide more detail on several components of the Group.

Safety

Safety remains a key focus for the Group. The Group's lost time injury rate remained steady at 5.0 (FY2021: 4.9).

The Group continues to invest in our safety management system and on road compliance and the training of our employees. The Group recognises that its social licence to operate is contingent upon achieving industry leading on-road behaviours and safety outcomes.

Addressing the challenges posed by COVID-19 required considerable resourcing and remained a major area of employee welfare and safety focus in FY2022. As with the wider community, the Group was affected on an ongoing basis by employees contracting COVID-19 or being required to isolate as a COVID-19 close contact.

As a self-insurer for workers compensation claims under the Commonwealth Comcare scheme, the Group's safety management system was subject to external audit by our safety regulator, Comcare, in the second half of FY2022. The audit forms part of the requirements of the Group's self-insurance licence and assesses the effectiveness of our safety management system against one hundred and seven criteria. Pleasingly, the external auditor concluded that the Group complied with all one hundred and seven of those criteria. This is an outstanding achievement.

The Group has continued to invest in its online subcontractor registration portal, KasSub. KasSub provides a central portal to allow the Group to provide enhanced visibility on the licensing, accreditation, induction and insurance status of its subcontractors. KasSub also allows us to deliver ongoing training to our subcontractor cohort.

Environment

Ongoing fleet upgrades have enabled the Group to continue its emissions improvements. During the year vehicle emissions reductions reached 80% of 2003 levels for NOx (FY2021: 79%), and 95% of 2003 levels for particulate matter (FY2021: 94%).

Carbon dioxide generation for FY2021 was 131,247 tonnes, down from 156,280 tonnes in FY2020.

The Group embarked upon a major fleet upgrade in FY2022 to adopt the latest Euro 6 emissions standards to further improve environmental performance. The additional Euro 6 compliant fleet will be delivered progressively over the course of FY2023, with the timing likely to be impacted by sustained delays with equipment manufacturers in the current environment.

Compliance

The Group has maintained ISO 9001:2015 accreditation standards, including other relevant accreditations which included: WA Main Roads, NHVAS Mass, Maintenance, and Basic Fatigue Management, along with Food Safety/HACCP and TruckSafe.

Australian Transport

The Australian transport segment provided another sound year in FY2022. While the overall result for the Australian transport segment was consistent with the previous year, the mix of contributions by the various operating divisions changed.

Full year revenue increased modestly in FY2022. The ongoing benefits from the implementation of cost reduction strategies across the business continued to contribute to underlying profit. In particular, the Group has maintained its focus on operational efficiencies, supplier renegotiations, the cessation of underperforming activities, and the rationalisation and replacement of specific fleet assets that reduced operating costs.

Ongoing operational reviews and related rate changes across the division also assisted to maintain the overall underlying result for the Australian transport segment in FY2022 despite an increasing cost environment, COVID-19 impacts and supply chain disruptions. Having regard to the extended timeframes to acquire new fleet assets and the contraction of the available pool of drivers and subcontractor operators in Australia, our strategy remains to improve the quality and contribution of our revenue base, rather than targeting work solely to grow top line revenue.

Intermodal steel and timber volume from our major customers remained strong, with infrastructure projects undertaken by the various state governments underpinning ongoing activity levels.

The rail division experienced significant disruptions as a result of flooding on the eastern seaboard, as well as on the east-west lane. Our focus remains on securing accretive parcels of rail volume that improve our rail network balance and performance.

Our contract logistics business unit experienced a sound FY2022.

The Western Australia based heavy haulage business enjoyed a sound year in FY2022 despite incurring industrial activity by stevedoring workers at the Port of Fremantle, COVID-19 employee disruptions, and WA Main Roads permit bottlenecks over the course of the year.

Chemical and energy transportation businesses in FY2022 were sound, despite both the Energy and Chemtrans businesses enduring a number of weather impacts in the second half of the year as well as minimal activity in the Hi-Ex explosives cartage division for the first half.

Chemtrans continues to develop and deploy a range of systems and procedures that will reinforce it as the market leader in the transport of dangerous goods with regards to environmental and safety performance, while delivering efficiency benefits to its customer base.

Our specialised aviation refuelling business experienced another flat year with COVID-19 again materially impacting the demand for airport refuelling services. Fire season activity remained minimal. A focus on cost reductions and efficiencies sees this business poised for a solid FY2023 if there is a return to more normal fire season activity levels.

Fuel Agency

The fuel trading business has provided strong financial results in FY2022. The fuel retailing and wholesaling markets remain dynamic and continue to exhibit high levels of competition. We are currently undertaking several projects to enhance our retail offering, including the redevelopment of several company owned retail sites.

In FY2022, we also successfully replaced our legacy-based enterprise resource planning system with a modern ERP system.

New Zealand Transport

The New Zealand business had another strong result in FY2022, with the domestic economy proving resilient throughout the year despite inflationary pressures and COVID-19 related impacts. The New Zealand business continues to realise growth through the provision of its integrated and value adding service offering. We successfully extended or renewed several key customer contracts in the course of the year.

Human Resources

Employee engagement and communications programs remain a high priority and area of focus across our business. With the ongoing challenges of COVID-19, we have maintained a high level of communication with our workforce. The physical and mental well-being of our workforce has been, and remains, at the forefront of our engagement strategies.

We continue to align the operational and management structures to service the needs of business units and customers, while maintaining our strong focus on the retention and development of skilled and qualified employees as the Group's most valuable asset.

Other Items

The implementation of cost reduction strategies continued across the business, contributing strongly to our improved underlying profit. In particular, the Group has maintained its focus on operational efficiencies, supplier renegotiations, the cessation of underperforming activities, and the rationalisation and replacement of specific fleet assets that reduce operating costs.

Ongoing cost reductions are expected to continue to be accretive in FY2023. However, we recognise that a high inflation and increasing interest rate environment coupled with ongoing uncertainties created by COVID-19 and supply chain disruptions places strong upward pressure on key cost inputs.

We completed the construction of our new company owned facility at High Wycombe in Perth in the fourth quarter of FY2022. This has allowed us to co-locate the Heavy Haulage and Chemtrans divisions at a new state-of-the-art site that also includes a modern workshop facility, warehousing, bunded chemical storage, and extensive hardstand. This also facilitated the exit of two externally leased properties and will provide both operational and financial benefits.

I would like to take this opportunity to thank our management team, and all employees and supporters of the Group who have collectively worked extremely hard through what was an exceptionally challenging year to continue to improve our company.

I also wish to thank our customers, suppliers and all other providers for their ongoing support.

Paul Sarant
Managing Director and CEO
29 November 2022