ASX ANNOUNCEMENT

22 August 2023

K&S Corporation announces full year result for FY2023

K&S Corporation Limited (ASX: KSC) today announces an underlying profit before tax[1] of $43.6 million for the year ended 30 June 2023, an increase of 89.2% on the prior corresponding period. The underlying profit after tax was $30.7 million, up on the prior corresponding period by $14.0 million.

Statutory profit before tax for the year ended 30 June 2023 was $40.7 million, 68.4% higher than the prior corresponding period. Statutory profit after tax was $28.6 million, 64.3% higher than the previous year statutory profit after tax of $17.4 million.

Included in the Group's statutory result for FY2023 was a $0.2 million accounting loss attributable to the Group's interest rate swap instrument, as well as $2.7 million of costs treated as significant items.

Operating revenues increased by 9.4% to $848.9 million in FY2023.

Operating cash flow for FY2023 was $101.6 million, 57.0% higher than for the previous year.

Safety remains a key focus for the Group. The Group's lost time injury rate remained steady at 5.4 (FY2022: 5.0).

The Group has been impacted by supply chain interruptions, with the timeframes for delivery of new fleet substantially delayed in the current environment. 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.

The Australian transport segment provided a much improved financial performance in FY2023. The operating divisions realised solid performance improvements underpinned by strong costing discipline and detailed end-to-end reviews of the operational parameters for a number of core activities and functions.

Full year revenue increased modestly in FY2023, largely driven by higher fuel prices over the period.

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.

The New Zealand business had another strong result in FY2023 on flat revenue. New Zealand's economy entered into a recession in the course of FY2023, with a number of key customers shifting their focus from domestic markets

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to export markets in response. The New Zealand business continues to target the provision of integrated and value adding services and we are reviewing several initiatives to further align with key customer logistics functions.

The fuel trading business has provided sound financial results in FY2023. The fuel retailing and wholesaling markets remain dynamic and continue to exhibit high levels of competition. While revenue was up on the prior year due to increased fuel prices, the fuel trading business experienced margin compression in FY2023. We are currently undertaking several projects to enhance our retail offering, including the redevelopment of several company owned retail sites and with plans in place to expand our footprint nationally.

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.

Balance Sheet and Funding

The Group has maintained a very strong balance sheet in FY2023, underpinned by sound trading performance coupled with prudent capital disciplines.

The Group's gearing ratio (excluding lease liabilities) decreased to (0.1)% at 30 June 2023, compared to 6.5% in the prior year. The Group's net debt reduced to ($0.4) million at 30 June 2023 (the lowest net debt experienced since 2003), down from $21.4 million in the prior comparative period.

The Group also acquired fixed assets totalling $68.7 million, compared to $59.5 million in the prior year and continues to invest to maintain a modern operating fleet.

The Group has a substantial property portfolio consisting of high-quality industrial assets with a carrying value of $216.6 million.

Safety

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.

In FY2023, the Group re-launched its People at Work (PAW) initiative with employees to assess key psychosocial hazards and factors that may have potential impacts upon their mental health and wellbeing, job burnout, productivity, increased sickness related absence and physical disorders. The roll out of the PAW programme was previously disrupted by COVID-19 and its widespread impacts upon the Group's employees in FY2020 and FY2021. The Group is committed to addressing any psychosocial hazards and factors within the workplace and is reviewing a number of new initiatives to be rolled out in the course of FY2024.

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 FY2023. 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 and follows on from the external audit of the Group's safety management system in FY2022 that also concluded that the Group complied with all one hundred and seven applicable audit criteria.

Dividend

The Directors have declared a fully franked final dividend of 8.0 cents per share (2022: 5.0 cents per share). This follows the fully franked interim dividend of 10.0 cents per share paid in April 2023, making the total fully franked dividend 18.0 cents per share in respect of the year ended 30 June 2023 (2022: 9.5 cents per share).

The final dividend will be paid on 3 November 2023, with the date for determining entitlements being 19 October 2023.

Outlook

Providing earnings guidance going forward remains difficult. The current higher inflation and interest rate environment, coupled with increasing key input cost pressures, de-stocking by some customers and lower construction activity, present considerable risks to FY2024.

The Group has very low gearing levels and a strong balance sheet. We will continue to take a composed approach to financial risk as well as maintaining a strong focus on working capital management and underlying profit improvement. We will continue to target the ongoing improvement of the quality of our revenue base, with our focus also maintained on growth in specific market segments, be that organic or through acquisition, as well as continuing to invest in our property portfolio, in each case where we can realise accretive returns on investment.

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Annexure A – Financial Overview

Financial Overview		2023	2022	% Movement
Operating Revenue	$'000	**848,942**	776,181	**9.4%**
Statutory profit after tax	$'000	**28,630**	17,425	**64.3%**
Statutory profit before tax	$'000	**40,679**	24,151	**68.4%**
Earnings before interest and tax (EBIT)	$'000	**44,050**	26,844	**64.1%**
Earnings before interest, tax and depreciation (EBITDA)	$'000	**90,124**	73,265	**23.0%**
Add Significant items	$'000	**2,964**	(1,081)	**(374.2)%**
Underlying profit before interest, tax & depreciation[1]	$'000	**93,088**	72,184	**29.0%**
Underlying profit before interest & tax[1]	$'000	**47,014**	25,763	**82.5%**
Underlying profit before tax[1]	$'000	**43,643**	23,070	**89.2%**
Underlying operating profit after tax[1]	$'000	**30,705**	16,668	**84.2%**
Total assets	$'000	**612,362**	601,748	**1.8%**
Net borrowings excluding lease liabilities	$'000	**(448)**	21,361	**(102.1)%**
Shareholders' funds	$'000	**321,680**	306,944	**4.8%**
Finance costs	$'000	**3,371**	2,693	**25.2%**
Depreciation	$'000	**46,074**	45,859	**0.5%**
Dividend per share	cents	**18.0**	9.5	**89.5%**
Net tangible assets per share	$	**2.31**	2.24	**3.1%**
Operating cash flow	$'000	**101,586**	64,702	**57.0%**
Return on assets	%	**6.6**	2.9	**127.6%**
Gearing ratio (excluding lease liabilities)	%	**(0.1)**	6.5	**(101.5)%**
Employee numbers		**2,141**	1,943	**10.2%**
Lost time injuries		**22**	21	**4.8%**
Lost time injuries frequency rate (LTIFR)		**5.4**	5.0	**8.0%**

[1] Underlying profits and earnings per share based on 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. These adjustments primarily include the unrealised gain on the Group's interest rate swap, which was primarily driven by the underlying market volatility in the short and mid-term interest expectations and remediation costs. 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 financial information has not been subject to audit or review by the auditor.

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