ASX ANNOUNCEMENT

28 November 2023

K&S Corporation Limited
Annual General Meeting

The K&S Corporation Limited (ASX: KSC) annual general meeting ("AGM") commences at 2:00pm AEDST on 28 November 2023.

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 – 2023 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 2023.

Safety

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

Trading Performance

The transport and logistics sector in FY2023 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.

Underlying profit before tax was $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.

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 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 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 as at 30 June 2023.

In the first quarter of FY24, the Group acquired a green fields industrial property in Townsville and a brown fields industrial property in Adelaide for a combined purchase price of $20.3 million (excluding GST). The Group is progressing plans to develop both of these sites into transport terminals to support ongoing operations.

Dividend

The Group paid a fully franked final dividend of 8.0 cents per share (2022: 5.0 cents per share). This followed 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).

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.

We currently expect first half underlying profit before tax for FY24 to be between $24.4 million and $25.4 million, versus the prior comparative period underlying profit before tax of $24.1 million.

While we currently anticipate another strong result in the first half of FY24, we have less confidence about trading conditions in the second half of FY24.

The Group has very low gearing levels and a strong balance sheet. 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. 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.

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
28 November 2023

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.

The Group's operating revenues increased by 9.4% to $848.9 million in FY2023. The underlying profit before tax was $43.6 million, an increase of 89.2% on the prior corresponding period, and statutory profit before tax for FY2023 was $40.7 million, an increase of $16.5 million or 68.4% on the prior corresponding period.

The underlying result was underpinned by our strong ongoing continuous improvement initiatives.

While we delivered a strong result in FY2023, the Group continues to be 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.

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 5.4 (FY2022: 5.0). 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.

Environment

The Group continues to proactively demonstrate its commitment towards improving environmental performance and transition to a Euro 6 compliant fleet. As of FY2023, over 90% of the operating fleet is either Euro 5 or Euro 6 compliant.

In the past decade the Group has invested approximately $417 million on fleet upgrades, underpinning our emissions improvements. During the year vehicle emissions reductions reached 83% from of 2003 levels for NOx (FY2022: 80%), and 96% from of 2003 levels for particulate matter (FY2022: 95%).

Carbon dioxide generation for FY2022 was 112,338 tonnes, down from 131,247 tonnes in FY2021.
The Group continues to proactively engage with major heavy vehicle manufacturers in relation to alternate technology platforms that support zero emissions vehicles. It is the Group's assessment that there are currently a

number of barriers to the short term deployment of a zero emissions fleet solution within the Group's operations, primarily encompassing a lack of suitable supporting infrastructure, high up front asset cost, reduced payload and end of life management obligations associated with electric vehicles.

While heavy vehicle manufacturers have deployed some zero emissions light vehicles there are not currently any zero emissions heavy vehicle solutions suitable for longhaul applications commercially available in Australia. In the meantime, major heavy vehicle manufacturers continue to invest heavily in conventional diesel powered vehicles that will meet the higher Euro 7 standards, which are currently scheduled to come into force in Europe in July 2027.

The Group will continue to monitor the feasibility of the deployment of zero emissions vehicles. The comparatively short whole of life investment cycle in fleet employed by the Group provides the opportunity to adopt lower and zero emissions technology as it becomes commercially viable.

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 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. 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.

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 volumes remained steady, with timber volume marginally softening in the last quarter.

The rail division once again 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.

While revenue remained relatively unchanged year on year, our contract logistics business unit delivered a stronger result in FY2023.

Chemical and energy transportation businesses in FY2023 also recorded a solid improvement on the prior year.

The Western Australia based heavy haulage business enjoyed a sound year in FY2023.

The financial performance of our specialised aviation refuelling business improved year on year, albeit with minimal fire season activity. A focus on cost reductions and efficiencies sees this business poised for a solid financial upside if there is a return to more normal fire season activity levels.

Fuel Agency

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.

New Zealand Transport

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 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.

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 improved 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.

Ongoing cost reductions are expected to continue to be accretive in FY2024. However, we recognise that the current high inflation and higher interest rate environment, coupled with increasing key input cost pressures, de-stocking by some customers and lower construction activity, present considerable risks to FY2024.

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 another 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
28 November 2023