ASX ANNOUNCEMENT
24 February 2021

K&S Corporation Limited Results for the Half Year Ended 31 December 2020

The Directors of K&S Corporation Limited (ASX: KSC) today announce a statutory profit before tax of $24.5 million for the half year ended 31 December 2020. The result is 487.6% higher than the prior corresponding period.

Statutory profit after tax was $17.2 million, up 493.5% on the previous year first half statutory profit after tax of $2.9 million.

Included in the Group's statutory result for the current period was $16.2 million (before tax) attributable to JobKeeper subsidies received up until September 2020. The JobKeeper subsidies assisted the Group to maintain its existing workforce. The statutory result also included $0.2 million of bad debt recoveries relating to a prior period and $1.2 million in restructuring and wage top up costs. These items were collectively treated as significant items.

Operating revenue for the period was $341.8 million, 19.1% lower than the prior corresponding period.

Excluding the abovementioned significant items, the underlying profit before tax[1] of $9.3 million was 65.3% higher than the prior corresponding period. The underlying profit after tax[1] of $6.5 million was 66.6% higher than the prior corresponding period.

The underlying profit benefited from a number of operational improvements, cost savings measures and procurement initiatives as well as a $2.8 million reduction in depreciation expenses realised through an alignment in the estimated residual values of the motor vehicle assets to be consistent with their financial lifecycle. In line with the accounting requirements, the change in the estimated residual values has been accounted for prospectively and the full year impact of this change to depreciation expense is expected to be in the range of $5 million - $6 million.

Operating cashflow for the current period was $40.5 million, $13.5 million higher than the prior corresponding period.

Australian Transport

Steel volumes from our major customers remained strong, increasing compared to the prior half year. Performance of the contract logistics business was sound. Activity in our Western Australia based heavy haulage business has been strong, underpinned by the mining sector which continues to be relatively unaffected by COVID-19.

Our specialised aviation refuelling business, Aero Refuellers, has experienced the full impact of COVID-19 with minimal activity, as well as low fire season activity. Collectively these have resulted in a material activity decline in the first half of FY2021.

K&S Corporation Limited
ABN 67 007 561 837
PO Box 57, Laverton, Victoria, 3028
Australia
P: 03 8744 3500
F: 03 8744 3599
W: www.ksgroup.com.au

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 have continued to have a positive impact on the result for the first half of FY2021.

Fuels

The fuel trading business, K&S Fuels, experienced softening in volume as a consequence of the impact of COVID-19 on the fuel retailing and wholesaling markets.

New Zealand

The New Zealand operation had a very strong performance underpinned by the strength of the domestic economy.

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 $24.8 million repaid in the current period compared to $27.5 million in the prior period, improved the overall gearing ratio from 21.4% (30 June 2020) to 14.8%, excluding the impact of the lease accounting standard.

Safety

Safety remains a key priority for K&S. Our lost time injury frequency rate is 5.9. Our lost time injury frequency rate in New Zealand has also decreased slightly to 2.1.

Interim Dividend

A fully franked interim dividend of 3.0 cents per share (2019: 2.0 cents per share) has been declared by the Directors. The interim dividend will be paid on the 1st April 2021, with the date for determining entitlements being the 22nd March 2021.

The Directors remain cognisant of the fact that whilst the statutory earnings for the first half include a significant contribution from government wage subsidies, the Group's underlying earnings have continued to strengthen. The interim dividend was determined with reference to the underlying net profit after tax, as opposed to the statutory profit after tax, and specifically excludes any impact of government wage subsidies from the dividend calculation.

The operation of the Dividend Reinvestment Plan ('DRP') remains suspended and the DRP will not apply to the interim dividend.

Outlook

Providing specific earnings guidance for the second half remains difficult, particularly having regard to the uncertainties created by COVID-19. We believe the business is well positioned for growth as economic conditions improve. It is not possible to predict with any certainty the extent or duration of COVID-19 related impacts on the Australian and New Zealand economies or upon the Group itself.

Further Information:

Mr Paul Sarant
Managing Director
Ph: (03) 8744 3500
Paul.Sarant@ksgroup.com.au

1. Underlying profits are categorised as non-IFRS financial information and therefor 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 better to understand the financial performance of the underlying business in each reporting period. The adjustments in the current period relate to the receipt of $16.2 million of JobKeeper subsidies, as well as a $0.2 million bad debt recovery from a prior period and $1.2 million in restructuring and wage top up costs. The adjustments in the prior comparable period related to the sale of Regal General Freight. The exclusion of these items provides a result which, in the Directors' view, is more closely aligned with the ongoing operations of the Group. The non-IFRS information has not been subject to review by the auditor.