ASX ANNOUNCEMENT

25 August 2021

K&S Corporation announces full year result for FY2021

K&S Corporation Limited (ASX: KSC) today announces a statutory profit before tax of $27.5 million for the year ended 30 June 2021. The result is 72.8% higher than the prior corresponding period.

Statutory profit after tax was $18.1 million, 62.9% higher than the previous year statutory profit after tax of $11.1 million.

Included in the Group's statutory result for FY2021 was $16.2 million (before tax) attributable to the JobKeeper subsidy, which was received in the September 2020 quarter. The Group's statutory result also included $6.0 million of one off costs treated as significant items. These largely relate to the impairment of the carrying value of buildings and land totalling $4.7 million and $0.9 million in miscellaneous restructuring costs mainly associated with the exiting of the Hyde Park Tank business.

After adjusting for the above significant items including government wage subsidies, the current year underlying[1] profit before tax was $17.1 million, an increase of 44.4% to the prior corresponding period. The underlying profit after tax was $11.9 million, an increase of $3.7 million to the prior corresponding period.

Operating revenues decreased by 12.9% to $688.5 million.

Operating cash flow was $75.5 million, 9.2% lower than for the previous year. Operating cash flow included benefits derived through continued and improved working capital management and JobKeeper subsidies.

Safety remains a key focus for the Group. The Group's lost time injury rate reduced from 6.6 at the end FY2020 to 4.9.

Managing COVID-19 required considerable resourcing. Our key priority was, and remains, the safety and welfare of our employees and their families. Cognisant of the Group's large and mobile workforce, which provides services to a substantial number of customer sites, it is pleasing that to date the Group has had nil employee COVID-19 cases. Our employees' proactive engagement and support underpinning this outcome has been excellent.

Following strong FY2020 improvements, the Australian transport segment continued to realise further consolidation improvements to the majority of its operating divisions. The reduction of $1.1 million in depreciation expenses as a result of the change to the Group's depreciation policy more than offset the reduced contribution by our aviation

[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 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 Government wage subsidies received, impairment charges to the carrying value of land and buildings, restructuring costs, and onerous lease expenses and costs associated with the closure of Hyde Park Tank Depot. 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 audit or review by the auditor.

refuelling business, Aero Refuellers. Full year revenue declined due to a combination of the cessation of contracts, exiting of underperforming business units and COVID-19 related reduced customer activity.

The New Zealand business produced a strong result, with the domestic economy proving to be resilient throughout the year. It continues to realise growth through the provision of its integrated and value adding service offering, with several key customer contracts extended or renewed in the course of the year.

The fuel trading business has again provided sound financial results, despite reduced demand for fuel in FY2021 consequent to COVID-19. The fuel retailing and wholesaling markets remain dynamic and continue to exhibit high levels of competition. An expansion of our network and the completion of several key projects to enhance our retail offering are currently being progressed.

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 FY2022, although these may be offset by possible COVID-19 related impacts.

Balance Sheet and Funding

Notwithstanding the ongoing impacts of COVID-19, the Group has significantly strengthened its balance sheet in FY2021, mainly driven by improved trading performance, JobKeeper subsidies and increased property valuations.

The Group's debt profile carries long maturities and the gearing ratio (excluding lease liabilities) reduced to 9.0% at 30 June 2021, compared to 22.5% in the prior year. The Group's net debt reduced to $26.6 million, the lowest since 2003.

During the course of the year, the Group acquired fixed assets totalling $35.1 million, compared to $20.6 million in the prior year, continuing the investment in a modern operating fleet.

Based upon independent valuations, the Group increased the carrying value of its freehold property portfolio by $27.6 million. The Group's property portfolio consists of high quality industrial assets that have not been adversely impacted by COVID-19.

COVID-19

It is not possible to forecast with any certainty the magnitude of the COVID-19 impact on the Australian and New Zealand economies or upon the Group itself. In FY2021 the Group experienced reduced revenues in a number of business units in Australia and New Zealand as a result of COVID-19. At a minimum, the Group expects to continue to be adversely impacted by COVID-19 in the first half of FY2022.

The Group's operations have not been subject to any Government mandated state border closures. However, as evidenced by the current lockdown in New South Wales, COVID-19 continues to present a threat to the Group's operations and also to key industry sectors serviced by the Group, such as construction.

The Group has enacted pandemic protocols to assist manage the safety of employees. The Group has also implemented measures to mitigate potential impacts of COVID-19 upon its continued ability to fulfil core managerial, administrative, and operational functions.

Dividend

The Group's underlying earnings have improved significantly compared to the prior year. The final dividend declared 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 Directors have declared a fully franked final dividend of 3.5 cents per share (2020: 3.0 cents per share). This follows the fully franked interim dividend of 3.0 cents per share paid in April 2021, making the total fully franked dividend 6.5 cents per share in respect of the year ended 30 June 2021.

The final dividend will be paid on 3 November 2021, with the date for determining entitlements being 19 October 2021.

While the Group achieved record low debt levels at the end of FY2021, the Group has an extensive capital expenditure program for FY2022 which includes the development of a parcel of industrial land in Perth. Directors are of the view, based on the ongoing uncertainty relating to the potential impacts of COVID-19 on the economy that could adversely impact the Group's operations, that a conservative approach to balance sheet management is appropriate. As such, the Directors have elected to reinstate the dividend reinvestment plan (DRP) in respect of the final dividend.

In accordance with the terms of the DRP rules, previous DRP elections made by Shareholders will remain in force in respect of the resumed DRP. Accordingly, Shareholders who previously elected to participate in the DRP will once again participate in the resumed DRP in respect of the final dividend of 3.5 cents per share in respect of the year ended 30 June 2021.

The issue price of shares under the DRP will be the volume weighted average price for K&S shares in the five business days ending on 19 October 2021 (the record date for the final dividend), less a discount of 2.5%.

Board Composition

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

Mr Dalton has been a registered company auditor for over twenty-five years and is a former Managing Partner of the Ernst & Young Melbourne Accounting and Assurance Practice. Mr Dalton also has a wealth of entrepreneurial knowledge and experience having previously run Ernst & Young's entrepreneurship initiatives across the Oceania region as well as being a Regional Director of Ernst & Young's Asia Pacific Entrepreneur management team.

Mr Dalton's appointment continues a process of board renewal.

Outlook

Providing earnings guidance going forward remains difficult, particularly having regard to ongoing uncertainties created by COVID-19. It is not possible to predict with any certainty the extent or duration of COVID-19 related impacts on the Australian or New Zealand economies, or upon the Group itself.

The Group has secure long term bank facilities and low gearing levels, and will continue to take a conservative approach to financial risk as well as maintaining a strong focus on working capital management and underlying profit improvement. The Group will continue to target organic growth, particularly in market segments such as contract logistics that will deliver stronger returns on investment.

The Group continues to review the industry segments in which it operates as well as the ways it offers services to the market.

Further Information:

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Annexure A – Financial Overview

Financial Overview		2021	2020[2]	% Movement
Operating Revenue	$'000	688,541	790,639	**(12.9%)**
Statutory profit after tax	$'000	18,123	11,128	**62.9%**
Statutory profit before tax	$'000	27,541	15,934	**72.8%**
Earnings before interest and tax (EBIT)	$'000	30,917	26,254	**17.8%**
Earnings before interest, tax and depreciation (EBITDA)	$'000	83,336	82,426	**1.1%**
Less JobKeeper income	$'000	(16,235)	(13,731)	**18.2%**
Less bad debts recovered	$'000	(199)	-	**100.0%**
Add other significant items	$'000	6,001	9,648	**(37.8%)**
Underlying profit before interest, tax & depreciation[1]	$'000	72,903	78,343	**(6.9%)**
Underlying profit before interest & tax[1]	$'000	20,484	22,171	**(7.6%)**
Underlying profit before tax[1]	$'000	17,108	11,851	**44.4%**
Underlying operating profit after tax[1]	$'000	11,976	8,296	**44.4%**
Total assets	$'000	525,837	540,140	**(2.7%)**
Net borrowings excluding lease liabilities	$'000	26,566	69,608	**(61.8%)**
Shareholders' funds	$'000	268,717	239,157	**12.4%**
Finance costs	$'000	3,376	10,320	**(67.3%)**
Depreciation	$'000	52,419	56,172	**(6.7%)**
Dividend per share	cents	6.5	5.0	**30.0%**
Net tangible assets per share	$	2.04	1.61	**26.7%**
Operating cash flow	$'000	75,454	83,074	**(9.2%)**
Return on assets	%	3.5	2.1	**66.7%**
Gearing ratio (excluding lease liabilities)	%	9.0	22.5	**(60.0%)**
Employee numbers		1,972	2,161	**(8.7%)**
Lost time injuries		22	31	**(29.0%)**
Lost time injuries frequency rate		4.9	6.6	**(25.8%)**

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[2] FY2020 balances have been restated based on the impact of change in accounting policy for the treatment of the Group's freehold buildings. Refer to relevant statements and Note 2(aa) for further details.

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