ASX ANNOUNCEMENT
22 February 2022

K&S Corporation Limited Results for the Half Year Ended 31 December 2021

The Directors of K&S Corporation Limited (ASX: KSC) today announce an underlying profit before tax[1] of $11.7 million for the half year ended 31 December 2021, 27.8% higher than the prior corresponding period. The underlying profit after tax[1] of $8.4 million was 30.7% higher than the prior corresponding period.

Statutory profit before tax was $11.8 million for the half year ended 31 December 2021. The result is 51.7% lower than the prior corresponding period. Statutory profit after tax was $8.5 million, down 50.6% on the previous year first half statutory profit after tax of $17.2 million.

The Group's statutory result for the half year ended 31 December 2021 includes two significant items amounting to $0.1 million. The Group's statutory result for the prior corresponding period included $16.2 million (before tax) attributable to JobKeeper subsidies as well as $0.2 million of bad debt recovery and $1.2 million in restructuring and wage top up costs which were treated as significant items.

The underlying profit benefited from a number of cost savings measures, customer re-negotiations, and procurement initiatives as well as improved performance by the Australian Transport segment.

Operating revenue for the period was $370.4 million, 8.4% higher than the prior corresponding period.

Operating cashflow for the current period was $30.2 million, $10.3 million lower 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. Contributions from our Western Australia based heavy haulage business also remained sound underpinned by the continued strength of the mining sector.

Our specialised aviation refuelling business, Aero Refuellers, again experienced the impacts of COVID-19 as well as low fire season activity.

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, coupled with customer re-negotiations, have continued to have a positive impact on the result for the first half of FY2022.

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Fuels

The fuel trading business, K&S Fuels, saw revenue increase relative to the prior comparative period. The increase is attributable to increases in fuel prices.

K&S Fuels is currently expanding and enhancing its retail and convenience offering with the purchase of the Millicent roadhouse completed in December 2021 and plans submitted for the redevelopment of the existing Millicent service station. K&S Fuels has also recently completed the implementation of a new ERP system and is currently undertaking a new point of sale IT upgrade.

New Zealand

The New Zealand operation again had a strong performance underpinned by the strength of the local economy.

Balance sheet and Funding

The Group maintains a strong focus on the balance sheet.

The Group's net debt increased from $26.6 million as at 30 June 2021 (the lowest net debt experienced since 2003) to $32.6 million as at 31 December 2021, with the Group's gearing ratio (excluding lease liabilities) also increasing from 9% to 10.5% over the same period. The Group has maintained strong disciplines around capital expenditure and the increase in net debt and gearing in the first half of FY22 is predominantly attributable to the purchase and development of the new High Wycombe site in Perth.

On 5 November 2021, the Group extended the maturity profile of its debt facilities and negotiated improved terms with its panel of lenders. The Group's debt facilities now comprise funding in three-year tranches totaling $124 million (inclusive of a $30 million bank guarantee facility) and five-year tranches totaling $75 million. As part of that refinancing exercise, the Group also paid out its previous facilities with Bank of China and brought in ANZ as a new lender, in conjunction with existing lenders Westpac and NAB.

Safety

Safety remains a key priority for K&S. Our lost time injury frequency rate was 4.6. Our lost time injury frequency rate in New Zealand was 5.8.

Interim Dividend

A fully franked interim dividend of 4.5 cents per share (2020: 3.0 cents per share) has been declared by the Directors. The interim dividend will be paid on the 1st April 2022, with the date for determining entitlements being the 22nd March 2022.

The Dividend Reinvestment Plan (DRP) applies in respect of the interim dividend. The last election date for participation in the DRP is 23 March 2022. The issue price for shares under the DRP is the volume weighted average price for K&S shares in the five business days ending on 22 March 2022 (the record date for the interim dividend), less a discount of 2.5%.

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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 if 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:

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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. These adjustments primarily include the Government wage subsidies received, bad debt recoveries, redundancies, asset impairment expenses and costs associated with 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 Consolidated Group. The non-IFRS information has not been subject to audit or review by the auditor.