

ASX ANNOUNCEMENT

22 February 2023

K&S Corporation Limited Results for the Half Year Ended 31 December 2022

The Directors of K&S Corporation Limited (ASX: KSC) today announce an underlying profit before tax¹ of \$24.1 million for the half year ended 31 December 2022, 105.5% higher than the prior corresponding period. The underlying profit after tax¹ of \$17.0 million was 102.0% higher than the prior corresponding period.

Statutory profit before tax was \$21.8 million for the half year ended 31 December 2022. The result is 84.5% higher than the prior corresponding period. Statutory profit after tax was \$15.4 million, up 81.2% on the previous year first half statutory profit after tax of \$8.5 million.

The Group's statutory result for the half year ended 31 December 2022 includes two significant items amounting to \$2.3 million (before tax). The Group's statutory result for the prior corresponding period included \$0.1 million (before tax) of significant items mainly relating to bad debt recoveries.

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 \$435.5 million, 17.6% higher than the prior corresponding period.

Operating cashflow for the current period was \$46.4 million, \$16.2 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. 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 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 FY2023.

Fuels

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

K&S Fuels made a sound contribution to the first half result for FY2023.

New Zealand

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

Balance sheet and Funding

The Group maintains a strong focus on the balance sheet.

The Group's net debt decreased from \$21.4 million as at 30 June 2022 to \$6.0 million as at 31 December 2022 (the lowest net debt experienced since 2003), with the Group's gearing ratio (excluding lease liabilities) also decreased from 6.5% to 1.8% over the same period.

Safety

Safety remains a key priority for K&S. The Group's lost time injury frequency rate was 6.0 as at 31 December 2022. The lost time injury frequency rate in New Zealand was 1.7.

Interim Dividend

Consistent with the stronger first half result, a fully franked Interim Dividend of 10.0 cents per share (2021: 4.5 cents per share) has been declared by the Directors. The Interim Dividend will be paid on 3rd April 2023, with the date for determining entitlements being 22nd March 2023.

Directors have elected to suspend the dividend reinvestment plan (DRP) in respect of the Interim Dividend having regard to capital management considerations and record low debt levels. Directors are also of the view that the Group's shares are trading at too great a discount to the net tangible asset backing of \$2.30 per share and the issuing of shares under the DRP would be dilutionary to existing shareholders.

Outlook

While the Group has recorded a strong result for the first half of FY2023, providing specific earnings guidance for the second half remains difficult. The current higher inflation and increasing interest rate environment, coupled with cost-base pressures, present down-side risks to the second half result.

The Group has secure long term bank facilities and very low gearing levels. We will continue to take a balanced approach to risk as well as maintaining a strong focus on working capital management.

By authority of the board of directors

Further Information:

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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 relate to 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 a site remediation provision. 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.