

## ASX ANNOUNCEMENT

21 February 2024

### K&S Corporation Limited Results for the Half Year Ended 31 December 2023

The Directors of K&S Corporation Limited (ASX: KSC) today announce an underlying profit before tax<sup>1</sup> of \$24.4 million for the half year ended 31 December 2023, 1.0% higher than the prior corresponding period. The underlying profit after tax<sup>1</sup> of \$16.9 million was 0.4% lower than the prior corresponding period.

Statutory profit before tax was \$23.9 million for the half year ended 31 December 2023, 9.6% higher than the prior corresponding period. Statutory profit after tax was \$16.6 million, up 8.1% on the previous year first half statutory profit after tax of \$15.4 million.

The Group's statutory result for the half year ended 31 December 2023 includes one significant item amounting to \$0.5 million (before tax) comprising a loss in the fair value of the Group's interest rate swap. The Group's statutory result for the prior corresponding period included \$2.3 million (before tax) of 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 \$422.9 million, 2.9% lower than the prior corresponding period.

Operating cashflow for the current period was \$29.1 million, \$17.2 million lower than the prior corresponding period.

#### Australian Transport

Steel volumes from our major customers were stable. Performance of the contract logistics business was sound. Contributions from our Western Australia based heavy haulage business remained steady underpinned by the continued strength of the local mining sector.

Our specialised aviation refuelling business, Aero Refuellers, experienced low fire season activity and margin pressure.

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 FY2024.

## Fuels

The fuel trading business, K&S Fuels, made a sound contribution to the first half result for FY2024 on stable revenue.

## New Zealand

The New Zealand operation had a weaker half year result due to softer domestic economic conditions.

## Balance sheet and Funding

The Group maintains a strong focus on the balance sheet. The Group's net debt increased from a record low of (\$0.4) million as at 30 June 2023 to \$22.2 million as at 31 December 2023, with the Group's gearing ratio (excluding lease liabilities) also increasing from (0.1)% to 6.4% over the same period.

The increase in debt levels was predominantly attributable to the acquisition of industrial properties in Townsville and Adelaide for a combined purchase price of \$20.3 million (excluding GST) in the first quarter of FY2024. The Group is progressing plans to develop both of these sites into transport terminals within the next year.

In the second quarter of FY2024, the Group successfully extended the maturity profile of its debt facilities and negotiated improved terms with its existing panel of lenders. The Group's debt facilities now comprise funding in four year tranches totalling \$125 million (inclusive of a \$35 million bank guarantee facility) and five year tranches totalling \$80 million.

## Safety

Safety remains a key priority for K&S. The Group's lost time injury frequency rate was 4.5 as at December 2023, improving (down) by 37.5% on the prior comparative period. The lost time injury frequency rate in New Zealand was 1.8.

## Interim Dividend

A fully franked Interim Dividend of 10.0 cents per share (2022: 10.0 cents per share) has been declared by the Directors. The Interim Dividend will be paid on 3<sup>rd</sup> April 2024, with the date for determining entitlements being 22<sup>nd</sup> March 2024.

## Outlook

While the Group recorded a strong result for the first half of FY2024, providing specific earning guidance for the second half remains difficult. The current inflation and interest rate environment, coupled with cost-base pressures, de-stocking by some customers and lower construction activity, 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**

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### 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. This adjustment includes 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. The exclusion of this item 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.