K&S CORPORATION LIMITED

ASX ANNOUNCEMENT

26 November 2024

K&S Corporation Limited
Annual General Meeting

The K&S Corporation Limited (ASX: KSC) annual general meeting ("AGM") commences at 2:00pm AEDST on 26 November 2024.

Please find attached for immediate release to the market:
- Chairman's AGM address; and
- Managing Director's AGM address.

By authority of the Board of Directors
K&S Corporation Limited

Further Information:

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Company Secretary
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CHAIRMAN'S ADDRESS – 2024 AGM

Good afternoon ladies and gentlemen, I am pleased to report on the performance of K&S Corporation Limited (ASX: KSC) and its subsidiaries (the "Group") for the year ended 30 June 2024.

Safety

Safety remains a key focus for the Group. The Group's lost time injury rate reduced from 5.4 in FY2023 to 3.0 in FY2024.

Trading Performance

The transport and logistics sector in FY2024 remained challenging, with continued high levels of competition and pressure on rates, a low growth economic environment and the concentration of bargaining power in large and sophisticated buyers of transport and logistics services.

Underlying profit before tax was $42.1 million for the year ended 30 June 2024, a decrease of 3.6% on the prior corresponding period. The underlying profit after tax was $31.7 million, up on the prior corresponding period by $1.0 million.

Statutory profit before tax for the year ended 30 June 2024 was $41.3 million, 1.6% higher than the prior corresponding period. Statutory profit after tax was $31.2 million, 9.1% higher than the previous year statutory profit after tax of $28.6 million.

Included in the Group's statutory result for FY2024 was a $0.7 million accounting loss attributable to the Group's interest rate swap instrument.

Operating revenues decreased by 2.9% to $824.6 million in FY2024.

Operating cash flow for FY2024 was $65.8 million, 35.2% lower than for the previous year.

All three of our operating segments (Australian Transport, Fuel, and New Zealand Transport) generated sound results in FY2024.

Balance Sheet and Funding

The Group maintained a very strong balance sheet in FY2024, underpinned by sound trading performance coupled with prudent capital disciplines.

The Group's gearing ratio (excluding lease liabilities) increased to 6.3% at 30 June 2024, compared to (0.1)% in the prior year. The Group's net debt increased to $23.8 million at 30 June 2024, up from ($0.4) million in the prior comparative 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. The construction of the new Adelaide transport terminal will facilitate the exit of two existing property leases and realise operational synergies.

The Group also acquired fixed assets totalling $70.4 million, compared to $68.7 million in the prior year, and continues to invest to maintain a modern operating fleet.

Based upon independent valuations, the Group increased the carrying value of its freehold property portfolio by $39.8 million The Group has a substantial property portfolio consisting of high-quality industrial assets with a carrying value of $284.1 million.

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) maturing in September 2027 and five year tranches totalling $80 million maturing in September 2028.

Dividend

The Group paid a fully franked final dividend of 8.0 cents per share (2023: 8.0 cents per share) on 4 November 2024. This followed the fully franked interim dividend of 10.0 cents per share paid in April 2024, making the total fully franked dividend 18.0 cents per share in respect of the year ended 30 June 2024 (2023: 18.0 cents per share).

The dividend reinvestment plan currently remains suspended.

Outlook

Providing earnings guidance going forward remains difficult. The current higher interest rate environment, coupled with increasing key input cost pressures, costs associated with investment in additional internal resources, de-stocking by some customers and lower construction activity, present risks to FY2025 results.

The cessation of several customer contracts in the first half of FY2025, coupled with the full year impact of customer contract losses in FY2024, also places downside pressure on results. The Group anticipates that these impacts will be at least partially offset by price, volume and margin improvements in FY2025.

We currently expect first half underlying profit before tax for FY2025 to be between $23.0 million and $24.0 million, versus the prior comparative period underlying profit before tax of $24.4 million.

The Group has low gearing levels and a strong balance sheet. We will continue to take a composed approach to financial risk as well as maintaining a strong focus on working capital management and underlying profit improvement. We will continue to target the ongoing improvement of the quality of our revenue base, with our focus also maintained on growth in specific market segments, be that organic or through acquisition, as well as continuing to invest in our property portfolio, in each case where we can realise accretive returns on investment.

On behalf of the Board, I thank our customers, suppliers and employees, who have contributed to the continued success of the Group.

In particular, I thank the senior management team, led by Paul Sarant, for their ongoing commitment and dedication.

Tony Johnson
Chairman
26 November 2024

Thankyou Mr Chairman.

We continue to focus on realising initiatives that improve all facets of K&S Corporation Limited (ASX: KSC) and its subsidiaries (the "Group"), and in doing so provide increased shareholder and customer value.

The Group's operating revenues decreased by 2.9% to $824.6 million in FY2024. The underlying profit before tax was $42.1 million, a decrease of 3.6% on the prior corresponding period, and statutory profit before tax for FY2024 was $41.3 million, an increase of $0.6 million or 1.6% on the prior corresponding period.

The underlying result was underpinned by our strong ongoing continuous improvement initiatives and solid customer demand across our trading segments.

While we realised a strong result in FY2024, the Group was impacted by ongoing supply chain interruptions, with the timeframes for delivery of new fleet substantially delayed for much of the year. The Group works closely with its equipment suppliers for the procurement of new fleet assets and has, for a prolonged prior period, been diligent to invest in fleet renewal on an ongoing basis.

I will now provide more detail on several components of the Group.

Safety

The Group's lost time injury rate reduced from 5.4 in FY2023 to 3.0 in FY2024.

The Group continues to invest in our safety management system and on road compliance and the training of our employees. The Group recognises that its social license to operate is contingent upon achieving industry leading on-road behaviors and safety outcomes.

In FY2024, the Group undertook its second People at Work employee survey to assess key psychosocial hazards and factors that may have potential impacts upon employee mental health and wellbeing, job burnout, productivity, increased sickness related absence and physical disorders. Pleasingly more than half of the Group's employees participated in the People at Work survey, providing a strong response rate to underpin the integrity of the survey results. The Group is committed to addressing any psychosocial hazards and factors within the workplace and is reviewing a number of new initiatives to be rolled out in the course of FY2025.

Following a stringent review process by the Safety Rehabilitation and Compensation Committee, the Group's self-insurance licence for workers compensation claims under the Commonwealth Comcare scheme was extended for a further four years through to 30 June 2028. This is an outstanding result, and the licence extension was only granted after the Group's safety management system was subject to external audit by Comcare as part of the renewal process.

Environment

The Group continues to proactively demonstrate its commitment towards improving environmental performance and the transition to a Euro 6 compliant fleet. As of FY2024, over 90% of the operating fleet is either Euro 5 or Euro 6 compliant.

In the past decade the group has invested approximately $423 million on fleet upgrades, underpinning emissions improvements. This positions the Group at the forefront of the industry in Australia.

During the year vehicle emissions reductions reached 84% of 2003 levels for NOx (FY2023: 83%), and 96% of 2003 levels for particulate matter (FY2022: 96%).

Carbon dioxide generation for FY2023 was 105,408 tonnes, down from 112,338 tonnes in FY2022.

The Group continues to proactively engage with major heavy vehicle manufacturers in relation to alternate technology platforms that support zero emissions vehicles. It is the Group's assessment that there are currently a number of barriers to the short term deployment of a zero emissions fleet solution within the Group's operations, primarily encompassing a lack of suitable supporting infrastructure (coupled with a lack of a supportive governmental regulatory environment to drive investment in that infrastructure), high up front asset cost, reduced payload, and end of life management obligations associated with electric vehicles.

While heavy vehicle manufacturers have deployed some zero emissions light vehicles there are not currently any zero emissions heavy vehicle solutions suitable for longhaul applications commercially available in Australia. In the meantime, major heavy vehicle manufacturers continue to invest heavily in conventional diesel powered vehicles that will meet the higher Euro 7 standards, which are currently scheduled to come into force in Europe in July 2027.

The Group will continue to monitor the feasibility of the deployment of zero emissions vehicles. The comparatively short whole of life investment cycle in fleet employed by the Group provides the opportunity to adopt lower and zero emissions technology as it becomes commercially viable to do so.

Compliance

The Group has maintained ISO 9001:2015 accreditation standards, including other relevant accreditations which included: WA Main Roads, NHVAS Mass, Maintenance, and Basic Fatigue Management, along with Food Safety/HACCP and TruckSafe.

Australian Transport

The Australian transport segment provided another strong financial performance in FY2024. The operating divisions maintained strong cost and service focused disciplines and continued to progress detailed end-to-end reviews of the operational parameters for a number of core activities and functions, that realised an improved margin compared to FY2023.

Full year revenue for the Australian transport segment decreased from FY2023 to FY2024, in part as a result of exiting several customer contracts, lower customer volumes and a reduction in fuel prices.

The ongoing benefits from the implementation of cost reduction strategies across the business continued to contribute to 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.

Intermodal steel volumes reduced modestly in FY2024 and are expected to decrease further in FY2025 with the cessation of several parcels of work. Timber volumes remained steady.

The rail division once again experienced significant disruptions as a result of flooding on the eastern seaboard, as well as on the east-west lane and the Adelaide-Darwin lane. While rail related revenue softened in FY2024, the rail division maintained its margins. Our focus remains on securing accretive parcels of rail volume that improve our rail network balance and performance.

While revenue reduced marginally year on year, our contract logistics business unit delivered another strong result in FY2024.

Chemical and energy transportation businesses in FY2024 also maintained sound performance on steady revenue.

The Western Australia based heavy haulage business enjoyed a sound year in FY2024 with a strong forward order book.

The financial performance of our specialised aviation refuelling business was in line with the previous year on flat revenue with minimal fire season activity. A continued focus on cost disciplines and efficiencies sees this business poised for a solid financial upside if there is a return to more normal fire season activity levels. We are currently experiencing input cost pressure and also seeing aggressive competition in this market segment.

Fuel Agency

The fuel trading business provided strong financial results on stable revenues in FY2024. The fuel retailing and wholesaling markets remain dynamic and continue to exhibit high levels of competition.

We are currently undertaking several projects to expand both our retail and wholesale offering, including the redevelopment of several company owned sites and the purchase of new sites.

In FY2025 we expect to complete the construction of new refuelling facilities at Robe (SA) and Dartmoor (Vic). We will also be well progressed with the construction of a new 24/7 facility in Millicent (SA) that incorporates a modern retail food offer and electric vehicle charging.

New Zealand Transport

Despite margin compression, the New Zealand business recorded a sound result in FY2024 on stable revenue. New Zealand's economy entered into a recession in the course of FY2024, with a number of key customers realigning their business focus from the domestic to export market. The New Zealand business continues to target the provision of integrated and value adding services and we continue to review initiatives to further align with key customer logistics functions.

People and Culture

Employee engagement and communications programs remain a high priority and area of focus across our business.

The Group invested heavily in the people and culture team in FY2024. We are seeing strong results in terms of a more strategic approach to enhancing our employee value proposition, as well as in filling vacancies to underpin improved asset utilisation. The people and culture team is focused on growing overall organisational capability for the Group.

The Group is currently in the process of deploying a new human resources information system (HRIS). We anticipate that the HRIS will assist the Group to elevate the engagement and performance of our workforce, as well as providing a number of administrative efficiencies.

As part of the roll out of the new HRIS, the Group is also implementing a new learning management system (LMS). The Group is undertaking a complete refresh of all training materials in conjunction with the deployment of the LMS to ensure that the delivery of training is engaging and results in industry leading safety outcomes for our workforce.

We continue to align the operational and management structures to service the needs of business units and customers, while maintaining our strong focus on the retention and development of skilled and qualified employees as the Group's most valuable asset.

Other Items

The Group completed a major upgrade of its IT network in FY2024. The upgrade has delivered higher connection speeds across operating sites as well as network redundancy for each site in the event that the primary network is compromised. The network upgrades will assist with productivity. The Group also continues to invest heavily in cyber-security measures.

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 FY2025.

Over the next 18 months we expect to complete the following significant property related projects:

Upgrades to our Coopers Plains (Brisbane) facility increasing our container storage and handling capability.

The construction of a new Townsville facility including a new workshop, container storage and handling yard, and improved warehousing capability. When this project is completed, we will then elect to either sell our current Garbutt property or redevelop it as a lessor.

The construction of a new Adelaide facility including a new workshop, container storage and handling yard, and improved warehousing capability. When this project is completed, we will exit two externally leased properties.

We recognise that despite our ongoing business improvement efforts, current economic conditions, coupled with increasing key input cost pressures, de-stocking by some customers and lower construction activity, present risks to our FY2025 results in comparison to the those achieved in FY2023 and FY2024.

I would like to take this opportunity to thank our management team, and all employees and supporters of the Group who have collectively worked extremely hard through what was another challenging year to continue to improve our company.

I also wish to thank our customers, suppliers and all other providers for their ongoing support.

Paul Sarant
Managing Director and CEO
26 November 2024