

ASX ANNOUNCEMENT

25 February 2025

K&S Corporation Limited Results for the Half Year Ended 31 December 2024

The Directors of K&S Corporation Limited (ASX: KSC) today announce an underlying profit before tax¹ of \$23.4 million for the half year ended 31 December 2024, 4.1% lower than the prior corresponding period. The underlying profit after tax¹ of \$16.4 million was 3.4% lower than the prior corresponding period.

Statutory profit before tax was \$23.0 million for the half year ended 31 December 2024, 3.8% lower than the prior corresponding period. Statutory profit after tax was \$16.1 million, down 3.1% on the previous year first half statutory profit after tax of \$16.6 million.

The Group's statutory result for the half year ended 31 December 2024 includes one significant item amounting to \$0.4 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 \$0.5 million (before tax) of significant items.

The underlying profit saw continued sound performance by Australian Transport and New Zealand whilst the contribution from K&S Fuels weakened due to tightening trading conditions.

Operating revenue for the period was \$383.5 million, 9.3% lower than the prior corresponding period.

Operating cashflow for the current period was \$26.7 million, \$2.5 million lower than the prior corresponding period.

Australian Transport

Steel volumes from our major customers were below prior year levels due to tight market conditions and cessation of contracts. The interstate division (linehaul and intermodal) experienced declining revenues and margin contraction due to high levels of competition and a contraction of this market segment.

Performance of the contract logistics business was sound. Despite a strong forward order book, our Western Australia based heavy haulage business was adversely impacted by a number of bottle necks beyond its control including stevedoring issues at the wharf and build crew labour shortages affecting key customers.

Our specialised aviation refuelling business, Aero Refuellers, has 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, continued to have a positive impact on the result for the first half of FY2025.

Fuels

The fuel trading business, K&S Fuels, made a sound contribution to the first half result for FY2025, although revenue and profit were both down on the prior comparative period.

New Zealand

The New Zealand operation produced a sound half year result on stable revenue.

Balance sheet and Funding

The Group maintains a strong focus on the balance sheet.

The Group's net debt increased from \$23.8 million as at 30 June 2024 to \$45.9 million as at 31 December 2024, with the Group's gearing ratio (excluding lease liabilities) also increasing from 6.3% to 11.3% over the same period.

The Group's net debt is expected to continue to increase in the second half of FY2025 as the Group undertakes a number of property related projects, including:

- upgrades to our Coopers Plains (Brisbane) facility increasing our container storage and handling capability;
- the construction of a new Adelaide facility including a new workshop, container storage and handling yard, and improved warehousing capability which will allow us to exit two externally leased properties once completed; and
- the redevelopment of our Millicent 24/7 service station to a modern convenience store offering.

These projects are expected to be earnings accretive.

Safety

Safety remains a key priority for K&S. The Group's lost time injury frequency rate was 2.8 as at December 2024, improving (down) by 37.8% on the prior comparative period.

The lost time injury frequency rate in New Zealand was 1.7.

On 19 December 2024, Comcare (the Group's safety regulator under the *Work Health and Safety Act 2011 (Cth)* ("WHS Act")) commenced a prosecution against K&S out of the Adelaide Magistrates Court in relation to an incident at the Group's Mt Gambier transport terminal on 20 December 2022. K&S has been charged with one count of breaching the general duty to ensure the safety of a worker, so far as is reasonably practicable, under the WHS Act. The charge carries a maximum penalty of \$1.5 million if K&S is convicted.

Interim Dividend

A fully franked Interim Dividend of 8.0 cents per share (2024: 10.0 cents per share) has been declared by the Directors. The Interim Dividend will be paid on 3 April 2025, with the date for determining entitlements being 21 March 2025.

Outlook

While the Group recorded another strong result for the first half of FY2025, providing specific earning guidance for the second half remains difficult. The current higher interest rate environment, coupled with cost-base pressures, costs associated with investment in additional resources, de-stocking by some customers and lower construction activity, present down-side risks to the second half result.

The cessation of several customer contracts in the first half of FY2025, coupled with the full year impact of customer contract losses in FY2024, and a more challenging trading environment, are expected to have some impact the Group's second half results. While we anticipate that those impacts will be partially offset by price and margin improvements on some parcels of work in FY2025, we presently anticipate that our second half result for FY2025 will be lower than for the prior comparative period.

The Group has secure long term bank facilities and 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. 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.