

ASX Announcement

28 February 2024

Kelsian Group Limited – FY24 Half Year Results

Result reflects successful execution of our well-defined growth strategy delivering on new organic growth and strategic acquisitions, building upon our majority-contracted revenues that enjoy defensive indexation mechanisms and strong, predictable cashflow

Kelsian Group Limited (ASX:KLS) ('Kelsian') today reported its half year results for the six months ended 31 December 2023 (1HFY24).

Key Financial Highlights

- Revenue grew by 44.9% to \$982.7m reflecting acquisition of All Aboard America! Holdings, Inc. ('AAAH!'), and new Sydney contracts from August 2023 and October 2023;
- Underlying EBITDA (adjusted for one-off costs associated with M&A and abnormal items) grew by 63.5% to \$130.5m illustrating benefits of scale and addition of the higher margin AAAHI business. It was a pleasing result as majority of costs associated with AAAHI integration and Sydney transitions fell in the half;
- Underlying EBIT (adjusted for one-off costs associated with M&A and abnormal items) grew by 29.4% to \$58.1m;
- Depreciation increased by 117.6% to \$55.7m reflecting the acquisition of bus assets for Sydney contracts; resetting the asset base associated with the purchase price accounting for AAAHI, and right of use asset depreciation of \$12.4m;
- Net interest expense of \$25.2m compared to \$9m in 1HFY23, reflecting higher interest rates on the 50% unhedged borrowings, higher borrowings to fund bus acquisitions for Sydney and USA growth opportunities before SPV was effective, and right of use asset interest of \$3.7m;
- Underlying Net Profit After Tax and before Amortisation ('NPATA') (adjusted for one-off costs associated with M&A and abnormal items), increased by 20.4% to \$43.1m;
- Statutory Net Profit After Tax ('NPAT') was \$28.1 million compared to \$19.5 million last year;
- Capital expenditure increased to \$56.1m (excluding Government-backed contracted assets), reflecting the increased scale of business, additions to portfolio and replacement assets to underpin growth and refresh asset base;
- Fully franked interim dividend of 8.0 cents per share, (7.5 cents per share in 1HFY23).

Key Operational Highlights

- Successful commencement and integration of new contract Regions in Sydney; labour availability resolved due to well-executed, extensive, recruitment and training programs;
- Solid progress in integration of AAAHI, delivering continued growth during the period;
- Established SPV ring-fenced (limited recourse) financing structure to fund and house Government-backed assets;
- Acquisition of strategic assets and commenced self-insurance for workers compensation in NSW.

Managing Director & Group Chief Executive Officer, Clint Feuerherdt said: “Kelsian is a diversified global business, that is well placed to deliver scalable growth; with a majority of highly defensive long-term government-backed service contracts, most enjoying meaningful cost base protection.

“A highlight of the half was the seamless transition of the new contract regions in Sydney which were transitioned on time and on budget, demonstrating operational excellence in transitioning large and complex bus contracts.

“From network planning to procurement and operational management, vehicle maintenance and human resourcing, Kelsian has a record of high-performance outcomes.

“Labour availability issues that previously impacted our ability to meet contracted service requirements have now abated; in part due to an improved labour market and in part due to extensive recruitment and training programs that were well executed during the period.

“Growth in the Marine & Tourism business was pleasing as it was achieved despite widespread cost of living headwinds impacting consumer confidence and the business was cycling a strong result in the prior period.

“Inclement weather in the all-important month of December, as well as a softening in demand for domestic travel in December did impact the result.

“The balance sheet remains strong with pro-forma leverage at 2.4 times (excluding government backed contracted assets), interest cover of more than 8 times and all bank covenants comfortably met.

“One of the highlights of 2023 was the transformational AAAHI acquisition, which pleasingly continued to deliver solid growth during the half, most notably in the coach charter and contracted operations that performed strongly reflecting both new contracts and renewals.

“Kelsian is proud to operate the largest fleet of electric buses and the largest electrified bus depot in Australia, and we are confident our leadership position in electric vehicles will help to maintain our competitive advantage as governments focus on decarbonisation.

This result reflects the successful execution of our well-defined growth strategy that delivered new organic growth and strategic acquisitions,” he said.

1HFY24 Results in Summary

During the period, Kelsian delivered a solid result which was achieved despite increased costs associated with the AAAHI integration, and transition and integration costs associated with the new contracts in Sydney being incurred prior to the benefits of increased scale. These growth initiatives are anticipated to underpin future growth for the Group.

Contract indexation mechanisms effectively hedge inflation for most bus businesses including fuel price, wage inflation and CPI. Higher labour costs continued to be incurred due to labour availability issues and increased overtime, however well executed, extensive recruitment and training programs mitigated the impact.

Underlying Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) was \$130.5m compared to an EBITDA of \$79.8m for the prior period. Underlying EBITDA has been adjusted for significant one-off items associated with M&A during the period.

Balance Sheet and Cashflow

In July 2023, a ring-fenced (limited-recourse) asset financing facility, of up to \$40 million was established for the funding and purchase of 49 Battery-Electric buses for Region 6 with the first purchases financed through the facility for \$6.8 million occurring in November 2023. In February 2024, further ring-fenced limited-recourse asset financing facilities totalling approximately \$74.8 million were established for contracted bus assets operating new Region 2 (combined former regions 2 and 15) and new Region 3 (combined former regions 3 and 13) in Sydney and including buses acquired from outgoing bus operators in Regions 2, 13, and 15.

As at 31 December 2023, Kelsian had Government backed contracted assets with a vehicle termination payment obligation totalling \$122.6 million on its balance sheet. Excluding this contractual commitment, leverage (net debt / EBITDA) reduces from 2.72x to 2.38x. These financing facilities provide flexibility and optionality for Government to accelerate transition to zero-emission assets.

Capital expenditure increased to \$56.1m (excluding Government-backed contracted assets), reflecting the increased scale of business, additions to portfolio and replacement assets to underpin growth and refresh asset base. There are five new vessels being constructed that will deliver capacity growth and efficiencies. This includes the two new Kangaroo Island ferries which will more than double the annual vehicle meterage capacity and significantly increase load capacity from FY25 for these routes where Kelsian is the exclusive operator. As well as investing in new assets including motorcoaches, hydrogen and electric buses, we are also investing in the supporting infrastructure, for example depot upgrades and CRM.

The Board declared a fully franked dividend of 8.0 cents per share, record date of 21 March 2024 and payable 17 April 2024 (1H FY23: 7.5 cents per share).

Kelsian is pleased to launch a dividend reinvestment plan (DRP), with a 1.5% discount, for eligible shareholders. The DRP rules are available on the investor relations section of the website: www.kelsian.com/investor.

Board Renewal

In November 2023, we announced the appointment of Jackie McArthur as an Independent Non-Executive Director of Kelsian effective from 15 January 2024. With over 20 years of valuable experience at executive and board level from her roles in strategy, general management, global and regional transport, supply chain and logistics, corporate social responsibility, governance, and IT, Jackie is expected to enhance and complement the skills and experience mix of the Kelsian Board.

On 27 February 2024, the Board announced the appointment of Fiona Hele as Independent Chair, effective from 1 July 2024. As foreshadowed in September 2023, Jeff Ellison, Chair, is retiring, and will be stepping down from the Board on 1 July 2024.

Managing Director & Group Chief Executive Officer, Clint Feuerherdt said; “On behalf of the Board, I would like to thank Jeff for his significant contribution over 30-plus years with the Company, congratulate Fiona on her appointment, and welcome Jackie to the Board.”

Sustainability

As the single largest identifiable source of carbon emissions, transport is top of the agenda for any government seeking to reach net zero emission status. To decarbonise the transport networks, governments need to convert their existing fleet to zero emission and encourage people to shift from cars to public transport by increasing public transport services and the bus sector offers a compelling solution. This requires both capital and skills to assist governments.

Kelsian continues to lead the way in the transition to a zero-emission fleet in Australia and has built a reputation on active management and creation of relevant public transport networks that show high levels of patronage growth.

As at 31 December 2023, Kelsian operated a fleet of 94 battery electric buses and four hydrogen fuel cell buses, with work underway across the country, including grid upgrades and charging infrastructure - with the plan to increase this to an impressive 375 battery electric buses and four hydrogen fuel cell buses by the end of 2025.

Outlook

The Company is well placed to continue to deliver growth underpinned by economies of scale, efficiencies, and global procurement opportunities. Over the longer term the list of growth opportunities is significant, with many markets around the world liberalising and welcoming operational experts to support their decarbonisation agendas.

The new contracts in Western Sydney are in the fastest population growth corridor in Sydney, and this growth is expected to continue with the launch of a new international airport from 2026. We are confident that continued revenue growth will be underpinned by incremental Sydney contracts, expansion of routes, and a full complement of labour to support an improvement in margins in the coming months. Furthermore, Kelsian is expected to benefit from first mover advantage and a strong track record in deployment of electric vehicles including investment in the required infrastructure.

AAAHI provides a multi-year runway that is both organic and inorganic. Organic growth examples include construction and technology sectors, employee shuttle and expansion to new cities. AAAHI is well placed to benefit from the pipeline of new large scale construction projects with the focus now on leveraging scheduling and planning expertise to deliver synergies to secure our strong position in this market.

The mix of diversified businesses and geographies create a resilient business model with long-term, low-risk, government backed service contracts providing consistent, predictable earnings base and cash flows. The provision of transport services continues to provide stable growth and new opportunities, driven by population growth, urbanisation, decarbonisation and privatisation. There exists an opportunity to leverage synergies and efficiencies from the integration of new contracts and acquisitions and drive revenue and margin growth, as well as global buying power to underpin procurement opportunities.

Supported by a strong management team with deep sector expertise and strong track record in delivering on organic growth and strategic acquisitions as well as leadership in sustainable transport, Kelsian is well

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placed to benefit from governments' focus on decarbonisation and traffic reduction as well as several opportunities in domestic and international M&A.

Results briefing webinar

Kelsian Managing Director and Group CEO, Clint Feuerherdt and Group CFO, Andrew Muir will host a results briefing webinar today at 10.30am (Sydney time), with a conference call facility available for those wanting to ask questions.

To register for the webinar, please click here:
<https://webcast.openbriefing.com/kls-hyr-2024/>

To register for the teleconference, please click here:
<https://s1.c-conf.com/diamondpass/10036496-qlx4kf.html>

Post the event, the webinar will be available on the Investor Relations website:
<https://www.kelsian.com/investor>

Authorised for lodgement with the ASX by the Board

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ABOUT KELSIAN: www.kelsian.com

Kelsian is Australia's largest integrated multi-modal transport provider and tourism operator, with established bus operations in Australia, Singapore, USA, London and the Channel Islands. Kelsian provides essential journeys for our customers by delivering safe and intelligent transport solutions designed to improve the sustainability and liveability of the communities we serve.

Kelsian has over 30 years' experience delivering tourism and passenger transport services. The Group is a leader in sustainable public transport as the operator of Australia's largest zero emission bus fleet and Australia's largest electrified bus depot.

As at 31 December 2023, Kelsian directly employs over 12,200 people and operates over 5,500 buses, 115 vessels and 24 light rail vehicles that delivered more than 332 million customer journeys over the last year.