

ASX Announcement

26 August 2024

Kelsian Group Limited – FY24 Indicative Results and Update

Kelsian Group Limited (ASX:KLS) ('**Kelsian**') today is pleased to provide indicative unaudited results for the 12 months to 30 June 2024 ('FY24')¹ showing a record result for Kelsian that exceeds analyst forecasts for FY24.

Recognising the excellent FY24 performance, together with the resilient characteristics of the business, strong and predictable cash flows and stable balance sheet; the Board has approved investments in several strategic initiatives, further investment to improve and upgrade our expanded bus and ferry fleet and new assets to support continued growth in the medium and longer term. A summary of these plans is provided below, relating to the 12 months to 30 June 2025 ('FY25')².

Kelsian is scheduled to release its audited FY24 results on Wednesday 28 August 2024 with a results briefing webinar scheduled to commence at 9.30am that day.

FY24 Key Indicative Unaudited Results

Kelsian anticipates the following FY24 indicative unaudited results³ ahead of finalisation of reporting and the audit process for the period:

- Revenue up 42.2%⁴ to \$2,016.8 million, reflecting a full year of All Aboard America! Holdings, Inc. ('AAAH!'), and new Sydney contracts.
- Underlying EBITDA (adjusted for one-off costs associated with M&A and abnormal items) up 63.9%⁴ to \$265.4 million. Underlying EBITDA margin increased⁴ 180 basis points to 13.2%.
- Underlying EBIT (adjusted for one-off costs associated with M&A and abnormal items) up 44.5%⁴ to \$122.1 million.
- Underlying Net Profit After Tax and before Amortisation ('NPATA') (adjusted for one-off costs associated with M&A and abnormal items), up 32.3%⁴ to \$92.6 million.
- Earnings per Share and before Amortisation expense (EPSA) calculated on underlying NPATA increased by 13.3%⁴ to 34 cents per share.
- Statutory Net Profit After Tax ('NPAT') up 176.2%⁴ to \$58.0 million.

¹ Figures based on IFRS accounting principles: refer to the 'Important Notes' at end of this announcement.

² Based on assumptions outlined in footnote 5 below.

³ Based on unaudited management accounts. All figures are prior to final accounting and tax adjustments and are unaudited - refer to the 'Important Notes' at the end of this announcement.

⁴ Compared to the 12 months ending 30 June 2023 ('FY23').



- Depreciation of ~\$109.2 million, comprising:
 1. Special Purpose Vehicle ("SPV") asset depreciation ~\$3.4 million
 2. Right Of Use Asset depreciation ~ \$24.9 million
 3. Core asset depreciation ~ \$80.9 million

Depreciation of ~\$109.2 million reflects resetting the asset base associated with the purchase price accounting for AAAHI (one-off \$10 million impact of accelerated depreciation), and investment in the Group's expanded asset base including the full year impact of AAAHI, and part-year impact of contracted buses for new Sydney contracts.

- Net interest expense of ~\$50.4 million comprising:
 1. SPV asset interest ~\$2.0 million
 2. Right Of Use Asset interest ~ \$7.1 million
 3. Corporate facilities (including line fees) ~ \$41.3 million

Net interest expense reflects additional debt to fund strategic property purchased in FY24 (Newton depot, K'gari, Russell Island and development of Melton depot), fleet replacement and renewal, assets for new contracts and USA growth.

- Capital expenditure of ~ \$137.5 million (excluding contracted assets acquired in SPV ring-fenced financing structures), reflecting the increased scale of business, additions to the portfolio and replacement assets to underpin growth and refresh asset base.
- Strong balance sheet with pro-forma leverage at 2.45 times (excluding debt associated with government-backed contracted assets), interest cover of more than 5 times and all bank covenants comfortably met.

Managing Director & Group Chief Executive Officer, Clint Feuerherdt said: "The indicative FY24 unaudited result represents a very strong performance for the business, reflecting the first full year contribution of AAAHI which underpinned increased revenue and EBITDA margin; revenue growth from the new Sydney contracts; improved margin in the second half for the Australian bus business, and the continued benefits of our broader contracted revenue base and indexation mechanisms in the majority of our public transport contracts."

FY25 Update - Capital Expenditure, Depreciation and Interest

Recognising the excellent FY24 performance, together with the resilient characteristics of the business, strong and predictable cash flows and stable balance sheet; the Board has approved investments in several strategic initiatives, further investment to improve and upgrade our expanded bus and ferry fleet, and new assets to support continued growth in the medium and longer term. The revised capital investment program⁵ for FY25 is expected to include:

1. Strategic property acquisition of Hoxton Park bus depot, Sydney;
2. Purchase of new buses for the Bankstown Rail Replacement contracted services replacing several years of future maintenance capex when they are subsequently redeployed;
3. Final investment for completion of the two Kangaroo Island Ferries and Kangaroo Island Ferry landside and marine infrastructure;
4. Final investment for completion of the two South-East Queensland vessels, ending the current fleet renewal program;

5. Complete fleet replacement of new buses for the government contracted Stradbroke Island passenger bus services; and
6. Expansion of the AAAHI motorcoach fleet and investment in new motorcoaches building capacity for existing contract ramp up and growth opportunities in the USA.

Consistent with Kelsian's well defined growth strategy of organic and acquisitive growth and the investment initiatives described above, capital expenditure in FY25 is expected to be between \$180 million to \$190 million.⁵

Managing Director & Group Chief Executive Officer, Clint Feuerherdt added: "The growth momentum across all areas of our business, in particular in the Australian bus and AAAHI businesses, supports this investment to underpin multiple years of growth in the medium and longer term.

"The Board and management recognise the solid foundation for growth and are investing accordingly to capitalise on it," he said.

As a result of the combination of investments in several strategic and growth initiatives and timing of projects, depreciation in FY25 is now expected to be approximately \$117 million⁶, comprising:

1. Special Purpose Vehicle ('SPV') asset depreciation ~\$9.5 million;
2. Right Of Use Asset depreciation ~ \$25.0 million; and
3. Core asset depreciation ~ \$82.5 million.

As a result of additional investments across the business, the ongoing impact of higher interest rates, combined with the costs associated with larger facilities, and interest relating to SPV ring-fenced assets; total interest expense in FY25, is expected to be approximately \$59.0 million⁷, comprising:

1. SPV asset interest ~\$5.5 million;
2. Right Of Use Asset interest ~ \$7.0 million; and
3. Corporate facilities (including line fees) ~ \$46.5 million.

About the FY25 Capital Expenditure

During 2HFY24, Kelsian exercised its last right of offer and entered into a binding agreement to acquire the Hoxton Park bus depot in Sydney (that it was historically leasing), for \$31.4 million which settled on 31 July 2024. This commitment represented an opportunistic purchase of a valuable and strategic asset that will be integral in the growth strategy for the key Sydney market. Transit Systems NSW is now the largest metropolitan public bus operator in Sydney. The Hoxton Park bus depot is expected to benefit from Transport for NSW's investment in infrastructure to support the electrification of the Sydney bus network and three separate contracts will operate from this one location.

⁵ Estimates of FY25 capex, depreciation and interest expense have been determined following Kelsian's annual business planning and budgeting process for FY25 conducted in parallel with finalising FY24 financial results. FY25 capex, depreciation and interest expense estimates assume: (a) no material changes to costs, timing, profile or scope of Kangaroo Island ('KI') vessel builds and infrastructure construction schedules targeted for completion by Q4FY25 (b) no material change to SEQ vessel build costs or schedule; (c) no material changes in costs or delays in delivery of bus and motorcoach fleet orders or purchase contracts (d) no material changes in costs for facility development or maintenance costs (e) no changes in planned maintenance schedules or fleet replacement plans; (f) no new property acquisitions other than those referred to in this announcement (g) no material change in scale or nature of operations in any location across the Group (h) no material additional services contracts or material changes in scope of existing services; (i) no material acquisitions, disposals or investment transactions (M&A) and no change in exchange rates.

⁶ Based on capital spend, accounting treatment expectations from current commitments and planned maintenance as at 23 August 2024 and subject to change due to future events or variables.

⁷ Assumes no change to current interest and borrowing rates.

The most significant change to our expectations for FY25 capex relates to our share of investment in the new Kangaroo Island Ferry Infrastructure to support our exclusive up to 25-year contract to provide transport to and from the island. Kelsian has been in discussions with the South Australian Government regarding the scope and scale of these works for several months. It is now apparent that the significant changes to scope for new landing facilities, essential for the new higher capacity vessels and the inability to re-use existing infrastructure, as well as widespread delays associated with the commencement of the new Kangaroo Island service, escalating prices for construction materials such as steel, concrete and labour, and finalisation of infrastructure requirements for the new vessels, both ours and the South Australian Government's, have combined to result in a material cost increase for Kelsian, in the order of ~\$25 million⁸. Kelsian will seek to recover this additional investment over the 25-year contract term.

After detailed planning and discussions with Transport for NSW on the timing and implementation of arrangements for services for the Bankstown Rail Replacement contract that is scheduled to begin in September 2024, a total of 60 diesel buses have now been acquired⁹ by Kelsian to be fully utilised for these services during the contract. When these buses are no longer required for the services, they are intended to be distributed across the Australian bus fleet, offsetting future maintenance capital replacement needs.

The record FY24 result and growth momentum affords Kelsian the opportunity to confidently invest in these strategic opportunities. Kelsian is now set up for a multi-year growth program and to control several key assets that are integral to the continued successful operations of major contracts. Of the FY25 capital investment program, over half of the anticipated expenditure arises from activities and projects that are non-recurring in the 12 months to 30 June 2026 ('FY26')¹⁰ and, based on the existing business¹¹ and excluding any material changes, the Board currently anticipates FY26 capital expenditure for the core asset base of the business to be approximately \$100 million to continue the maintenance and reinvestment in core assets¹².

Finally, our estimated effective rate of tax for FY25 is currently anticipated to be in the range of 20-22% per annum based on known variables as at the date of this announcement.

FY24 Results Briefing Webinar

Kelsian is scheduled to release its audited FY24 results on Wednesday 28 August 2024. Further details on the FY24 results and planned investments in FY25, will be provided on 28 August 2024.

Kelsian MD and Group CEO Clint Feuerherdt, Group CFO Andrew Muir, and AAAHI CEO Graeme Legh will host a results briefing webinar at 9.30am (Sydney time), with a conference call facility available for those wanting to ask questions.

To register for the webinar: <https://webcast.openbriefing.com/kls-fyr-2024/>

⁸ Estimated current variance and assumes no material changes in scope, delays and other matters referred to in note 5.

⁹ Refer note 5 and assumes that remaining buses on order are delivered on time by end of September 2024.

¹⁰ Includes projects for construction of KI vessels and infrastructure, current fleet renewal program, buses for Bankstown Rail Replacement contract, development of the 'Illumina' light show on K'gari, purchase of Hoxton Park depot.

¹¹ Based on Kelsian's bus and ferry operations as at 26 August 2024 assuming no material changes to the scale or nature of operations in any location, no material additional services contracts or material changes in scope of existing services; and no material acquisitions, disposals or investment transactions (M&A).

¹² Excluding investment in assets funded through SPV ring fenced limited recourse special purpose asset financing vehicles.

To register for the teleconference:

<https://s1.c-conf.com/diamondpass/10040978-e7kp2f.html>

Post the event, the webinar will be available on the Kelsian Investor Relations website:

<https://www.kelsian.com/investor>

Authorised for lodgement with the ASX by the Board.

For further information contact:

Investor Relations

Davina Gunn, Investor Relations Manager

+61 (0)400 896 809

investors@kelsian.com

Andrew Muir, Group Chief Financial Officer

+61 (0)8 8202 8693

investors@kelsian.com

IMPORTANT NOTES:

Basis of preparation and non-IFRS information

- Information in this announcement is provided as at the date of this announcement unless specified as otherwise. It should be read in conjunction with Kelsian's other disclosures made via the ASX.
- Kelsian's financial results are reported under International Financial Reporting Standards ("IFRS"). This announcement may include certain non-IFRS measures including 'underlying' or 'normalised' results, which are used internally by management to assess the performance of the business.
- Non-IFRS measures, expected FY24 results, and any statements relating to FY25 and FY26 have not been subject to audit or audit review.

Forward-looking information

- This announcement includes forward looking statements and references which, by their very nature, involve inherent risks and uncertainties. These risks and uncertainties may be matters beyond Kelsian's control and could cause actual results to vary (including materially) from those predicted or expected. Forward looking statements are not guarantees of future performance. Past performance information in this announcement is provided for illustration purposes only. It is not indicative of future performance and must not be relied upon as such.
- This announcement does not take into consideration any individual investor's circumstances. Kelsian recommends investors make their own assessments and seek independent professional advice before making investment decisions.