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ASX Announcement

26 February 2025

FY25 Half Year Results and Capital Management Framework

1HFY25 financial performance in-line with expectations; on track to achieve FY25 Earnings Guidance of Underlying EBITDA[1] between $283 million and $295 million[2] and announcing Kelsian capital management and allocation framework and targets.

Kelsian Group Limited (ASX:KLS) (‘**Kelsian**’) today reported its half year results for the six months ended 31 December 2024 (‘1HFY25’).

Key Financial Overview[3]

- Revenue up 9.1% to $1,071.8 million;
- Underlying Earnings Before Interest, Tax, Depreciation and Amortisation (‘EBITDA’) (adjusted for significant one-off items[4]) up 1.3% to $132.2 million;
- Underlying Net Profit After Tax and before Amortisation (‘NPATA’) (adjusted for significant one-off items[4]) down 7.9% to $39.7 million;
- Earnings per Share before Amortisation (‘EPSA’)[5] declined by 12.6% to 14.7 cents per share; reflecting higher interest due in part to peak of capital investment program;
- Statutory Net Profit After Tax was $20.1 million compared to $28.1 million in 1HFY24;
- Continued strong cash conversion at 93.0%[6]; and
- Fully franked interim dividend of 8.0 cents per share (1HFY24: 8.0 cents per share).

Key Operational Overview

- Bankstown Rail Replacement service commenced successfully on time and on budget;
- Sydney’s Region 6 contract continued to underperform the rest of the portfolio;
- Renewed Bunbury & Busselton bus services contract, securing $100 million revenue over 10-year term;
- AAAHI[7]’s industrial and construction projects ramping up in line with expectations; lower levels of charter work and reduced services for large technology clients during the period;
- Renewed and commenced the expanded, capital light, Bustang contract with the Colorado Department of Transportation, securing up to US$26.5 million of revenue in the first year;
- Renewed Jersey contract (Channel Islands) securing estimated A$260 million in revenue over 10-year term; and
- Renewed Darwin to Mandorah, and Darwin to Tiwi Islands ferry services contracts for five years.

Corporate Highlights

- Capital management and allocation framework targets published; portfolio review progressing well; and
- Announced the sale of three bus depots in Western Australia in February 2025 expected to realise proceeds of ~$20.3 million[8].

Managing Director & Group Chief Executive Officer, Clint Feuerherdt said: “The result reflects the strength of our diversified, global business with a strong track record of growth, underpinned by a majority of highly defensive long-term service contracts with high quality counterparties as well as cost base protection in most contracts.

“A highlight of the period was the successful launch of the Bankstown Rail Replacement service for Transport for NSW in September; delivered on time and on budget; with 60 new buses and 140 new drivers. This was partly offset by the continued underperformance in our largest Sydney contract, Region 6.

“The USA business continued its impressive track record of contract renewal with the notable award of the new Colorado Department of Transport Bustang contract, adding 25 new motorcoaches to the business, alongside a rapid ramp up of industrial client contract work that is expected to continue strongly into the second half.

“As flagged at the 2024 AGM, some parts of the Marine & Tourism business experienced subdued demand; in particular K’gari where occupancy was below the prior period and tourism demand was impacted by subdued domestic tourism and international visitation continuing to be below pre-COVID levels. Elsewhere, the business delivered a solid result reflecting improved yield management, maximising capacity utilisation, particularly in parts of the portfolio experiencing high demand.

“Several bus contracts were renewed during the period including the Bunbury and Busselton bus services contract in Western Australia; and the Jersey contract in the Channel Islands which together secure over $360 million in revenue over the next 10 years; and the expanded, capital light Bustang contract with the Colorado Department of Transportation, securing up to US$26.5 million of revenue in the first year.

“The USA and UK markets continue to represent important growth opportunities for the business.

“This year represents the peak of the capital investment program and total sustaining capex is expected to be below $85 million in FY26. This will see a significant increase in free cash flow generation, and enable us to reduce leverage,” he said.

Capital Management and Allocation Framework

Kelsian has completed a detailed review of its capital management and allocation framework (‘Capital Management Framework’). The core objectives of the Capital Management Framework are as follows:

- Guide capital investment to maximise total shareholder returns;
- Enable suitable investment to sustain the existing portfolio;
- Maintain a balance sheet that appropriately balances opportunity with risk;
- Retain flexibility to take advantage of attractive future growth opportunities – organic and inorganic; and
- Significantly grow return on invested capital in the medium term, with management remuneration and incentives aligned to that outcome.

Today, Kelsian announced the details of its Capital Management Framework and as part of the framework, Kelsian is targeting:

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Metric	Target	Timing
Leverage[9]	2.0x to 2.5x	By 30 June 2026
Group ROIC[10]	Returns of at least 200bps above pre-tax WACC[11]	Over medium term
Net sustaining capex[12]	~$85 million through the cycle	From 1 July 2025
Dividend payout ratio	40% to 60% underlying NPATA	Effective immediately
Group effective tax rate	22-25%[13]	Effective immediately

(Refer to the 1HFY25 Investor Presentation released today for further details.)

Kelsian undertook to evaluate its portfolio against the Capital Management Framework, to identify potential opportunities to improve returns and optimise the overall composition of the Group's portfolio of businesses and assets. As part of this, three West Australian bus depots were assessed and viewed as not strategic and have subsequently been sold. Kelsian has secured the use of the three sites for operational purposes through appropriate long-term leases. Total proceeds of ~$20.3 million are expected to be fully realised by the end of April 2025.

FY25 Outlook Unchanged[2]

The Board continues to anticipate FY25 Underlying EBITDA[1] to be between $283 million and $295 million[2], with a skew to the second half. The second half skew predominantly reflects the full period benefits of rail replacement contracts, the anticipated ramp up in AAAHI growth relating to industrial construction projects and Marine and Tourism initiatives coming online.

Group CEO Transition

On 8 November 2024, Kelsian announced that Mr. Clint Feuerherdt would be stepping back from his position as Managing Director and Group Chief Executive Officer (Group CEO) from 1 April 2025. Mr Feuerherdt will assume a part-time role as Strategic Adviser with Kelsian for an initial period of 12 months. Current AAAHI CEO, Graeme Legh, has been appointed Group CEO effective from 1 April 2025 and a new AAAHI CEO will be appointed following an internal and external search.

Kelsian Chair, Fiona Hele, said: "I continue to work closely with both Clint and Graeme to ensure a seamless transition of the Group CEO role; and I am confident that Graeme has exceptional leadership skills and experience gained from working across all aspects of the business.

"Clint's commitment and leadership are greatly appreciated and acknowledged by the Board, and we are delighted that he will stay on in the role of Strategic Adviser, focused on delivering strategic projects ensuring portfolio optimisation and enhancing business performance.

"The search for Graeme's successor at AAAHI is progressing well and an announcement will be made at the appropriate time," she said.

Kelsian 1HFY25 Results Briefing Webinar

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

Webinar Registration Link: https://webcast.openbriefing.com/kls-hyr-2025/

Teleconference Registration Link: https://s1.c-conf.com/diamondpass/10044890-s7dge35.html

Post the event, the webinar will be available on the Kelsian website: https://www.kelsian.com/investor

Authorised for lodgement with the ASX by the Board.

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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.
- 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, and any statements relating to 2HFY25 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.
- All forward-looking statements in this announcement, including without limitation 2HFY25 expectations and earnings guidance, remain subject to no material change in economic conditions, trading conditions, currency exchange or interest rates.

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[1] Earnings before Interest, Tax, Depreciation and Amortisation adjusted for one-off costs.
[2] Assuming no deterioration in the operating environment, no material changes in domestic tourism, labour availability or key input prices such as fuel. Variations in economic conditions, trading conditions, currency exchange or interest rates, or other circumstances may cause these key assumptions to change.
[3] All comparative references are references to a comparison of 1HFY25 figures to the six months ending 31 December 2023 ('1HFY24') unless otherwise stated.

[4] Adjusted for one-off costs associated with M&A due diligence, acquisition costs and an abnormal property related cost associated with the Melbourne bus franchise tender.
[5] Calculated on underlying NPATA.
[6] Calculated as gross operating cashflow as a percentage of underlying EBITDA adjusted for right-of-use depreciation and right-of-use interest.
[7] All Aboard America! Holdings, Inc.
[8] Refer Kelsian's ASX announcement on 21 February 2025 for further information.
[9] Leverage calculated as LTM Underlying EBITDA, pre-AASB 16 and excluding debt and earnings associated with special purpose vehicle (SPV) ring fenced government backed contracted assets. Further information on our approach to calculating leverage range assessed against this target is set out in our Investor Presentation dated 26 February 2025.
[10] Return on Invested Capital ("ROIC") is calculated as underlying EBITA (pre-AASB 16, excluding SPV adjustments) divided by average equity plus average net debt (pre-AASB 16, excluding SPV debt). Net debt includes senior debt, finance leases, other loans, and debt relating to government-backed contracted assets, but excludes SPV-related debt.
[11] Weighted Average Cost of Capital.
[12] Net Sustaining Capex calculated as maintenance capex plus replacement capex less proceeds from asset sales.
[13] Assumes current steady-state asset portfolio and corporate tax rates applicable to Kelsian's operations are 30% for Australia, ~26% for the US, 17% for Singapore and 25% for the UK. Certain material adjustments also apply, including relating to receipt of an annual tax rebate associated with Kelsian's marine shipping incentives.