

# Kelsian Group Limited

FY23 Half Year Results

**Investor Presentation**

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23 February 2023

# 1. INTRODUCTION

2. 1H FY23 Overview

3. 1H FY23 Financial Results

4. 1H FY23 Divisional Performance

5. Growth Strategy & Outlook

# Introduction to Kelsian

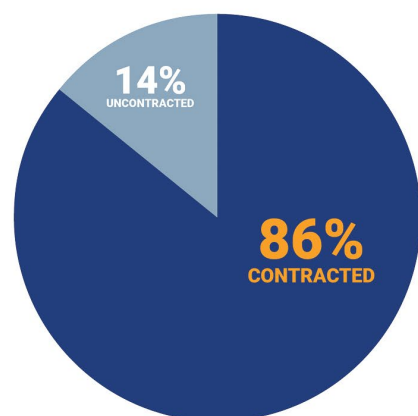
Long-term, low-risk, government-backed service contracts provide consistent, predictable earnings base

<p><b>\$1.2 billion</b> <b>ANNUALISED CONTRACTED * REVENUES</b></p> <hr/> <p>Predictable earnings base from long-term, low-risk, government backed service contracts</p>	<p><b>WELL HEDGED IN INFLATIONARY ENVIRONMENT</b></p> <hr/> <p>Indexation for fuel price, wages, CPI for majority of contracts, ability to pass on fare increases in Marine &amp; Tourism</p>	<p><b>HIGHLY SCALABLE</b></p> <hr/> <p>Barriers to scale exist to establish infrastructure and build expertise</p>	<p><b>LEADERS IN DECARBONISATION</b></p> <hr/> <p>Australia's largest zero emissions bus fleet and the largest electrified bus depot</p>
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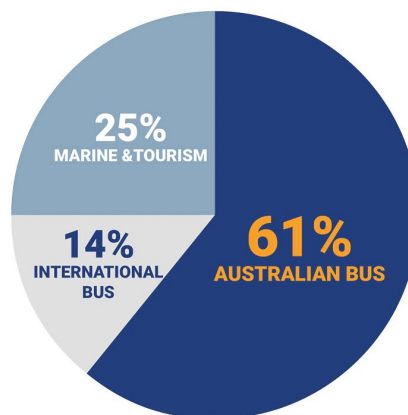
## KELSIAN OPERATIONAL NUMBERS <sup>^</sup>

-  **257million+**  
ANNUAL CUSTOMER JOURNEYS
-  **9,223**  
EMPLOYEES
-  **3,991**  
BUSES
-  **113**  
VESSELS
-  **19**  
ISLAND CONNECTIONS

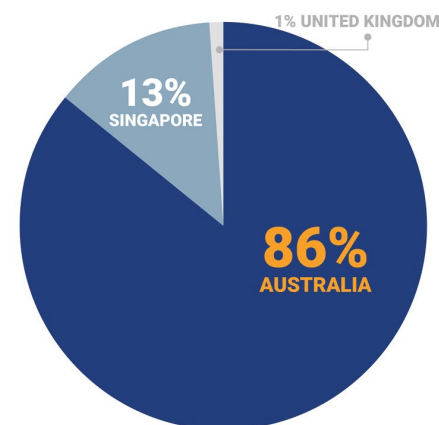
Contracted VS Uncontracted 1HFY23



Revenue by Division 1HFY23



Revenue by Geography 1HFY23

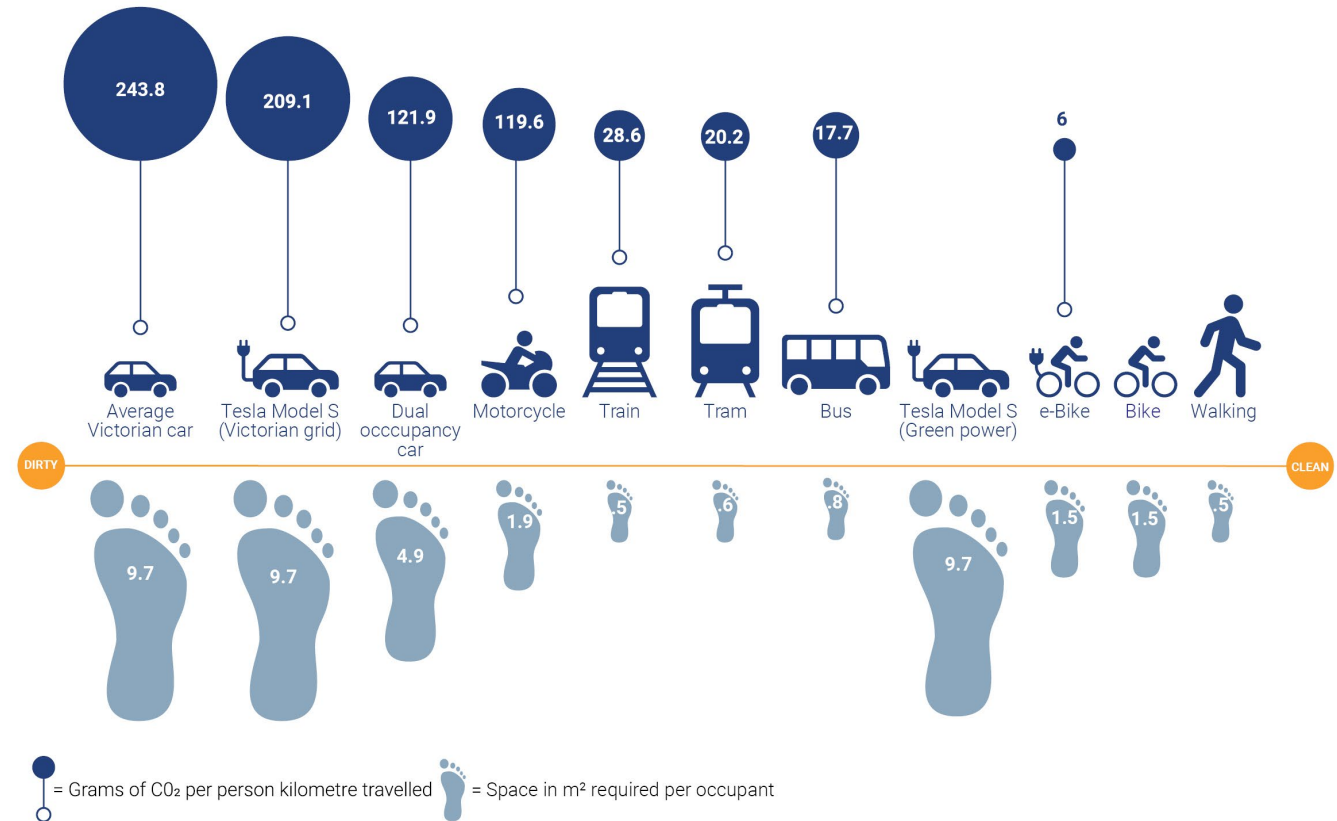


\* Contracted or non-discretionary revenues  
<sup>^</sup> Operational Numbers as at 31 December 2022  
<sup>‡</sup> Includes Channel Islands

# Bus sector offers compelling solution to drive decarbonisation, reduce congestion

Transport is Australia's third largest source of greenhouse gas emissions with highest rate of growth

<p><b>TRANSPORT SECTOR EMISSIONS</b></p> <p>Transport is one of largest sources of greenhouse gas emissions. Bus industry is well advanced in switching to zero emission vehicles.</p>	<p><b>SUPPORTIVE GOVERNMENT FUNDING</b></p> <p>Increased funding and supportive policies for bus sector globally to drive decarbonisation.</p>
<p><b>TECHNOLOGICAL ADVANCEMENTS</b></p> <p>Technology advancements and scale are driving efficiencies.</p>	<p><b>SUSTAINABLE TRANSPORT LEADER</b></p> <p>Kelsian operates Australia's largest zero emissions bus fleet and the largest electrified bus depot.</p>
<p><b>PRIVATISATION</b></p> <p>Privatisation of public transportation improves transportation efficiency. Kelsian has strong balance sheet and deep sector expertise and capability.</p>	<p><b>BUSINESS &amp; LEISURE RECOVERY</b></p> <p>Increased business and leisure trips are underpinning need for bus transportation to reduce emissions and congestion.</p>






**Public commuter transport is a cost-effective method of transport for consumers in a rising cost and inflationary environment, driving demand for more services**

Infographic Source: Institute for Sensible Transport ([www.sensibletransport.org.au](http://www.sensibletransport.org.au))

Personal use only

# Overview of business divisions

Kelsian bus divisions represent ~75% of group revenue ^

 <p><b>AUSTRALIAN BUS</b></p> <hr/> <p>Contracted public transport services on behalf of government</p>	 <p><b>INTERNATIONAL BUS</b></p> <hr/> <p>Public transport services under contract to government agencies in Singapore, London and Channel Islands</p>	 <p><b>MARINE &amp; TOURISM</b></p> <hr/> <p>Passenger and transport ferries, tourism experiences and accommodation</p>
<p>*Remaining Average Contact Term: <b>5.5 Years</b></p> <hr/> <p><b>CHARACTERISTICS:</b></p> <ul style="list-style-type: none"> <li>• Essential transport services to major cities</li> <li>• Government and blue-chip counterparties</li> <li>• Long-term contracts</li> <li>• Opportunity to increase yield and margin over term of the contract</li> <li>• Annual price increases</li> <li>• No farebox risk</li> <li>• Mostly capital light</li> <li>• Managing infrastructure on behalf of governments or enjoying government backed funding structure</li> </ul>	<p>*Remaining Average Contact Term: <b>5.3 Years</b></p> <hr/> <p><b>CHARACTERISTICS:</b></p> <ul style="list-style-type: none"> <li>• Government transport services</li> <li>• Government counterparties</li> <li>• Long-term contracts</li> <li>• Opportunity to increase yield and margin over term of the contract</li> <li>• Annual price increases</li> <li>• No farebox risk</li> </ul>	<p>*Remaining Average Contact Term: <b>13.3 Years</b></p> <hr/> <p><b>CHARACTERISTICS:</b></p> <ul style="list-style-type: none"> <li>• Secure landing rights and freehold properties</li> <li>• Preferred operator status to most destinations</li> <li>• Serving 19 unique island destinations, hard to replicate</li> <li>• Provides essential transport services to island residents, businesses and visitors</li> <li>• Exposure to domestic and international tourism</li> <li>• Includes a range of government contracted services</li> </ul>

\* Revenue weighted average remaining contract term as at 31 December 2022; contract term includes contract extension options

^ 1HFY23 Total Revenue per Segment Note for Australian and International Bus

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# 1HFY23 financial snapshot\*

Strong performance from Marine & Tourism business underpins solid growth





Underlying results  
Six months to 31 December 2022

<p>Revenue</p> <p><b>\$678.3 million</b></p> <p>▲ 6.2% pcp</p>	<p><b>Balance Sheet strength used to support acquisitions and asset renewal</b></p>	
<p>Underlying EBIT</p> <p><b>\$44.9 million</b></p> <p>▲ 17.8% pcp</p>	<p>Senior net debt</p> <p><b>\$283.7 million</b></p> <p>▲ 19.9% pcp</p>	<p>Gross operating cash flow</p> <p><b>\$67.5 million</b></p> <p>▲ 11.7% pcp</p>
<p>Underlying NPAT</p> <p><b>\$26.5 million</b></p> <p>▲ 21.6% pcp</p>	<p>Senior leverage</p> <p><b>2.05 †</b></p> <p>▲ 5.0% pcp</p> <p>† 1.6x excluding government backed debt</p>	<p>Interim fully franked dividend</p> <p><b>7.5 cents</b></p> <p>▲ 7.1% pcp</p>

*\*1HFY23 results are reported post the accounting change for the Singapore Bus Business announced on 15 February 2023.  
See Appendix 1 for a reconciliation and adjusted comparisons*

# 1HFY23 operational & strategic highlights

Solid growth in challenging operating environment

 <p><b>AUSTRALIAN BUS</b></p>	<ul style="list-style-type: none"> <li>Retained Region 3 contract in NSW</li> <li>Signed new contracts in NSW, commencing in August 2023 (Regions 3 and 13) and in October 2023 (Regions 2 and 15) - to become Sydney's largest bus operator</li> <li>Total new contracted value of ~\$1.3 billion* over 7 years</li> <li>Expansion of electric charging capability across bus depots</li> <li>Appointment of Transit Systems CEO</li> </ul>
 <p><b>INTERNATIONAL BUS</b></p>	<ul style="list-style-type: none"> <li>Acquisition of bus operations in Channel Islands (Oct 22)</li> <li>Labour shortages in Singapore now largely resolved</li> <li>Transition of East London bus operations complete</li> </ul>
 <p><b>MARINE &amp; TOURISM</b></p>	<ul style="list-style-type: none"> <li>Strong rebound in domestic demand</li> <li>Purchase of four new vessels</li> <li>New 10-year contracts in Gladstone (Shell Santos and ConocoPhillips)</li> </ul>
 <p><b>STRATEGIC / ESG</b></p>	<ul style="list-style-type: none"> <li>Acquisition of North Stradbroke Island Buses (Dec 22), Horizons West Coachlines (Jan 23), Grand Touring NT (Feb 23)</li> <li>Taken delivery of 62 Zero Emission Buses (ZEBs) in Australia, with 61 on order</li> <li>Largest zero emissions bus fleet and electrified bus depot in Australia</li> <li>Well placed to capitalise on leadership position working with Government to achieve their objectives in delivering sustainable transport solutions</li> </ul>

\* Estimated revenue from new NSW contracts (Regions 2, 3, 13 and 15)

## Strong rebound in domestic tourism demand



Whitsundays, QLD



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# Summary Profit & Loss Statement

86.0% of annualised revenue contracted or non-discretionary

- Revenue growth reflects rebound in domestic tourism (Marine & Tourism) and flow through of contract indexation
- Contract indexation mechanisms effectively hedge inflation for majority of bus businesses (fuel price, wage inflation, CPI)
  - Higher labour costs due to labour shortages (overtime, casual, agency staff)
- Non-cash amortisation charge associated with customer contracts goodwill of \$8.6 million
  - Borrowing costs well managed through hedges in place
- Tax expense adversely impacted by non-deductibility of M&A costs in UK and staff shortages impacting marine shipping incentives
- Change in accounting treatment for Singapore Bus Business (refer Appendix 1 for comparative)
- Fully franked interim dividend of 7.5 cents per share - record date of 3 March 2023 and payable 17 March 2023

Half year ended 31 December \$m	1H23	1H22	Growth	Growth %
Revenue	678.3	638.8	39.5	6.2%
Operating expenses*	(598.5)	(560.1)	(38.4)	6.9%
<b>Underlying EBITDA</b>	<b>79.8</b>	<b>78.7</b>	<b>1.1</b>	<b>1.4%</b>
<i>Underlying EBITDA margin</i>	<i>11.8%</i>	<i>12.3%</i>	<i>(0.5%)</i>	<i>(4.4%)</i>
Depreciation	(26.3)	(29.2)	2.9	(9.9%)
<b>Underlying EBITA</b>	<b>53.5</b>	<b>49.5</b>	<b>4.0</b>	<b>8.1%</b>
Amortisation	(8.6)	(11.4)	2.8	(24.5%)
<b>Underlying EBIT</b>	<b>44.9</b>	<b>38.1</b>	<b>6.8</b>	<b>17.9%</b>
Net finance	(9.0)	(9.6)	0.6	(6.3%)
<b>Underlying NPBT</b>	<b>35.9</b>	<b>28.5</b>	<b>7.4</b>	<b>26.0%</b>
Income tax expense	(9.4)	(6.6)	(2.8)	42.4%
<b>Underlying NPAT</b>	<b>26.5</b>	<b>21.9</b>	<b>4.6</b>	<b>21.0%</b>
<b>Underlying NPATA</b>	<b>35.0</b>	<b>33.3</b>	<b>1.7</b>	<b>5.1%</b>
Earnings per share**	0.16	0.15		
Shares on Issue (million)	218.4	218.4		

<sup>^</sup>Comparative restated for change in accounting announced 15 February 2023

\* Operating expenses before interest, depreciation, amortisation, acquisition and transaction expenses \$8.6m (2021: \$1.6m) and other significant items \$1.5m (2021: \$1.0m).

\*\* Earnings per share calculated based on Underlying NPATA

## Change in accounting for Singapore bus business and one-off items

### Adjustments to non-cash items

- Accounting treatment change results in adjustments to non-cash items reported in the International Bus division for revenue, depreciation, interest and certain right of use assets and associated lease liabilities
- No impact on net profit before tax, net profit after tax, cashflows, net assets, financial covenants or on Kelsian operations or its prospects
- 1HFY23 Underlying EBITDA pre-accounting change was \$95.1 million (see Slide 26 for full reconciliation)
- The change in accounting treatment has not arisen due to any irregularities concerning Kelsian for this period or prior periods

### One off items

- Transaction costs primarily associated with unsuccessful acquisition of The Go-Ahead Group plc in the UK
- Statutory Net Profit after Tax (pre-one-off items) \$17.2 million (down 18.6%)

### Impact of change in accounting

<b>Profit and Loss \$m</b>	<b>Before H1FY23</b>	<b>After H1FY23</b>	
Revenue	693.6	678.3	↓
Operating costs	(598.5)	(598.5)	→
<b>EBITDA</b>	<b>95.1</b>	<b>79.8</b>	↓
Depreciation and amortisation	(48.4)	(34.9)	↓
<b>EBIT</b>	<b>46.7</b>	<b>44.9</b>	↓
Financing Charges	(10.9)	(9.0)	↓
<b>Profit Before Tax</b>	<b>35.9</b>	<b>35.9</b>	→
<b>Balance Sheet \$m</b>	<b>Before H1FY23</b>	<b>After H1FY23</b>	
Other debtors (accrued income)	27.9	26.0	↓
Right-of-use assets	195.1	102.1	↓
<b>Total assets</b>	<b>1,498.8</b>	<b>1,403.7</b>	↓
Current lease liabilities	40.2	14.2	↓
Non-current lease liabilities	149.7	80.6	↓
<b>Total liabilities</b>	<b>853.9</b>	<b>759.0</b>	↓
<b>Net assets</b>	<b>644.8</b>	<b>644.8</b>	→

# Cashflow

Underlying business continues to generate strong cashflow

**Operating cashflow**  
**\$36.9m**

Net operating cash flow down (\$1.1) million or (2.9%)

**Dividends paid**  
**\$20.7m**

Good earnings quality and strong cash generation support dividend payments

**Cash reserves**  
**\$95.0m**

Maintained a robust cash buffer with significant cash reserves at 31 December 2022

**Business combinations**  
**\$28.3m**

Acquisition of Channel Islands (Guernsey & Jersey), North Stradbroke Island Buses, and deferred consideration payments for Transit Systems and Go West

Half year ended 31 December \$m	1H23	1H22	Change	Change %
Receipts from customers	705.4	651.7	53.7	8.2%
Payments to suppliers	(637.9)	(591.3)	(46.6)	7.9%
<b>Gross operating cash flow</b>	<b>67.5</b>	<b>60.4</b>	<b>7.1</b>	<b>11.7%</b>
Transaction costs	(7.6)	(1.3)	(6.3)	471.3%
Net interest	(9.0)	(8.8)	(0.2)	2.5%
Income tax (paid)/refunded	(14.0)	(12.3)	(1.7)	13.7%
<b>Net operating cash flow</b>	<b>36.9</b>	<b>38.0</b>	<b>(1.1)</b>	<b>(2.9%)</b>
Disposals	12.7	1.2	11.4	936.6%
Additions	(44.6)	(21.4)	(23.2)	108.6%
Business combinations	(28.3)	(68.0)	39.7	(58.4%)
<b>Net investing cash flows</b>	<b>(60.2)</b>	<b>(88.2)</b>	<b>28.0</b>	<b>(31.7%)</b>
Net proceeds from share issue	-	-	-	-
Proceeds from borrowings	60.0	79.0	(19.0)	(24.1%)
Repayment of borrowings	(63.0)	(4.9)	(58.1)	1192.9%
Dividends paid	(20.7)	(19.7)	(1.1)	5.6%
<b>Net financing cashflows</b>	<b>(23.7)</b>	<b>54.5</b>	<b>(78.2)</b>	<b>(143.5%)</b>
Exchange rate on opening cash	0.921	0.60	0.3	52.7%
<b>Cash at the end of the year</b>	<b>95.0</b>	<b>108.4</b>	<b>(13.4)</b>	

\*Comparative restated for change in accounting announced 15 February 2023

# Strong Balance Sheet

Capacity to support strategic initiatives and growth

- Balance Sheet strength has supported acquisitions made in FY23YTD and continues to provide significant financial flexibility
- Disciplined approach to capital management
- Gearing ratio (net debt divided by (net debt + equity)) of 34.0% increased from 31.2%
- Identifiable customer contracts of \$8.7 million and recognition of associated with Channel Islands and North Stradbroke Island Buses acquisitions
- Undrawn bank facilities of \$128.9 million
- Majority of debt facilities have three-year term remaining
- Significant headroom in all bank covenants

- Government backed contracted assets with a vehicle termination payment obligation total \$70.8 million as at 31 December 2022
- Leverage reduces to 1.6x excluding this contractual commitment

\$m	31 Dec 22	30 Jun 22	Change	Change %
Cash and cash equivalents	95.0	141.1	(46.1)	(32.7%)
Receivables	113.3	118.6	(5.3)	(4.5%)
Property, plant & equipment	430.5	404.8	25.7	6.4%
Other tangible assets	30.5	28.5	2.0	7.0%
<b>Total tangible assets</b>	<b>669.3</b>	<b>693.0</b>	<b>(23.7)</b>	<b>(3.4%)</b>
Right of use assets	102.1	105.9	(3.8)	(3.6%)
Other assets	632.3	624.7	7.7	1.2%
<b>Total assets</b>	<b>1,403.7</b>	<b>1,423.6</b>	<b>(19.8)</b>	<b>(1.4%)</b>
Senior debt	366.1	345.0	21.1	6.1%
Other interest bearing liabilities	9.6	31.4	(21.8)	(69.4%)
<b>Total debt</b>	<b>375.7</b>	<b>376.4</b>	<b>(0.7)</b>	<b>(0.2%)</b>
Right of use liability	94.9	94.7	0.2	0.2%
Other liabilities	288.4	312.5	(24.1)	(7.7%)
<b>Total liabilities</b>	<b>759.0</b>	<b>783.6</b>	<b>(24.6)</b>	<b>(3.1%)</b>
<b>Net assets</b>	<b>644.8</b>	<b>640.0</b>	<b>4.8</b>	<b>0.7%</b>

\*Comparative restated for change in accounting announced 15 February 2023

# Capex overview

\$44.6 million of capital deployed to underpin growth and refresh tangible asset base

## MAJOR ADDITIONS & INVESTMENTS

- **Marine & Tourism:** Vessels for Hayman Island, North Stradbroke Island Buses, Sydney dining vessels
- **Australian Bus:** Electric buses and depot charging infrastructure, motor vehicles, IT infrastructure and scheduling software
- **International Bus:** Electric buses and depot charging infrastructure
- **Corporate:** Land and buildings – WA and QLD

**\$75.0 million**  
**FY23 CAPEX FORECAST**

- **Marine & Tourism:** \$27.3 million – four vessels, marine infrastructure
- **Australian Bus:** \$10.5 million – electric buses, coaches for Go West, charging infrastructure and depot land
- **International Bus:** \$2.3 million – solar, vehicle telematics and safety equipment (Singapore)

**TEMPORARY FULL TAX EXPENSING**

- Continue to pursue opportunities to bring forward capital expenditure to take advantage of temporary full expensing for tax purposes before June 2023

Half year ended 31 December \$m	1H23	1H22
Domestic bus	10.5	3.6
International bus	2.3	3.0
Marine and Tourism	27.3	14.5
Corporate	4.5	-
<b>Total Capex</b>	<b>44.6</b>	<b>21.1</b>



Starships, Sydney Harbour

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# Overview of 1HFY23 performance | Australian Bus

Result reflects highly defensive nature of contracts, providing natural hedge in inflationary environment

- Industry wide shortage of drivers and mechanics
  - Rail replacement, special event and charter work suppressed
  - Higher overtime to maintain services
  - KPI penalties for missed trips
- NSW Government supporting acceleration of battery electric bus (BEB) roll out in Sydney. 62 ZEBs in operation nationally (55 in NSW)
- Contract retention (R3) and new regions (R2, R13 and R15)
- Adjacent market expansion (Education) with acquisition of Horizons West
- Go West Tours performing well and exploring expansion opportunities interstate
- Small bolt-on acquisitions adding to the portfolio
  - North Stradbroke Island Buses (Dec 22)
  - Horizons West Coachlines (Jan 23)
  - Grand Touring NT (Feb 23)

Half year ended 31 December \$m	1H23	1H22	Growth	Growth %
Revenue	411.5	393.1	18.5	4.7%
Direct expenses	(334.7)	(317.7)	(17.0)	5.4%
Indirect expenses	(25.9)	(21.3)	(4.7)	21.9%
Operating expenses	(360.7)	(339.0)	(21.7)	6.4%
<b>Underlying EBITDA</b>	<b>50.8</b>	<b>54.1</b>	<b>(3.2)</b>	<b>(6.0%)</b>
<i>Underlying EBITDA margin</i>	<i>12.4%</i>	<i>13.8%</i>	<i>(1.4%)</i>	<i>(10.2%)</i>
Depreciation	(14.4)	(12.7)	(1.7)	13.8%
<b>Underlying EBITA</b>	<b>36.4</b>	<b>41.4</b>	<b>(5.0)</b>	<b>(12.0%)</b>
Amortisation	(7.9)	(11.1)	3.2	(28.8%)
<b>Underlying EBIT</b>	<b>28.5</b>	<b>30.3</b>	<b>(1.8)</b>	<b>(5.9%)</b>

Operational Statistics **		2022	2021
	Customer Journeys	113 million	100 million
	Kilometres Operated	151 million	149 million
	Buses	3,095	3,186
	Employees	5,506	5,589
	Contracts	37	31
	Revenue weighted avg remaining contract years*	5.5	5.3

\*Contract term includes contract extension options

\*\* Operational Statistics 12 months as at 31 December 2022



# Overview of 1HFY23 performance | International Bus

Result reflects cycling of exit of UK operations in part offset by new business

## United Kingdom / Channel Islands

- Actively pursuing growth opportunities in attractive UK/European market
- Acquisition of bus operations in Channel Islands
- Participating in Manchester franchising opportunity
- Withdrew from the The Go-Ahead Group plc process (July 2022)

## Singapore

- Labour shortages largely resolved by December 2022
- Some ongoing service degradation and route cutbacks imposed by Singapore Land Transport Authority
- Good pipeline of tender opportunities – two tenders out to market
- 28 Zero and low emissions vehicles
- Change in accounting treatment (refer Appendix 1 for comparative)

Half year ended 31 December \$m	1H23	1H22	Growth	Growth %
Revenue	99.3	126.8	(27.5)	(21.7%)
Direct expenses	(69.5)	(89.7)	20.2	(22.5%)
Indirect expenses	(25.5)	(29.1)	3.6	(12.3%)
Operating expenses	(95.0)	(118.8)	23.8	(20.0%)
<b>Underlying EBITDA</b>	<b>4.3</b>	<b>8.0</b>	<b>(3.8)</b>	<b>(46.8%)</b>
<i>Underlying EBITDA margin</i>	4.3%	6.3%	(2.0%)	(32.1%)
Depreciation	(2.0)	(6.9)	4.8	(70.7%)
<b>Underlying EBITA</b>	<b>2.3</b>	<b>1.2</b>	<b>1.1</b>	<b>91.8%</b>
Amortisation	(0.4)	-	(0.4)	
<b>Underlying EBIT</b>	<b>1.9</b>	<b>1.2</b>	<b>0.7</b>	<b>60.8%</b>

\*Comparative restated for change in accounting announced 15 February 2023

Operational Statistics **	2022	2021
 Customer Journeys	134 million	117 million
 Kilometres Operated	47 million	40 million
 Buses	834	971
 Employees	1,866	2,266
 Government contracts	4	12
 Revenue weighted avg remaining contract years*	5.3	5.8

\*Excludes contracts associated with the RATP Dev JV

\*\* Operational Statistics 12 months as at 31 December 2022

# Overview of 1HFY23 performance | Marine & Tourism

Solid trading result during a challenging operating period

- Strong recovery in domestic demand
- Gradual recovery of international tourism
- Fare increases offsetting inflationary pressure
- Gladstone / Curtis Island 10-year contracts a highlight
- Lane Cove – 15-year contract
- Greenfield start-up in Whitsundays
- Murray River flooding impacting Murray Princess
- Major R&M and slipping "catch up" post Covid on fleet
- Fleet additions – three vessels for Sydney Harbour, passenger ferry for Whitsundays
- Fleet construction - five vessels under construction
- Ongoing investment in establishing Brilliant Travels – national marketing and cross selling – [www.brillianttravels.com.au](http://www.brillianttravels.com.au)

Half year ended 31 December \$m	1H23	1H22	Growth	Growth %
Revenue	167.5	118.5	49.0	41.3%
Direct expenses	(106.8)	(74.7)	(32.1)	43.0%
Indirect expenses	(23.4)	(16.7)	(6.7)	39.8%
Operating expenses	(130.2)	(91.5)	(38.8)	42.4%
<b>Underlying EBITDA</b>	<b>37.3</b>	<b>27.1</b>	<b>10.2</b>	<b>37.7%</b>
<i>Underlying EBITDA margin</i>	22.3%	22.9%	(0.6%)	(2.6%)
Depreciation	(9.4)	(9.1)	(0.3)	3.2%
<b>Underlying EBITA</b>	<b>27.9</b>	<b>18.0</b>	<b>9.9</b>	<b>55.2%</b>
Amortisation	(0.3)	(0.3)	0.0	(13.1%)
<b>Underlying EBIT</b>	<b>27.6</b>	<b>17.7</b>	<b>10.0</b>	<b>56.3%</b>

<b>Operational Statistics**</b>		<b>2022</b>	<b>2021</b>
 Customer Journeys		9 million	5 million
 Vessels		113.0	116.0
 Buses		62	65
 Employees		1,725	1,558
 Contracts		17	14
 Revenue weighted avg remaining contract years*		13.3	11.1

\*Contract term includes contract extension options

\*\* Operational Statistics 12 months as at 31 December 2022

# Overview of 1HFY23 performance | Corporate

Investment to build capability to manage growth



## Information technology & cyber

- IT systems & software
- Cyber prevention solutions



## Customer experience

- Website consolidation
- Booking Apps
- Loyalty program
- Brilliant Travels platform
- CRM Systems



## People

- Training & development
- Culture and Diversity Manager
- Legal resources
- Business development



## Overhead costs

- Insurance
- Travel
- Wages

Investment in safety, people and systems to drive efficiencies and position business for further growth

Half year ended 31 December \$m	1H23	1H22	Growth	Growth %
Revenue	-	-	-	n/a
Direct expenses	-	-	-	n/a
Indirect expenses	(12.6)	(10.3)	(2.3)	22.0%
Operating expenses	(12.6)	(10.3)	(2.3)	22.1%
<b>Underlying EBITDA</b>	<b>(12.6)</b>	<b>(10.3)</b>	<b>(2.3)</b>	<b>22.1%</b>
Underlying EBITDA margin	-	-	-	-
Depreciation	(0.5)	(0.5)	0.0	(2.2%)
<b>Underlying EBITA</b>	<b>(13.1)</b>	<b>(10.9)</b>	<b>(2.3)</b>	<b>20.9%</b>
Amortisation	-	-	-	-
<b>Underlying EBIT</b>	<b>(13.1)</b>	<b>(10.9)</b>	<b>(2.3)</b>	<b>20.9%</b>



1. Introduction

2. 1HFY23 Overview

3. 1HFY23 Financial Results

4. 1HFY23 Divisional Performance

**5. GROWTH STRATEGY & OUTLOOK**

## Current focus areas

Pursuing organic and inorganic growth opportunities  
Extracting efficiencies from recent contract wins / acquisitions

- Ongoing organic growth opportunities in resources and education sectors
- Leveraging scale advantages to drive revenue and margin growth
- Invest in people and culture to ensure 'Employer of Choice' status to attract and retain skilled labour
- Capitalise on domestic tourism momentum Marine & Tourism
- Investment and renewal of marine asset base in progress
- Capitalise on well-defined contract tender pipeline in both domestic and international markets
- Work with governments to achieve objectives in delivering sustainable transport solutions including investing in fleet conversion and depot infrastructure
- Progress internal debt structure to maximise advantages of government backed debt & self-insurance
- Strategic acquisition opportunities in UK/Europe/USA and bolt on acquisitions in Australia



Transit Systems NSW staff decorate bus to support Sydney World Pride, February 2023

# Attractive organic growth opportunities

Australian Bus & International Bus to benefit from strong tender pipeline of long-term contracts

## KEY ATTRIBUTES

- Strong track record in complex tendering
- Disciplined capital management
- Leaders in transitioning contracts, operational excellence, efficiency
- Leaders in decarbonisation with largest zero emissions bus fleet and electrified bus depot in Australia
- Strong balance sheet and cashflows
- Experienced management

### POTENTIAL AUSTRALIAN CONTESTABLE OPPORTUNITIES

- Queensland
- ACT
- Tasmania



### LONG-TERM OPPORTUNITIES 5+ YEARS

- Singapore / Asia
- Australia
- New Zealand
- United Kingdom
- Europe
- North America



### MEDIUM-TERM OPPORTUNITIES 3-5 YEARS

- Melbourne
- Singapore
- Other regional UK cities
- Resources sector
- Sydney Ferries
- USA



### NEAR-TERM OPPORTUNITIES 1-2 YEARS

- Singapore bus contracts
- Manchester bus franchising
- Auckland bus contracts
- Resources sector
- Education sector
- Auckland ferries

5 + Years



# Trading update and outlook

Solid base creates optionality to pursue growth strategy

## 2HFY23 trading update

- Significant new tender wins in Sydney
- Labour shortages in Australian bus division improved but not to pre-COVID
- Singapore labour issues largely resolved
- Forward bookings in Marine & Tourism remain strong
- Further fare increases to be applied in several Marine & Tourism businesses
- Deploying yield management initiatives, average fare per passenger increasing
- Conversion of new transport opportunities in resources sector occurring as planned

## Outlook

- Balance sheet strength, strong cash flows and track record ensure well placed to deliver on growth strategy
- Labour position to improve as migration levels resume
- Gradual return of international travel
- School, charter, special events and advertising revenue returning in Australian Bus
- Transport services continue to provide stable growth and new opportunities
- Further significant advances planned in pursuit of zero emissions transport
- Several opportunities in domestic and international M&A



Whitsundays, QLD

## Executive summary

Highly defensive and resilient business model

Strong track record in delivering on growth strategy

- Long-term, low-risk, government backed service contracts provide consistent, predictable earnings base and a natural hedge against inflation
- Opportunity to leverage synergies and efficiencies from integration of new contracts and acquisitions and drive revenue and margin growth
- Cost base pressures either well hedged or passed on to end customer
- Strong management team with deep sector expertise and strong track record in delivering growth from new tenders
- Focused on organic growth, new business opportunities in adjacent markets
- Strong balance sheet and cash flows support acquisition strategy, disciplined approach to capital deployment
- Leadership in sustainable transport ensures well placed to benefit from Government's focus on decarbonisation and traffic reduction





SWAN TRANSIT

# Appendix 1

Impact of Accounting treatment change



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# Reconciliation of Accounting treatment change

## Consolidated Kelsian Group impact

- The accounting treatment change results in adjustments to non-cash items reported in the International Bus segment for revenue, depreciation, interest and certain right of use assets and associated lease liabilities.
- No impact on net profit before tax, net profit after tax, cashflows, net assets, financial covenants or on Kelsian operations or its prospects.
- The change in accounting treatment has not arisen due to any irregularities concerning Kelsian for this period or prior periods.

### Consolidated Group impact

Profit and Loss \$m	Before H1FY23	Change H1FY23	After H1FY23	Reported FY22	Change FY22	Restated FY22
Revenue	693.6	(15.3)	678.3	1,324.7	(27.3)	1,297.4
Operating costs	(598.5)	-	(598.5)	(1,141.6)	-	(1,141.6)
<b>EBITDA</b>	<b>95.1</b>	<b>(15.3)</b>	<b>79.8</b>	<b>183.1</b>	<b>(27.3)</b>	<b>155.8</b>
Depreciation and amortisation	(48.4)	13.5	(34.9)	(99.2)	23.5	(75.7)
<b>EBIT</b>	<b>46.7</b>	<b>(1.8)</b>	<b>44.9</b>	<b>83.9</b>	<b>(3.8)</b>	<b>80.1</b>
Financing Charges	(10.9)	1.8	(9.0)	(21.4)	3.8	(17.6)
<b>Profit Before Tax</b>	<b>35.9</b>	<b>0.0</b>	<b>35.9</b>	<b>62.5</b>	<b>0.0</b>	<b>62.5</b>
<b>Balance Sheet \$m</b>	<b>Before H1FY23</b>	<b>Change H1FY23</b>	<b>After H1FY23</b>	<b>Reported FY22</b>	<b>Change FY22</b>	<b>Restated FY22</b>
Other debtors (accrued income)	27.9	(1.9)	26.0	25.8	(1.3)	24.5
Right-of-use assets	195.1	(93.1)	102.1	209.9	(104.0)	105.9
<b>Total assets</b>	<b>1,498.8</b>	<b>(95.0)</b>	<b>1,403.7</b>	<b>1,528.9</b>	<b>(105.3)</b>	<b>1,423.6</b>
Current lease liabilities	40.2	(26.0)	14.2	37.1	(25.5)	11.6
Non-current lease liabilities	149.7	(69.0)	80.6	162.9	(79.8)	83.1
<b>Total liabilities</b>	<b>853.9</b>	<b>(95.0)</b>	<b>759.0</b>	<b>888.9</b>	<b>(105.3)</b>	<b>783.6</b>
<b>Net assets</b>	<b>644.8</b>	<b>0.0</b>	<b>644.8</b>	<b>640.0</b>	<b>0.0</b>	<b>640.0</b>

## Reconciliation of Accounting treatment change

### International Bus Segment impact

- Bus lease payments in the International Bus segment (Singapore) will now be recorded on a net basis rather than a gross basis, resulting in de-recognising the relevant right of use asset and lease liability from the balance sheet.
- As at the date of this release, the estimated full year FY23 impact of the accounting change to reported results is expected to be a reduction in reported revenue of approximately SGD28.5 million, a reduction in reported depreciation expense of SGD25.1 million and a reduction in reported notional interest expense of SGD3.4 million.

Profit and Loss \$m	Before H1FY23	Change H1FY23	After H1FY23	Reported FY22	Change FY22	Restated FY22
Revenue	114.6	(15.3)	99.3	268.1	(27.3)	240.8
Operating costs	(95.0)	-	(95.0)	(226.8)	-	(226.8)
<b>EBITDA</b>	<b>19.6</b>	<b>(15.3)</b>	<b>4.3</b>	<b>41.3</b>	<b>(27.3)</b>	<b>14.0</b>
Depreciation and amortisation	(15.7)	13.5	(2.3)	(34.9)	23.5	(11.4)
<b>EBIT</b>	<b>3.9</b>	<b>(1.8)</b>	<b>2.0</b>	<b>6.4</b>	<b>(3.8)</b>	<b>2.6</b>
Financing Charges	(1.9)	1.8	(0.1)	(5.5)	3.8	(1.8)
<b>Profit Before Tax</b>	<b>2.0</b>	<b>0.0</b>	<b>2.0</b>	<b>0.9</b>	<b>0.0</b>	<b>0.9</b>
<b>Balance Sheet \$m</b>						
Other debtors (accrued income)	25.2	(1.9)	23.3	22.2	(1.3)	20.9
Right-of-use assets	110.7	(93.1)	17.6	206.9	(104.0)	102.9
<b>Total assets</b>	<b>364.9</b>	<b>(95.0)</b>	<b>269.9</b>	<b>473.2</b>	<b>(105.3)</b>	<b>367.9</b>
Current lease liabilities	29.0	(26.0)	3.0	25.8	(25.5)	0.3
Non-current lease liabilities	74.7	(69.0)	5.6	84.8	(79.8)	5.0
<b>Total liabilities</b>	<b>160.3</b>	<b>(95.0)</b>	<b>65.3</b>	<b>270.7</b>	<b>(105.3)</b>	<b>165.4</b>
<b>Net assets</b>	<b>204.6</b>	<b>0.0</b>	<b>204.6</b>	<b>202.5</b>	<b>0.0</b>	<b>202.6</b>

# Important notice

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**Authorisation:** Approved and authorised for release via the Australian Securities Exchange on 23 February 2023 by Clinton Feuerherdt, Group Chief Executive Officer, Kelsian Group.

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