

ASX Announcement

15 March 2023

Kelsian announces acquisition of All Aboard America! Holdings Inc. and associated equity raising

Key Highlights

- Kelsian announces the acquisition of AAAHI for an enterprise value of US\$325 million¹ (A\$487 million^{1,2}), which in addition to the assumption of US\$26 million (A\$39 million³) of lease liabilities⁴, is equivalent to approximately 6.9x, EV / CY22 pro forma normalised EBITDA^{1,5}
- AAAHI is a leading provider of passenger motorcoach services to corporate, government, education, LNG, and tourism sector customers in the USA
- AAAHI provides an entry point into the large and attractive USA market, through an established, highly regarded, customer centric operator with a multi-state footprint
- The Acquisition is expected to be upper single digit EPSA accretive in pro forma CY22 before any bonus adjustment^{1,5,6}
- Kelsian is funding the Acquisition through a fully underwritten A\$281 million equity raising consisting of a A\$135 million institutional placement, a A\$143 million 1 for 8.5 pro rata accelerated non-renounceable entitlement offer and a A\$3 million Vendor Conditional Share Issue (see below), in addition to a A\$226 million drawdown of accordion debt facilities⁷
 - Certain AAAHI business founders and senior management have elected to partially reinvest their Acquisition proceeds in a subscription for Kelsian shares, conditional on Acquisition completion
- AAAHI's highly experienced management team will be retained and transitioned to Kelsian's long-term incentive plan to support the ongoing growth of the AAAHI business

Note: All figures are subject to rounding.

¹ Prior to any completion adjustments.

² Assumes AUDUSD rate of 0.6680.

³ Assumes AUDUSD spot rate of 0.6815 as at 31 December 2022.

⁴ Prior to the potential impact of formal purchase price allocation exercises post-completion.

⁵ AAAHI CY22 financials based on unaudited management financials, adjusted for certain adjustments and normalisations identified during Kelsian's limited due diligence and the indicative impact of conversion from US GAAP accounting principles to IFRS accounting principles, the principal adjustment being AASB 16 lease accounting adjustment of US\$7.5 million increase to EBITDA.

⁶ EPSA reflects earnings per share excluding the impact of potential amortisation of identifiable intangibles recognised as a result of the acquisition and one-off transaction costs. Assumes effective tax rate of approximately 27% applied to AAAHI earnings, reflecting indicative USA federal and state level taxes. Increase in EPSA of Kelsian is on a pro forma basis assuming the Acquisition had come into effect from 1 January 2022 and prior to applying any adjustment factor to take into account the bonus element of the Entitlement Offer consistent with AASB 133. Underlying EPSA for CY22 has been used as the Kelsian basis for this calculation. Restating Kelsian EPSA based on this bonus element adjustment factor would increase Kelsian EPSA accretion by approximately 1.4%. The bonus element of the Entitlement Offer is calculated to reflect the discount to the theoretical ex-rights price ("TERP") (excluding the Placement and Vendor Conditional Share Issue) and is based on Kelsian's last traded price at 13 March 2023 of A\$6.35 per share. TERP includes shares issued under the Institutional Entitlement Offer and the Retail Entitlement Offer, and excludes shares issued under the Placement and Vendor Conditional Share Issue.

⁷ Assumes AUDUSD rate of 0.6680 for drawdown of accordion debt facilities (USD facilities).

Kelsian Group Limited (ASX:KLS) ("**Kelsian**"), advises today it has entered into a binding agreement to acquire 100% of All Aboard America! Holdings Inc. ("**AAAH**")⁸, a leading provider of passenger motorcoach services to corporate, government, education, Liquefied Natural Gas ("**LNG**"), and tourism sector customers in the USA ("**Acquisition**"). The Acquisition Enterprise Value of US\$325 million⁹ (A\$487 million^{9,10}), in addition to the assumption of US\$26 million (A\$39 million¹¹) of lease liabilities¹², is equivalent to approximately 6.9x, EV / pro forma normalised EBITDA for the 12 month period ending 31 December 2022 ("**CY22**")^{9,13}.

For Kelsian, the Transaction is expected to be upper single digit EPSA accretive in pro forma CY22^{9,13,14} before any bonus adjustment for the Entitlement Offer and prior to the impact of one-off transaction costs.

The Acquisition will be funded through a combination of a A\$281 million equity raise consisting of a A\$135 million placement to institutional investors ("**Placement**"), a A\$143 million 1 for 8.5 pro rata accelerated non-renounceable entitlement offer ("**Entitlement Offer**") and a A\$3 million Vendor Conditional Share Issue, in addition to A\$226 million drawdown from accordion debt facilities (USD facilities)¹⁵ (collectively, with the Acquisition, the "**Transaction**").

Pro forma net financial debt as at 31 December 2022, adjusted to include the impact of the Transaction, of A\$510 million^{15,16} prior to completion adjustments, represents a 2.54x multiple of CY22 pro forma normalised EBITDA¹⁷.

The Acquisition is expected to be completed prior to 30 June 2023. The Acquisition remains subject to customary conditions for a transaction of this nature, including a customary regulatory approval from the United States Surface Transportation Board (STB).

⁸ Kelsian is affecting this transaction through the acquisition of 100% of the shares in AAAHI TopCo Corporation from AAAHI Holdings LLC, an entity controlled by funds managed/advised by Tensile Capital Management. Throughout this document, the Acquisition refers to Kelsian's acquisition of AAAHI TopCo Corporation and its subsidiary group, including AAAHI.

⁹ Prior to any completion adjustments.

¹⁰ Assumes AUDUSD rate of 0.6680.

¹¹ Assumes AUDUSD spot rate of 0.6815 as at 31 December 2022.

¹² Prior to the potential impact of formal purchase price allocation exercises post-completion.

¹³ AAAHI CY22 financials based on unaudited management financials, adjusted for certain adjustments and normalisations identified during Kelsian's limited due diligence and the indicative impact of conversion from US GAAP accounting principles to IFRS accounting principles, the principal adjustment being AASB 16 lease accounting adjustment of US\$7.5 million increase to EBITDA.

¹⁴ EPSA reflects earnings per share excluding the impact of potential amortisation of identifiable intangibles recognised as a result of the acquisition and one-off transaction costs. Assumes effective tax rate of approximately 27% applied to AAAHI earnings, reflecting indicative USA federal and state level taxes. Increase in EPSA of Kelsian is on a pro forma basis assuming the Acquisition had come into effect from 1 January 2022 and prior to applying any adjustment factor to take into account the bonus element of the Entitlement Offer consistent with AASB 133. Underlying EPSA for CY22 has been used as the Kelsian basis for this calculation. Restating Kelsian EPSA based on this bonus element adjustment factor would increase Kelsian EPSA accretion by approximately 1.4%. The bonus element of the Entitlement Offer is calculated to reflect the discount to the theoretical ex-rights price ("TERP") (excluding the Placement and Vendor Conditional Share Issue) and is based on Kelsian's last traded price at 13 March 2023 of A\$6.35 per share. TERP includes shares issued under the Institutional Entitlement Offer and the Retail Entitlement Offer, and excludes shares issued under the Placement and Vendor Conditional Share Issue.

¹⁵ Assumes AUDUSD rate of 0.6680 for drawdown of accordion debt facilities (USD facilities).

¹⁶ Kelsian pro forma net financial debt as at 31 December 2022, excluding the impact of post balance date acquisitions including Horizons West totalling approximately A\$41.7 million, which includes approximate transaction costs and excludes any contingent, deferred consideration and earn-out component.

¹⁷ Presented on a pre-IFRS 16 basis. Kelsian pro forma EBITDA excludes contribution from post balance date acquisitions including Horizons West. AAAHI CY22 EBITDA of A\$63 million based on unaudited management financials, adjusted for certain adjustments and normalisations identified during Kelsian's limited due diligence.

Overview of AAAHI

AAAHI is a leading transport solutions platform providing contract and charter coach passenger services in the south and south-west of the USA.

The business services a loyal customer base of over 2,000 customers across the corporate, government, education, LNG, and tourism sectors, and achieves high levels of contract renewals and recurring revenue.

AAAHI consists of six geographically diversified, highly regarded brands with strong cultural alignment. The business operates a decentralised model for tailored customer engagement in each region, which is important for winning local contracts.

Over its history, AAAHI has made continuous investment in people, fleet and operations, with an emphasis on safety. Leadership in each operational market provides a recruiting advantage and has assisted in maintaining strong driver retention.

The business has a large, diversified and well-maintained fleet of 1,063 vehicles with an average fleet age of approximately 7.6 years¹⁸.

AAAHI has a track record of strong revenue and earnings growth, with consistent margin expansion through successful contract retenders, new clients and projects won and prudent cost control.

¹⁸ Average fleet age as at 31 December 2022 based on the mid-point of the model-year (i.e. June 30) recorded in AAAHI fleet register.

Strategic rationale:

- Entry into the large and attractive USA market, through an established, highly regarded, customer centric operator with a multi-state footprint
- Further diversifies Kelsian's multi-modal operations across four countries
- Diverse and loyal blue-chip customer base, with a focus on corporate, government, education, LNG, and tourism sector customers
- Highly scalable platform in a fragmented market, providing a base to pursue ongoing growth opportunities in adjacent geographies and end-markets, leveraging Kelsian's core competencies
- Attractive financial profile with approximately 85% in recurring revenue¹⁹, track record of earnings growth and strong cash flow conversion
- Upper single digit EPSA accretion in pro forma CY22, before any bonus adjustment²⁰
- High quality local management team with strong market expertise committed to continuing growth plans

Kelsian CEO, Clint Feuerherdt, said "we are thrilled to bring AAAHI into Kelsian's global platform. AAAHI has an excellent reputation and a track record of delivering high quality contract and charter services.

The combination of Kelsian's expertise, and AAAHI's reputation and scale, provides a solid foundation for our entry into the USA market, where we anticipate strong macro tailwinds."

AAHI CEO, Bill Trimarco, said "AAHI has achieved significant growth over the last decade, including multiple successful acquisitions, and we are incredibly excited to continue that trajectory with Kelsian's support and capabilities.

We see strong cultural alignment between the two businesses and hope to leverage shared operational expertise to optimise performance and drive on-going growth.

We were very impressed by the Kelsian business and think that Kelsian USA will be a great place for our employees to call home."

¹⁹ Recurring revenue based on AAAHI management calculations for CY22, excluding approximately US\$1.4 million of other revenue.

²⁰ Enterprise Value of US\$325 million (A\$487 million) prior to any completion adjustments. AAAHI CY22 financials based on unaudited management financials, adjusted for certain adjustments and normalisations identified during Kelsian's limited due diligence and the indicative impact of conversion from US GAAP accounting principles to IFRS accounting principles, the principal adjustment being AASB16 lease accounting adjustment of US\$7.5 million increase to EBITDA. EPSA reflects earnings per share excluding the impact of potential amortisation of identifiable intangibles recognised as a result of the acquisition and one-off transaction costs. Assumes effective tax rate of approximately 27% applied to AAAHI earnings, reflecting indicative USA federal and state level taxes. Increase in EPSA of Kelsian is on a pro forma basis assuming the Acquisition had come into effect from 1 January 2022 and prior to applying any adjustment factor to take into account the bonus element of the Entitlement Offer consistent with AASB 133. Underlying EPSA for CY22 has been used as the Kelsian basis for this calculation. Restating Kelsian EPSA based on this bonus element adjustment factor would increase Kelsian EPSA accretion by approximately 1.4%. The bonus element of the Entitlement Offer is calculated to reflect the discount to the theoretical ex-rights price ("TERP") (excluding the Placement and Vendor Conditional Share Issue) and is based on Kelsian's last traded price at 13 March 2023 of A\$6.35 per share. TERP includes shares issued under the Institutional Entitlement Offer and the Retail Entitlement Offer, and excludes shares issued under the Placement and Vendor Conditional Share Issue.

Funding and Equity Raising

The Acquisition and transaction costs will be funded through a combination of:

- a fully underwritten A\$278 million equity raising consisting of an institutional Placement and pro rata, accelerated, non-renounceable Entitlement Offer (“**Equity Raising**”) launched today; and
- a A\$226 million (USD facilities) drawdown from accordion debt facilities²¹

In addition to the Equity Raising, certain AAAHI business founders and senior management have elected to partially reinvest A\$3 million in aggregate of their Acquisition proceeds in a subscription for Kelsian shares, conditional on Acquisition completion.

Following the Acquisition, Equity Raising and Vendor Conditional Share Issue, Kelsian’s pro forma net financial debt as at 31 December 2022 of A\$510 million^{21,22} prior to completion adjustments, represents a 2.54x multiple of CY22 pro forma normalised EBITDA²³.

Details of the Equity Raising

The Equity Raising consists of:

- a fully underwritten institutional Placement to eligible new and existing institutional investors to raise approximately A\$135 million; and
- a fully underwritten 1 for 8.5 pro rata accelerated non-renounceable Entitlement Offer to raise approximately A\$143 million.

Approximately 50 million new fully paid ordinary shares in Kelsian (“**New Shares**”) will be issued under the Equity Raising plus approximately 622 thousand new fully paid ordinary shares in Kelsian under the Vendor Conditional Share Issue (equivalent to 23.2% of existing Kelsian shares on issue²⁴).

Under the Entitlement Offer, eligible shareholders are invited to subscribe for 1 New Share for every 8.5 existing Kelsian shares (“**Entitlement**”) held as at 7.00pm (Sydney time) Monday, 20 March 2023.

All New Shares under the Equity Raising and Vendor Conditional Share Issue will be issued at A\$5.55 per New Share (“**Offer Price**”) representing:

- Approximately 12.6% discount to last close of A\$6.35 per share on Monday, 13 March 2023
- Approximately 10.5% discount to TERP²⁵

Each New Share issued under the Equity Raising and Vendor Conditional Share Issue will rank equally with existing shares on issue.

²¹ Assumes AUDUSD rate of 0.6680 for drawdown of accordion debt facilities (USD facilities).

²² Kelsian pro forma net financial debt as at 31 December 2022, excluding the impact of post balance date acquisitions including Horizons West totalling approximately A\$41.7 million, which includes approximate transaction costs and excludes any contingent, deferred consideration and earn-out component.

²³ Presented on a pre-IFRS 16 basis. Kelsian pro forma EBITDA excludes contribution from post balance date acquisitions including Horizons West. AAAHI CY22 EBITDA of A\$63 million based on unaudited management financials, adjusted for certain adjustments and normalisations identified during Kelsian’s limited due diligence.

²⁴ Based on 218,541,786 fully paid ordinary shares on issue.

²⁵ TERP of A\$6.20 based on last close price of A\$6.35 and including shares issued under the Institutional Entitlement Offer, the Retail Entitlement Offer, the Placement and the Vendor Conditional Share Issue. TERP is a theoretical calculation only and the actual price at which Kelsian shares trade immediately following the ex-date for the Entitlement Offer may be different from TERP.

The Company proposes to apply for a further trading halt in respect of its ordinary shares from commencement of trading on Thursday, 16 March 2023 until commencement of trading on Friday, 17 March 2023.

Placement

Approximately 24 million New Shares are expected to be issued to certain new and existing institutional investors under the Placement at the Offer Price. The Placement will be conducted concurrently with the Institutional Entitlement Offer (as described below). New Shares issued under the Placement do not have rights to participate in the Entitlement Offer.

Institutional Entitlement Offer

Eligible institutional shareholders will be invited to participate in the institutional component of the Entitlement Offer ("**Institutional Entitlement Offer**"). The Institutional Entitlement Offer will open today, Wednesday, 15 March 2023.

Under the Institutional Entitlement Offer, eligible institutional shareholders can choose to take up all, part or none of their Entitlement. Entitlements that eligible institutional shareholders do not take up by the close of the Institutional Entitlement Offer, and Entitlements that would otherwise have been offered to ineligible institutional shareholders, will be offered to certain new and existing institutional investors concurrently with the Institutional Entitlement Offer.

Retail Entitlement Offer

Eligible retail shareholders in Australia and New Zealand will be invited to participate in the retail component of the Entitlement Offer ("**Retail Entitlement Offer**"). The Retail Entitlement Offer will open on Thursday, 23 March 2023 and close at 5.00 pm (Sydney time) on Wednesday, 5 April 2023.

Eligible retail shareholders with a registered address in Australia or New Zealand as at 7.00 PM (Sydney time) on Monday, 20 March 2023 ("**Eligible Retail Shareholders**") will be entitled to participate in the Retail Entitlement Offer on the terms and subject to conditions set out in the retail offer booklet ("**Retail Offer Booklet**"). The Retail Offer Booklet and accompanying personalised entitlement and acceptance form are expected to be made available on Thursday, 23 March 2023.

The Entitlement Offer is non-renounceable and Entitlements will not be tradeable on the ASX or be otherwise transferable. Shareholders who do not take up their full Entitlement will not receive any payment or value in respect of Entitlements they do not take up and their percentage equity interest in Kelsian will be diluted.

Eligible Retail Shareholders who take up their full Entitlement will be offered the opportunity to apply for additional New Shares (up to 50% of their Entitlement) ("**Oversubscription Facility**"). Eligible Retail Shareholders are not assured of being allocated any New Shares in excess of their Entitlement under the Oversubscription Facility and will be allocated in accordance with the allocation policy outlined in the Retail Offer Booklet. Kelsian retains absolute discretion regarding allocations under the Oversubscription Facility.

Additional details

Further details of the Acquisition, Equity Raising and Vendor Conditional Share Issue are set out in the Investor Presentation released to the ASX today. The presentation contains important information that shareholders and investors should consider, including information about risks factors and the foreign selling restrictions with respect to the Equity Raising.

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Key Dates

Event	Date
Announcement of the Acquisition, Placement and Entitlement Offer	Wednesday, 15 March 2023
Institutional Entitlement Offer and Placement opens	
Kelsian to obtain a further 1-day trading halt with immediate effect	Thursday, 16 March 2023 (before market opens)
Institutional Entitlement Offer and Placement closes	Thursday, 16 March 2023 (5.00pm Sydney time)
Announce results of Institutional Entitlement Offer and Placement	Friday, 17 March 2023 (9.00am Sydney time)
Trading halt lifted – shares recommence trading on ASX on an “ex-entitlement” basis	Friday, 17 March 2023
Record Date for the Entitlement Offer	Monday, 20 March 2023 (7:00pm Sydney time)
Despatch of Information Booklet and Entitlement and Acceptance Forms	Thursday, 23 March 2023
Retail Entitlement Offer opens	Thursday, 23 March 2023 (9.00am Sydney time)
Settlement of New Shares issued under the Placement and Institutional Entitlement Offer	Friday, 24 March 2023
Allotment and trading on ASX of New Shares issued under the Placement and Institutional Entitlement Offer	Monday, 27 March 2023
Retail Entitlement Offer closes	Wednesday, 5 April 2023 (5.00pm Sydney time)
Announce results of Retail Entitlement Offer	Wednesday, 12 April 2023 (9.00am Sydney time)
Settlement of New Shares issued under the Retail Entitlement Offer	Thursday, 13 April 2023
Allotment of New Shares issued under the Retail Entitlement Offer	Friday, 14 April 2023
Trading on ASX of New Shares issued under the Retail Entitlement Offer	Monday, 17 April 2023
Despatch of holding statements for New Shares to retail holders	Monday, 17 April 2023

Kelsian is being advised by Macquarie Capital (Australia) Limited and Gresham Advisory Partners Limited as joint financial advisers in respect of the Acquisition. Macquarie Capital (Australia) Limited is acting as lead manager, bookrunner and underwriter to the Equity Raising. Taylor Collison Limited is acting as Co-Manager. Gresham Advisory Partners Limited is acting as debt adviser.

White & Case LLP is acting as US legal adviser to Kelsian in respect of the Acquisition. Kain Lawyers is acting as Australian legal adviser to Kelsian in respect of the Equity Raising and the Acquisition. Piper Alderman is acting as Australian legal adviser to Kelsian in respect of the debt financing.

Authorised for lodgement with the ASX by the Kelsian Board of Directors.

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ABOUT KELSIAN

Kelsian is Australia's largest integrated multi-modal transport provider and tourism operator, with established bus operations in Singapore, 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 2022, Kelsian directly employs 9,223 people and operates 3,991 buses, 113 vessels and 24 light rail vehicles that delivered more than 256 million customer journeys over the last year. Through its London bus joint venture, Kelsian is involved in employing a further 4,000 people operating 1,250 buses, including 350 electric vehicles.