

# ASX Announcement

7 May 2024

## Presentation at 2024 Macquarie Australia Conference

Kelsian Group Limited (ASX:KLS) (**'Kelsian'**) provides for information a copy of the presentation that Mr Clint Feuerherdt, Managing Director and Group Chief Executive Officer and Mr Andrew Muir, Group Chief Financial Officer will be presenting at the Macquarie Australia Conference on 8 May 2024.

*Authorised for lodgement with the ASX by the Managing Director and Group Chief Executive Officer, Clinton Feuerherdt*

For further information contact:

---

**Investor Relations**

**Davina Gunn, Investor Relations Manager**

+61 (0)400 896 809

[investors@kelsian.com](mailto:investors@kelsian.com)

---

**ABOUT KELSIAN:** [www.kelsian.com](http://www.kelsian.com)

Kelsian is Australia's largest integrated multi-modal transport provider and tourism operator, with established bus operations in Australia, Singapore, USA, 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 12,000 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.



# Kelsian Group Limited

Macquarie Conference Presentation

**Clint Feuerherdt**

Managing Director & Group CEO

**Andrew Muir**

Group CFO

7 / 8 May 2024



# Introduction to Kelsian

**A diversified global business with a strong track record of growth, underpinned by a majority of highly defensive, long-term, government / corporate-backed, service contracts**



## EXPOSURE TO MEGA-TAILWINDS

COMMUTER TRANSPORT, DECARBONISATION, POPULATION GROWTH, TRAVEL RECOVERY

## HIGHLY SCALABLE PLATFORM WITH DIVERSIFIED PORTFOLIO

ACROSS MULTIPLE GEOGRAPHIES, TRANSPORTATION MODES AND CUSTOMERS

## UNRIVALLED RECORD OF CONTRACT RENEWAL

LONG-TERM RELATIONSHIPS WITH GOVERNMENTS AND BLUE-CHIP CUSTOMERS

## RESILIENT EARNINGS BASE & CASH GENERATION

TYPICALLY LONG-TERM, LOW-RISK SERVICE CONTRACTS, MAJORITY ARE INDEXED ANNUALLY

## STRONG TRACK RECORD OF GROWING INCUMBENT POSITIONS

ORGANIC EXPANSION IN EXISTING MARKETS / ENTERING NEW MARKETS VIA STRATEGIC M&A

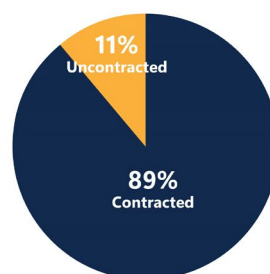
## WELL-INVESTED

PREDOMINANTLY CAPITAL-PROTECTED ASSET BASE

## EXPERIENCED AND LONG-TENURED MANAGEMENT TEAM

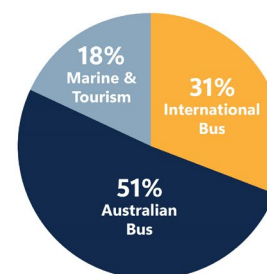
TRACK RECORD OF DELIVERING GROWTH

Contracted VS Uncontracted Revenue (1HFY24)

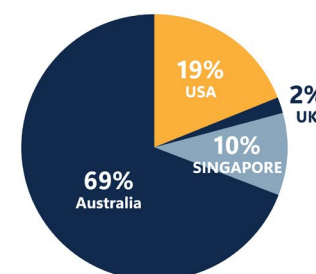


Contracted revenue includes non-discretionary

Revenue By Division (1HFY24)



Revenue By Geography (1HFY24)



Kelsian Group Limited. Macquarie Conference, May 2024

# Some of the global macro trends to support growth



**Liberalisation  
of government  
services**



**Decarbonisation**



**Population  
growth**



**Government net  
zero targets**



**Digitisation of  
public transport**



**Step up in  
government  
infrastructure  
investment**



**International  
travel recovery**



# Long term, low risk, capital efficient, capital protected bus contracts

Kelsian's Australian and Singapore bus contracts vary from asset-light to full ownership of capital-protected assets, with revenue indexation covering all operating cost categories for majority of contracts<sup>1</sup>

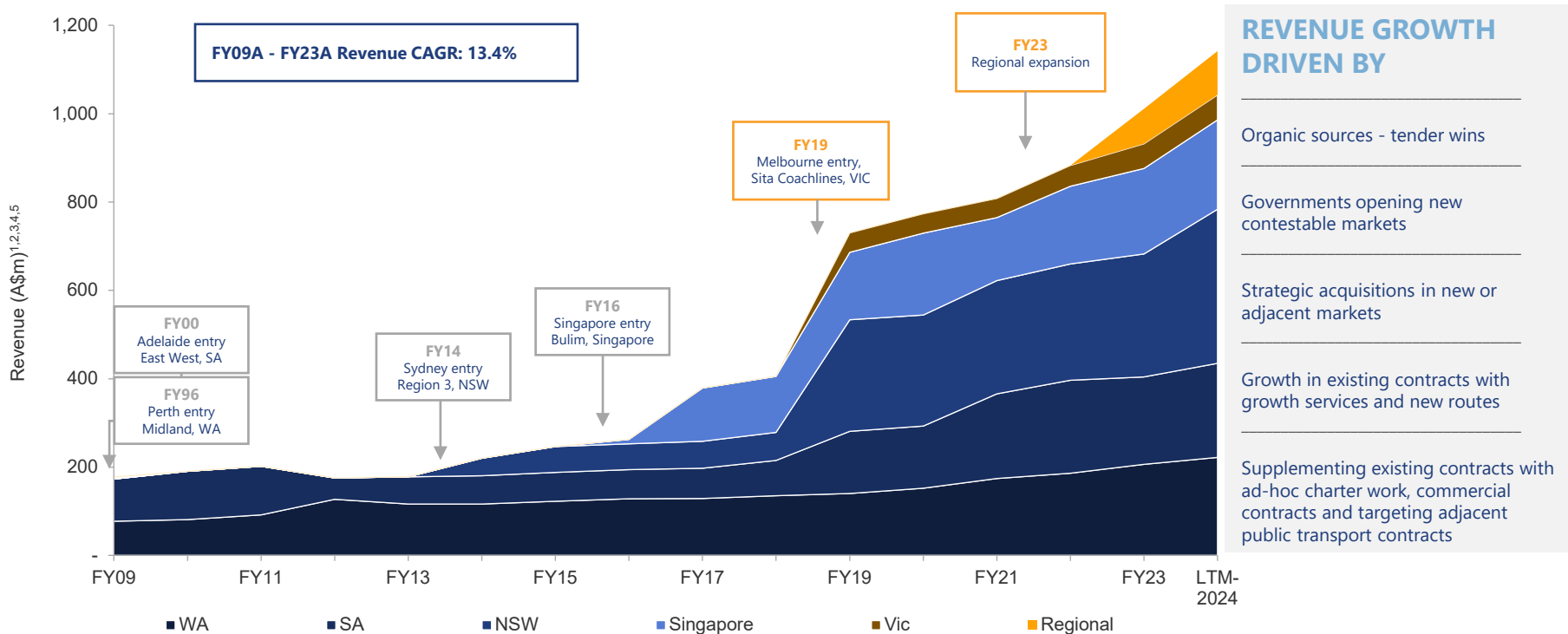
	<b>GOVERNMENT</b> Government provides fleet and depots	<b>HYBRID MODEL</b> Some assets provided by Government, some owned	<b>KELSIAN</b> Kelsian provides the fleet and depots
<b>Locations</b>	Adelaide, Perth, Singapore	Sydney, Melbourne	Horizons West, Go West Tours
<b>% of LTM to 31 Dec 2023 Group Revenue</b>	~38%	~22%	~6%
<b>Term</b>	Typically, between 5 and 10 years	Typically, between 5 and 10 years	Typically, between 1 and 5 years
<b>Depot ownership</b>	Government owned / provided / leased	Government / Kelsian / leased	Kelsian / leased
<b>Fleet ownership</b>	Government owned / provided	Government / Kelsian	Kelsian
<b>Revenue model</b>	Gross cost contract, no farebox risk	Gross cost contract, no farebox risk	Direct customer contract, no farebox risk
<b>KPI penalties / incentives</b>	KPI penalties (service levels, on time running) Patronage incentives (small) Performance incentives in Singapore	KPI penalties (service levels, on time running) Patronage incentives (small)	None
<b>Fuel price increases</b>	Monthly in arrears against terminal gate price	Monthly in arrears against terminal gate price	Reflected in service pricing / pass through
<b>Employees' wages</b>	Contract provides for an annual adjustment e.g. WPI or AWE	Contract provides for an annual adjustment e.g. WPI or AWE	Reflected in service pricing / some annual adjustment
<b>Other costs</b>	Annual CPI adjustment	Annual CPI adjustment	Reflected in service pricing / some annual adjustment
<b>Fleet replacement capex</b>	100% replacement and growth funded by Gov.	Contract payment from Gov. increases to reflect additional capital deployed	Funded by Kelsian
<b>Example items not covered by contract payments</b>	Overtime, recruitment & retention costs Performance penalties	Overtime, recruitment & retention costs Performance penalties	N/A
<b>Funding</b>	No funding implications	SPV (ringfenced), Kelsian balance sheet (contracted assets). Zero stranded asset risk	Kelsian balance sheet

<sup>1</sup> Excluding AAAHI (USA) & Channel Islands



# Strong organic growth achieved over extended period

Strong top-line growth in contracted bus operations, achieved via new contract wins, re-tendering success and targeted acquisitions



1. Marine & Tourism, AAAHI and Tower Transit UK revenue excluded from the chart across all periods to reflect bus operations of Transit Systems and Tower Transit Singapore. 2. LTM-24 financials based on unaudited financials for January and February 2024. 3. Presented on an AUD million basis for the year ending 30 June, with an AUD:SGD exchange rate of 0.8756 applied. 4. Includes five months of trading for NSW (Region 2). 5. Regional includes Go West Tours, Horizons West, Grand Touring and Stradbroke Island buses.

# Australia's most experienced bus operator

Over 29 years in Australia, Kelsian has successfully secured >30 tenders and renewals

## HIGH QUALITY CONTRACT PORTFOLIO

- Diversified portfolio of contracts – metropolitan bus, education, and resources
- All contracts have been secured via a contestable process<sup>1</sup>
- Many contracts held for more than 20 years and the revenue average weighted remaining term was 4.6 years as at 31 December 2023
- Operating performance in the top quartile in every geography
- Over 29 years, secured more than 30 tenders and renewals
- Every contract in the portfolio is profitable

## CONTRACT EXPIRY RISK MANAGEMENT

- Long-term relationships with Governments as incumbent operator
- Cost leadership developed through route operating history, scheduling and route optimisation and group procurement
- Operating excellence, customer service, and safety delivery – regularly measured and often publicly reported
- The benefits of incumbency allow for a synergistic approach to bidding for adjacent regions

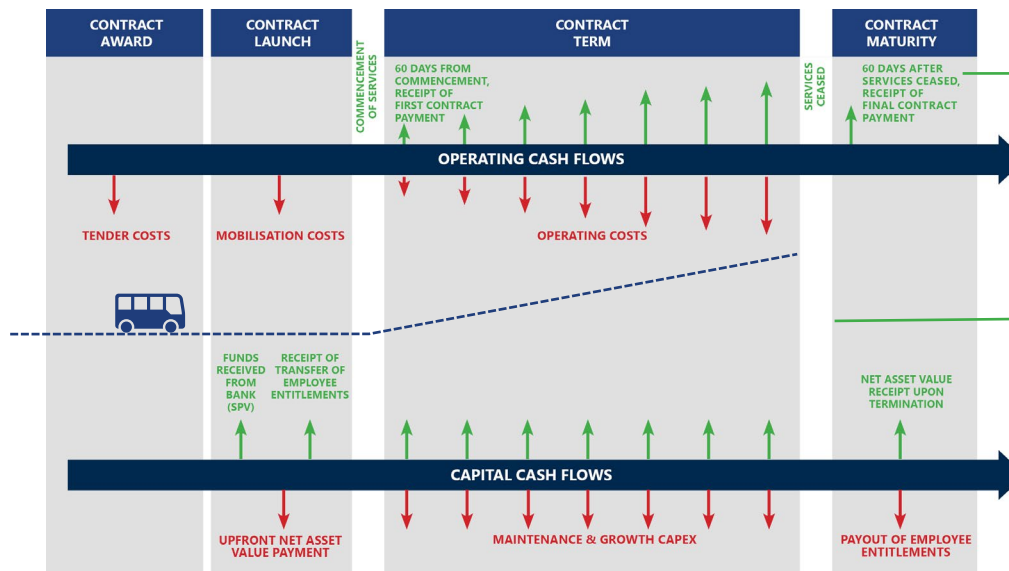
1. Excluding Transit Systems Victoria which was acquired through strategic M&A in FY19.

**In nearly 30 years of contracting history, Transit Systems has only failed to renew major service contracts twice (Perth & Adelaide), yet has quickly rebounded to recover and grow market share in both of these geographies**



# Illustrative Australian bus contract cashflow profile

The **margin profile of a contract typically improves over the term from initial optimisation** and then **towards maturity** driven by optimisation initiatives; scale benefits (e.g. potentially pairing with adjacent regions); improved technology; improved fuel efficiency of fleet as it is renewed; incremental rail replacement and ad hoc charter opportunities within region; and contract amendments to expand services both growth in existing and new routes.



**Revenue increases** based on contracted terms (indexation), potential scope expansion and other adjacent ad hoc services

**Revenue increases** reflecting contract payment adjustments from Government for additional capital deployed



# Capital protected special-purpose ring-fenced finance facility (SPV)

In place for most Australian-bus government-backed contracted assets. Example below of impact of new assets in SPV structure

P&L	
▲ Revenue	• Contracted payment from Government increased for SPV capital deployed (annuity payment includes depreciation and interest)
▲ EBITDA margin	• Higher with SPV depreciation and interest included in increased Government payment
▲ Depreciation	• Increase in depreciation charge as new asset depreciated over 15 years • Depreciation does not equal Capex to be funded by Kelsian cashflow
▲ Interest	• Increase to reflect financing cost of SPV assets
▲ PBT	• Net increase in the absolute amount, however at an overall lower margin
▼ PBT margin	
Cash flow	
▲ Cash flow	• Capex reported for acquisition of SPV assets – 100% debt financed with limited recourse • Increase in SPV borrowings to 100% finance SPV assets
Balance sheet	
▲ Assets – PPE	• New SPV assets consolidated into Kelsian Group PP&E
▲ Liabilities	• Increase in SPV ring-fenced borrowings (consolidated but disclosed separately) to fund acquisition of assets
	• SPV loan amortised in line with depreciation

## BENEFITS OF SPV

- Limited recourse to Kelsian
- Infinite scalability
- No stranded asset / residual value risk
- Capital efficient – no drain on Kelsian’s free cash flow
- Excluded from Kelsian Group covenant calculations
- Increases competitiveness – government priced risk
- Facilitates faster EV transition and growth for government
- Lower cost of capital

**SPV facilitates faster EV transition and growth for government through supporting investment in fleet renewal and energy transition with a positive incremental impact on Kelsian’s P&L and Cash flow**

# Kelsian's acquisition of All Aboard America! Holdings (AAAHI)



AAAHI is a high-quality, scalable platform that provides Kelsian access to the large and attractive USA market



<sup>1</sup> Based on management estimates for CY2024 revenue

## AAAHI is achieving key milestones and is well positioned for continued growth



"Innovative Motorcoach Operator of the Year Award", presented at the 2024 American Bus Association's Marketplace.

### RECENT HIGHLIGHTS

- Integration complete
- Strengthened management team including new Chief Operating Officer
- Expansion into Austin (Texas) market with a local management team now in place to drive further growth

### 100% CONTRACT RETENTION SINCE ACQUISITION

- Since June 2023, for all significant contracts (>US\$1m annual revenue)
- No contracts have been lost and one major contract in construction sector has been added
  - ~25% of contracts have successfully been renewed
  - ~70% of renewed contracts have had increases to pricing
  - ~45% of renewed contracts have had increases to service levels

### CURRENT FOCUS AREAS

- Safety: significant ongoing investment in on road safety with new bus safety technology to be installed on all motorcoaches
- Procurement: leveraging national and international buying power

### BENEFITS OF SCALE AS ONE OF THE LARGEST MOTORCOACH OPERATORS IN USA

- Insurance represents a high barrier to entry for small operators
- Scale delivers cost and operational efficiencies
- Highly scalable platform provides solid base to pursue growth and leverage Kelsian's core competencies

### STRATEGY & OUTLOOK

- Organic growth opportunities in targeted markets within existing footprint – employee shuttle, charter etc.
- Pursuing opportunistic asset purchases to underpin additional organic growth
- Several opportunities to expand footprint into adjacent states

# AAAHI has a diversified mix of top 10 contracted clients\*

Strong track record of renewals and extensions – no loss of material contracts since acquisition

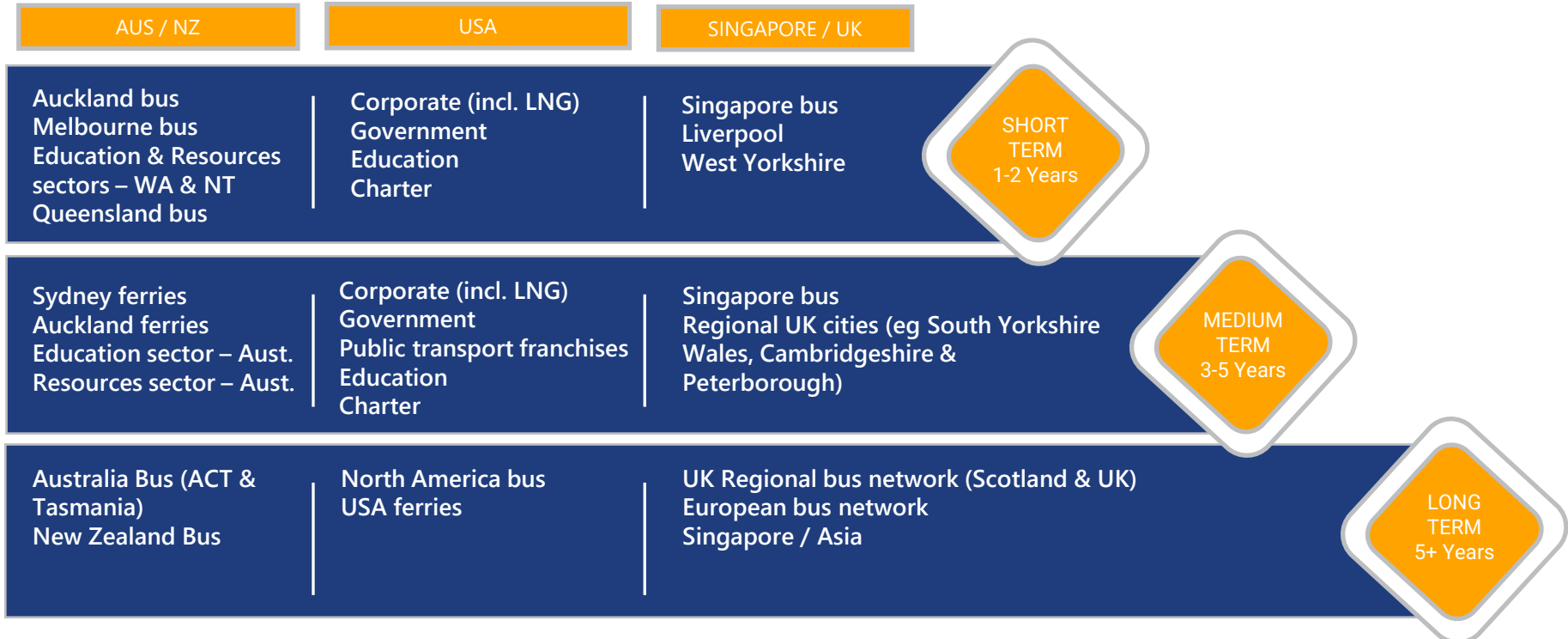
Top 10 contracted clients\* represent ~47% of total AAAHI revenue

Top 10 customers	Customer type	Number of years with AAAHI	FY23 Share of total revenue	FY24 estimated share of total revenue	Change in contract revenue FY24 (est.) vs. FY23	Fleet ownership	Recent update
Contract 1	Corporate	5+	15%	14%	Flat	Customer	Extended 5 years
Contract 2	Construction	4	11%	14%	Growth	AAAHI	Extended 18 months
Contract 3	Corporate	5+	5%	4%	Declined	AAAHI	Extended and recent price uplift
Contract 4	Government	5+	5%	5%	Growth	Customer	Extended 5 years
Contract 5	Government	5+	3%	3%	Growth	AAAHI	Renewed in last 12 months
Contract 6	Corporate	2	1%	3%	Growth	AAAHI	Significant expansion
Contract 7	Corporate	5+	2%	3%	Growth	AAAHI	Price uplift and extension
Contract 8	Construction	3	2%	2%	Growth	AAAHI	Approaching end of term
Contract 9	Corporate	2	1%	2%	Growth	AAAHI	Extended, expanded, price uplift
Contract 10	Government	5+	2%	2%	Growth	Customer	Approaching end of term. RFP released

\* Excludes charter operations

# Strong pipeline of organic growth opportunities & M&A

Leaders in transitioning contracts, operational excellence and efficiency



# Strong pipeline of near-term tender opportunities

Geography	Existing Kelsian business	Number of contracts currently being tendered / expected in the next year	Government to supply buses & depots	Anticipated start of contract
Singapore	2 of 12 contracts	1 contract (~7% of market)	Yes	March 2025
Melbourne	1 contract	7 contracts, (~30% of market)	No - Funded by SPV	July 2025
Auckland	None	Tranche 2 expected in 2024 6 contracts (~35% of market)	No	Late 2025 / early 2026
Singapore	2 of 12 contracts	Expected 2025 2 contracts (~14% of market)	Yes	September 2025
Liverpool	None	Tranche 1 (145 buses), expected Q4 2024 893 buses (100% of market)	Mix between government and operator	2026-2028
Sydney	3 of 10 contracts	Expected in 2025 1 contract currently held (~13% of market)	Mix between government and operator	July 2026
West Yorkshire	None	Expected in 2026 1,200 buses (100% of market)	TBC	2025
South Yorkshire	None	Expected in 2025 1,000 buses (100% of market)	TBC	2026
Singapore	2 of 12 contracts	Multiple contracts expected in 2026 / 2027 / 2028	Yes	2027 / 2028 / 2029
AAAH		Multiple contracts across several states	TBC	2025 - 2028
Newcastle	None	1 multi-modal contract (bus, light rail, ferries)	Yes	July 2027
Auckland	None	Tranche 3 & 4 expected in 2026 / 2027 contracts (~65% of market)	TBC	2027 / 2028
Auckland Ferries	None	Part of the ferry network expected in 2027	TBC	2027 / 2028
Sydney Ferries	None	Expected in 2027	Yes	2028 / 2029
Perth	6 of 10 contracts	Multiple contracts expected in 2027 / 2028	Yes	2028 / 2029
Melbourne	1 contract	Multiple contracts expected in 2027 / 2028	Yes	2028 / 2029



# 2HFY24 Outlook

## Australian Bus

- Higher than average overtime being progressively addressed in Sydney
- Continue the success in driver recruitment and labour management in preparation for Bankstown Rail, services to begin in August 2024
- Planning underway for integration of Sydney contracts combining Regions 2 +15 and Regions 3 +13 to improve operational efficiencies from FY25

## Marine & Tourism

- Weather impacted performance in January and February (Qld), Easter trading was in line with expectations
- Consumer headwinds (cost of living pressures) impacting domestic tourism spend (eg K'gari). International continues to build

## International Bus

- AAAHI continues to perform well
- Singapore absenteeism continues to impact performance incentives

## Corporate

- Refinancing of bank facilities progressing well



# Q&A



## Disclaimer

This document has been prepared by Kelsian Group Limited (ACN 109 078 257) ('Kelsian Group' or the 'Company'). No party other than Kelsian Group has authorised or caused the issue of this document, or takes responsibility for, or makes any statements, representations or undertakings in this document.

**Presentation of general background:** This document contains general background information about Kelsian Group's proposed activities current as at the date of this presentation ('Information'). It is Information in a summary form only and does not contain all the information necessary to fully evaluate any transaction or investment. The material contained in this presentation may include information derived from publicly available sources that have not been independently verified.

**Not investment advice:** The Information provided in this presentation is not intended to be relied upon as advice to investors or potential investors and is not and should not be considered as a recommendation or invitation to invest. To the maximum extent permitted by law, the Company and its Officers do not accept any liability for any loss arising from the use of information contained in this presentation.

**Financial data:** All dollar values are in Australian dollars (A\$) unless otherwise stated.

**Future performance:** This presentation may contain certain forward-looking statements. The words 'anticipate', 'believe', 'expect', 'project', 'forecast', 'estimate', 'likely', 'intend', 'should', 'could', 'may', 'target', 'plan' and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of Kelsian Group, and its directors, officers, employees, agents and associates, that may cause actual results to differ materially from those expressed or implied in such statements. Actual results, performance or outcomes may differ materially from any projections and forward-looking statements and the assumptions on which those assumptions are based. You should not place undue reliance on forward-looking statements and neither Kelsian Group nor any of its directors, officers, employees, advisers or agents assume any obligation to update such information. Kelsian Group does not undertake any obligation to publicly release the result of any revisions to these forward-looking statements or to otherwise update any forward-looking statements whether as a result of new information, future events or otherwise, after the date of this presentation.

**Authorisation:** Approved and authorised for release via the Australian Securities Exchange on 7 May 2024 by Clinton Feuerherdt, Managing Director and Group Chief Executive Officer, Kelsian Group.

**Address:** Level 3, 26 Flinders Street, Adelaide, South Australia 5000.

**For more information please contact:** Davina Gunn, Investor Relations Manager, Kelsian Group, +61(0) 400 896 809 or [davina.gunn@kelsian.com](mailto:davina.gunn@kelsian.com)