



### Sustaining movement on land and sea

<b>Company/ASX Code</b>	Kelsian Group Limited/KLS
<b>AGM date</b>	Tuesday 25 October 2022
<b>Time and location</b>	3:30pm Adelaide time (ACDT) Adelaide Convention Centre – Adelaide
<b>Registry</b>	Boardroom Pty Limited
<b>Type of meeting</b>	Physical
<b>Poll or show of hands</b>	Poll on all items
<b>Monitor</b>	Des Moriarty assisted by Bob Ritchie, Karen Robertson and Ken Wakeman
<b>Pre AGM Meeting?</b>	Yes with Chairman Jeff Ellison & Company Secretary Joanne McDonald

Monitor Shareholding: the individuals involved in the preparation of these voting intentions have no shareholding in the company.

#### Summary of issues for meeting

- Board diversity
- Candidature of non-executive director Christopher Smerdon
- Recognition of the CEO's achievements through a grant of performance rights

#### Proposed Voting Summary

No.	Resolution description	
2	Adoption of Remuneration Report	<b>For</b>
3	Re-election of Mr Christopher Smerdon	<b>For</b>
4	Election of Ms Diane Grady AO	<b>For</b>
5	Approval of the Kelsian Group Rights Plan	<b>For</b>
6	Approval of grant of performance rights to the Group CEO	<b>For</b>

#### Summary of ASA Position

##### Consideration of accounts and reports: No vote required

There was a steady increase in profit in FY22. The gradual increase in of international tourists saw some improvement in the marine and tourism business although some way from pre pandemic levels. A bright spot was the 25-year extension of the Kangaroo Island contract to run ferries to the island.



Once again, the Australian and Singapore bus divisions performed well. In London existing arrangements were altered and new contracts are being sought elsewhere in the UK.

The net result was that FY2022 revenue increased by 11% and the statutory Net Profit after Tax (NPAT) was 52.9m, an increase of 40% over the previous year

Underlying basic EPS was 22.2c and fully franked dividends of 16.5c were paid during the year.

Dividends were up slightly from last year but back to the FY2019 levels. The pay-out ratio was not specified in the Annual Report but we calculated it to be 65%. We would like this figure to be included in the 5-year summary.

Interest bearing debt remained at 31%.

Total shareholder return (TSR) after an impressive 118% in FY21 gain was down 38% due to a drop in share price from \$9.48 to \$5.70.

#### **Key events**

There have been no restructures, significant acquisitions, buy backs or capital raisings in the year

#### **Key Board or senior management changes**

There were no changes to the Board or among the key executive personnel in the period.

#### **ASA focus issues**

The company is patently conscious of the need to reduce emissions and is developing a structured roadmap to set climate change related targets appropriate to the differences in operations and countries in which it operates. We mention it operates a number of hydrogen powered buses in the UK and has bought two of these for operation in Australia. It is vigorously trialling electrification of on land transport with targets of zero emissions ranging from 2035 to 2050.

On sustainability we note the prominence given to the more extended Sustainability Report. We were pleased to read the company has adopted the Global Reporting Initiative (GRI) guidelines and there we noted its consciousness that the critical importance of cyber security is not a feature of those guidelines given it devotes a separate section to the matter. We sought and were given some assurance that the company is aware of the need for independent oversight here.



### Summary

(As at FYE)	2022	2021	2020	2019	2018
NPAT (\$m)	52.9	37.8	(13.5)	21.5	19.5
UPAT (\$m)	45.5	43.0	16.4	23.4	22.1
Share price (\$)	5.81	9.48	4.42	3.73	4.43
Dividend (cents)	24.2	16	11	15	14.5
Simple TSR (%)	-24%	16	11	15	14.5
EPS (cents)	19.3	19.7	5.3	23.1	21.8
CEO total remuneration, actual (\$m)	2.03	1.57	1.85	.64	.65

### Adoption of Remuneration Report

The remuneration report is clear and for the most part complete; eg note 6 including table 6.1, pages 62-64.

The CEO's take home pay for the year was \$2.03 million; comprising \$848,586 fixed pay, \$648,100 short term incentive bonus and \$457,272 long term incentive bonus received as shares. With profit 40% higher than the previous year and dividends half a cent higher at a total of 16.5 cents per share, pay had a degree of alignment with results for shareholders. We intend to vote in favour of adoption of the remuneration report.

### Election or re-election of directors

The Kelsian Board of seven members has a chair and three other members who have previously held an executive role in the company or its acquisitions. We note that should Ms Grady be elected female membership will be 38%. At the pre-AGM, when discussing Board renewal, we noted the Nominations Committee comprised the whole Board. The Chairman let us know that nevertheless he worked with a small subcommittee on the matter.

### Election of Mr Christopher Smerdon

Mr Smerdon has been contributing to the Board for 18 years and is noted for his cyber security expertise and knowledge of doing business in Singapore. We were informed by the Chairman that this will be Mr Smerdon's last term on the Board. We intend to vote in favour of him being re-elected.



### **Election of Ms Diane Grady AO**

Ms Grady brings a diverse background and with expertise in consumer goods, marketing, and retailing. She also has a profile in cultural and change management. We intend to vote in favour of her election.

### **Approval of the Kelsian Group Rights Plan**

The plan is envisaged as covering not just LTI but also a component of STI. Its proposed terms and conditions are a continuation of the plan for SeaLink, as the company was formerly known, and presents no problem beyond its three-year horizon for LTI. We intend to vote in favour of the resolution.

### **Approval of performance rights to CEO**

The board intends to issue 109,622 performance rights to Mr Feuerherdt and has stated their value is \$548,025. This equals \$5 per unit, with performance rights granted after achievement of hurdles being convertible to shares, one-for-one. The \$5 figure is the market value of shares at the end of the FY21. The number of rights at that price is calculated to be 76% of fixed remuneration.

One of two equally weighted performance hurdles, measured over three years, is compound annual growth rate of earnings per share: half for achieving 5% annualised CAGR, ranging to 10% for full vesting. The other performance hurdle total shareholder return relative to ASX300 total return index: half for achieving the index, ranging to 10% above the index for full vesting. Positive TSR is a gate which must be passed for any award of rights to occur.

Approval is sought, should the shares be issued instead of on market purchase, they not be counted within the 15% allowance for issue of new shares.

While we consider the three-year hurdle too brief, that matter alone is insufficient for us to vote against the resolution; particularly as the gate is a strong positive. We intend to vote in favour of the resolution.

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## Appendix 1 Remuneration framework detail

CEO rem. Framework for FY22	Target* \$m	% of Total	Max. Opportunity \$m	% of Total
Fixed Remuneration	0.9	44%	0.9	41%
STI – Cash	0.65	32%	0.76	34%
STI – Equity	0	0	0	0
LTI	0.48	24%	0.55	25%
Total	2.03	100.0%	2.21	100%

The amounts in the table above are the amounts that are envisaged in the design of the remuneration plan.

\*Target remuneration is sometimes called budgeted remuneration and is what the company expects to award the CEO in an ordinary year, with deferred amounts subject to hurdles in subsequent years before vesting.