



**SUPPLY NETWORK LIMITED**

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19 November 2014

The Manager  
Companies Announcement Office  
ASX Limited  
20 Bridge Street  
**SYDNEY NSW 2000**

Dear Sir

**Re: Chairman's Address to Shareholders**

Please find attached the Chairman's Address to Shareholders being delivered to the Annual General Meeting today at 2.00pm.

Yours faithfully

A handwritten signature in black ink, appearing to be 'Peter Gill', written in a cursive style with a large loop at the end.

**Peter Gill**  
Company Secretary

# Chairman's Address 2014 Annual General Meeting

The 2014 financial year was another record for your company.

Sales grew 20% to \$81.2 million driven by targeted product and customer expansion and working closely with large established customers to deliver more efficient and cost effective outcomes.

Earnings Before Interest and Tax (EBIT) increased to \$8.8 million thanks to a continued focus on cost management and some operating synergies from the Group's organic growth.

This delivered increased Earning Per Share (EPS) of 17.5 cents.

The Board declared a final dividend of 5 cents per share, which has recently been paid and brings total dividends from 2014 earnings to 9 cents.

These impressive financial results have already exceeded the 3-year plan we disclosed in 2012 and are a tribute to the terrific effort put in by the entire SNL team.

Most of the strategic goals we outlined in 2012 have also been achieved, albeit with some delay to the opening of two new branches. These branches in Toowoomba, Queensland and Dunedin on the South Island of New Zealand are now in operation and will further enhance our network and service levels.

On the back of this strong performance we have rolled over to a new 3-year plan to 2017. Over this period we will continue to strengthen our service offering to all of the markets in which we participate, with continued emphasis on developing our position in the truck market where Multispare is well established but there remains significant opportunity for further growth.

The major investment we will make during the life of this new 3-year plan will be the relocation of our main Distribution Centre (DC) and Sydney branch in June 2015. Despite introducing many measures to alleviate growing congestion at Guildford we have, after 20 years, completely outgrown the current site and have made the decision to move to a new, purpose built facility at Pemulwuy, which is close by but offers improved customer and delivery access. The move will be costly but will generate operational efficiencies over time and is an essential platform for continued organic growth over the next 10-15 years. It will create a separate DC with close to double our existing capacity and provide our growing Sydney branch with a larger, separate and adjacent facility.

After a successful move of the Brisbane branch to a new, larger and higher profile site late last financial year, we will also be relocating the main Perth branch in May 2015 to a larger adjacent property to cater for expected growth in the region.

Additional branches are under consideration but our main priority in the near term is to undertake the work required for a seamless move to the new Pemulwuy facilities and to capitalise on opportunities for our established branch network.

In conjunction with the declaration of the final dividend we reinstated the Dividend Reinvestment Plan (DRP) and due to the thinly traded nature of the shares a \$2 cap was put in place. This was intended to encourage shareholders to support the plan and to help finance recent growth and our planned capital expenditure in relation to the relocation projects in Sydney and Perth. The DRP participation rate was over 80% and we would like to thank participating shareholders for their support.

Over the current financial year to date the market has remained both competitive and patchy in Australia, while New Zealand continues to perform well. Overall we expect to report Group sales revenue growth of around 5-6% for the half year to December and for challenging trading conditions to continue for the rest of the financial year. Under these circumstances and with added pressure from volatile exchange rates and rising costs as we develop our platform for continued organic growth we expect that current year EBIT will be similar to the EBIT reported for last financial year. EPS will be slightly diluted by the impact of the DRP. The tightening of our performance will be felt more so in the second half as we get closer to the move of our Perth and Sydney operations.

As discussed in the Annual Report we have a target of \$100 million in revenue at a 10% EBIT margin by 2017. The Board has committed to significant investments in 2015 and is confident these investments and our strong sales and service culture will underpin continued steady growth over the long term.

Thank you all for your attendance today and I would like to thank all our staff and my fellow Board members for their contribution to another great year and our shareholders for their continued support.