



**SUPPLY NETWORK LIMITED**

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21 November 2017

The Manager  
ASX Market 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 2017 Annual General Meeting

## 2017 - Review

A strong final quarter added to an excellent top line result for the 2017 year.

Revenue grew by 12% with good results across most regions, branches and targeted customer groups.

Maintenance of gross margins and persistent cost control saw EBIT grow by \$2.7m to \$9.9m for the full year.

Dividends declared for the period totalled 10 cents fully franked, continuing the pattern of steady dividend growth seen over many years.

Overall it was an excellent year.

## 2017 - 3-year plan review

2017 also marks the end of a very active 3-year plan during which we made a substantial investment in the future capacity of this business.

Financial highlights include: -

Sales growth of over \$16m

EBIT up by 11%

Total assets up by \$12.6m

Debt fell by 16%

Total Dividends paid of 52.5 cps including the special.

A strong finish put us only marginally behind the growth targets we set back in 2014.

Three new branches were opened and significant relocations were completed for the Perth and Sydney branches and the Sydney National Distribution Centre, all now performing at or above our expectations.

The main network project that wasn't completed due to construction delays was the New Zealand Distribution Centre (DC) with an attached branch based in Hamilton. Construction is now underway and is expected to be completed in early 2018.

The key strategic product focus of that plan was growth in the truck and trailer market. This has paid off as these products now contribute over 75% of our revenue and provided 100% of revenue growth over the three years as competitive pressures constrained growth in the bus market.

In summary, it was a good plan that was very well executed by Geoff and his team, leaving the business in great shape financially and with the infrastructure needed to commence our recently completed new plan to 2020.

## **2020 - Plan**

Over the life of the new plan we are aiming to increase sales by around \$20m through continued organic growth based on new services, network expansion and product development. We expect EBIT margins to remain around 10% over the period due to the additional costs associated with growth projects and competitive pressures.

Our main focus will remain on the truck market and to this end we have started work on a new branch in Port Hedland in north Western Australia to expand within this significant regional trucking hub. A site has been secured, the hiring of staff has commenced and we have started working closely with large foundation accounts. Other branch locations are being considered on the east coast to improve service in metropolitan markets and expand regionally.

We are also seeing new opportunities emerge in a continually evolving bus market and expect this to contribute to growth over the life of the plan.

As discussed in the Annual Report we have secured a well-positioned parcel of land in Christchurch and will develop this site to relocate our existing branch. Combined with the new Hamilton branch and DC, this will significantly improve our NZ network and provide the business with a solid platform for growth well into the future.

Product development and expanding supplier relationships will continue to add depth and diversity to our range, further enabling our service to existing clients and a broader market.

## **Outlook**

The activity levels seen in the second half of last financial year have continued in the first quarter of 2018 with revenue growth of approximately 13% and a slight lift in EBIT margins when compared with the same period in the prior year. We expect that the half year will deliver sales in the region of \$53 mil and EBIT in the region of \$5.3 mil.

## **Closing**

The board would like to thank all our dedicated staff for their substantial efforts over 2017 and the life of the previous plan. Geoff and his senior team have created a strong culture of sales, service and growth management that continues to strengthen our business within the industry and stands us in good stead for the future.

Thanks also to my fellow directors for their efforts over the year and to our shareholders for their support.