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20 November 2018

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

Peter Gill
Company Secretary

Chairman's Address to 2018 Annual General Meeting

2018 Review

A solid performance across all major customer segments resulted in strong overall revenue growth of 14.8% to $112.1m in the 2018 financial year.

Earnings before interest and tax (EBIT) of $12m was higher than forecast because of delays to the opening of our New Zealand Distribution Centre (DC) and Hamilton branch, amongst other things.

A final dividend of 8 cents per share brought the total of dividends declared for the financial year to 13.5 cents.

Once again, I am pleased for this opportunity to congratulate all our staff on another great result.

Australia

Sales in the Australian operation were particularly strong, up 16.6%.

Continued long-term investment on expanding our range of truck parts is creating new opportunities for our network around the country. During the year Port Headland branch was opened as a focused truck parts operation. Port Hedland is predominantly a heavy haulage market and this new branch will contribute to the growth of our product range for heavy truck combinations.

We continue to assess additional branch locations with a primary focus on improving service levels for independent repairers and truck fleet customers, supporting our plans for consistent growth in sales of truck and trailer parts over the long term.

After several years of steady sales to the bus market, in the 2018 financial year we had solid growth with bus fleets. We have recently picked up more bus fleet contracts and expect the current financial year to follow the same pattern of solid growth. However, our outlook for sales growth in bus parts over the longer term remains relatively subdued.

New Zealand

It has been a very busy period for our New Zealand division.

Although not as strong as Australia, in NZ$ term their sales growth was just over 10% and ahead of budget. We view this as an excellent effort considering the challenges of planning and implementing the relocation of NZ distribution operations to Hamilton and the opening of a new branch attached to this DC. The Board recently traveled to inspect the Hamilton facility, which is progressively taking control of distribution from the Auckland site and should service the distribution needs of our NZ business for many years.

Construction has commenced on the new site for our Christchurch branch and we expect this building to be commissioned around April 2019. The Board has decided to fund the construction and retain ownership of the property at this time.

Group

The Board has recently reconfirmed its commitment to the organic growth path we have been on for some time, with emphasis on growth opportunities in the truck market. To take advantage of these opportunities we have been building further depth in our sales and operations teams and exploring new and different ways to improve service for customers. Continued development of technology to drive efficiency in operations is a major focus.

As demonstrated with our final dividend, the Board would prefer a higher dividend payout ratio going forward. Despite financing most of our capital expenditure from cash flows, in recent years we have seen our gearing decline significantly. Our facilities and forecasts indicate we will remain in a strong position to fund current and ongoing capital projects and can sustain a higher dividend payout while maintaining a conservatively geared balance sheet.

Outlook

The economic outlook is less certain and less robust than 12 months ago and in recent months we have experienced some reduction in our rate of growth, noting that growth had been running above all targets and long-term trends. For the first quarter of the current financial year our revenue is up around 10% on the prior corresponding period. We expect this slower rate of growth to continue as we settle back to the healthy pace embedded into our long-term business development objectives.

Continued price competition, changes to our sales mix and some weakness of the exchange rate have combined to put pressure on gross margins. This coupled with increases in operating costs resulting from business expansion investments has seen EBIT margin dip for the year to date.

For the first half, we anticipate sales of approximately $60m and EBIT to be around $6m.

Closing

In closing, I'd like to thank all our staff for their continued effort and dedication through another record year for the company, my fellow Board members for their guidance and our shareholders for their ongoing support.