



SUPPLY NETWORK LIMITED

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ASX Release

25 November 2022

Chairman's Address and Half Year Performance Guidance

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

Authorised by the Board of Supply Network Limited

Robert Coleman

Chief Financial Officer

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Chairman's Address to 2022 Annual General Meeting

Another excellent year is a credit to our management and staff.

Revenue growth of 22%,

Earnings per share up 45%, and

Dividends per share up 60%.

After back-to-back years of around 20% revenue growth our biggest challenge over the period was to stay ahead of our growth with people, stock and warehouse space. This has mainly been achieved through bringing forward development plans, pursuing efficiencies in our systems and processes and a lot of hard work by staff.

Needless to say, the completion of our new distribution centre and branch at Truganina in Victoria will be welcomed. We expect operations on that site to progressively ramp up between February and April 2023. A Heads of Agreement has also been signed to expand this site with an additional 2800sqm of distribution floor space, which we expect to be completed in around 2 years.

The opening of our new South Brisbane/Gold Coast branch at Yatala has been delayed by the late arrival of racking materials and we now expect this site to commence operating in July 2023. With our project resources a little stretched, this delay at least allows a greater focus on the startup at Truganina.

Following the successful integration of an adjacent unit at Dandenong, doubling capacity and significantly improving control over product movements, we have now commenced the integration of the adjoining unit to our Somerton branch in the northern industrial precinct of Melbourne. Somerton was nearing capacity and had some site traffic management issues that have benefited immediately from this expansion.

Further network expansion and branch upgrades will be considered to improve service to customers and manage increasing volumes, however, projects already completed or announced will provide our business with substantial additional capacity.

Participation in the DRP for the final dividend was excellent at about 40% and we would like to thank those shareholders who took part. This will help fund our unusually high capital expenditure over the next 12 months, and will be kept in mind when determining future dividends.

It is likely that all of the financial targets and most of the development objectives detailed in our business plan to FY2024 will be met or exceeded by the end of the current financial year so we will shortly commence work on a new 3-Year Plan to FY2026.

Trading momentum this financial year has remained strong. Assuming current trends continue, we expect revenue for the first half of FY2023 to be in the range of \$116-\$118 million and profit after tax in the range \$12-\$12.5 million as we sweat existing infrastructure. Although we expect revenue growth to continue in the second half, higher costs from the Truganina DC and branch, the expansion of Somerton and preparations for Yatala will reduce profit growth over the second half.

It's been another very busy year and none of our achievements would have been possible without the enormous effort from all our staff, for which we are grateful. I'd also like to thank my fellow board members for their guidance and shareholders for their ongoing support.