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ASX Release

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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/Secretary
Telephone: + 61 2 8624 8077

Chairman's Address to 2024 Annual General Meeting

The 2024 result again came in ahead of our expectations at this time last year. I'd like to commend our 500 staff around Australia and New Zealand, who we credit for another excellent performance from your company.

A detailed review of 2024 is covered in our annual report, but I will summarise the highlights here.

Sales exceeded $300m with a steady profit after tax margin of 10.9%, producing a profit after tax of $33m.

Directors declared fully franked dividends totaling 56 cents for the year, which is an increase of 16.6% on 2023. An exceptional dividend reinvestment plan uptake of 83% for the final dividend has put the company in a solid financial position to fund further growth.

Network expansion continued over 2024 at a slightly slower pace with Yatala in south-east Queensland, the only new branch to open. Trading since it opened has been well ahead of expectations. The current year will see a new branch in outer north Perth, which is expected to open in March 2025, and we have committed to a doubling of the size of our Illawarra branch. Further additions are under consideration in high-growth regions. The expansion of DC capacity at Truganina in Victoria experienced delays with development approvals but construction has commenced, and the new building is expected to be operational around the end of this financial year. These projects combined with modifications to existing facilities are designed to enable the group to achieve revenues of $400+m.

As we have indicated a number of times, we expect our annual revenue growth to moderate this year towards historical levels of around 14%. Although the economy has showed signs of cooling, particularly in some sectors, our first quarter revenue is around budget levels and management report good overall activity, including new enquiries. Margins have remained strong, and this is benefiting our profit after tax. At this stage we expect revenue for the first half to be around $170m and profit after tax to be in the range $19.5m to $20.0m, inclusive of approximately $400,000 profit after tax on disposal of our Christchurch property. Profit growth will moderate in the second half as we absorb costs for the new branch in north Perth and for expansions in Adelaide, which is now fully operational, and Illawarra, which will be operational around the end of the third quarter. We also expect to start incurring some additional operating costs for the Truganina expansion late in the fourth quarter.

We welcomed Mr Robert Fraser to the Board earlier in the year and he has already made a significant contribution to the Governance and oversight of the company. He will be standing for election as part of the formalities today and we look forward to shareholder support on this. Subject to Robert's re-election, from the close of business at today's meeting I will step down from the role of Chairman and Robert will become our new Independent Chair. I will return to a Non-Executive Director role and look forward to supporting the continued growth of the business under Robert's leadership.

In closing I'd like to thank my fellow directors for their support over my time as Chairman and Geoff and his whole Multispares team for their tireless efforts in producing what has been a spectacular run of results from the business.