# FY2025 Half Year Update

For the first half of FY2025:

- Revenue from operations was $171.2m, an increase of 17.8% on the pcp,
- Profit after tax was $19.8m, an increase of 31.6% on the pcp,
- Basic earnings of 46.2 cps increased 28.3% on the pcp, and
- Interim dividend of 32.0 cps represented a 69.3% payout ratio for the first half.

## Review of Operations

Revenue growth in the first half of FY2025 continued to be stronger in Australia (18.1%) than in New Zealand (15.3%), although the closing growth gap is a pleasing reflection on efforts from senior staff on both side of the Tasman.

Gross margin improved ~2.3% on the prior corresponding period. Roughly half this increase was a recovery of margin lost during peak inflation and the other half was a result of improved sourcing, particularly improved access to critical high-quality products.

Operating expenses increased by 22.5% compared with the pcp. We expect that a similar trend will continue for the remainder of this financial year as we absorb costs related to implementing higher customer service standards and building out network capacity to support Group revenue of $400m. Notwithstanding the pressures of rapid revenue growth, we are pleased gross profit has continued growing faster than operating expenses.

We have been flagging our focus on "systems improvement, targeting transaction efficiency and the speed and accuracy of customer service" for 18 months, noting at the end of FY2024 this was likely to remain a key focus for another two years. With the goals of this work closely aligned to the needs of both staff and customers, we get strong buy-in from all teams. We mention this in our reports to give some insight to those outside the industry into the detailed and organic nature of the systems that have built this business; systems that must continue to evolve and improve to support continued growth.

Sales growth has been broadly based across geographic regions and customer segments. We understand that most truck franchise workshops are busy, in some cases capacity constrained, and most of the growth in the underlying demand for truck service and repairs is being absorbed by private fleet workshops and a growing base of independent repairers. These two customer groups are the primary targets of many years of investment in our unique alternative service for replacement parts.

## Implications for the Future

The macro environment, particularly the threat from new vehicle entrants, skilled labour challenges and technology confusion are raising the risks and changing the focus of investment in established truck franchise workshops. These factors will continue to constrain their capacity to meet market demand for established technologies. High-quality component manufacturers are aware of this trend and have been adjusting global distribution channels to work more closely with the most professional independent parts distributors. This has contributed to our improved sourcing and is helping us build out a position as the major alternative supplier for high-quality replacement parts.

At the end of FY2023 we talked about our new 3-Year Plan, including "new investments we need to support revenue of $350m … within 3 years". Following stronger than expected sales growth over the first 18 months of this plan, we will go close to $350m revenue in the current financial year, so we have commenced work on our next 3-Year Plan, one year early. This new plan will include investments needed to support revenue of $450m by FY2028. We note this is only a plan, but with good planning good things become possible. We will provide more details at the end of this financial year.

## Capital Management

We have had strong support from shareholders for our Dividend Reinvestment Plan, which has allowed us to target a pay out of around 70% of PAT in fully franked dividends while continuing to invest heavily in our working capital and network. We have left the DRP open for the half year dividend, to be paid on 4 April 2025, as Directors consider the DRP currently provides a favourable investment opportunity for both shareholders and your company.

Authorised by the Board of Supply Network Limited

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