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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

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Chairman's Address to 2023 Annual General Meeting

Financial year 2023 saw continued strong growth across the Group and produced another set of record results.

Revenue grew by 27% to \$252m.

Earnings per share increased by 17.5 cents to 66.5 cents.

Interim and final dividends for the financial year totalled 48 cents, giving a payout ratio of 72%, consistent with our stated objective to increase payout ratio to the higher end of our 60-70% target range.

Again, I'd like to thank those who participated in our DRP. An excellent uptake of 44% for the interim dividend and 47% for the final dividend enabled us to maintain a strong balance sheet while funding investments in facilities, working capital and systems to support ongoing growth.

Many network expansion projects were completed over the year and more have been commenced. These projects are important as they build our physical capacity and enable future growth.

As predicted last year, our 3-Year Plan ending FY2024 was essentially completed 12 months ahead of expectations. The Board has approved a new 3-Year Plan extending to FY2026. The major projects required to execute this new plan are in progress or have commenced planning and consultation.

The new 3-Year Plan is a continuation of our long-term organic growth strategy and leverages the infrastructure, systems and scale the Group has built over many years.

After recent years of accelerated growth, the first year of this new plan focuses on internal business improvements to drive efficiency and raise customer service standards, including significant updates to our catalogue, product offering and stocking systems. We will also increase the level of support for our New Zealand business, which has continued to perform well over recent years but, with fewer resources, lags Australia in the implementation of systems.

The broader 3-year plan also includes ongoing network development with potential branch locations identified. We already have a Heads of Agreement in place for the development of a new branch in one of our target markets and aim to add one or two more over the course of this plan.

With ongoing growth of the business adding complexity to the roll of the Board, we are exploring the appointment of an additional Non-Executive Director to add new skills and independence. We will update shareholders on this early in 2024.

Aggressive interest rate increases by central banks aimed at returning inflation to target levels have begun to affect our economy and, as you would expect, there has been a slowing of our sales growth momentum over the first quarter of FY2024. This slowing sales momentum is consistent with the full year FY2024 forecast we provided in our FY2023 Annual Report of revenue growth “close to or slightly above our 10-year average of 14%”.

Our current expectation for the first half of FY2024 is for revenue of ~\$145m and PAT of ~\$15m. The slightly lower profit margin reflects a higher cost base following investments in network expansion.

Management and staff have yet again done a tremendous job for shareholders and for their customers in the transport industry. I would like to commend them for their efforts and ongoing commitment. Thanks also to my fellow Board members and to shareholders for your continued support.

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