

## 2021 ANNUAL GENERAL MEETING – CEO ADDRESS

Good morning and welcome to all.

Whilst many in the audience will be aware of the history of the business, I felt it may be useful to revisit some of the Silk story.

In 2014, John Sood and I led a management buyout of Silk Contract Logistics. Over the seven years since, John and I have been the constant, during which time there have been shareholder changes, three acquisitions and significant organic growth, culminating with the public listing of Silk Logistics Holdings on the ASX in July this year.

Silk today provides a port-to-door logistics solution to the Australian market across two operating segments and three service lines – the Port Logistics segment provides wharf cartage and other container related ancillary services, and the Contract Logistics segment provides warehousing, which is storage and handling, and distribution services.

The key to Silk's success to date, is that we are technology enabled, we are asset light, and we are nimble and agile, such that we can adapt quickly to supply chain challenges to provide our customers with the service they seek. We do this through The Silk Way of working, which is the combination of our People, our Process, and our Technology – this underpins our service delivery.

Our core values, which are critical to The Silk Way, include an absolute focus on safety, a passion for innovation, a respect for each other, both internally and externally, always acting with integrity, being passionate about our service, and making sure that the customer is at the forefront of everything we do. This technology enabled, asset light, customer-centric operating model has delivered results. Silk has exceeded its FY21 Prospectus forecast and is now perfectly positioned to drive future growth.

As we reflect on the last 12 months in particular, our business has been able to successfully navigate the challenges presented by COVID-19.

Since February 2020, when the pandemic started to impact the Australian economy, the Silk operating model has allowed us to stay ahead of these challenges; and indeed, our revenue and earnings growth are a clear demonstration that we have achieved this.

We have a strong focus not just on winning new customers, but also on increasing the share of wallet from our existing customers – this has been a feature of our organic growth.

Why have we been able to deliver growth? Because we have been able to meet the demands and provide solutions to our customers, as they navigate their own supply chain challenges.

Indeed, as we look to the upcoming Christmas peak period, the lessons learned from the last 12 months, and the forward planning that we are doing now with our customers, will ensure that we can once again meet their demands, at a time when supply chain challenges continue to escalate.

Reflecting on the highlights of Silk's FY21 results, it is fair to say they represent seven years of focused effort from the senior management team. In particular, the last three years have been transformative – with acquisitions, new sites, consolidation, and the integration of those acquisitions underpinning the results presented today.

Critically, when we commenced in 2014, Silk deliberately targeted customer industry segments that we felt were going to be recession proof – food, dairy, ingredients, selected FMCG and even more selectively, specific retail customers. What that customer base has demonstrated, is that it is not only recession proof, in more recent times it has remained resilient through the COVID-19 pandemic.

The revenue growth in FY21 continued a seven-year CGAR of almost 20%. New business, that is new customers, and organic growth via our share of wallet focus, delivered \$46 million of annualised new revenue. Two thirds of this impacted our results in FY21, and pleasingly we are seeing the balance of these revenues pull through into FY22.

Our metrics on EBIT, cash generation and Return on Capital Employed all exceeded our Prospectus forecast.

Just as important as our financial results, our Health, Safety and Environment results demonstrate the commitment of our employees to uphold the Silk values. Our lost time injury frequency rate has improved significantly over the last 12 months, down 48% to 3.8, on a rolling twelve-month basis to the end of June 2021. This is particularly pleasing given the expansion of our workforce to support the growth in our business. Silk has over 700 permanent employees and close to 1,200 total personnel, including agency staff and sub-contract drivers.

We have delivered on our forecast for FY21 and have Silk primed to drive future growth.

I am pleased to advise that year to date to the end of October, the Group is tracking ahead of its FY22 Prospectus forecasts. Revenue is 6% ahead and pre-AASB16 EBIT is 8% ahead of Prospectus forecast.

This is despite the industry challenges faced through Q1 including extended COVID-19 lockdowns in New South Wales and Victoria, industrial action at Australian Ports, continued shipping delays, and the impact and cost of COVID-19 across our own operations.

Contributing to the strong performance, the Group's top 20 customers are cumulatively trading 30% up year on year. Positive momentum also continues across the major customer base with the renewal or extension of 10 major contracts year to date.

Consistent with our growth strategy outlined in the Prospectus, Silk continues to drive strong organic growth. We have secured almost \$19 million of estimated annual new revenue to the end of October and have a strong pipeline still in play.

Our Port Logistics billed container volumes are up 1% on FY22 Prospectus forecast and 12% versus previous corresponding period or pc. Billed revenue per container has also increased and year to date is 5.3% higher than forecast and 10% versus pc.

In Contract Logistics, leased warehouse capacity has been increased to 238,000 pallet spaces from 234,000 in our IPO Prospectus. Year to date warehouse occupancy has averaged 82.1%; this is ahead of Prospectus forecast of 80.1% and 73.3% versus pc.

Pleasingly our focus on Distribution is yielding results with billed consignments 26.9% ahead of forecast year to date and 58% higher than pc.

The business has also successfully negotiated Enterprise Agreement outcomes in Victoria and have an In Principle Agreement in Queensland for a new Enterprise Agreement, with a vote to occur this month. At a time when the industrial landscape is becoming more challenging and wage pressures are emerging across the industry, this is a significant and positive step towards maintaining the stable workforce environment that has served our customers so well.

We also recently announced the first stage of our property consolidation and capacity expansion project in New South Wales. We have carefully selected and acquired an 11-hectare greenfield site, strategically located at Kemps Creek, Sydney, which is part of a major New South Wales Government development for a new logistics hub in Western Sydney.

This will facilitate the partial consolidation of a number of our New South Wales warehouse sites into a 'Silk Logistics Campus', at a lower cost per pallet space to serve, and importantly, providing further capacity of up to 15,000 pallet spaces for growth in our New South Wales warehousing operations.

This is the first step in delivering on one of the key growth strategies in Silk's IPO Prospectus. Several key milestones are planned over the coming 3-year period including entering into a sale and leaseback agreement with a preferred take-out party, development of the site to accommodate purpose-built warehouses for Silk's operations and achievement of practical completion by Q4 CY2024. Settlement of the land will occur in March 2023.

It is Silk's intention to close on the sale and leaseback of the site to a preferred take-out party as a priority. We have identified 11 interested parties and expect to nominate the preferred take-out party by the 7<sup>th</sup> of December. The preferred take-out party will then commence formal due diligence, with a target date for completion of this phase by 1<sup>st</sup> of February 2022. Following the due diligence phase, the next phase will involve the negotiation and finalization of transaction documentation which will include the assignment of the land purchase contract and entering into a sale and leaseback agreement. We expect that at or around this time Silk's non-refundable deposit will be repaid and its share of the development profit will be confirmed.

We also continue to be active with acquisitions that will enhance our capability and strengthen our offering to the Australian market. Whilst COVID-19 has slowed our progress, we are confident that we will secure at least one acquisition in this current financial period.

We are pursuing a targeted M&A strategy and are involved in a negotiation with a counterparty in the E-commerce sector and we anticipate completing the transaction early in CY2022. As previously indicated, we are also pursuing port logistics targets in South Australia and Western Australia, however, this is where the impact of COVID-19 has slowed our progress. Yet again we have had to adapt and focus on targets that are more addressable.

I trust with what we have presented today, we have demonstrated that our asset light, technology enabled business can adapt, is agile, and can meet industry challenges head on.

It is for these reasons management is confident that it will deliver the full year FY22 financial result at or above the IPO Prospectus forecast and continue to drive future growth. A further trading update will be issued with Silk's half year reporting.

In closing I'd like to thank you for your time today, and you can be assured that your Management team is working hard to create value for shareholders.

*This announcement is authorised for release by the Board of Directors of Silk Logistics Holdings Limited.*

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**Forward-Looking Statements**

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