



SILK
LOGISTICS
HOLDINGS

FY23 HALF YEAR RESULTS PRESENTATION

Presenters Brendan Boyd, MD & CEO

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ACKNOWLEDGMENT OF COUNTRY



FINANCIAL HIGHLIGHTS

Significant profitability growth, strong balance sheet and maintainable dividend yield



REVENUE

39.1% increase

\$253.6m versus \$182.4 1H FY22

Strength of integrated service offer



UNDERLYING EBIT¹

34.8% increase

\$19.7m versus \$14.6m 1H FY22

Earnings growth in both segments



UNDERLYING NPAT GROWTH

32.4% increase

\$9.8m versus \$7.4m in 1H FY22

Substantial operating leverage



STRONG BALANCE SHEET

\$34.1 million Cash

Firepower for acquisitions and expansion



UNDERLYING EPS GROWTH

26.5%

Delivering shareholder value



ENHANCED DIVIDEND YIELD

5.0% annualised

4.25% annualised yield for full year FY22

DPS of 5.27 cps



¹ Underlying EBIT(DA) represents EBIT(DA) post-AASB16 Leases and before significant items. Significant items are set out on slide 10.

ACHIEVEMENTS

Success against critical KPIs underpins the growth and scalability of our business



Financial Performance

- Significant growth (revenue up 39.1% versus 1H FY22, EBIT up 34.8%)
- Maintained underlying margins in challenging industry conditions whilst investing in future growth
- Substantial operating leverage



Operations

- Growth in Contract Logistics revenue (51.6% increase versus 1H FY22)
- Growth in Port Logistics revenue (31.5% increase versus 1H FY22)
- Resource and capital investment in automation to support new warehouse sites



Customers

- New business wins of \$34.0 million (annualised)
- Renewed customer contracts with a value of \$83.1 million (annualised)
- Recurring (contracted) revenue of \$377.0 million (versus \$332.6 million in 1H FY22)



People, Safety & Governance

- Reduction in TRIFR to 8.9 (from 12.9 in 1H FY22)
- Establishment of an Employee Share Plan ('ESP')
- Carbon emission baselining advanced with targets to be set for FY24



Technology

- Further development of Customer Self-Service Portal
- IT investment to ensure business continuity
- Substantial investment in best practice cyber security (Essential 8)



M&A

- Completed 101Warehousing integration and acquisition of Fremantle Freight & Storage
- Both acquisitions on track for target earnings
- Well progressed with a range of potential targets, consistent with our Board-approved Strategy

SNAPSHOT OF SILK

Technology-enabled, national 'Port-to-Door' logistics provider



Highly Experienced
Board and management team

Growth Aspiration
Target \$1 billion revenue

Competitive Advantages
Integrated model, customer service, technology and people

1,700+
Labour force across 50 sites

600+
Customers across Port Logistics and Contract Logistics

OPERATING METRICS

National operations, with a time-certain approach to customer fulfilment

356,350 sqm

Container hardstand area
64.3% increase on 1H FY22



486,781 sqm

Total warehouse area¹
39.3% increase on 1H FY22



76

Carrier partners nationally²



154,816

1H FY23 Billed Containers
2.4% increase on 1H FY22



90.0%

Avg. leased warehouse occupancy³
versus 81.6% in 1H FY22



44,377

1H FY23 Billed Consignments
15.7% increase on 1H FY22



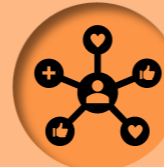
1,715

Total labour force⁴
39.9% increase on 1H FY22



190,047

ESP Shares issued
Representing 432 SLH employees



8.9 TRIFR⁵

Decreased from 10.7 (FY22)
and 12.9 (1H FY22)



¹ As at 25 December 2022; leased and managed sites.

² As at 25 December 2022.

³ Silk Contract Logistics leased warehouses only.

⁴ Includes company employed (permanent, fixed term, casual), agency supplied labour and independent transport sub-contractor pool in week ending 25 December 2022.

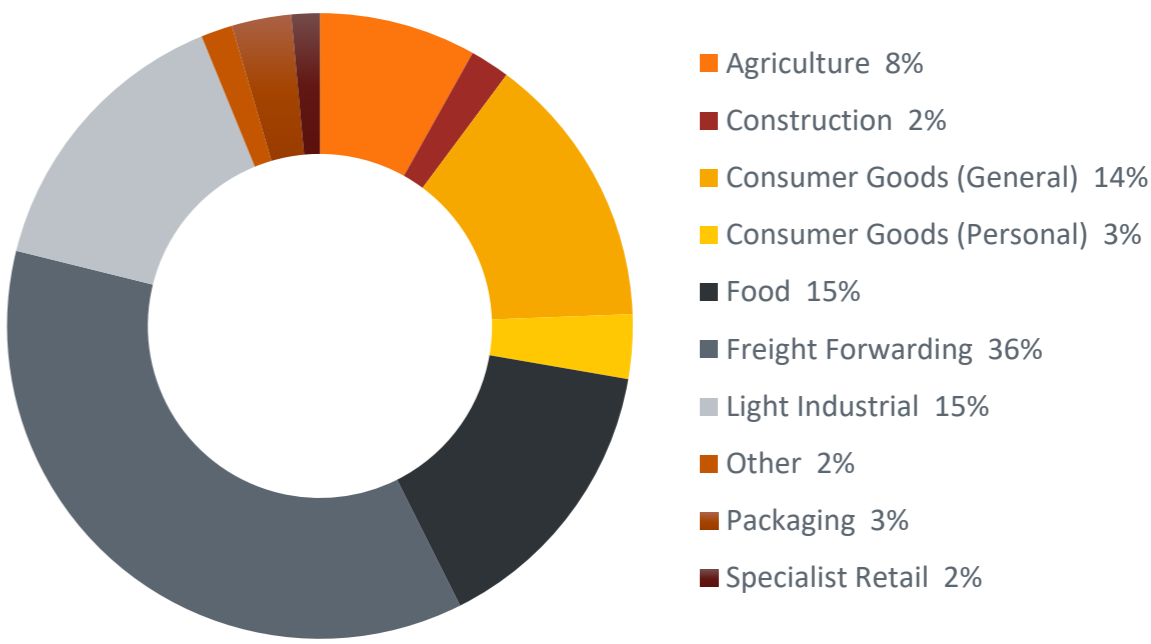
⁵ TRIFR is reported as rolling 12-month average to the end of the reporting period. FY22 and 1H FY22 have been recalculated to reflect a new calculation method to include all staff hours and incidents inclusive of casual and sub contractors not captured at the time of publishing FY22 and 1H FY22 results. TRIFR excludes FFS for the period.

EXPANDING CAPABILITY & CUSTOMER BASE

50 operational sites strategically positioned across 43 locations nationally



SILK REVENUE BY CUSTOMER MARKET CATEGORY



All customer analysis excludes FFS for the period

85,000+ sqm of new warehouse capacity under development

8.3 years average relationship with contracted customers

78% of contracted revenue from customers with a tenure of more than 4 years



FINANCIAL PERFORMANCE



1H FY23 GROUP RESULTS SUMMARY

Earnings driven by revenue growth and a disciplined cost focus



- Significant revenue and earnings growth driven by:
 - New revenue of \$34.0 million (annualised)
 - Operating leverage
 - Consistent import volumes and strong agricultural export sector
 - High warehouse occupancy levels (90%)

- Increased underlying EBIT margin in Port Logistics
- Warehousing margins impacted by congestion, reduced productivity and pallet shortages
- Distribution margins continued to compress, albeit improvement late in 1H

- Continued investment aligned to strategic plan:
 - Corporate development (M&A) capability
 - Expanding business development resources
 - New property / capacity expansion
 - Automation initiatives
 - Technology initiatives

(\$m)	1H FY23	1H FY22	Change*
Post-AASB16 Leases			
Revenue	253.6	182.4	39.1%
Underlying EBITDA ¹	44.2	33.5	32.0%
<i>Underlying EBITDA margin %</i>	<i>17.4%</i>	<i>18.4%</i>	<i>(1.0) pp</i>
Underlying EBIT ¹	19.7	14.6	34.8%
<i>Underlying EBIT margin %</i>	<i>7.8%</i>	<i>8.0%</i>	<i>(0.2) pp</i>
Underlying NPAT ²	9.8	7.4	32.4%
Statutory NPAT ²	8.8	3.5	151.4%
Underlying free cash flow ³	14.5	12.1	21.5%
Underlying EPS (cents) ⁴	12.41	9.81	26.5%
Significant items (after tax) ⁵	0.9	3.9	N/A

¹ Refer slide 11 for segment analysis. Includes profit on disposal of fleet assets of \$0.4 million (1H FY22 \$0.6 million).

² Includes post tax profit on fleet asset disposals.

³ Refer slide 13 for Cash Flow analysis.

⁴ Basic EPS calculated using underlying NPAT.

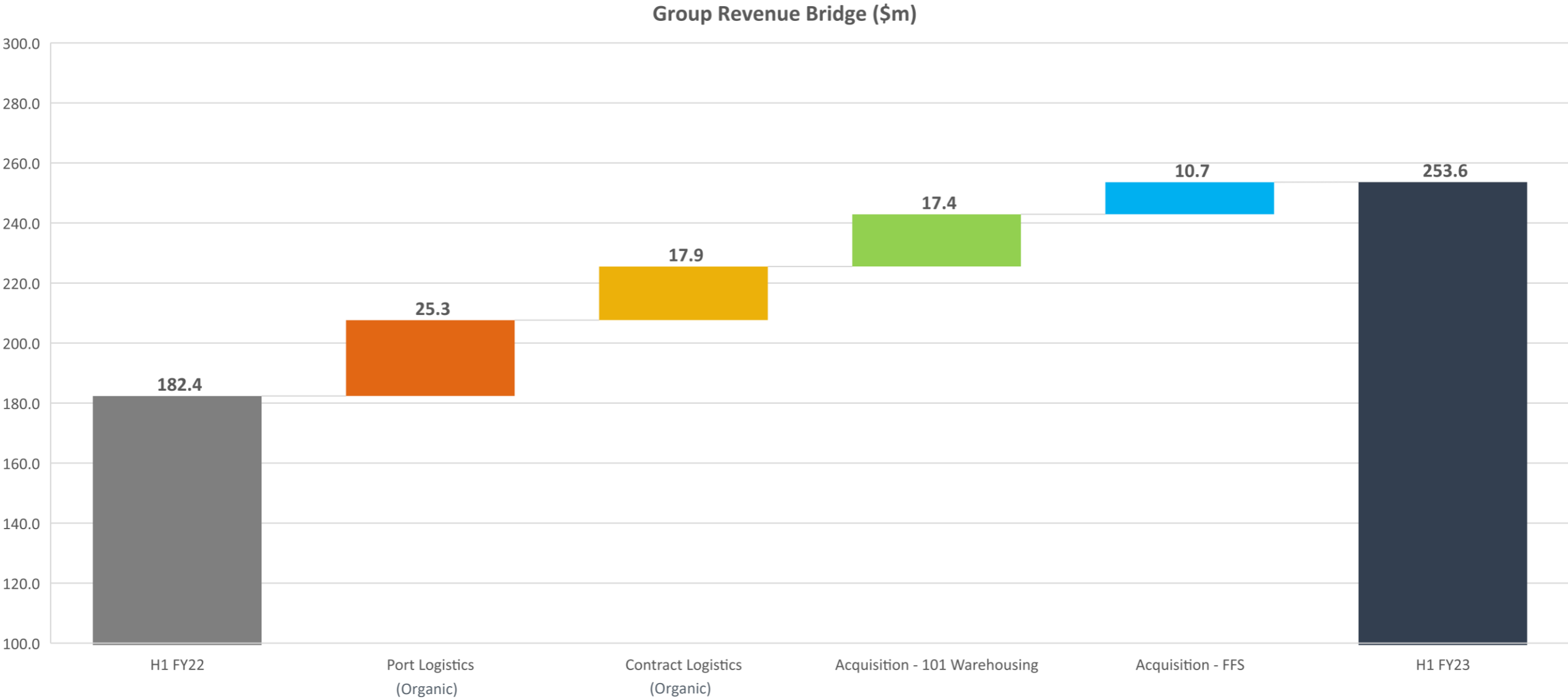
⁵ Significant items are profit or loss items associated with mergers and acquisitions activity, capital restructures or certain one-off events included in reporting periods that are not reflective of underlying business activities. FY23 pre-tax significant items include – business acquisition costs of \$1.2m; FY22 pre-tax significant items include – IPO Costs \$3.1m, pre-IPO Share-based payments \$1.8m and business acquisition costs \$0.3m.

*Change on margin % represents difference in percentage points (pp) from prior period.

PROFITABLE REVENUE GROWTH



Revenue growth underpinned by customer growth (60%) and acquisitions (40%)



I H FY23 SEGMENT RESULTS

Earnings growth underpinned by strong Port Logistics performance

	Port Logistics			Contract Logistics			SLH Group		
(\$m)	1H FY23	1H FY22	Change*	1H FY23	1H FY22	Change*	1H FY23	1H FY22	Change*
Post-AASB16 Leases									
Revenue	150.0	114.0	31.5%	103.7	68.4	51.6%	253.6	182.4	39.1%
Expenses	129.0	99.6	29.5%	80.5	49.3	63.2%	209.5	148.9	40.6%
Underlying EBITDA¹	21.0	14.4	45.9%	23.2	19.1	21.5%	44.2	33.5	32.0%
<i>Underlying EBITDA margin %</i>	<i>14.0%</i>	<i>12.7%</i>	<i>1.3pp</i>	<i>22.4%</i>	<i>28.0%</i>	<i>(5.6)pp</i>	<i>17.4%</i>	<i>18.4%</i>	<i>(1.0)pp</i>
Underlying EBIT¹	13.2	8.2	60.9%	6.5	6.4	1.6%	19.7	14.6	34.8%
<i>Underlying EBIT margin %</i>	<i>8.8%</i>	<i>7.2%</i>	<i>1.6pp</i>	<i>6.3%</i>	<i>9.3%</i>	<i>(3.0)pp</i>	<i>7.8%</i>	<i>8.0%</i>	<i>(0.2)pp</i>

PORT LOGISTICS

154,816

Billed Containers

2.4%

Increase on 1H FY22



CONTRACT LOGISTICS

90%

Warehouse Utilisation

8.3pp

Increase on 1H FY22



CONTRACT LOGISTICS

44,377

Billed Consignments

15.7%

Increase on 1H FY22



¹ Includes profit on disposal of fleet assets of \$0.4 million (1H FY22 \$0.6 million).

* Change on margin % represents difference in percentage points (pp) from prior period.

BALANCE SHEET

Low gearing, with acquisition and expansion firepower

Statutory Balance Sheet (post-AASB16 Leases)

(\$m)	As at 25 Dec-22	As at 26 Jun-22
Cash and cash equivalents	34.1	32.0
Trade, other receivables & assets	76.5	67.5
Total current assets	110.6	99.5
PP&E, right of use assets	202.7	161.4
Intangible & deferred tax assets	76.1	54.2
Total non-current assets	278.8	215.6
Total assets	389.4	315.1
Trade and other payables	(51.5)	(42.0)
Other financial liabilities	(12.0)	(-)
Lease liabilities	(39.7)	(39.2)
Other current liabilities ¹	(12.2)	(22.5)
Borrowings	(6.3)	(0.1)
Total current liabilities	(121.7)	(103.8)
Lease liabilities	(168.9)	(130.6)
Other non-current liabilities	(5.8)	(4.2)
Borrowings	(21.4)	(9.6)
Total non-current liabilities	(196.1)	(144.4)
Total liabilities	(317.8)	(248.2)
Net assets	71.6	66.9
Issued capital	74.4	73.8
Retained earnings	20.6	16.7
Reserves	(23.4)	(23.6)
Total equity	71.6	66.9

Low gearing

Gross leverage² 1.39x (Dec 21: 0.9x)



Borrowing capacity³

\$50.0 million



Acquisition firepower

Strong cash and debt capacity
(SLH and target earnings)



¹ Other current liabilities include provisions, current tax liabilities and deferred revenue.

² Gross leverage = (corporate debt, bank guarantees and hire purchase liabilities) / underlying pre-AASB16 Lease EBITDA over proceeding 12 months (measured in accordance with bank finance facility covenant).

³ Based on Silk's borrowing threshold range.

CASH FLOW

Cash generation underpinned by asset strategy and disciplined approach to working capital

Recurring cash generation



Strong cash generation



Robust working capital practices



Clean debtor book -
> 90 days aged debtors at 2.9%



Asset strategy and capital allocation



Prudent capex investment \$3.0m offset by sale of asset proceeds

(\$m)	1H FY23	1H FY22
Underlying EBITDA	44.2	33.6
Lease payments	(24.7)	(18.7)
Underlying EBITDA (after lease payments)	19.5	14.9
Non-cash items	(0.4)	(0.6)
Changes in working capital	0.7	(4.2)
Net capex	(1.9)	-
Free cash flow before adjustments	17.9	10.1
Lease deferral impact	0.2	0.8
BAS deferral impact	-	-
Underlying free cash flow (after net capex)	18.1	10.9
Underlying free cash flow (after net capex) / Underlying EBITDA (after lease payments)	92.8%	73.2%



FIVE-YEAR GROWTH STRATEGY



OUR VISION AND VALUES

Clarity of vision and values gives purpose to our strategy

OUR VISION

The market leader of innovative supply chain solutions through our people and connected networks making it easy for our customers to do business

OUR VALUES



Safety

Safety first,
always.



Customer-Centric

Passionate
about
understanding
and anticipating
our customers'
needs.



Innovation

Challenging the
status quo and
striving for
excellence.



Passion

Consistently
striving to
exceed
expectations.



Respect

Celebrating
diversity and
treating every
single person
with respect.



Integrity

Doing the right
thing regardless
of the outcome.

FIVE-YEAR GROWTH STRATEGY

Achieving our ambition through a clear set of strategic pillars and enablers

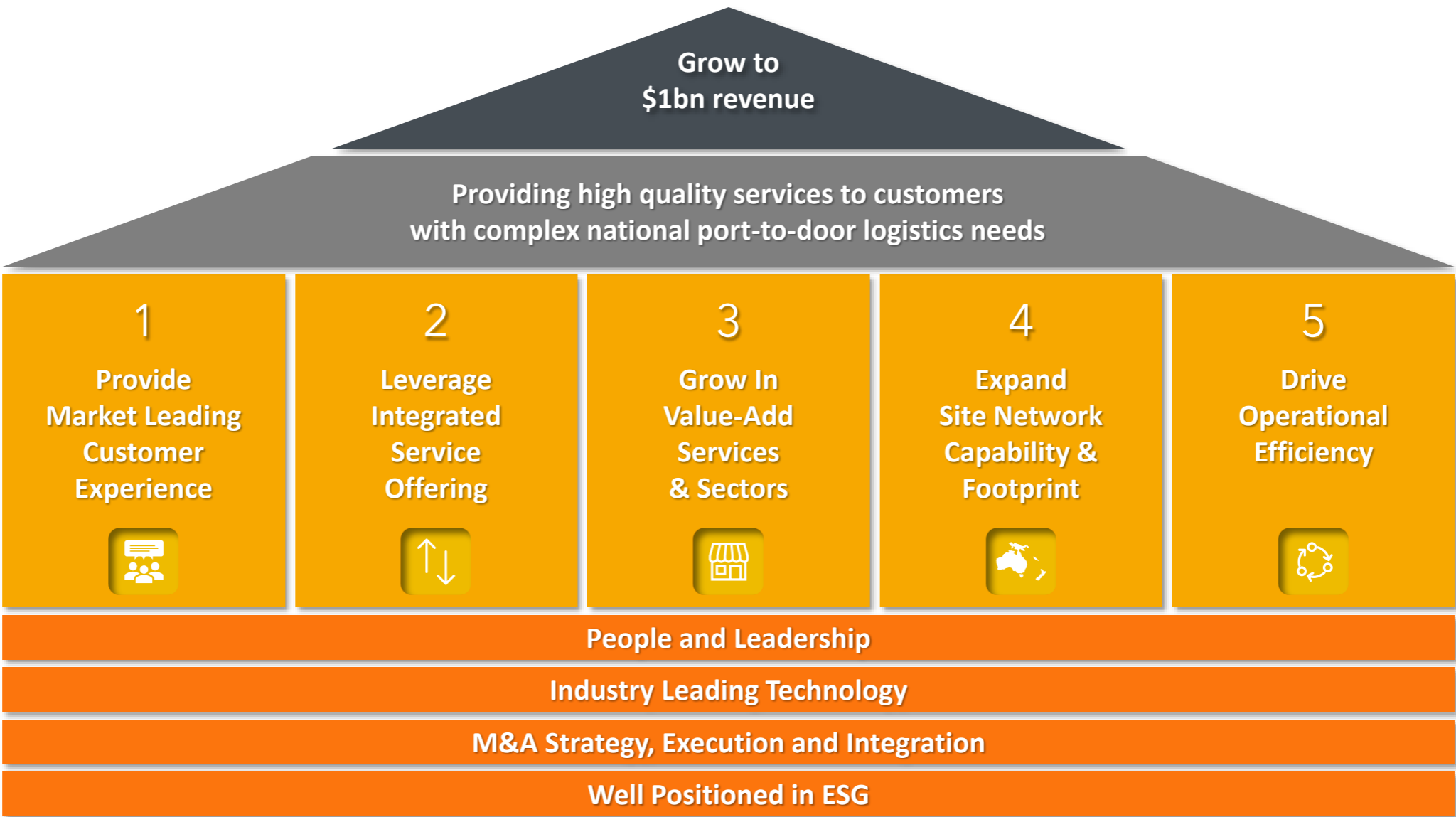


Our
Ambition

Our Focus

Our
Strategic
Pillars

Our
Enablers



OUR STRATEGIC PILLARS – DELIVERING VALUE

Providing a leading customer experience across an integrated offering



I. PROVIDE MARKET LEADING CUSTOMER EXPERIENCE

A clear point of differentiation fostering strong relationships and customer retention



STRONG NPS UPLIFT

- Implement integrated Customer Service Centre of Excellence
- Leverage data-driven insights to optimise the customer experience



INTEGRATED CUSTOMER SOLUTIONS

- Enhance end-to-end supply chain visibility through integrated technology offering
- Rollout centralised customer portal to manage services



CUSTOMER-CENTRIC CULTURE

- Embed “The Silk Way” – the highest standards of customer service and operations
- Ongoing customer interaction measurement and feedback

2. LEVERAGING OUR INTEGRATED SERVICE OFFERING

Comprehensive service offering, capturing share of wallet across our customers’ logistics needs



RAPIDLY GROW DISTRIBUTION

- M&A focus on scale and scalability
- Increase capability with a national Distribution network, capturing value of Port Logistics and Warehousing customers



MULTI-SERVICE SHARE OF WALLET

- Increase share of wallet across the Port Logistics and Contract Logistics needs of our customers
- Expand pull-through opportunities via targeted M&A



GEOGRAPHIC SHARE OF WALLET

- Capture share of wallet across geographies including existing customers and acquisition synergies (e.g. WA & East Coast customers)
- Pursue aligned regional opportunities

OUR STRATEGIC PILLARS – DELIVERING GROWTH

Diversifying our revenue growth into new markets and geographies



3. GROW VALUE-ADD SERVICES & SECTORS

Expanding and diversifying into higher margin services, with a greater share of wallet



PURSUE ADJACENT VALUE-ADD SERVICES

- Grow value-add services required by customers including container pack / unpack, fumigation and cross-docking
- Pursue value-add M&A opportunities



CAPTURE E-COMMERCE GROWTH

- Deliver pipeline of new B2C customers and sites
- Expand multichannel fulfilment capability to meet growing customer requirement



TARGET NEW CUSTOMERS & MARKETS

- Target growth in export customers, balancing asset utilisation
- Target adjacent industry verticals with favourable growth and resilience

4. EXPAND SITE NETWORK CAPABILITY & FOOTPRINT

Investing in the scale and infrastructure to service our growing customer base



DELIVER LARGE SCALE MULTIUSER SITES

- New large scale multiuser sites in strategic locations – NSW, Victoria, Queensland, WA
- Purpose built facilities for efficiency and scale



INVEST IN BEST-FIT AUTOMATION

- Invest in best-fit warehouse automation technology solutions for key long-term customers



PURSUE GEOGRAPHIC EXPANSION OPPORTUNITIES

- Extend national footprint (scale in metro locations and regional)
- Assess international expansion opportunities, especially M&A

OUR STRATEGIC PILLARS – DELIVERING EXCELLENCE

Maintaining and improving utilisation and efficiency

5. DRIVE OPERATIONAL EFFICIENCY



PROCESS ALIGNMENT & EXCELLENCE

- National program to drive process standardisation and excellence across sites
- Integration of acquisitions to capture efficiency synergies



OPTIMISED SITE NETWORK

- Site network strategically located and designed to capture new revenue opportunities
- Development of larger sites with optimised design and layout



CONTINUOUS IMPROVEMENT PROGRAM

- Embed continuous improvement methodologies across our sites and deliver key customers programs
- Review fleet management to optimise Total Cost of Ownership

New purpose-built hub at Kemps Creek NSW and WA expansion with Kenwick 2

- Strategically positioned sites
- 85,000 sqm of warehousing with multi-modal connectivity
- 5 star energy rating
- Investment in automation to drive efficiency
- Over \$40m p.a. revenue opportunity



FY23 GUIDANCE



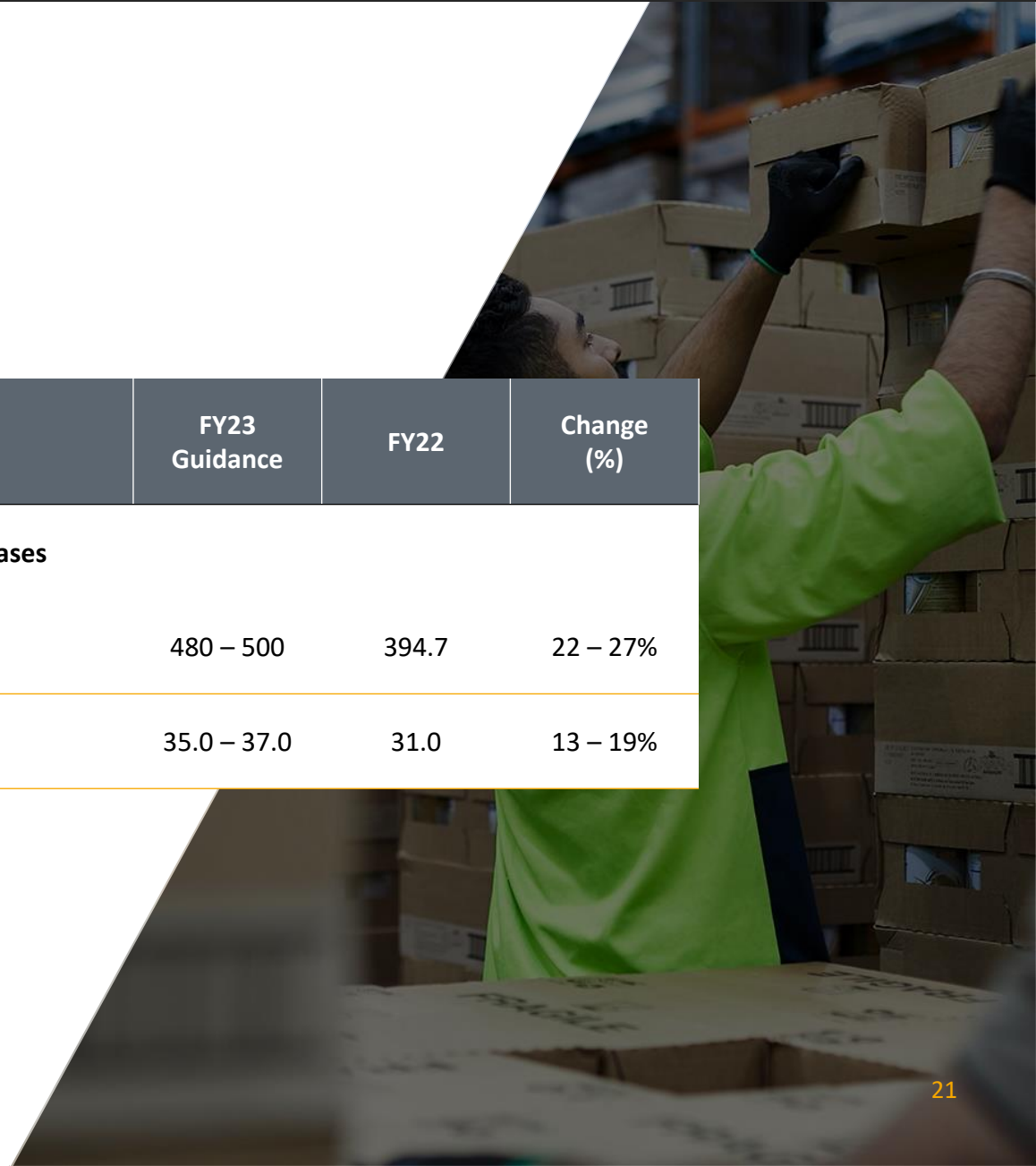
FY23 EARNINGS GUIDANCE

Investment in people and capacity will drive earnings and scalability

Based on our first half results and our progress to date in the second half, we are pleased to provide guidance for the full year to 30 June 2023 as follows:

- Revenue: \$480 - 500 million
- EBIT (post-AASB16): \$35.0 – 37.0 million

- Our guidance reflects:
 - Continued investment in growth (BD driving customer wins for new sites, Solution design and execution, Corporate Development focusing on M&A, Business Intelligence & Strategy execution)
 - Investment in automation, providing long term efficiency benefits
 - Easing of warehouse occupancy (90% - 85%), with a delay on the expected improvement in handling productivity
 - Subdued import container volumes, consistent export volumes, and further new customer wins
 - Business returning to historical split between 1H and 2H earnings (typically ~52/48%)
- Earnings guidance above:
 - is based on the continuation of current economic conditions and no further unexpected industry, customer and supplier events; and
 - does not assume completion of any M&A opportunities currently under assessment.



(\$m)	FY23 Guidance	FY22	Change (%)
Post-AASB16 Leases			
Revenue	480 – 500	394.7	22 – 27%
Underlying EBIT	35.0 – 37.0	31.0	13 – 19%

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