SILK LOGISTICS HOLDINGS

2023 ANNUAL GENERAL MEETING – CEO REPORT

Good morning and welcome all.

As just outlined by Terry, Silk has continued its track record of growing revenue and profit since IPO. Our resilient performance in FY23 is testament to Silk's asset-right and variable cost business model, our people, and our keen focus on customer service excellence. I am pleased to report that we have delivered strong results for FY23 despite challenging economic conditions.

Importantly Silk remains well positioned to manage through these conditions and drive sustainable results in FY24 and beyond.

FY23 was a tale of two halves. In 1HFY23 the Group reported strong revenue and profit growth over the previous corresponding period ('pcp'); and whilst full year FY23 revenue and profit increased on pcp, this growth was slower in 2HFY23. The second half was underpinned by economic uncertainty, including rising interest rates and inflation, softer consumer discretionary spending, and an inventory correction as stock levels readjusted (from the just-in-case to just-in-time volumes). You may recall I spoke of this impending inventory correction when we released our FY23 interim results in February. Silk enjoys some protection from these exterior challenges by maintaining a diversified blue chip customer base with no single customer contributing greater than 5% of revenue, and having low exposure to the e-commerce sector and consumer discretionary spend.

Despite a slower second half, Silk successfully delivered a robust full-year performance. This is highlighted by revenue of $488.6 million, underlying earnings before interest and tax ('EBIT'[1]) of $35.5 million and underlying net profit after tax ('NPAT'[1]) of $15.9 million. We were pleased to be able to reward our shareholders with a full year dividend of 8.37 cents per share, representing an attractive yield of 4.0% p.a.

Our financial performance is testament to Silk's proven ability to drive revenue growth, apply disciplined cost recovery mechanisms, and our ability to vary our cost depending on operating volumes. For example, I've spoken previously about our arrangements on trailing equipment and fleet, where we can stand equipment down on a day's notice at no cost. Approximately 60% of our cost base across direct labour and equipment hire is variable.

Silk's growth is a result of our relentless focus on customer service and long term partnerships. In FY23, organic growth contributed 55% of the total revenue increase. This was underpinned by $65.8 million of annualised new business, and our disciplined yield management program which delivered $20.9 million revenue uplift. Contracted recurring revenue from our diversified customer base across food, light-industrial and FMCG sectors grew to $352.0 million up from $267.8 million in FY22.

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Revenue from our recent acquisitions contributed 45% of our revenue growth, highlighting our ability to acquire, integrate and grow businesses. 101 Warehousing revenue of $39.0 million was 62% above pre-acquisition levels. FFS revenue of $28.4 million, or $34 million on an annualised basis, was 17.5% above pre-acquisition levels.

We extended our national Port Logistics capacity, with the container hardstand area increasing to 356,350 sqm (predominantly as a result of the FFS acquisition). Our warehouse capacity decreased slightly year-on-year, however warehouse occupancy for FY23 was 89% (up from 82% in FY22). Our distribution network continued to build with 85,203 billed consignments in FY23 (up 12.4% on prior year). This has allowed us to extend our geographic presence, diversify our customer base and broaden our integrated service offer.

The strong performance in FY23 reflects the capability of the Silk team and their commitment to uphold 'The Silk Way' and our core values. Indeed, the most critical of our values is Safety, and during the period our lost time injury frequency rate (LTIFR) reduced to 2.8 from 4.4 in FY22. This compares favourably against an industry rate of 12.5.

Silk takes its Environmental, Social and Governance ('ESG') responsibilities seriously and is committed to making tangible progress against our roadmap. We recognise the important contribution that the logistics industry will play in this space and are committed to progressively reduce our greenhouse gas emissions in accordance with government regulations and timelines. We are working with a range of recognised partners in order to achieve this important outcome.

During the period we completed our carbon emission baselining. We will present our targets in detail in FY24 as part of our goals towards net-zero emissions by 2050. Our framework will involve investment in low-emission alternative fuel trials, reducing carbon intensity, and growth in recycling and waste segregation.

At the commencement of FY24 we welcomed Secon Freight Logistics ('Secon') to the Silk family. Secon significantly expands our Port Logistics business in Victoria, provides scale to our existing bulk logistic services nationally, and offers bonded warehouse services. Bulk logistics is an attractive target market for Silk, with long-term contracts at attractive margins due to the specialised nature of the work. Secon allows us to offer these services to existing customers and is expected to be EPS accretive in the first year of ownership.

As you are aware, technology is a key part of Silk's service offer, and we continue to invest in our technology stack, with upgrades to our transport management systems in Port Logistics and Distribution, and our focus on cyber security platform. In 1HFY24 our customer experience will be further enhanced through the roll-out of phase 1 of our new customer control tower which will deliver improved business insights.

Over the course of FY24, our site network will grow with the integration of Secon, increasing hardstand and warehousing capacity in Victoria. In WA the completion of our second facility at Kenwick will add 25,000 sqm of 6-star Green-rated warehouse and additional hardstand capacity.

As previously announced, we will not proceed with the Kemps Creek greenfield site in NSW. However, we continue to look for opportunities to expand capacity to support organic growth ambitions.

Whilst acquisitions remain an integral part of our strategic plan, our focus for the remainder of FY24 will be on the integration of acquired businesses, continuing to enhance our customers' experience and driving organic growth.

For the FY24 period, Silk expects to continue to grow revenue and earnings, subject to no further adverse changes in economic conditions. Earnings are expected to be broadly in line with market consensus with a bias toward the second half as conditions normalise.

Lastly, I would like to acknowledge our Board of Directors under Terry's stewardship, my executive team, and the entire Silk workforce for their continued drive and commitment to 'The Silk Way'. Their energy, focus and endeavour make these achievements possible. Collectively, we are grateful for the on-going support of our customers, suppliers, strategic partners and shareholders through FY23, and I look forward to what we can achieve together in future periods.

Thank you for your time and attendance today. You can be assured that we are committed to creating continued long-term value for our shareholders and we have a clear strategic plan to achieve this outcome.

I now hand you back to our Chair, Terry Sinclair, to continue with the AGM proceedings.

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

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Forward-Looking Statements

This announcement contains forward-looking statements, including references to expected outcomes. Forward-looking statements are not guarantees of future performance or events and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond SLH's control and speak only as of the date of this announcement. Readers are cautioned not to place undue reliance on forward-looking statements.

Non-IFRS financial information:

This Letter contains certain non-IFRS financial measures of earnings before interest, tax, depreciation and amortisation ('EBITDA') and earnings before interest and tax ('EBIT'). Underlying performance measures exclude the impact of significant items, which 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. Non-IFRS financial information should be considered in addition to, and is not intended to be a substitute for, or more important than, IFRS measures. The presentation of non-IFRS measures is in line with Regulatory Guide 230 issued by the Australian Security and Investments Commission to promote full and clear disclosure for investors and other users of financial information and minimise the possibility of being misled by such information. These measures are used by management and the directors as the primary measures of assessing the financial performance of the Group. The directors also believe that these non-IFRS measures assist in providing additional meaningful information on the underlying drivers of the business, performance and trends, as well as the financial position of the Group. Non-IFRS measures are not subject to audit or review.

Refer to the page 10 of the Annual General Meeting presentation for a reconciliation between reported statutory profit and underlying earnings.

Footnotes –

[1] Refer Non-IFRS financial information disclaimer.

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