SILK LOGISTICS HOLDINGS

2024 AGM – CEO Address

Good morning, thank you to all for joining us today for our 2024 AGM.

I feel privileged to be able to present to you today as the CEO of Silk, and as Terry mentioned I would like to thank Brendan as my predecessor for his commitment and efforts in the role.

As Terry also mentioned, we delivered a solid financial performance in FY24. At the time of our FY24 results release we discussed how the FY24 period underwent a shift in sentiment, moving away from the pandemic mindset of 'just in case' back to a 'just in time' approach. This shift resulted in a rapid decline in customer inventories as customers corrected their stock holding positions. Despite this, Silk continued its trajectory of growth underpinned by its national integrated service offering, delivering revenues of $556.4 million, a 13.9% increase on the prior corresponding FY23 period.

Pleasingly, the intensity that came from the movement away from just-in-case to just-in -time, has now stabilised. This is being observed with improving stability in our warehouse utilisation and steady volumes through our Port Logistics business.

We delivered an 11% increase in underlying EBITDA to $95.4 million and achieved underlying EBIT of $34.8 million in-line with previous guidance and within consensus in the financial year. While this was slightly lower than FY23, the business showed great resilience in adapting to a changing and challenging environment. As warehousing storage volumes declined over FY24, we turned our focus towards warehouse productivity, and delivered record handling margins. This has set a solid foundation for our warehousing operations as we look to the year ahead.

We finished FY24 with underlying NPAT of $11.5 million, in a year of ongoing challenges and changes including the acquisition and integration of Secon. The Silk business continues to generate cash, ending the year with a resilient balance sheet, notably with cash reserves of $27.2 million. Our net asset value for FY24 was $82.4 million and, while slightly lower on FY23, the financial year saw strong cash generation with cash to underlying EBITDA of 131.1%, pre-capex.

Silk's business model continues to demonstrate resilience in the face of uncertain external, global conditions and our customer base remains diverse and strong.

Operationally, we continued to focus on driving efficiencies in FY24.

Our commitment to our customers and ability to adhere to service levels and a time-certain approach has underpinned our growth. Pleasingly this was demonstrated in our net promoter score which improved to positive 20, up from 2 in the prior financial year.

The business development team delivered annualised new business wins of $55.7 million. Importantly the business saw an 11.6% increase in trading customers.

Contracted recurring revenue grew to $425.5 million and 84% of warehouse revenue comes from contracted customers.

We continue to prioritise safety in all we do. Over the past 12 months, our commitment to safety has improved our lost time injury frequency rate ('LTIFR') to an industry leading 1.65. The success of our business is underpinned by the values we impart and this year we increased our total workforce by 20.5% to 1,878 as we continue to diversify our workforce, enhancing our experience levels and strengthening the culture of Silk.

ESG remain a priority for the business as we continue to focus on sustainability, and I am proud to announce our new Kenwick site in WA was awarded a 6-star green rating.

The site includes on-site solar, low water use fixtures, EV charging stations joining other environmental efficiencies and joined a small group of only 15 sites within Australia which have achieved the 6-star rating.

The Kenwick site supports continued growth in the business, resulting in additional capacity in the WA market in a strategically positioned location. Importantly Kenwick is on the intermodal rail head enhancing the delivery of our port-to-door solution.

As we continue to advance our ESG program, Kenwick highlights our ability to achieve against the pillars in our environmental roadmap.

As we work towards our growth targets a key area to achieve efficiencies is via our technology. This year we delivered phase one of our web-based control tower portal and developed a data service layer which connects to our core systems and includes API capability to allow customers a self-service option.

Additionally, we upgraded our private cloud footprint, resulting in a reduction of our carbon emissions and ensuring increased-levels of security of our core systems.

As previously mentioned, we successfully completed the acquisition of Secon in the first half of FY24. Pleasingly, this business is exceeding expectations and our strategic intent to grow a complementary bulk container logistics platform is on track.

The Secon business performed ahead of expectations and delivered $59.5 million of revenue, for the 10-month period under Silk's ownership, and we believe there is substantial opportunity for Silk to capitalise on the latent demand in the bulk container logistics market.

Over FY24, in Secon, we invested in automation to support a competitive proposition for customers, and pleasingly their response has been supportive.

Since our ownership we have successfully launched our national bulk container logistics offering under the Secon brand into Sydney , Brisbane and Perth and in June 2024 we began servicing our first national customer. As of the end of Q1 FY25 this has grown to 3 significant national customers.

As noted in previous communications we anticipate the Secon growth opportunity to be up to $100 million in the near-term but there is capital required to unlock this growth in accordance with our asset right strategy.

We are excited by the opportunities we are observing in the Bulk space and believe we are on track to yield the benefits from Secon.

I have touched on the financial highlights which emphasised the ongoing resilience and agility of Silk's operating model during a period of challenging trading conditions.

Further to those, the results at EBITDA and EBIT margin level show Silk's ability to leverage its variable operating cost model and to respond quickly to challenging market conditions.

Underlying EBIT saw a slight reduction by 2%, down to $34.8 million for the year. This was primarily due to higher depreciation charges associated with either new or renewed leases entered into since the prior corresponding period or depreciation associated with leases and assets from the acquisition of Secon during FY24.

Underlying NPAT and EPS were also down on pcp, due to higher depreciation and amortisation charges, together with interest from lease accounting.

FY24 ended with $27.1 million cash and pleasingly we were able to declare a final dividend of 1.42 cents per share.

Silk's revenue growth is comprised of both organic and inorganic sources. As mentioned, Secon contributed $59.5 million in acquisitive revenue during FY24. Organic revenue rose $13.7 million in Port Logistics and declined $11.1 million in Contract Logistics on pcp primarily due to the volume trends we have noted in this segment.

While the logistics sector continues to face headwinds, our business model continues to benefit from our asset right strategy, and our ability to respond to dynamic conditions with our variable cost model.

The evidence supporting this model can be seen when we look at labour, our mix of subcontractor and company fleet, and our casual equipment hire, where we can stand down equipment such as trailing fleet on a days' notice at no cost. It goes to the resilience of our business model where we have balanced resources, allowing us to maintain cost-effective resources while leveraging flexible labour and equipment to adapt to changing volume demands.

This strategy maximizes fixed cost efficiency, enhances profitability and enables operational agility in responding to changing market conditions. By staying adaptable, we mitigate downside risks and capitalize on growth opportunities, driving sustained shareholder value. These elements, combined with new business, give us a resilient and robust business model.

While we witnessed an improvement in the second half of FY24 in Port volumes, as mentioned there remain global supply chain challenges ahead that may impact the current trends. The first quarter of FY25, however, has tracked broadly in-line with internal forecasts and we have observed improvements in warehousing and new business wins.

I remain confident in Silk's management team to continue to deliver new business wins and drive cross-selling opportunities through a greater share of wallet, especially as the only leading national port-to-door provider.

I'd like to take a moment to thank the entire Silk team without who we couldn't have achieved all we have over these years, as well as our external partners and colleagues, and acknowledging the ongoing support of the Board.

As we reflect on another year, I can attest to the fact that the Silk team remain committed to executing on our long-term objectives.

Thank you for your continuous support and now I will hand back to Terry to continue the formalities of the AGM.

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

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