

MA Moelis Australia

Initiation of Coverage – Supply Network Ltd (SNL)

Supply for future growth

Initiate with Buy rating and 12-mth target price of \$21.26

24th March 2024

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Supply Network (SNL) – Buy – Target Price \$21.26 (Last \$18.15)



We initiate coverage on truck and bus parts supplier Supply Network Ltd (SNL), with a **Buy** rating and **\$21.26** 12-month target price.

Overview: Established in 1976, Supply Network Limited is a leading independent supplier of truck and bus aftermarket replacement parts. Through its brand, Multispares, SNL primarily services Australia & NZ's trucking and bus markets.

Investment Thesis

- SNL is a very well-managed, high-quality operator generating industry leading returns on capital (FY23 ROIC of 26%).** Since IPO in 1987, SNL has consistently delivered revenue and profit growth, generating FY18-23 revenue CAGR of 18% and NPAT CAGR of 27%. Growth has ultimately come from excellent customer service (large breadth of product and quick delivery), SNL has been strategic in its approach to investing in capacity in order to meet growing demand. With strict return targets, SNL has a track record of outperformance, superior margins and impressive returns on investment despite operating in a working capital heavy industry.
- Supportive industry conditions.** Underlying road freight demand should be supported by population growth (~2% growth p.a.) leading to an increase in kilometers travelled p.a. After accounting for price increases of ~3-4% we estimate that the industry is growing at mid-single digits p.a. Aftermarket parts suppliers like SNL target vehicles aged >5 years and dominate market share in vehicles aged >15 years. We note that this part of the market has grown ahead of the overall fleet. SNL is well positioned to benefit from this.
- Taking share from OEM distributors.** In Australia, OEMs have ~60-70% of the replacement truck parts market, while the balance sits with independents like SNL, MXI and BAP. We understand this mix is closer to 50/50 in Europe and the US. During COVID market share shifted away from the OEMs and towards aftermarket parts suppliers as new truck supply was constrained. We expect that the long-term market share will continue to shift towards the aftermarket.
- Multiple initiatives to drive future earnings growth.** From expanding network capacity (DC expansion, existing store refurbishment and enlargement, new store openings) to expanding product range as well as investment in process and systems to drive efficiency, we believe SNL are well positioned to continue to gain market share. Furthermore, management is forward thinking and looks to invest in capacity to support the next 3-years of growth. With minimal net debt, SNL has ample balance sheet capacity to fund organic and/or inorganic growth if the right opportunity should present itself.

We initiate coverage with a BUY rating and \$21.26/share 12-month price target, which is based on our equally weighted DCF and P/E multiple valuation, rolled forward at the cost of equity, less estimated NTM dividends. We see SNL as a high-quality operator in its market where the industry conditions are supportive and where multiple growth initiatives can drive further market share gains for many years. SNL therefore deserves a premium multiple.

Source: Company, MA Moelis Australia, FactSet

Summary Information

Investment Summary	
Rating	BUY
Target Price	\$21.26
Stock Price (Prev Close)	\$18.15
Estimated Return (12 months)	20.1%

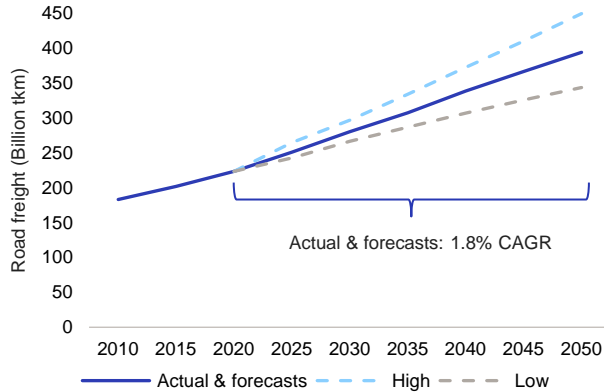
Investment Summary (\$m)	
Fully Diluted Shares (m)	42.0
Market Capitalisation	762.1
Less: Cash at Dec-23	(6.0)
Plus: Debt	11.2
Plus: Leases	42.3
Enterprise Value	809.6

Summary (\$m)	FY23a	FY24e	FY25e	FY26e
Revenue	252.3	300.1	337.2	376.6
Growth (%)	27%	19%	12%	12%
EBITDA	48.3	56.1	62.1	71.8
Margin (%)	19.1%	18.7%	18.4%	19.1%
EBIT	40.8	46.9	51.8	60.2
NPAT (underlying)	27.4	31.5	35.1	41.2
EPS (underlying, basic, cps)	66.5	75.2	83.2	97.4
Growth (%)	36%	13%	11%	17%
DPS (cps)	48.0	50.4	57.4	68.2
Dividend Yield (%)	2.6%	2.8%	3.2%	3.8%
EV/EBIT (x)	19.9x	17.3x	15.6x	13.4x
P/E (x)	27.3x	24.1x	21.8x	18.6x

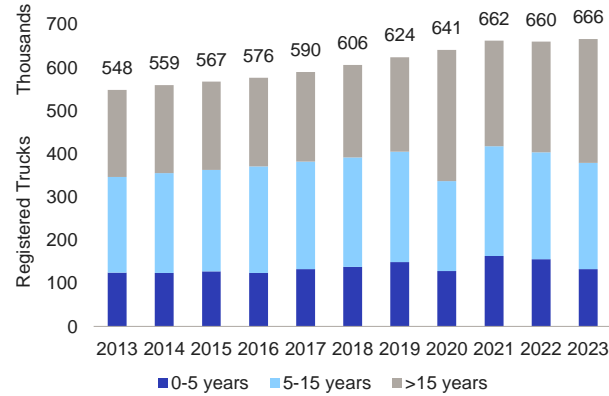
Investment Thesis In 6 Charts

SNL offers 14% FY23-26e EPS CAGR with long-term favourable drivers for a fair 21.8x MAe FY25e NPAT

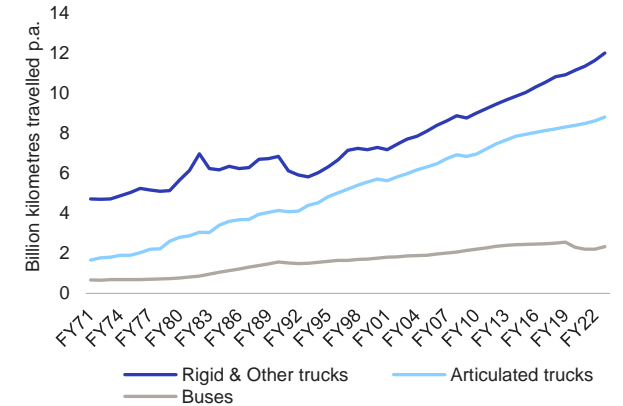
Solid demand for road freight



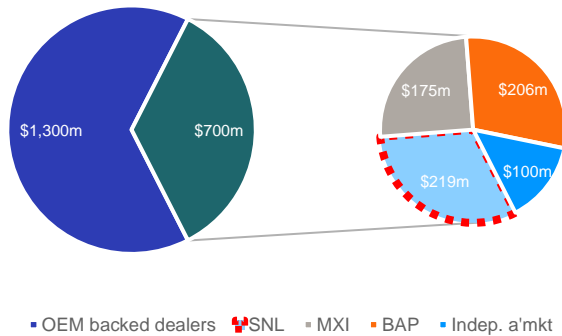
Truck fleet is growing, but also ageing



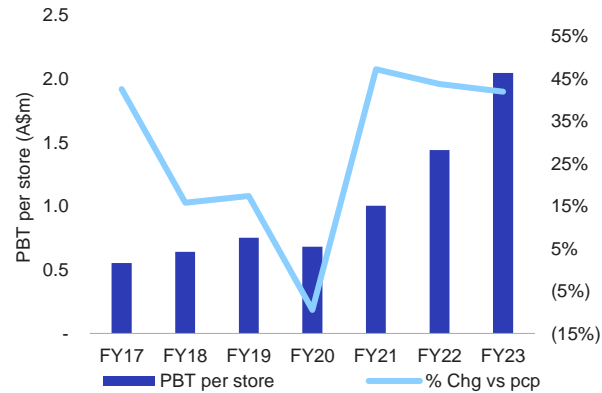
Average km travelled p.a is also growing ('000s)



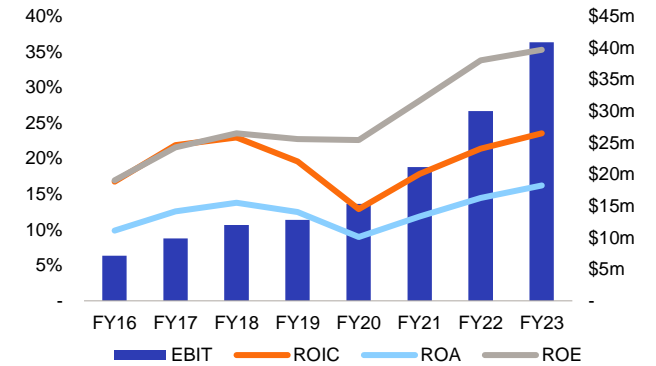
Opportunity to take market share from OEMs



Growth initiatives deliver improved store metrics



Very strong return on investment with further growth initiatives underway



Source: Company, MA Moelis Australia, FactSet

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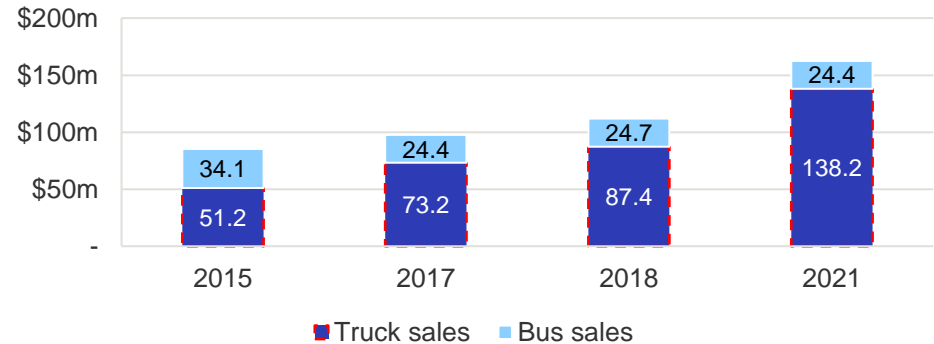
Company Snapshot



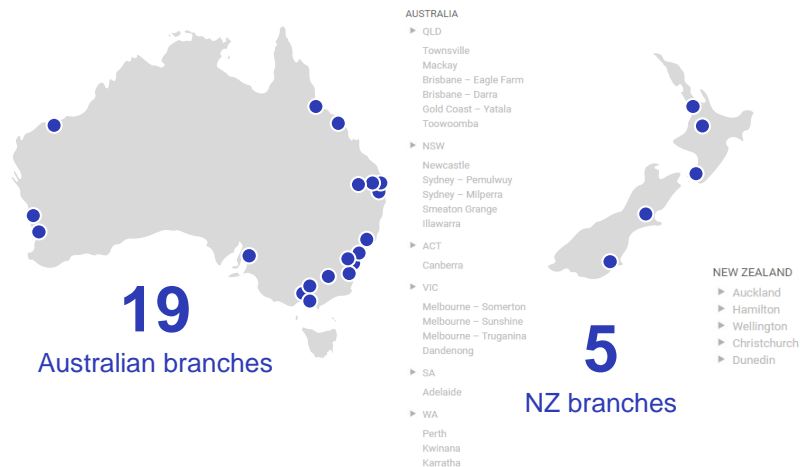
Operating under the Multispares brand, with 24 locations across ANZ, SNL are the largest aftermarket truck and bus replacement parts distributor in ANZ

- Founded in 1976, operating under the **Multispares brand in Australia and New Zealand**, SNL are an aftermarket truck and bus parts distributor, delivering parts to its fleet and independent workshop customers promptly (within in 3 hours for at least 80% of customers with the balance overnight). In addition, SNL provide a range of services including parts interpreting, procurement, supply management, and problem solving.
- SNL has a **leading competitive position** as the largest and most diversified supplier of aftermarket replacement parts for trucks and buses. SNL operate 19 branches in Australia and 5 in NZ. SNL operates at the quality end of the aftermarket and have well-established relationships with component manufacturers.
- SNL's **primary strategic objective is the continued organic growth** of Multispares across ANZ through 1) targeted development of their product range; 2) customer services; 3) branch network; 4) e-commerce platforms and information systems; and 5) consistent and quality customer service at competitive prices. SNL will consider acquisitions which offer significant synergies with Multispares.

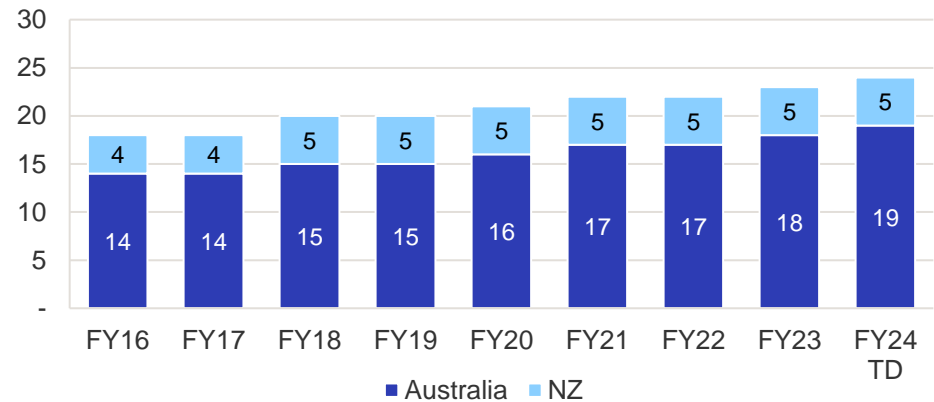
Truck and bus sales mix has shifted towards truck sales over time



Australia & NZ network footprint



Steady network growth over time



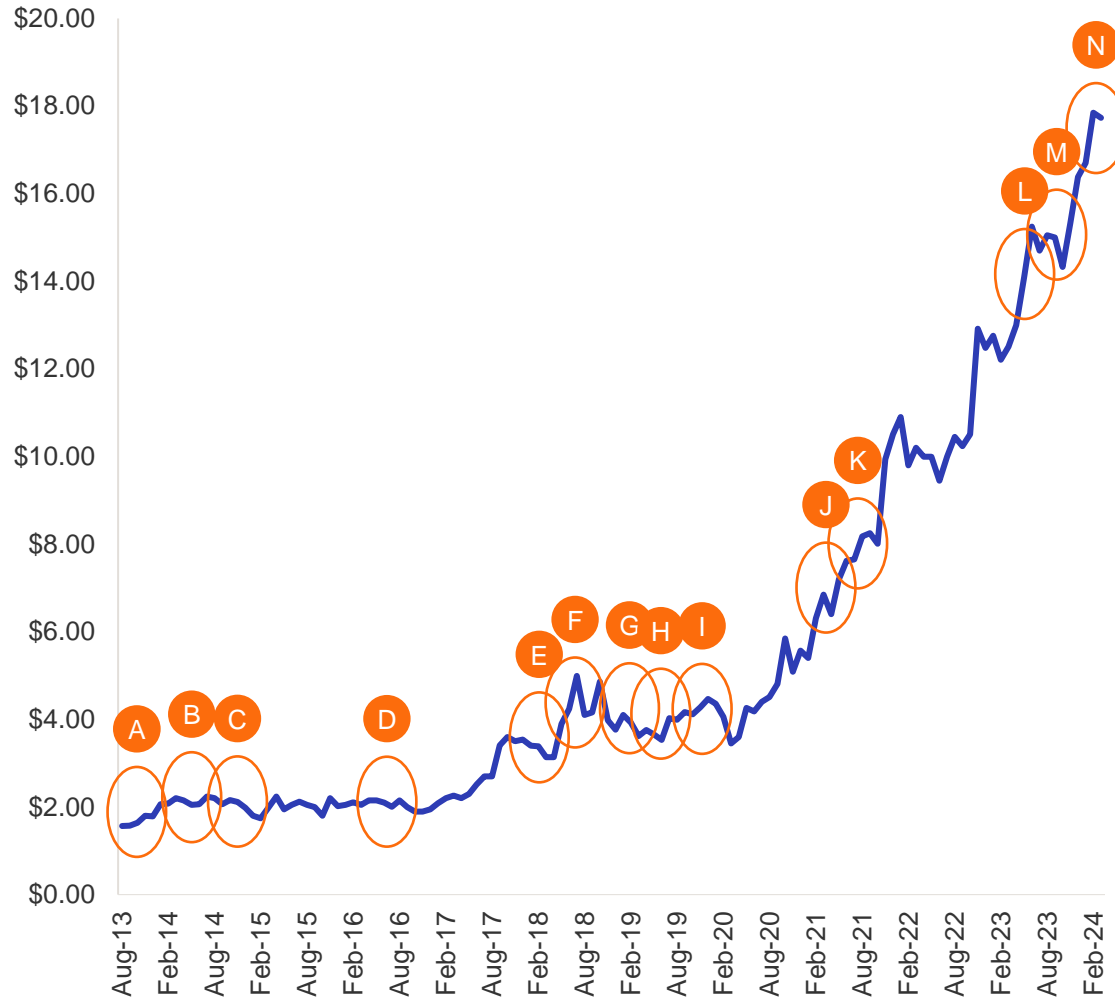
Source: MA Moelis Australia, Company Presentations

Company History & Timeline



Founded in 1976 by Harry Forsyth, Supply Network Ltd ASX-listed in 1987

Share Price (A\$)



- A Aug-13:** Opened new branches in Kwinana and Smeaton Grange
 - In NZ, the Auckland and Wellington operations were relocated to larger, better facilities
- B Jul-14:** Established new branch in Dunedin, NZ
- C Oct-14:** Established new branch in Toowoomba, QLD
- D Jul-16:** Established new branch in Somerton, VIC
- E Mar-18:** Established new branch in Port Hedland, WA
- F Jul-18:** Established new branch and national DC in Hamilton, NZ
- G Mar-19:** SNL added into All Ordinaries
- H Jun-19:** Established new branch in Christchurch, NZ
- I Oct-19:** Established second Brisbane branch in Eagle Farm
- J Apr-21:** Established new branch in Milperra, NSW
- K Jul-21:** Established new branch in Townsville, QLD
- L Jun-23:** Established new branch in Truganina, VIC
- M Aug-23:** Established new branch in Yatala, QLD
- N Feb-24:** Reported 1H24 results

Source: MA Moelis Australia, Company Presentations

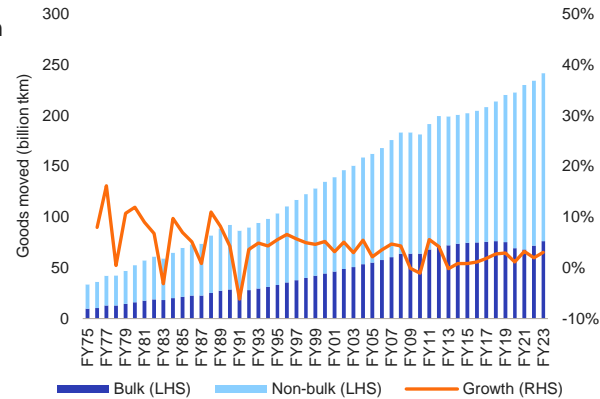
Road Freight Industry Overview

SNL's customers operate in the Australian road freight market, which is a large, highly fragmented, mature market growing at ~2.4% FY03-23 CAGR

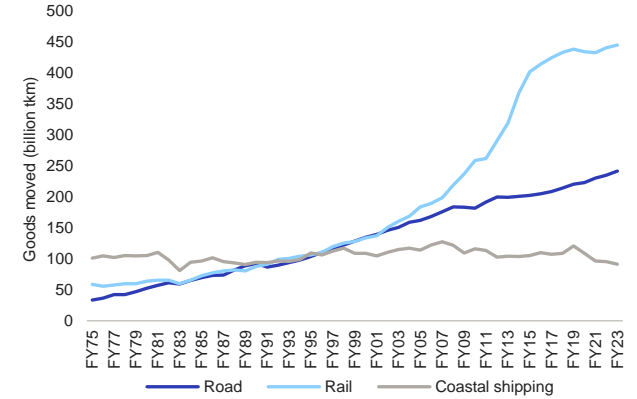
Overview

- The Australian road transport market is a large, \$65bn growing market that supports a broad range of industries and tracks broadly in line with GDP.
- Whilst the road transport sector has delivered steady growth of ~2.4% FY03-23 CAGR, road freight has lagged overall industry growth of 3.1% over the same period as rail has gained significant market share. Demand for road transport is expected to grow at 1.8% CAGR over the long term.
- Despite being a mature industry, the market is highly fragmented. Whilst there has been some consolidation within the sector, the market remains dominated by small-medium sized independent operators, representing an estimated >80% of the market.

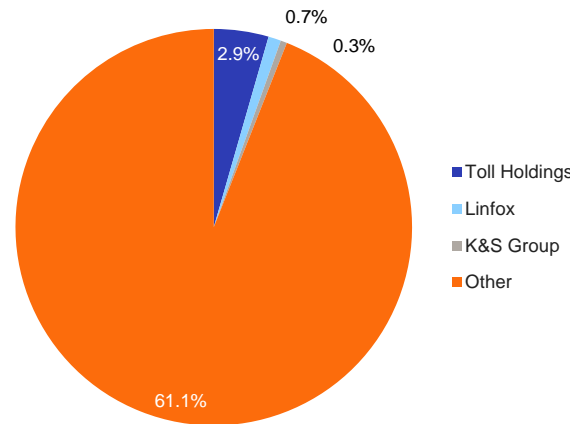
Road freight demand by category



Australian freight demand by mode



Market fragmentation



Prime mover market (Feb 2022)

Company	# Prime Movers	% Truck Fleet
Linfox	2,000	1.7%
Centurion	1,500	1.3%
K&S Global	1,500	1.3%
Global Express (prev. Toll)	1,300	1.1%
Qube	900	0.8%
Mainfreight	500	0.4%
Australia Post	450	0.4%
ACFS Port Logistics	400	0.3%
Kalari	400	0.3%
Ron Finemore	400	0.3%
All others	105,766	91.4%
Total	115,649	100%

“Trucking is an industry of small and medium businesses. In June 2022, almost 58,000 of the industry’s 59,100 businesses had fewer than twenty employees. 31,600 trucking businesses had no employees (ie: the only people working in the business were the owners). These businesses operate on tight margins”
 - Australian Trucking Association (06 Feb-23)

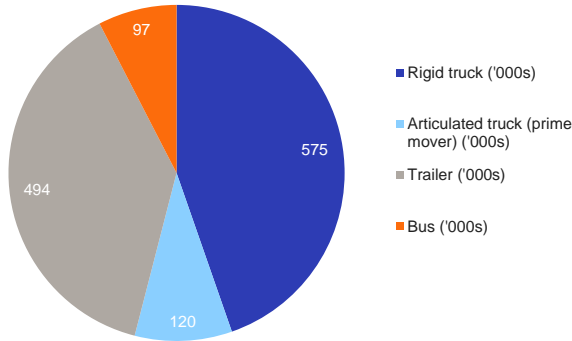


Source: FactSet, MA Research, Company Presentations, NHVR, BITRE, ABS, IBIS World, Tegal Transport

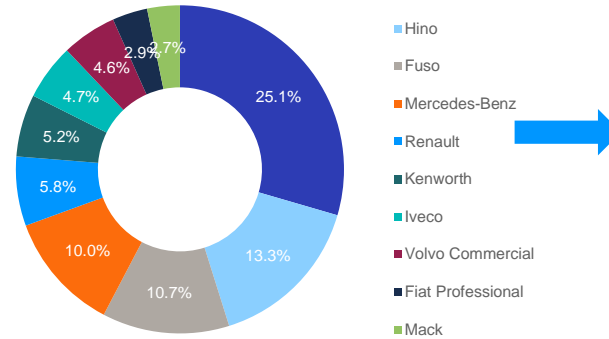
Truck Fleet Characteristics

Australia's heavy vehicle industry comprises ~1.3m trucks (as well as trailers) with an average age of 14 years. With a mix of Japanese, European, US and now Chinese OEMs, the fleet grew at a 2% FY13-23 CAGR

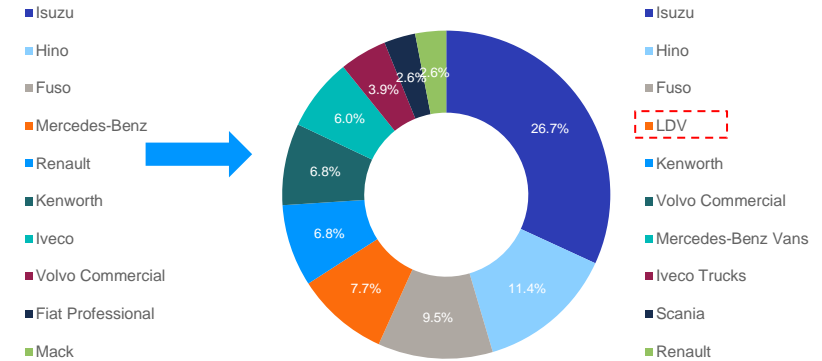
Australian heavy vehicle profile



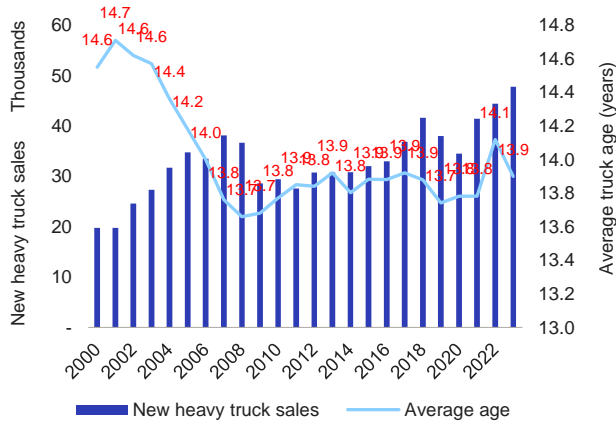
Top 10 brands 2017*



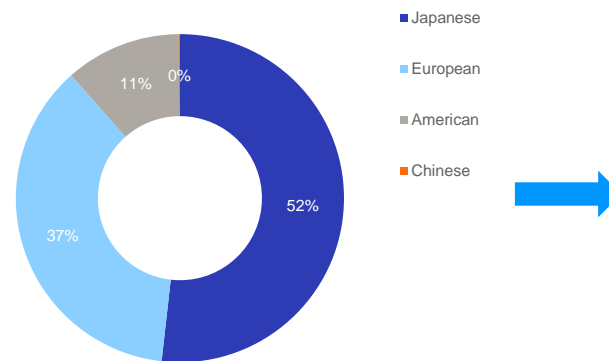
Top 10 brands 2023*



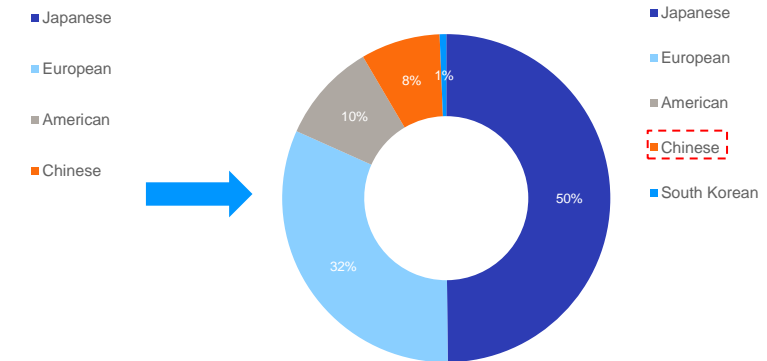
New truck sales and average truck age



Regional mix 2017



Regional mix 2023



Source: MA Research, BITRE, ABS Motor Vehicle Census, VFACTS, Truck Industry Council T-Mark data
 * New truck sales by OEM for heavy commercial vehicles captures all vehicles >3.5t GMV, this therefore captures some light duty trucks which are not SNL's core market

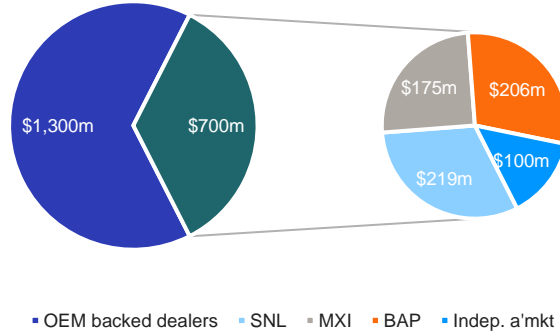
Truck Repairs and Truck Parts Distribution

Truck parts distribution is dominated by the OEM truck dealers, but SNL is well placed within the aftermarket independent suppliers segment of the industry

Overview

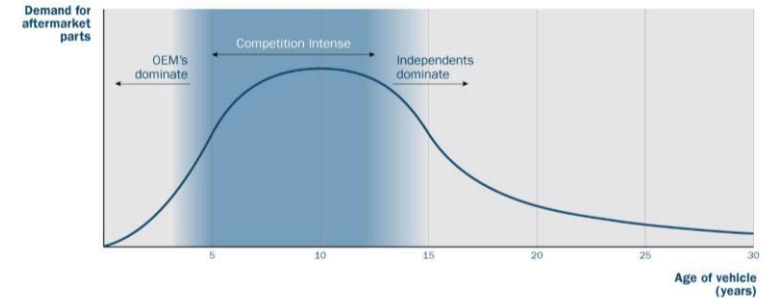
- Similar to the passenger vehicle market, truck service and parts replacement sit across the OEM-backed truck dealerships and the independent aftermarket workshops.
- Outside of general service, the largest area of repair and replacement work is in engine systems (including for example engine reconditioning, repairs and replacements for head gaskets, cylinder heads, belts, radiators and fans amongst a range of other things).
- Parts distributors, like SNL, supply aftermarket parts to independent workshops or directly to fleet customers.

Truck parts industry breakdown (\$m)

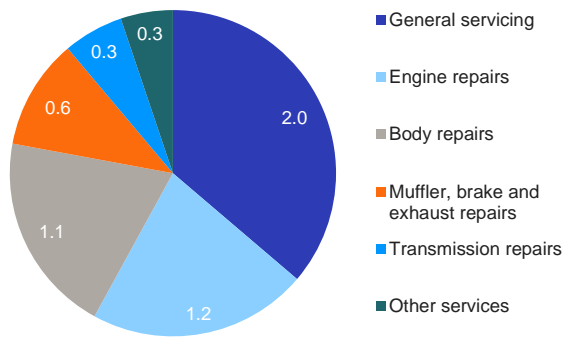


Aftermarket parts demand profile

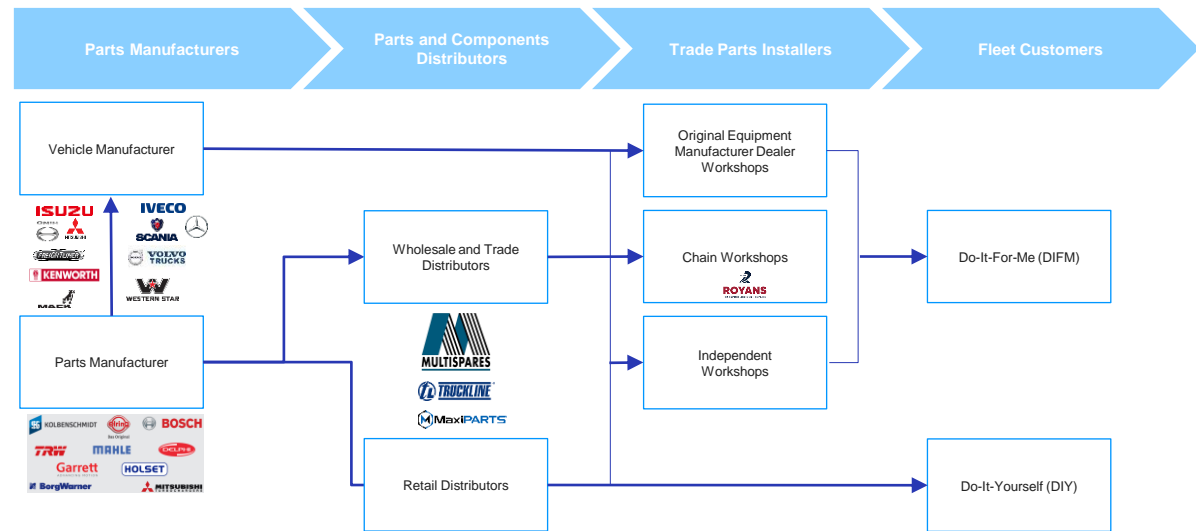
AFTERMARKET PARTS CV4+ DEMAND PROFILE AUSTRALIA / NEW ZEALAND



2024 category breakdown (\$bn revenue)



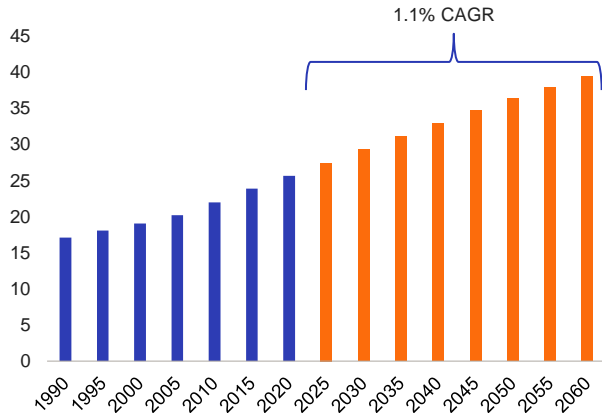
Truck supply chain schematic



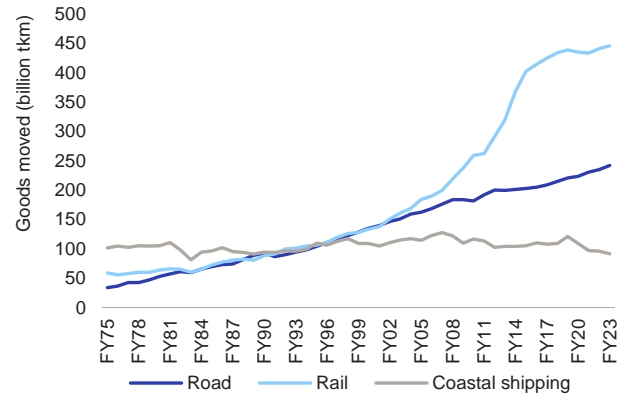
Trucking Industry Drivers

Demand for aftermarket truck parts is driven by: (1) population and GDP growth leading to higher road freight task; (2) the size and age of the truck fleet; and (3) kilometers travelled

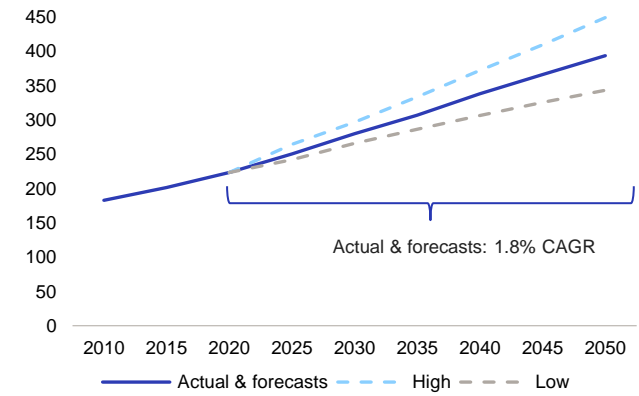
Population growth projections



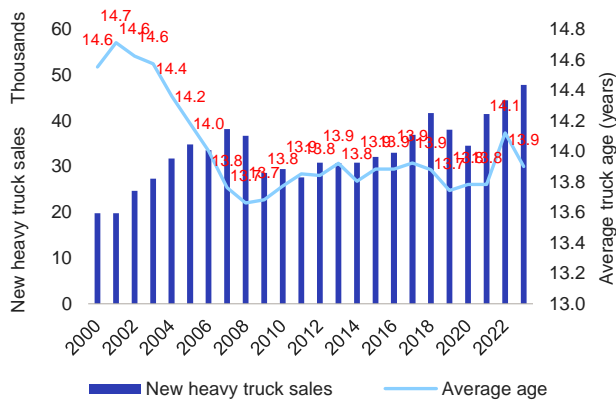
Australian freight task



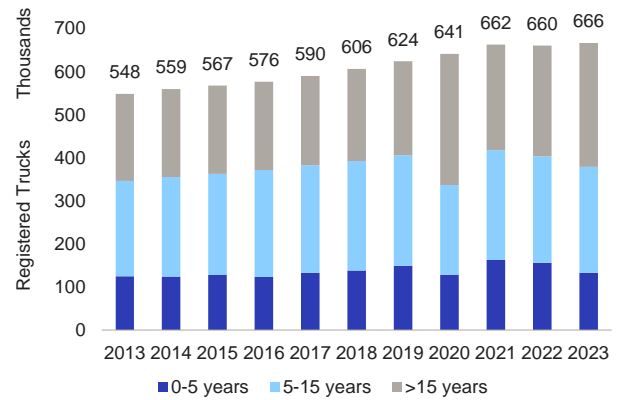
Forecast aggregate road freight volumes (bn of kms)



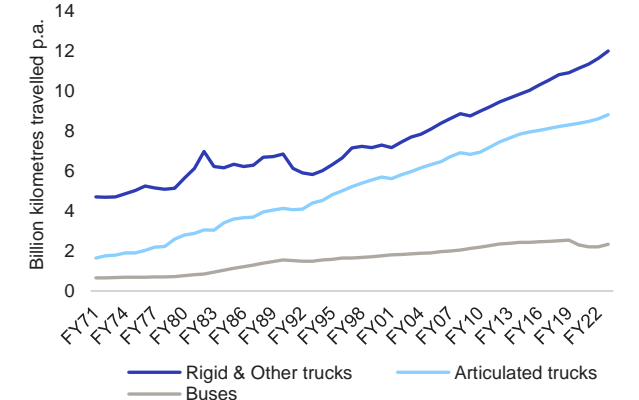
New truck sales and average truck age



Registered truck fleet (by vehicle age)



Kilometers travelled (bn kms p.a.)



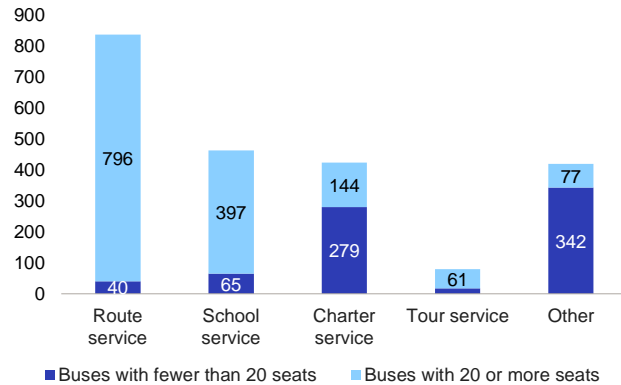
Source: MA Research, VFACTS, National Heavy Vehicle Regulator NHVR (<https://www.nhvr.gov.au/files/202008-1171-heavy-vehicle-productivity-plan-2020-2025.pdf>), Lindsay Australia (Earnings Presentations), Australian Treasury Intergenerational Report (2023), BITRE (Australian aggregate freight forecasts November 2022), BITRE data, ABS Motor Vehicle Census, Truck Industry Council T-Mark Truck Market data

Bus Industry Drivers

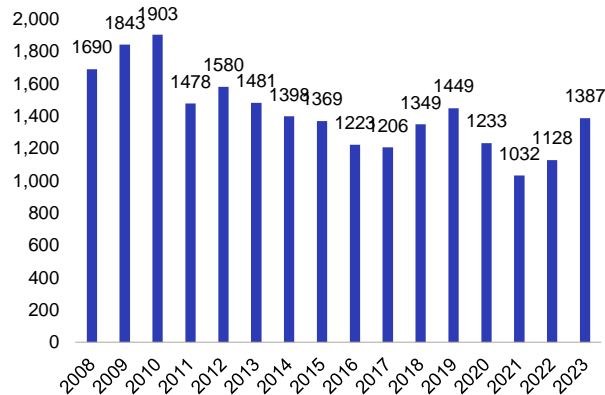
SNL also supply aftermarket bus parts, which, while smaller than the truck market, is subject to similar trends with an ageing fleet and growing kilometers travelled

Bus end markets (millions of kms)

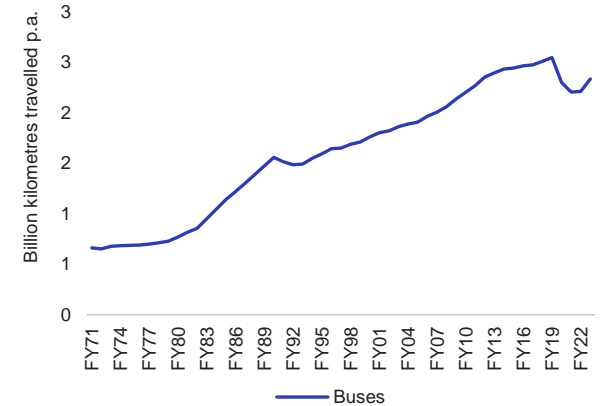
Total kms travelled over a 12 mth period by bus end market



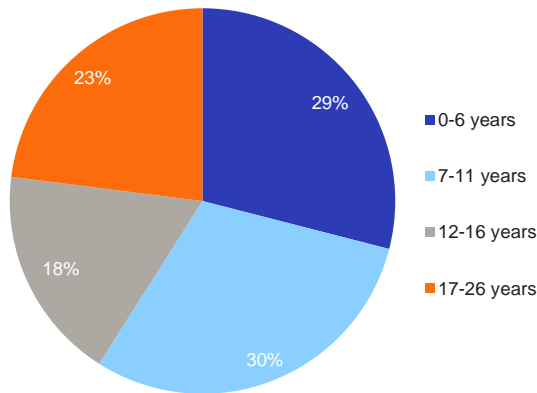
Total bus and coach deliveries



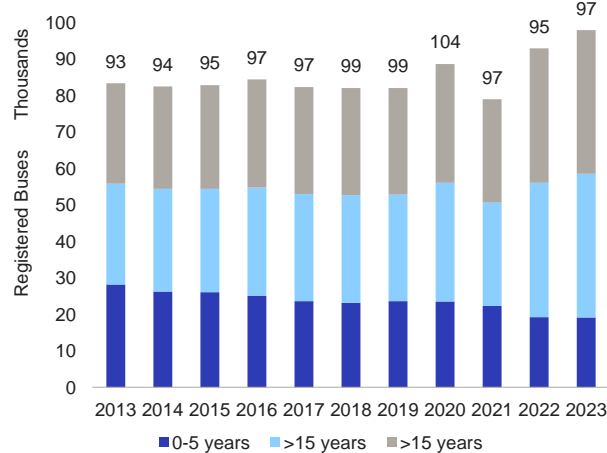
Kilometers travelled (bn kms p.a.)



Age of registered buses in fleet (>4.5t GVM)



Registered bus fleet (by age)



Bus market – largest operators by fleet size

Operator	Depots	Fleet
Transit Systems Australia	33	2,681
ComfortDelGro Corporation	45	2,461
Transdev Australasia	22	1,735
State Transit (NSW)	8	1,419
Transport for Brisbane	7	1,223
Keolis Downer	24	975
Busways Group	18	923
Australian Transit Group	15	900
Kinetic Group	18	893
Ventura Bus Lines	12	893
All others		83,366
Total registered buses		97,469

Source: MA Research, National Heavy Vehicle Regulator NHVR (<https://www.nhvr.gov.au/files/202008-1171-heavy-vehicle-productivity-plan-2020-2025.pdf>), Bus Industry Confederation, BITRE

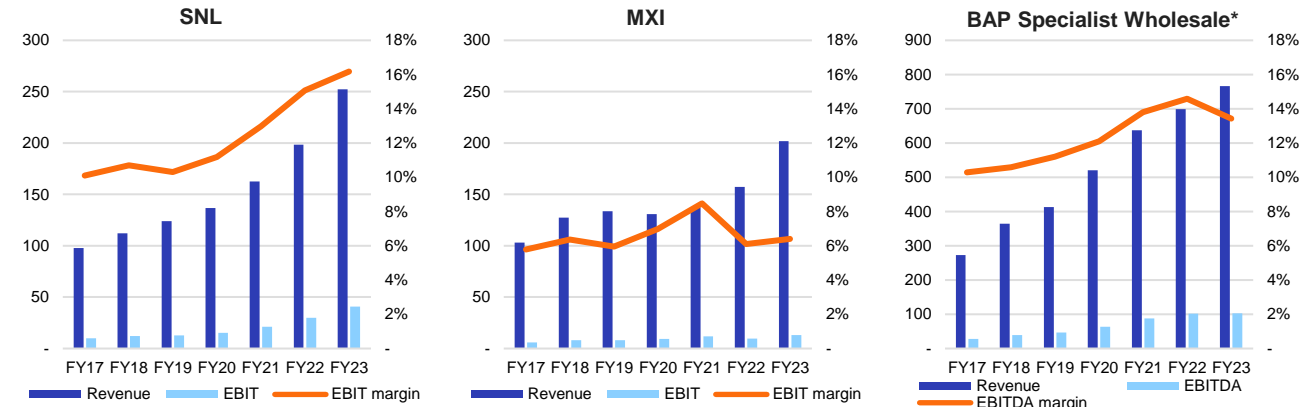
Competitive Landscape for Truck/Bus Replacement Parts

As an independent supplier, SNL primarily competes with the OEM market, MXI and BAP's 'Specialist Wholesale' segment. SNL has outperformed peers through organic growth, while MXI and BAP have been acquisitive

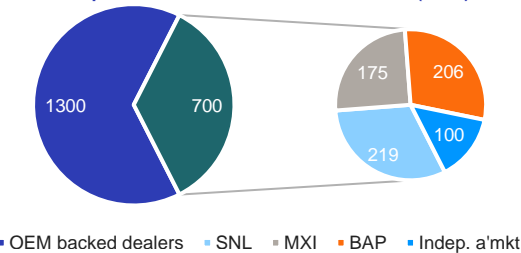
Competitive landscape for truck parts

SNL vs competitors	Description
Supply Network (ASX:SNL) 	Multispares is a truck parts business which has operated since 1976 and imports high quality replacement parts for most truck models. SNL have 19 branches in Australia and 5 in NZ.
MaxiPARTS (ASX:MXI) 	MaxiPARTS is one of Australia's largest distributors of commercial truck and trailer parts with 27 sites. Over 15,000 truck and trailer parts for sale online, and over 50,000 different parts stocked in stores. Core product range covers lights, tools, oil & filters, axles, suspensions, and brakes.
Bapcor (ASX:BAP) 	Bapcor's Specialist Wholesale segment is a leader in the Australian truck market. Specialist Wholesale segment consists of the Commercial Truck Parts group, Truckline, the auto electrical businesses of JAS Oceania, and Baxters/MTQ. In FY23, the Specialist Wholesale network had 168 locations.

Performance of peers – revenue, profit, margin over time – SNL, MXI, BAP Specialist Wholesale*



Truck parts market breakdown (\$m)



BAP Specialist Wholesale M&A Timeline

Date	Event
2016	<ul style="list-style-type: none"> Acquisition of Baxters Auto Electrical and Roadsafe Automotive Products (\$45m sales), Bearing Wholesalers (8 branches across Australia, with annual sales of \$30m)
2018	<ul style="list-style-type: none"> Acquisition of Commercial Truck Parts Group (specialises in the sale of Japanese commercial truck spare parts from 10 locations in QLD, NSW, VIC, SA); purchase price of ~\$61m Acquisition of AADi Australia (specialist importer/distributor of driveshafts, wheel bearings, and shock absorbers)
2019	<ul style="list-style-type: none"> Nov-19: Acquisition of Truckline, a heavy commercial truck spare parts business. 22 branches across Australia, 150 employees, and sales of ~\$100m. Acquisition of Diesel Drive, sells Japanese commercial truck spare parts, operating from 1 location in Sydney, NSW, with 14 employees, sales of ~\$13m. Combined purchase price of Truckline and Diesel Drive of \$48m, debt funded
2021	<ul style="list-style-type: none"> Acquisition of Truck & Auto Parts, Wrights Truck & Trailer
2022	<ul style="list-style-type: none"> Acquisition of Gibbs Truck & Trailer Parts, Peninsula Truck Parts, Absolute Spares, Blacktown Auto Spares
2023	<ul style="list-style-type: none"> Acquisition of MJF Truck and Trailer Parts

MXI M&A Timeline

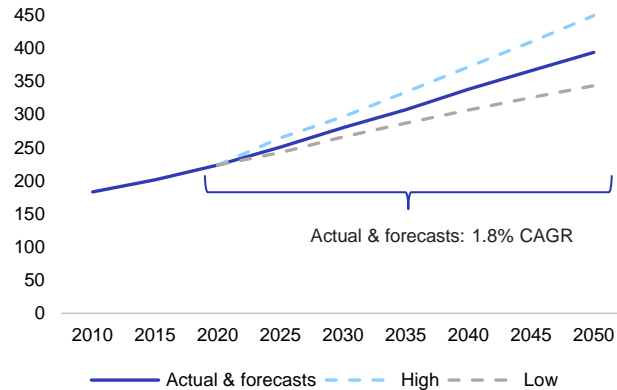
Date	Event
2022	<ul style="list-style-type: none"> Disposal of Trailer Solutions Business to Australian Trailer Solutions Group (ATSG) for \$14.7m in cash and deferred purchase price of \$4m Acquisition of Truckzone Group (completed Feb-22) for \$18.3m. Truckzone is one of Australia's largest independent commercial truck and trailer parts businesses. FY21 sales of \$48.4m and underlying EBITDA of \$1.7m. Acquisition values Truckzone at 10.6x FY21 EBITDA (pre synergies) and 3.6x FY21 EBITDA (post cost synergies and purchase price reduced for excess inventory reduction)
May-2023	<ul style="list-style-type: none"> Acquisition of 80% of Forch Australia for \$9.7m (implied 7x EV/EBITDA)
Nov-2023	<ul style="list-style-type: none"> Acquisition of Independent Parts for \$27m (implied 8x EV/FY23 EBITDA) Acquisition of Forch Brisbane for \$1.9m (implied 3x EV/FY23 EBITDA) Both acquisitions expected to be mid single digit EPS accretive in FY24 on an annualised basis excluding synergies

Source: FactSet, MA Moelis Australia, Company Presentations
 *Truck parts distribution is only a subset of BAP's Specialist Wholesale business. We estimate truck parts revenue represents ~\$200m

Supportive Industry Conditions a Tailwind

Growing road freight task is supportive of the domestic trucking market, while increasing kilometers travelled p.a. and an ageing truck fleet is a tailwind for aftermarket truck parts distributors like SNL

Australian road freight task growing ~1.8% p.a.

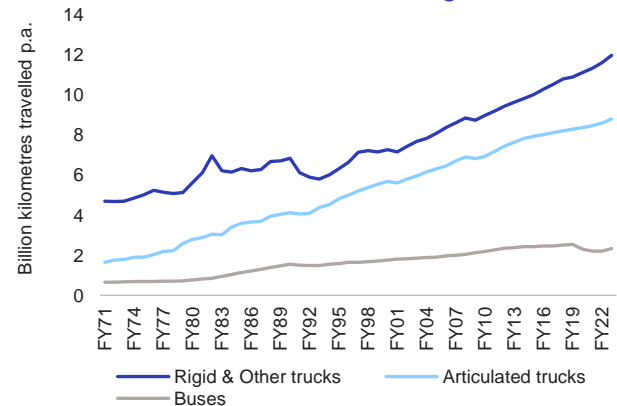


Trucks >15 years grow ahead of market

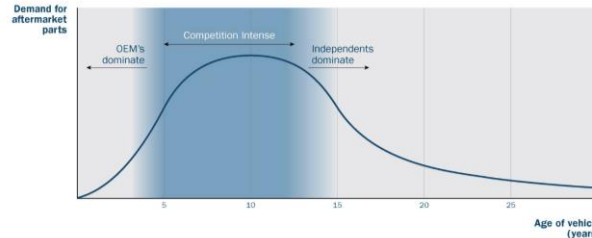
Year	0-5 years	5-15 years	>15 years	Total	Percent >5 years
2013	124.8	221.4	201.8	548.0	77%
2014	124.1	231.2	203.6	559.0	78%
2015	127.6	234.9	204.8	567.3	78%
2016	123.8	247.2	205.5	576.4	79%
2017	132.8	249.4	207.4	589.7	77%
2018	138.0	253.8	213.9	605.7	77%
2019	149.2	256.1	218.5	623.8	76%
2020	128.5	207.9	304.3	640.7	80%
2021	162.9	254.6	244.8	662.2	75%
2022	155.9	247.2	257.1	660.2	76%
2023	133.1	245.8	287.1	666.0	80%
13-23 CAGR (%)	0.6%	1.0%	3.6%	2.0%	2.3%

- **Australian road freight task forecast to grow at 1.8% CAGR** out to 2050, with population growth supporting demand
- **Kilometres travelled continues to increase.** With increased demand for road freight, the distance travelled each year (billion kilometres p.a.) has grown at an FY13-23 CAGR of 2.2% for rigid trucks and 1.4% for articulated trucks. This is a key driver of demand for truck replacement parts as we understand every 18-20k kilometres trucks get a routine service with a more in-depth service every 100k kilometres travelled.
- **Older trucks grow ahead of the overall fleet.** Whilst the overall truck fleet grew at a 2% FY13-23 CAGR, trucks 15 years and older grew at 3.6%. This part of the market is dominated by the independent aftermarket parts distributors like SNL.
- **Market share of independents naturally grows as the fleet ages.** As new truck supply returns, the fleet age will decrease. However, SNL's strong customer relationships should allow market share gains from the OEMs for vehicles 5-15 years of age.

Kilometres travelled continues to grow



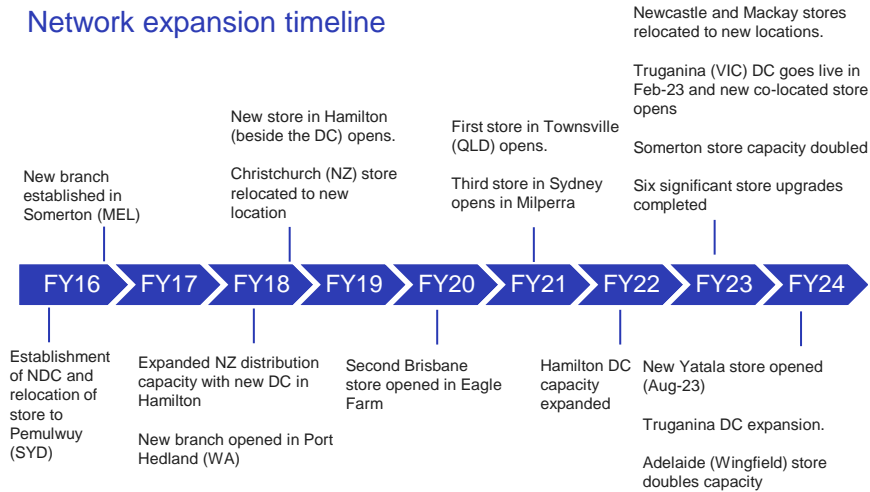
Opportunity to take market share from OEMs



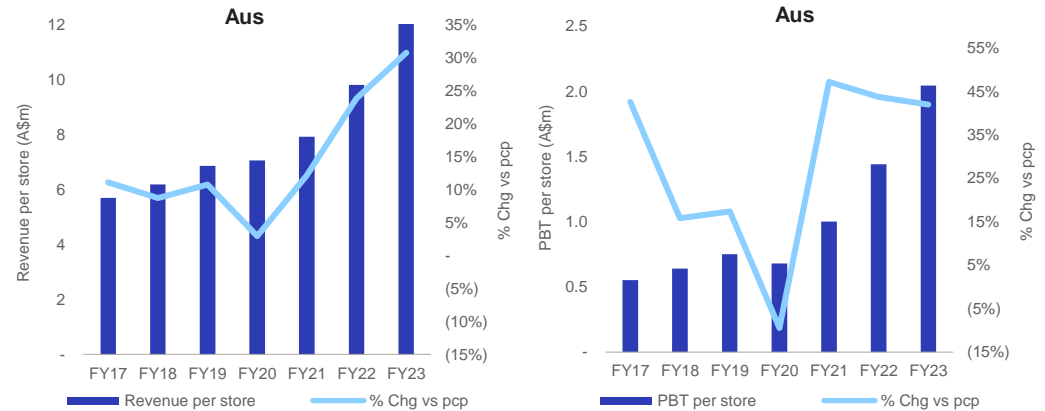
Network & DC expansion facilitated by strong customer relationships

Employing strict returns criteria, SNL has consistently grown profitably through investment in: (1) DC capacity allowing higher throughput; (2) relocating and expanding existing stores; and (3) opening new stores.

Network expansion timeline



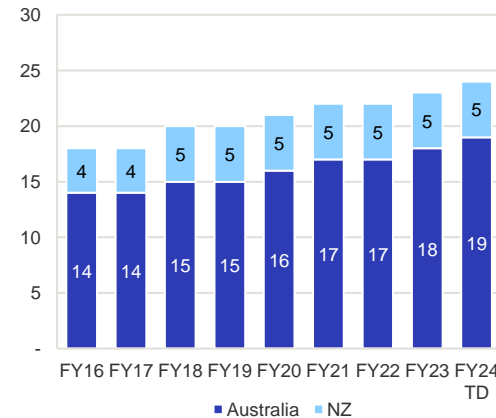
Revenue and PBT per store (\$m) and % change vs pcp



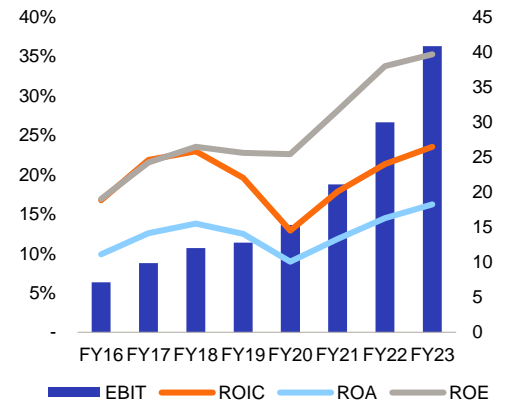
Multiple growth initiatives underway

- **SNL has consistently delivered strong revenue and profit growth**, generating an FY18-23 revenue CAGR of 18% and NPAT CAGR of 27%. Ultimately, SNL's impressive topline growth has been driven by having strong customer relationships (due to having the breadth of product and quick fulfilment) driving market share gains and new business wins, with the investment in DC capacity, existing store expansion and new stores allowing SNL to service growing customer demand.
- **Employing a strict returns criteria**, SNL assess areas of investment to best support customer needs to facilitate topline growth. Over the last couple of years SNL has delivered 55% revenue growth with no new stores opening. Whilst clearly market conditions have been supportive in this time, excess growth has been driven by: (1) expanded DC capacity in Truganina (VIC) and Hamilton (NZ); and (2) existing store refurbishments and capacity expansion (at least doubling store size).
- **FY24 will benefit** from 2 new store openings (Truganina, Yatala) as well as further DC and store capacity expansion. SNL are also 'laying plans for two new branches.' We expect continued investment in capacity will support SNL in continuing to take market share from the OEM market.

Steady branch roll-out



Very strong return on investment



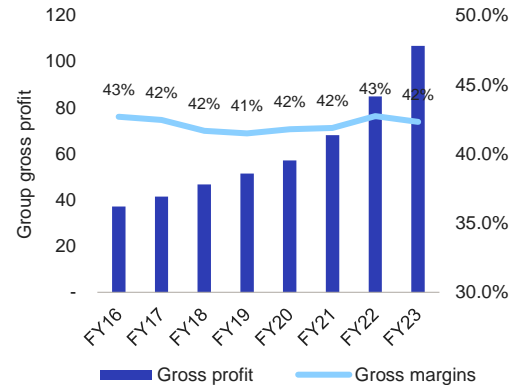
Source: Company, MA Moelis Australia

New category distribution & back-end efficiencies

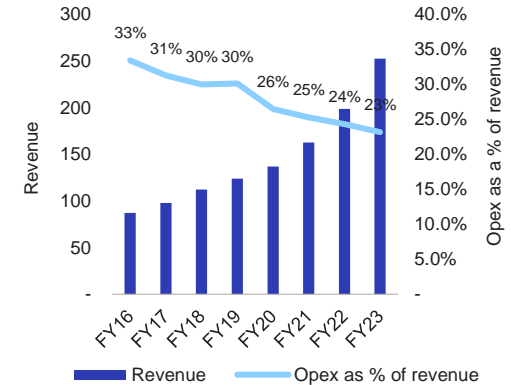
Despite being the largest and most diversified supplier of aftermarket truck parts, there is still scope to: (1) further broaden the breadth of products supplied; and (2) improve efficiency

- **Multispares is one of the largest and most diversified suppliers of aftermarket replacement truck and bus parts by product capabilities and categories.** Despite this, there is still significant capacity to grow both revenue and profit.
- A key business focus for Multispares to drive organic growth is through expansion of their product range and driving efficiencies in customer services, branch network, e-commerce platforms, and information systems.
- SNL are currently upgrading the sales interface to their ERP system with the objective of delivering transaction efficiencies.
- SNL have stated that rapid expansion in product range initiatives has brought forward investments in storage and transaction capacity. This has resulted in adding new sites and the expansion of existing sites. Whilst SNL has historically been very strong with EU and Japanese truck parts, there is still capacity to increase distribution of US truck parts (noting that SNL are rapidly growing sales in the US truck parts category).

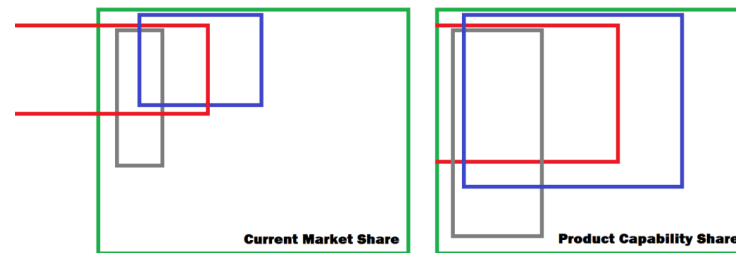
Group gross profit margins



Opex as a % of revenues



Addressable market for parts distributors and product breadth



- Addressable Market
- Multispares
- Aftermarket competitor 1
- Aftermarket competitor 2

"In early FY2024 we have refocused on systems improvement, targeting transaction efficiency and the speed and accuracy of customer service including initiatives to standardise our internal catalogue, simplify interpretation and sales of related parts, and rolling out new scanning technologies to improve pick and pack accuracy. These projects will prepare the business well for future growth."
 - Supply Network Ltd Annual Report 2023



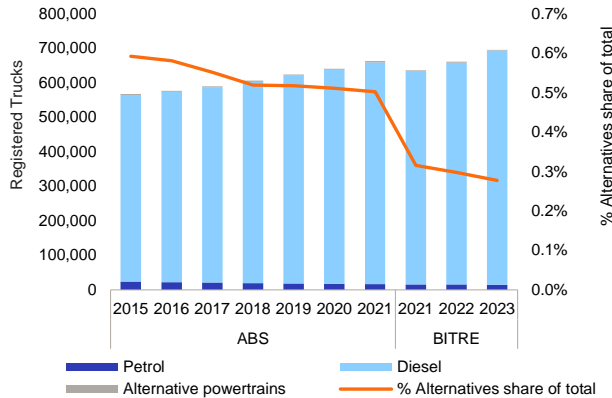
- SNL has delivered strong operating leverage with operating expenses as a % of revenue decreasing from 33.4% in FY16 to 23.2% in FY23. Management have indicated they expect further operating leverage as the business continues to scale and grow revenues.
- Gross margins have remained relatively steady and within a tight range of 41-42% since FY16. FX exposure is not hedged, but SNL has a natural FX hedge through their large stock holding (>5 months), which allows time to absorb FX fluctuations and pass on any sustained changes to customers in a competitive manner.

Source: Company, MA Moelis Australia

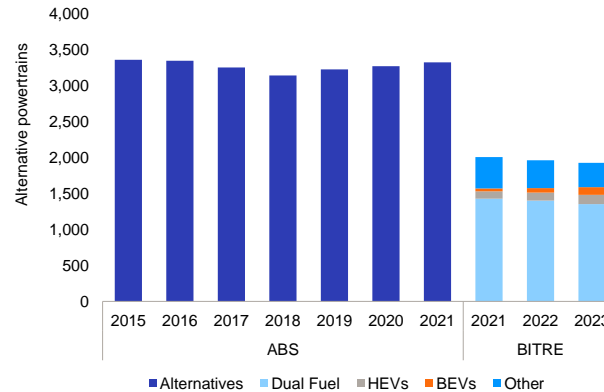
Electric truck and bus adoption trends in Australia and globally

IEA finds that in 2022 nearly 66k electric buses and 60k medium- and heavy-duty trucks were sold worldwide, representing ~4.5% of all bus sales and ~1.2% of truck sales globally

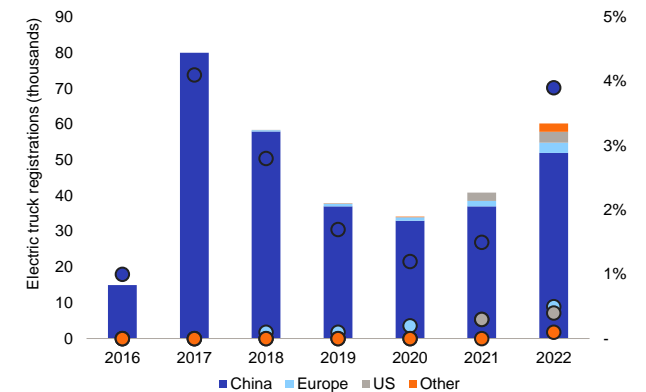
Truck registrations by powertrain*



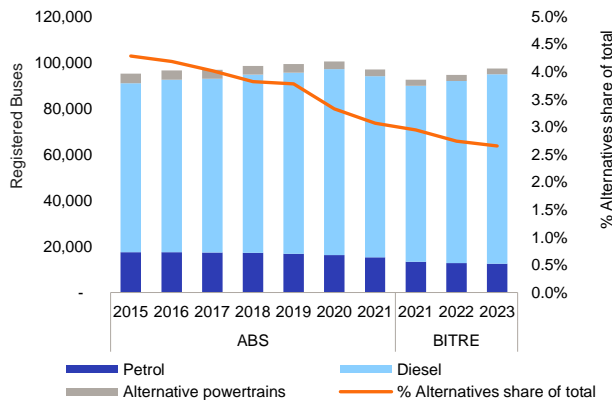
Truck alternative powertrain registrations



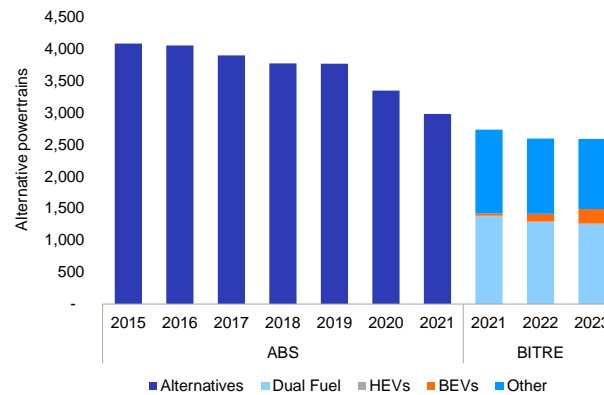
Global electric truck registrations



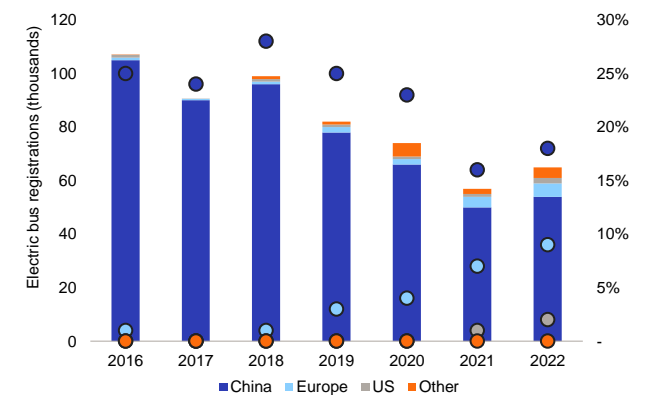
Bus registrations by powertrain



Bus alternative powertrain registrations



Global electric bus registrations



Source: MA Moelis Australia, IEA, ABS, BITRE

* Alternative powertrain categories include Dual Fuel, HEVs, BEV/FCEVs, and Other.

Impact of alternative powertrain trucks on Australian parts supply chain



Marginal impact out to 2030. Sensitivity table assesses terminal value uncertainties using a range of longer-term alternative powertrain penetration rates. A 100% alternative powertrain world is decades away

EBIT impact in near-term (2030) is marginal with conservative assumptions

Assumptions	Scenario 1 100% ICE world	Scenario 2 Alternatives adoption (Bear)	Scenario 3 Alternatives adoption (Base)	Scenario 4 Alternatives adoption (Bull)
Total truck registrations	1.5% growth p.a	1.5% growth p.a	1.5% growth p.a	1.5% growth p.a
Alternative powertrain penetration in 2030 (%)	0% (assuming 100% ICE world)	15% (for context 2023 alternatives adoption is 0.3% in Australia)	15% (for context 2023 alternatives adoption is 0.3% in Australia)	15% (for context 2023 alternatives adoption is 0.3% in Australia)
Revenue per alternative powertrain truck	NA	25% of an ICE truck	50% of an ICE truck	75% of an ICE truck
Implied total revenue under scenario in 2030 (\$m)	\$228.1m	\$202.4m	\$211.0m	\$219.5m
EBIT margin on ICE revenue assumption in 2030 (noting SNL 3-yr average EBIT margins of 15.2%)	15%	15%	15%	15%
EBIT margin on Alternative powertrain revenue assumption in 2030 (noting SNL 3-yr average EBIT margins of 15.2%)	15%	5%	7%	10%
Implied EBIT under scenario in 2030 (\$m)	\$34.2m	\$29.5m	\$30.3m	\$31.7m
EBIT impact vs 100% ICE world (% Chg)	-	(13.8%)	(11.5%)	(7.5%)

- EBIT impact in near-term is marginal with conservative assumptions:** We assess EBIT in the Bear, Base, and Bull scenarios relative to a 100% ICE world to demonstrate the EBIT impact of alternative powertrain truck adoption. 15% alternative powertrain penetration in 2030 implies extremely rapid YoY growth in alternative powertrain registrations compared to the current 0.3% adoption in 2023 (i.e a conservative assumption). Alternative powertrain truck adoption is nascent in Australia and globally, but to remain conservative we assume 1) revenue per alternative powertrain truck is at a substantial discount vs an ICE truck (scenarios ranging from 25%-75%) and 2) weaker margins than for ICE trucks. We don't assume SNL grows market share or experiences parts price inflation which would increase revenue per truck.
- Larger longer-term impact in a 100% alternative powertrain world:** In this sensitivity table, we have not assumed registrations of total fleet grow YoY which is highly conservative and doesn't factor in the much larger fleet size which is likely by the time the total fleet reaches 25-100% alternatives penetration (likely decades away as per bottom right table).
- But a 100% alternative powertrain world is decades away:** According to the BITRE, alternative powertrain registrations has remained flat since 2015 and declined as a % of total registrations (see previous slide). Given that context, assuming alternative powertrain registrations grow at a 15% CAGR from 2024 onwards it would take 48 years until alternative powertrains reach 100% penetration (i.e in 2071). Noting that sustaining a 15% CAGR for that forecast period is a very conservative assumption.

Larger longer-term impact in a 100% alternative powertrain world...

Revenue impact on Australia segment	Alternative powertrain adoption of total truck registrations in Australia (%)				
	0%	25%	50%	75%	100%
90.0%	-	(3%)	(5%)	(8%)	(10%)
70.0%	-	(8%)	(15%)	(23%)	(30%)
50.0%	-	(13%)	(25%)	(38%)	(50%)
30.0%	-	(18%)	(35%)	(53%)	(70%)
10.0%	-	(23%)	(45%)	(68%)	(90%)

Source: MA Moelis Australia, BITRE

... But a 100% alternative powertrain world is decades away

Assumptions	Example 1: 5% CAGR	Example 2: 15% CAGR	Example 3: 25% CAGR
Total truck registrations CAGR (%) (ICE and alternatives)	1.5% (accounting for population growth and historical total registrations growth of ~2.5%)	1.5%	1.5%
Alternative powertrain registrations CAGR (%)	5%	15%	25%
How many years would it take until alternative powertrains reach 100% penetration/adoption?	174 years; i.e. in 2197	48 years; i.e. in 2071	29 years; i.e. in 2052

Near-term roadblocks to electric truck/bus adoption

EV truck adoption is supported by industry bodies, but adoption faces near-term roadblocks. Significant investment on a range of alternative low emission technologies makes the long-term outcome quite uncertain

Buses will be the first to transition to EV's and given SNL's strong exposure in the bus market the initial changes will be important to watch. Longer term we expect heavy commercial trucks will transition to lower emission technologies, however it is unclear which technology will be the dominant one. In the short term, there are still some near-term roadblocks for EV trucks.

EV truck adoption roadblocks:

1) Price disparity – electric trucks cost more than 3x a similar diesel model

WSJ highlights a substantial hurdle to truck EV adoption in the US being that “Battery trucks can cost more than three times as much as a similar diesel model – a vastly greater premium than the 15% to 25% extra that consumers pay for many electric cars over nonelectric versions.”

2) Battery size, weight, and lengthy charging times

WSJ points out that “there are downsides with the battery trucks’ weight, lengthy charging times and limited driving range” which should impede the adoption of EV trucks.

The IEA states that “**Medium- and heavy-duty trucks are more difficult to electrify** than other road segments, due in part to the **size, weight and cost of the batteries** needed to fully electrify this segment.”

3) Charging infrastructure is inadequate for long-haul

Charging infrastructure is another impediment. The IEA suggests that “The major constraint to rapid commercial adoption of electric trucks in regional and long-haul operations is the availability of “mid-shift” fast charging.”

Consequently, the IEA expect that “Through the remainder of this decade, the adoption of electric HDVs is expected to centre on city buses and urban and regional delivery applications with short range routes (under 200 km/day), so that operations do not need to depend on opportunity charging.”

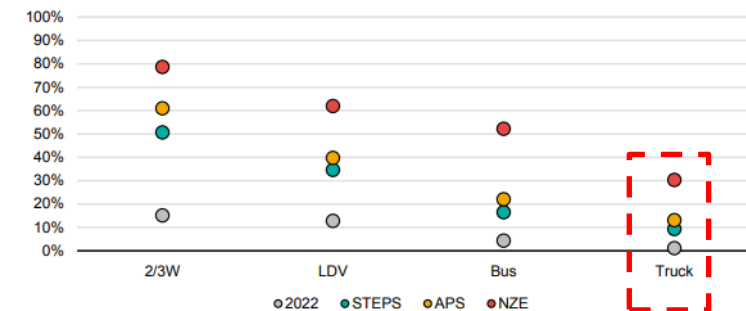
In Australia, Melbourne's Swinburne University is conducting a trial of roads that can wirelessly charge electric trucks as they drive. If successful, the ability to charge while driving could remove a roadblock for long-haul electric trucks.

EV truck vs diesel comparison



Electric vehicle sales shares by mode and scenario, 2030 (IEA)

Figure 3.3. Electric vehicle sales shares by mode and scenario, 2030



“Electrification would assist trucking businesses and supply chains by ending volatile diesel costs, reducing maintenance costs, improving urban efficiency, and delivering better conditions for truck drivers. However, Australia currently lags most of the world in the electrification of trucks making the need for reform urgent. Of the 58 electric truck models available in North America, Europe, and China only 14 are available to the Australian market.”

- Australian Trucking Association (18 Jan-22)



Recent developments in reducing emissions in mining equipment & trucks MA

We examine the development of alternative powertrains in the mining space as a potential lead indicator of technology that may flow to the broader truck market

Recent mining companies' commentary

"In FY23, Fortescue deployed our first prototypes on site. In June, our first battery electric haul truck arrived at Christmas Creek. Fortescue's hydrogen fuel cell electric truck will be delivered to Christmas Creek in FY24."

- Fortescue FY23 Sustainability Report



"Developed partnerships with Scania, Caterpillar, Volvo and Komatsu to deploy more efficient autonomous haulage solutions and battery-powered trucks."

- Rio Tinto 2022 Climate Change Report



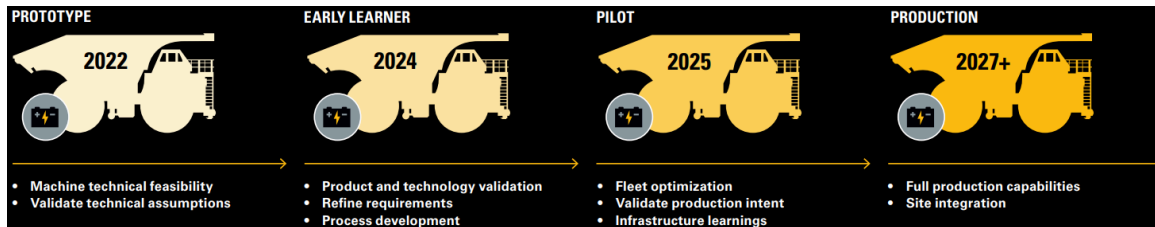
"We expect original equipment manufacturers to be ready to produce battery electric vehicles at scale in the latter half of this decade. A key component of the Group's operational decarbonisation strategy is the displacement of diesel within the Group's operations, particularly the haul truck fleet. The Group is supporting the development of new equipment by original equipment manufacturers, including entering into partnerships focused on the development and trialling of electrical locomotives and haul trucks. While technical and commercial development of the technology needed is progressing, the Group's operating plans generally assume replacement of haul trucks, and other diesel powered equipment, at the end of their useful lives in line with the Group's regular fleet renewal programs."

- BHP 2023 Annual Report



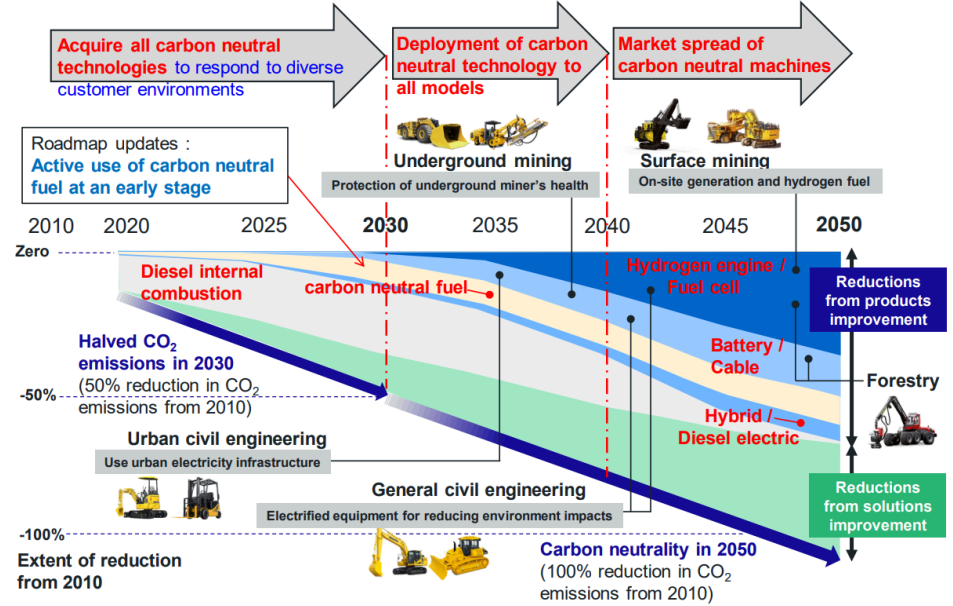
Caterpillar – Battery electric mining truck development strategy

- Caterpillar is developing Cat battery electric trucks at participating customers' sites. This approach supports the climate-related objectives of the program's participants, including BHP, Freeport-McMoRan, Newmont Corporation, Rio Tinto, and Teck Resources.
- CAT's first electric 793 large mining truck prototype was demonstrated to customers in November 2022.
- Full production capabilities are expected in 2027+.



Mining OEMs such as Komatsu are focused on carbon neutral technologies

KOMATSU Investor Day 2023 – Development path towards carbon neutrality



Komatsu has introduced new electric construction machineries into the market in 2023/2024:

We plan to begin introducing 20-ton class electric excavators "PC200LCE/210LCE-11" equipped with lithium-ion batteries as a rental machine in the Japanese and European markets from October onwards. (Sequentially introduced in Asia, North America, and Australia)



[PC200LCE-11]

13-ton class electric excavators "PC138E-11" equipped with lithium-ion batteries, are scheduled to be introduced in the Japanese market as a rental machine from January 2024 onwards.



[PC138E-11]

Earnings Estimates



New store branches, operational efficiencies, product range expansion, and operating leverage to drive earnings estimates

Key Earnings Estimates

Profit & Loss (\$m)	FY23a	1H24a	2H24e	FY24e	FY25e	FY26e	Growth on pcp			FY23-26e
							FY24e	FY25e	FY26e	CAGR
Sales revenue	252.3	145.3	154.8	300.1	337.2	376.6	+19%	+12%	+12%	+14%
Gross profit	106.7	60.5	63.9	124.4	142.1	159.7	+17%	+14%	+12%	+14%
<i>Gross profit margin</i>	42.3%	42.0%	41.5%	41.5%	42.1%	42.4%	-84 bps	+70 bps	+27 bps	
EBITDA	48.3	26.9	29.2	56.1	62.1	71.8	+16%	+11%	+16%	+14%
<i>EBITDA margin</i>	19.1%	18.5%	18.8%	18.7%	18.4%	19.1%	-46 bps	-26 bps	+64 bps	
D&A	(7.5)	(4.5)	(4.7)	(9.2)	(10.3)	(11.5)	+23%	+12%	+12%	
EBIT	40.8	22.4	24.4	46.9	51.8	60.2	+15%	+10%	+16%	+14%
<i>EBIT margin</i>	16.2%	15.4%	15.8%	15.6%	15.4%	16.0%	-56 bps	-26 bps	+64 bps	
Net interest	(1.7)	(1.0)	(0.9)	(1.9)	(1.6)	(1.4)	+8%	-18%	-8%	
PBT	39.0	21.4	23.5	45.0	50.2	58.8	+15%	+12%	+17%	+15%
Tax	(11.6)	(6.4)	(7.1)	(13.5)	(15.1)	(17.6)	+16%	+12%	+17%	
Underlying NPAT	27.4	15.0	16.5	31.5	35.1	41.2	+15%	+12%	+17%	+15%
<i>NPAT margin</i>	10.9%	10.3%	10.6%	10.5%	10.4%	10.9%	-37 bps	-8 bps	+51 bps	
EPS - diluted (\$)	0.664	0.360	0.391	0.752	0.832	0.974	+13%	+11%	+17%	+14%
DPS (\$)	0.480	0.230	0.274	0.504	0.574	0.682	+5%	+14%	+19%	
Valuation metrics										
EV/EBITDA	16.8			14.4	13.0	11.3				
EV/EBIT	19.9			17.3	15.6	13.4				
P/E	27.3			24.1	21.8	18.6				

- **Revenue:** We forecast SNL's topline to experience robust growth of +19% in FY24, broadly in line with management's guidance for FY24 revenue growth of 'close to or slightly above the 10-year average of 14%.' Beyond FY24 we forecast a 14% CAGR throughout FY23-26, factoring in slowing price inflation and a softening demand environment offset by expanded investment in DC and store capacity along with new store roll outs.
- **Gross profit:** We estimate that GP margins will remain broadly flat as costs associated with the weaker AUD will be passed onto the customer. We note that SNL do not hedge currency exposure.
- **EBITDA margins:** We assume slight EBITDA margin compression over FY24-25 relative to FY23 as SNL will be carrying incremental costs from the DC and store network expansion as sales take time to ramp up. There is upside risk to margins if sales come in stronger than expected or back-end efficiency initiatives currently underway deliver faster than expected returns.

Source: Company, MA Moelis Australia

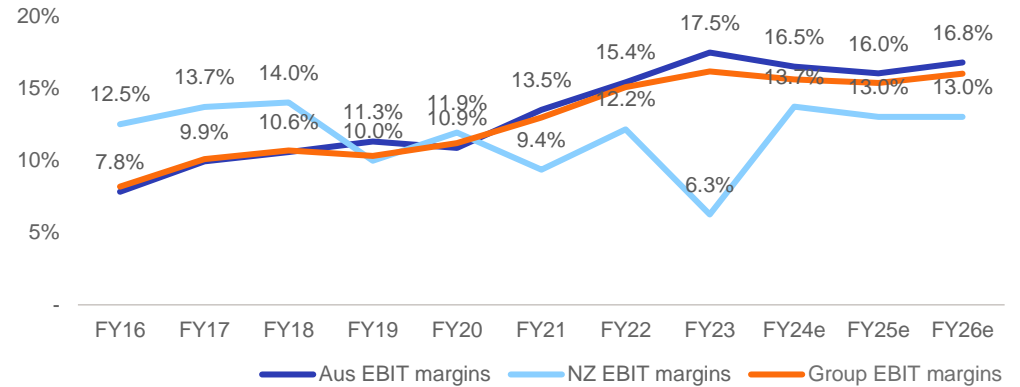
Segment performance



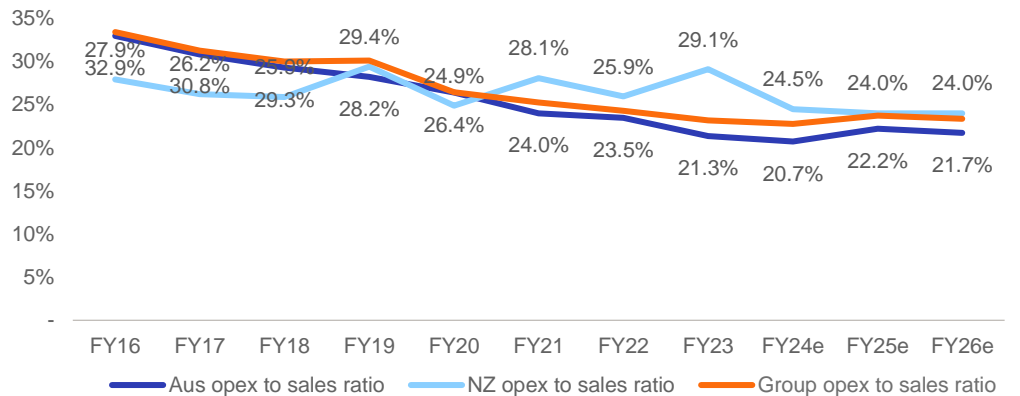
New Zealand impacted by weaker economic environment, but back-end efficiencies should drive margin improvement in FY24

- Whilst the segment breakdowns have some shortcomings, it is worth exploring the divergence in performance between SNL's Australian and New Zealand operations.
- We note that dividend payments from New Zealand to Australia are treated as an expense and so understates the underlying profit result in New Zealand and overstates the result in Australia. The company has stated that they are in the process of transitioning away from this accounting treatment. Nonetheless, the trends in each geography are worth considering.
- Over the last three years NZ EBIT margins have lagged margins in Australia. We understand that GP margins are broadly similar in Australia and New Zealand and so we attribute the weaker margin to: (1) weaker topline growth (due to a weaker NZ economy); (2) efficiency initiatives rolled out in Australia which are due to be rolled-out to NZ in FY24; and (3) increased costs associated with the Hamilton DC expansion.
- We forecast more modest revenue growth in NZ relative to Australia, with EBIT margins recovering close to FY22 levels as new stocking efficiency initiatives are rolled out in SNL's NZ operations.

Segment EBIT margins



Segment opex to sales ratio



Source: Company, MA Moelis Australia, FactSet

Cash Flow



Solid cash conversion with excellent ROIC as SNL has consistently invested in capacity to support demand

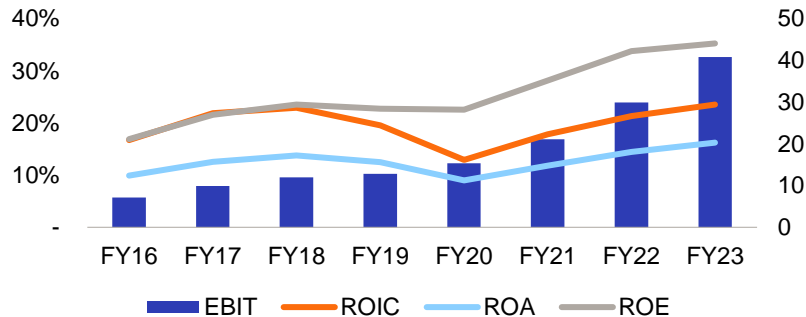
- With depth of product range and availability of supply key to driving revenue growth, market share gains and ultimately strong customer relationships, SNL is a working capital heavy business. However, with strict inventory control and forward investment in capacity SNL has been able to grow whilst generating solid cash conversion of 70-80% reasonably consistently.
- Strong cash generation has allowed SNL to fund growth initiatives (DC expansion, store refurbishment and new store roll-out) from cashflows and so the balance sheet has remained lowly geared with minimal net debt. We estimate capex requirements over FY24-26 will be elevated (~\$5m p.a) compared to historic levels of ~\$2m p.a as SNL continues to expand physical capacity and invest in systems and processes.
- Cash generation and organic growth initiatives allow for the fully franked dividend to continue to grow, with the yield of 2.8%/3.2%/3.8% in FY24/25/26. We forecast a payout ratio in line with recent history of ~70%. We incorporate the DRP in FY24 but do not assume it continues in FY25.
- SNL has a very strong ROIC and ROE and with multiple growth initiatives underway can continue to generate profitable growth.

Key Financial Estimates

Cashflow (\$m)	FY23a	FY24e	FY25e	FY26e
EBITDA	48.3	56.1	62.1	71.8
Net Interest	(1.7)	(1.9)	(1.6)	(1.4)
Tax	(11.6)	(14.5)	(15.0)	(17.6)
Change in Working Capital	(16.4)	(13.5)	(7.2)	(11.2)
Other	0.5	(0.7)	-	-
Operating Cash Flow	19.0	25.4	38.4	41.6
<i>Growth</i>	+5%	+33%	+51%	+8%
Capex	(4.3)	(4.9)	(5.1)	(3.8)
Acquisitions	-	-	-	-
Divestments	-	-	-	-
Other	-	-	-	-
Investing Cash Flow	(4.3)	(4.9)	(5.1)	(3.8)
Equity Raised	6.9	-	-	-
Dividends Paid	(16.4)	(11.3)	(23.1)	(26.4)
Net Borrowings	(5.5)	(10.7)	(5.6)	(5.7)
Other	-	-	-	-
Financing Cash Flow	(15.0)	(22.0)	(28.7)	(32.1)
FX / Non Cash Items	0.0	0.2	-	-
Change in Cash	(0.3)	(1.5)	4.6	5.7
Free Cash Flow	9.8	14.9	27.7	32.1

Cash Flow Metrics	FY23a	FY24e	FY25e	FY26e
FCF/Share (\$)	0.24	0.36	0.66	0.76
Price/FCPS (x)	76.2	51.0	27.7	23.9
Free Cash Flow Yield (%)	1.3%	2.0%	3.6%	4.2%
Gross Cash Conversion	67.0%	74.6%	88.4%	84.4%
Capex/Sales (%)	1.7%	1.6%	1.5%	1.0%
Capex/Depreciation (x)	0.6	0.5	0.5	0.3

Strong and disciplined capital allocation (ROIC track record)



Source: Company, MA Moelis Australia

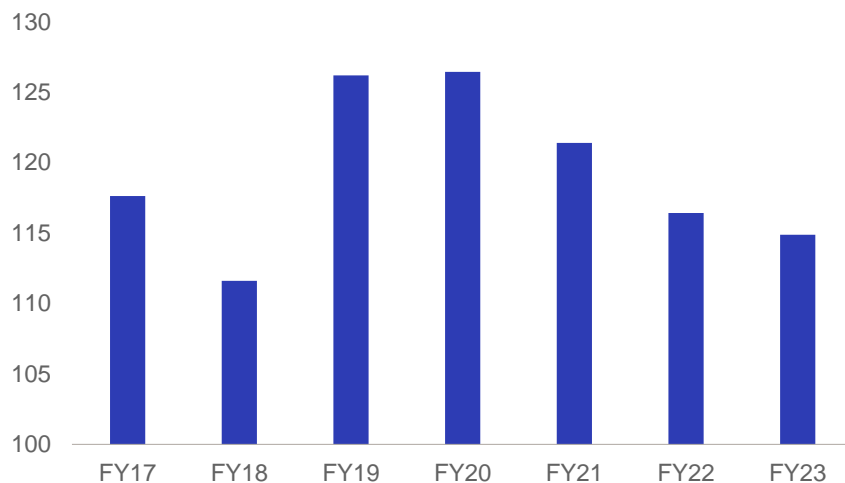
Balance Sheet



Minimal net debt position (excluding lease liabilities) allowing flexibility for capital management

- We expect SNL's balance sheet to remain lowly geared with minimal net debt as growth initiatives are funded from free cashflow.
- We assume strict working capital control to minimize the drag on the cashflow as SNL continues to grow.
- Given SNL's strong balance sheet positions, management has flagged continued capital management initiatives (payout ratio of ~70%).

Inventory days historically



Key Financial Estimates

Balance Sheet (\$m)	FY23a	FY24e	FY25e	FY26e
Cash	7.8	5.5	10.1	15.8
Inventory	79.4	96.2	105.3	117.6
Current Receivables	28.0	34.0	38.5	43.0
PPE	50.4	51.3	52.0	50.3
Intangibles	-	-	-	-
Other	3.6	5.2	5.2	5.2
Total Assets	169.2	192.3	211.1	231.9
Current Payables	35.7	44.9	51.0	56.4
ST Debt	7.2	-	-	-
LT Debt	44.7	48.0	48.4	48.7
Provisions	1.7	1.9	2.1	2.3
Other	2.1	5.6	6.8	9.1
Total Liabilities	91.4	100.4	108.3	116.6
Net Assets	77.8	91.9	102.8	115.2
Equity & Reserves	29.2	35.0	35.0	35.0
Retained Profits	48.6	56.9	67.8	80.1
Shareholders' Equity	77.8	91.9	102.8	115.2
Minorities	-	-	-	-
Total Equity	77.8	91.9	102.8	115.2
Performance Ratios	FY23a	FY24e	FY25e	FY26e
ROA	17.8%	17.4%	17.4%	18.6%
ROE	40.0%	37.1%	36.1%	37.8%
ROIC	26.0%	25.6%	26.3%	29.2%
Net Debt excl. RoU lease liabilities (\$m)	2.2	5.7	1.1	(4.5)
Net Debt (Cash) (\$m)	44.1	42.5	38.3	33.0
Net Debt/EBITDA (x)	0.9	0.8	0.6	0.5
ND/(ND + Equity) (%)	36.2%	31.6%	27.1%	22.3%
Interest Cover (x)	23.3	24.8	33.3	42.0
Working Capital	68.5	81.5	87.5	96.4
Working Capital/Sales (%)	27.2%	27.2%	26.0%	25.6%

Source: Company, MA Moelis Australia

Valuation & Price Target



SNL offers 14% FY23-26e EPS CAGR with long-term favourable drivers for a fair 21.8x MAe FY25e NPAT

- We value SNL using an equally-weighted DCF (WACC 9.0%) and P/E multiple (25x FY25e NPAT) methodologies, which derives a 12mth forward target price of \$21.26/share.
- Our 25x FY25 P/E multiple implies a premium vs. MXI/BAP (~12.5x) based on:
 - Quality operator:** Track record of outperformance; superior margins; ROIC; and strategic management.
 - Attractive industry to operate in:** As truck parts are non-discretionary and are critical for business operations volumes are consistent and the parts manufacturers and distributors have pricing power. Earnings are therefore high quality.
 - Taking share from OEM dealers:** SNL has opportunities to outcompete MXI/BAP, but there's further upside to top-line forecasts if SNL can capture market share from the OEM distributors that currently have 60-70% market share. We note that in EU and the US the market share for replacement parts is around 50/50 OEM / aftermarket.
 - Multiple growth initiatives underway:** From continued investment in expanding capacity (DCs, existing stores or new stores) to investment in back-end efficiencies, we see multiple angles for organic growth. The strong balance sheet position also provides optionality for M&A and/or capital management.
- We note that our target price of \$21.26 implies a FY26 P/E of ~22x.

Valuation & Summary

Investment Summary		
DCF value per share	50.0%	22.70
P/E value per share	50.0%	20.92
Blended valuation per share		21.81

Avg. value grown for 12 mths at Ke	\$	21.81
Less: Forecast 12mth dividends	\$	(0.55)
12 month share price target	\$	21.26

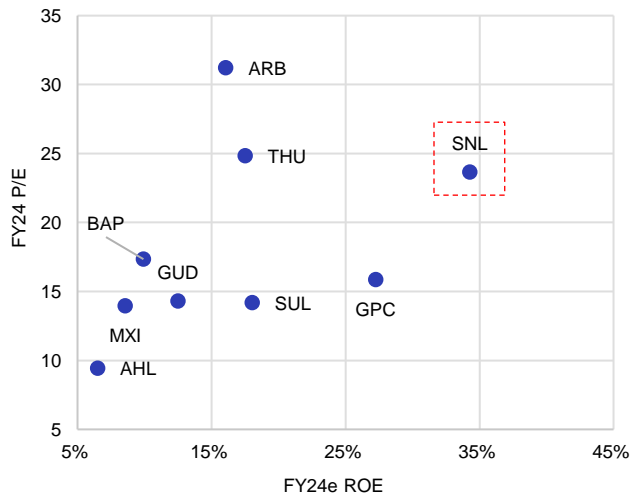
12 Month Yield	%	3.0%
12 Month Capital Return	%	17.1%
12 Month Total Return	%	20.1%

Recommendation	BUY
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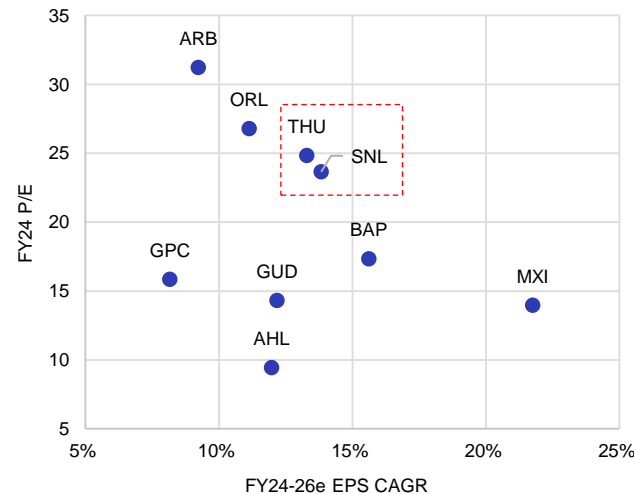
DCF Valuation		
PV of FCFE	\$m	1,000.8
Enterprise value	\$m	1,000.8
Less: net debt	\$m	(47.5)
Equity value	\$m	953.3
Shares on issue	m	42.0
DCF value per share	\$	22.70
Upside (downside) to last price	%	25%

P/E Valuation		
FY24 NPAT	\$m	35.1
Multiple	x	25.0
Equity value	\$m	878.6
No. of shares	m	42.0
Valuation per share	\$	20.92
Upside (downside) to last price	%	15%

FY24 P/E vs FY24e ROE



FY24 P/E vs FY24-26e EPS CAGR



Source: Company, MA Moelis Australia, FactSet

Valuation & Price Target (continued)

We assess SNL against a basket of competitors (MXI, BAP), auto parts manufacturers, retailers, and international peers. SNL is priced at a ~28% premium to peer P/E multiple but offers stronger sales growth, EPS CAGR, & NPAT margins

- SNL is priced at a premium to the basket of peers we have selected, but offers superior sales growth potential, EPS CAGR, and marginally stronger NPAT margins

Consensus Trading Comparables

Ticker	Company name	Last price	Mkt cap	Net Debt	EV	EV/EBITDA (x)		EV/EBIT (x)		P/E (x)		Sales CAGR (%)	EPS CAGR (%)	NPAT margin (%)
		(\$)	(\$m)	(\$m)	(\$m)	2024	2025	2024	2025	2024	2025	24-26	24-26	2024
MXI	MaxiPARTS	2.30	127	59	188	7.5	6.2	11.6	9.0	13.7	10.5	13%	22%	4%
BAP	Bapcor	6.24	2,118	635	2,754	9.2	8.1	13.7	11.7	18.5	15.3	5%	16%	6%
GUD	G.U.D. Holdings	11.70	1,648	455	2,103	9.5	8.6	11.7	10.5	14.6	12.7	5%	12%	11%
ARB	ARB	40.63	3,341	(15)	3,326	18.8	17.4	22.5	20.8	31.3	28.9	8%	9%	15%
AHL	Adrad Holdings	0.90	73	34	107	5.1	4.6	8.1	7.2	9.1	8.0	6%	12%	5%
SUL	Super Retail Group	15.40	3,478	768	4,246	5.7	5.6	10.6	10.5	14.3	14.2	4%	4%	6%
GPC	Genuine Parts	157.38	33,400	6,270	39,407	11.6	10.8	14.0	12.3	16.1	14.8	5%	8%	6%
ORL	O'Reilly Automotive	1,162.94	104,507	11,613	115,589	19.7	18.6	22.5	21.1	27.5	24.8	6%	11%	15%
THU	Thule Group	305.40	4,698	309	4,957	17.6	15.5	19.9	17.2	25.3	21.7	6%	13%	13%
Average			17,043	2,236	19,186	11.6	10.6	15.0	13.4	18.9	16.8	7%	12%	9%
Median			3,341	455	3,326	9.5	8.6	13.7	11.7	16.1	14.8	6%	12%	6%

SNL	Supply Network MAe	18.15	762	47	810	14.4	13.0	17.3	15.6	24.1	21.8	12%	14%	10%
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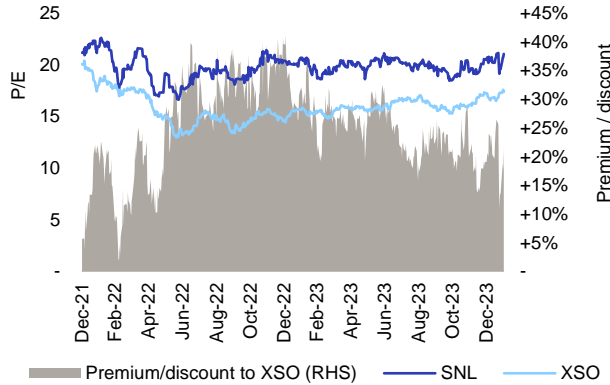
Premium / (discount) to peer average

24% 23% 16% 17% 28% 30% 85% 16% 17%

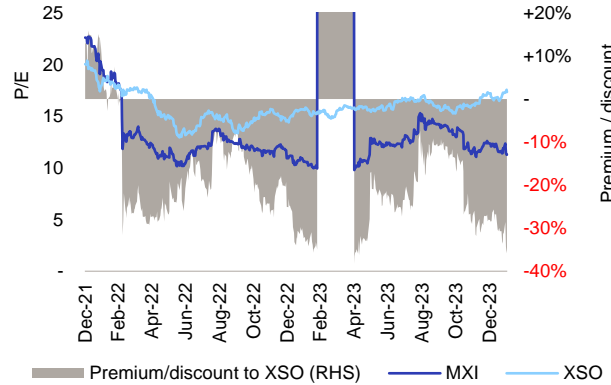
P/E analysis



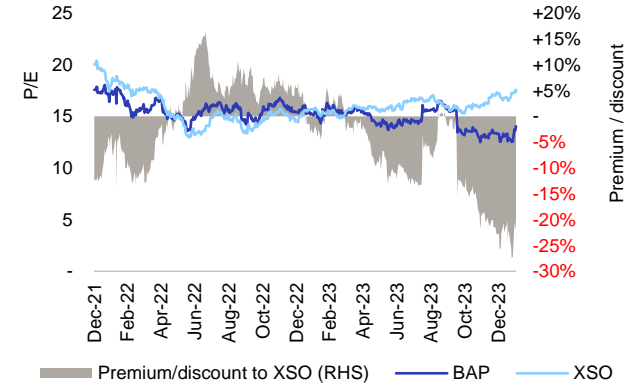
SNL 12m fwd P/E relative vs XSO



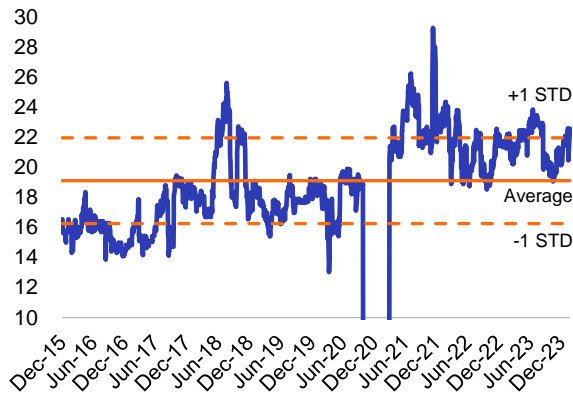
MXI 12m fwd P/E relative vs XSO



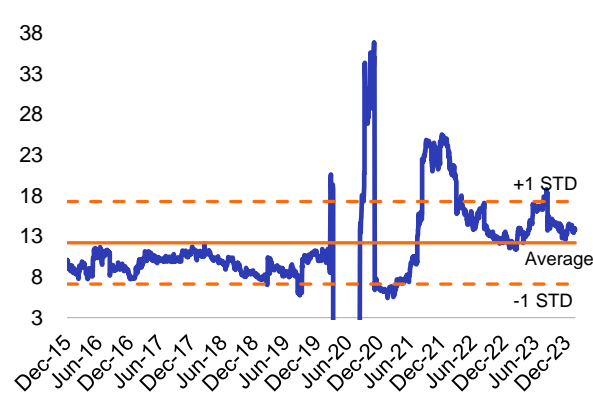
BAP 12m fwd P/E relative vs XSO



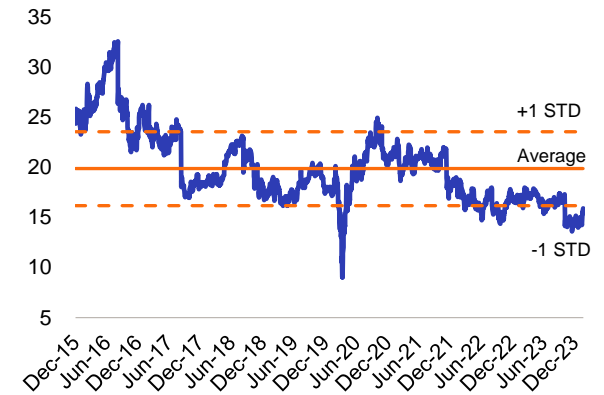
SNL 12m fwd P/E absolute



MXI 12m fwd P/E absolute



BAP 12m fwd P/E absolute



Source: FactSet, MA Moelis Australia, Company Presentations

Classes of heavy vehicles – SNL’s target market

Class 2 heavy vehicles – freight-carrying vehicles

Class 2 Heavy Vehicles (examples for illustration purposes)			
Freight Carrying Vehicles		Vehicles Exceeding 4.3m in Height (up to 4.6m high as per Schedule 6 of Heavy Vehicle (Mass, Dimension and Loading) National Regulation) (MDL)	
21	B-double	37 Vehicle Carrier	
22	A-double	38 A-double (Livestock)	
23	B-triple	39 B-triple (Livestock)	
24	AB-triple	HVNL Definitions	
25	A-triple	<p>HVNL s136 A heavy vehicle is a class 2 heavy vehicle if—</p> <p>(a) it—</p> <p>(i) complies with the prescribed mass requirements and prescribed dimension requirements applying to it; and</p> <p>(ii) is—</p> <p>(A) a B-double; or</p> <p>(B) a road train; or</p> <p>(C) a bus, other than an articulated bus, that is longer than 12.5m; or</p> <p>(D) a combination designed and built to carry vehicles on more than 1 deck that, together with its load is longer than 19m or higher than 4.3m; or</p> <p>(E) a motor vehicle, or a combination, that is higher than 4.3m and is built to carry cattle, sheep, pigs or horses; or</p> <p>(b) it is a PBS vehicle.</p> <p>HVNL s5 B-double means a combination consisting of a prime mover towing 2 semitrailers, with the first semitrailer being attached directly to the prime mover by a fifth wheel coupling and the second semitrailer being mounted on the rear of the first semitrailer by a fifth wheel coupling on the first semitrailer.</p>	
26	BAB-Quad	<p>HVNL s5 B-triple means a combination consisting of a prime mover towing 3 semitrailers, with—</p> <p>(a) The first semitrailer being attached directly to the prime mover by a fifth wheel coupling; and</p> <p>(b) The second semitrailer being mounted on the rear of the first semitrailer by a fifth wheel coupling on the first semitrailer; and</p> <p>(c) The third semitrailer being mounted on the rear of the second semitrailer by a fifth wheel coupling on the second semitrailer.</p> <p>HVNL s5 road train means—</p> <p>(a) A B-triple; or</p> <p>(b) A combination, other than a B-double, consisting of a motor vehicle towing at least 2 trailers, excluding any converter dolly supporting a semitrailer.</p>	
27	ABB-Quad	<p>HVNL s5 PBS vehicle means a heavy vehicle that is the subject of a current PBS vehicle approval under Part 1.4.</p> <p>HVNL s5 PBS vehicle approval means a current approval issued for a heavy vehicle by the Regulator under section 23.</p>	
28	Rigid Truck and 2 Dog Trailers	<p>NHVR Notes: B-doubles: Despite the shorter length, 19m B-doubles are classified as Class 2 Vehicles. General freight carrying vehicles that are longer than 19m require specific networks that are capable of handling these larger vehicles. This is usually managed by declaring route networks in gazette notices, but where a network does not exist, an operator may apply for a permit.</p> <p>Buses: A bus, other than an articulated bus, that is longer than 12.5m but less than 14.5m, that complies with prescribed mass and dimension requirements is a class 2 heavy vehicle. These vehicles are also known as a 'Controlled Access Bus'</p>	
Performance Based Standards (PBS)			
32	Prime Mover and Quad Axle Semitrailer	<p>Vehicle carriers: A vehicle carrier is a combination designed and built to carry vehicles on more than one deck that together with its load is longer than 19m or higher than 4.3m.</p> <p>Livestock vehicles: A livestock vehicle is a heavy vehicle, or a combination, that may be higher than 4.3m and is built to carry cattle, sheep, pigs or horses.</p> <p>Performance Based Standards: (PBS) An alternative compliance scheme for heavy vehicles setting minimum performance levels for safe and efficient operation (as opposed to standard prescriptive rules). Greater access is generally afforded for higher performance.</p>	
33	Rigid Truck and 5 Axle Dog Trailer		
34	B-double with Quad Axle Groups (up to 30m)		
35	A-double (up to 30m)		
Buses			
36	Controlled Access Bus		

Source: NHVR

Board and Key Management



Name & Position	Summary Of Experience
<p>Gregory James Forsyth <i>Chairman</i> (29.5% shareholder)</p>	<ul style="list-style-type: none"> Gregory was appointed to the board in Jan-2006 and as Chairman in Mar-2010. Gregory has over 35 years' experience in financial markets specializing in Australian listed equities.
<p>Peter William McKenzie <i>Non-Executive Director</i> (11.2% shareholder)</p>	<ul style="list-style-type: none"> Peter was appointed to the board in Jul-2006. Peter has over 25 years' experience in the transport industry and currently runs a consultancy practice providing advice to public authorities and private clients in the transport industry.
<p>Geoffrey David Huston Stewart <i>Managing Director and Chief Executive Officer</i> (1.6% shareholder)</p>	<ul style="list-style-type: none"> Geoffrey was appointed CEO in Nov-1999 and Managing Director in Nov-2000. Geoffrey has over 35 years' experience in the road transport industry.
<p>Peter William Gill <i>Non-Executive Director</i> (~1% shareholder)</p>	<ul style="list-style-type: none"> Peter was appointed senior finance executive in Apr-1995 until his retirement from the role in Oct-2018. Peter was appointed to the board in May-2008 initially as Finance director, post retirement as a non-executive director. Peter has over 40 years' experience in accounting and financial in both commercial and professional fields.
<p>Robert A Coleman <i>Chief Financial Officer and Company Secretary</i> (<1% shareholder)</p>	<ul style="list-style-type: none"> Robert joined SNL in July-2014 and was Group Financial Controller before assuming responsibilities as Chief Financial Officer in 2018 following Peter Gill's retirement from his executive financial role. Robert was appointed as Company Secretary in December-2022. Robert is a Certified Practicing Accountant.

Key Risks	
Increased market competition	The aftermarket parts supplying/distribution industry could experience heightened competitive pressures from SNL's independent part supplying peers, wholesalers, and OEM dealers. There could be consolidation of existing players or new entrants which alters the market structure and impacts the performance of SNL and constrain its ability to drive organic/inorganic growth.
Reputational risk	The ability to sustain and grow SNL's revenue base and earnings is reliant on developing and maintaining a strong reputation as a provider of quality service and parts distribution. Any factors which impact SNL's reputation could impact the competitiveness, growth and profitability of its branches.
Pricing power and dynamics	SNL is an independent supplier and distributor of aftermarket truck and bus parts which relies on third-parties and internationally sourced parts. Increasing pricing pressure from SNL's suppliers could impact its ability to pass on price increases to customers or adversely affect margins.
Branch/distribution expansion strategy	SNL's organic growth outlook involves the expansion and successful execution/integration of operating branches in a timely, efficient and cost-effective manner. Should branch or distribution capacity not properly be executed/implemented it may impact the growth prospects of the company.
Delayed purchases of parts or servicing	SNL's sales of truck and bus parts may be impacted by delayed frequency of truck/bus maintenance and servicing. If the economy experienced deteriorating conditions, some truck or bus operators may decide to delay or defer purchases of automotive parts which could impact SNL's performance.
Labour shortages	Attracting and retaining qualified management and staff across head office, branches, and distribution facilities is important to the success of SNL. Should labour shortages result in SNL being unable to attract and retain staff it could constrain its growth prospects.
Unfavourable vehicle trends	The magnitude of truck and bus sales and the size and segmentation of the car parc can impact demand for aftermarket automotive parts. Any unfavourable changes to vehicle trends may decrease the demand for SNL's product range.
FX risk	SNL do not hedge their FX exposure and so should the AUD weaken then this may impact GP margins. However, SNL hold ~6-months' of inventory which provides a natural hedge. Furthermore, the company has some capacity to pass on price increases to their customer.

Disclosure



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