

Management Commentary on Operations and 1H 2024 Financials

Introduction

Secure Logistic Group Ltd (“SLG” or the “Company”) is pleased to announce its half yearly financial results for the period ending June 30th, 2024 as reviewed by its Auditor – financial statements attached. Before commenting on the half yearly financial results, a brief review of progress made since the listing date of April 22, 2024 is provided below.

Progress Reported in April and May 2024

Since the close of Initial Public Offering (“IPO”) transaction, the Company has consistently reported its progress by way of regular updates specifically to its investors and generally, to the market. All updates are available on the Pakistan Stock Exchange (“PSX”) portal and include.

- Confirmation of pre-IPO investments – SLG letter to PSX dated April 18th, 2024;
- Confirmation of IPO amount and debt pre-payments (deleveraging) as per the commitment made in the Prospectus – Corporate Announcement # 1 vide SLG letter dated April 23rd, 2024;
- Upgrading of SLG’s credit rating from single A to A+ by Pakistan Credit Rating Agency (“PACRA”) – Corporate Announcement # 2 vide SLG letter dated May 14th, 2024 (alongwith PACRA’s Press Release);
- Announcement/release of audited Accounts for FY ending December 31st, 2023 – May 10th, 2024.

SLG held its first presentation to analyst on May 21st, 2024.

Additional Milestones Achieved in May and June 2024

Further to the progress reported to-date, during the remaining May and June 2024, the Company completed its second major committed milestone of upgrading/refurbishment of its entire commercial vehicle fleet to make it fully road worthy for domestic and regional operations – see next heading, “Q3 and Q4 Priorities”. The updated status of Usage of pre-IPO and IPO funds is provided in the attached “Implementation Status of Projects/ Commitments under Clause 16 of Public Offering/Regulations, 2017” dated June 30th, 2024 – copy attached. Please note that as a result of the debt payments and upgrading/refurbishment of the commercial fleet, 96% of the pre-IPO and IPO proceeds have been utilized up to June 30th, 2024.

Q3 and Q4 2024 Priorities

In addition to the organic growth involving the three Business Lines (Logistics, Security Services and Asset Tracking), the Company is also pursuing the remaining major initiatives communicated in Prospectus and the Information Memorandum, as follows:

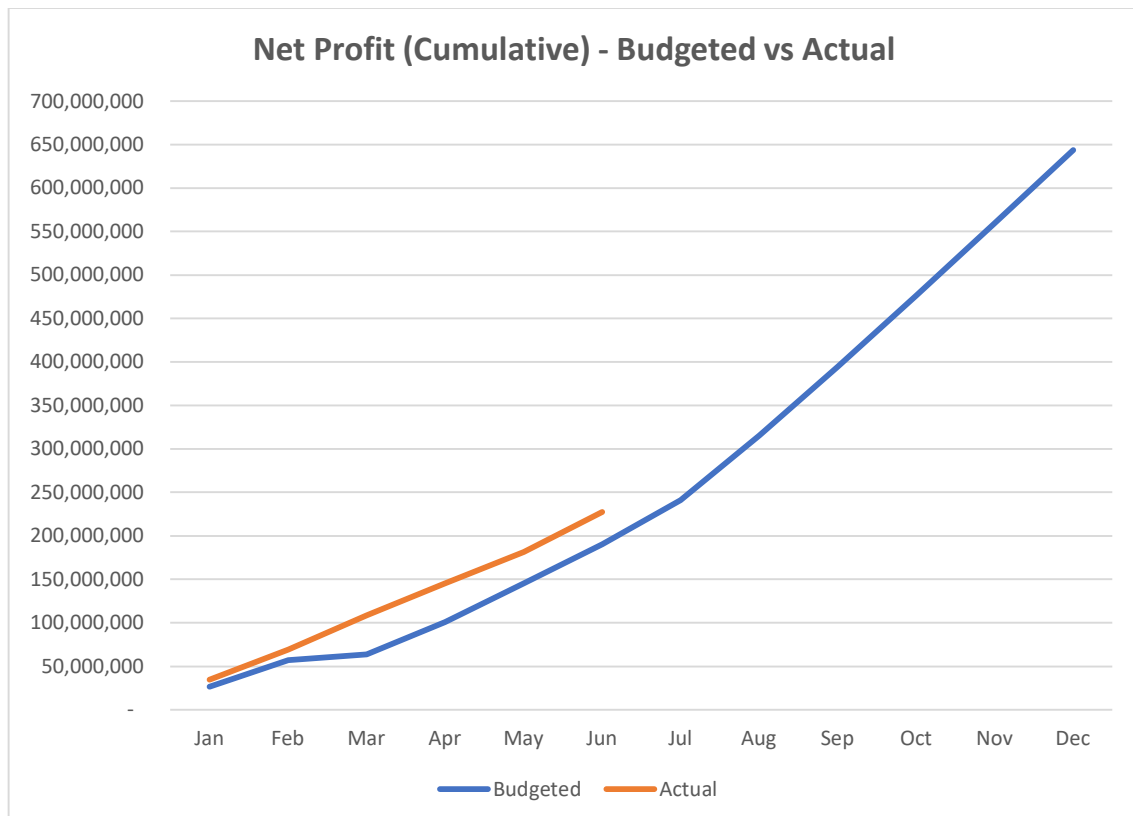
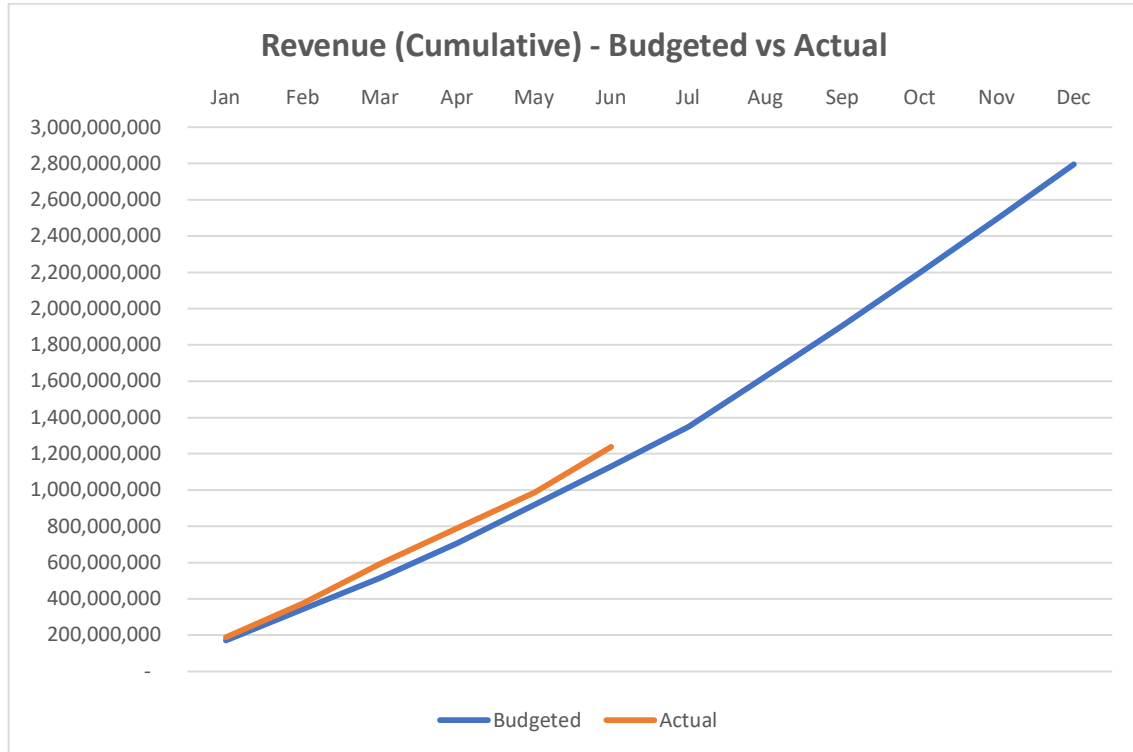
Tech Pivot & Partner Companies Fleets: The Phase I soft launch of upgraded Asset Tracking software and B2B Market App is scheduled to take place during the second half of September/early October 2024.

Regional Transportation: As we await the issuance of *Transports Internationaux Routiers* (“TIR”) license, a pre-requisite for the commencement of cargo services to/from Tashkent (Uzbekistan - Central Asia) and Kashghar (Sinkiang – China), the Company has entered the project execution phase. Subject to timely issuance of TIR license the first batch of commercial vehicles is expected to travel to Tashkent by early September, 2024.

1H 2024 Financial Results

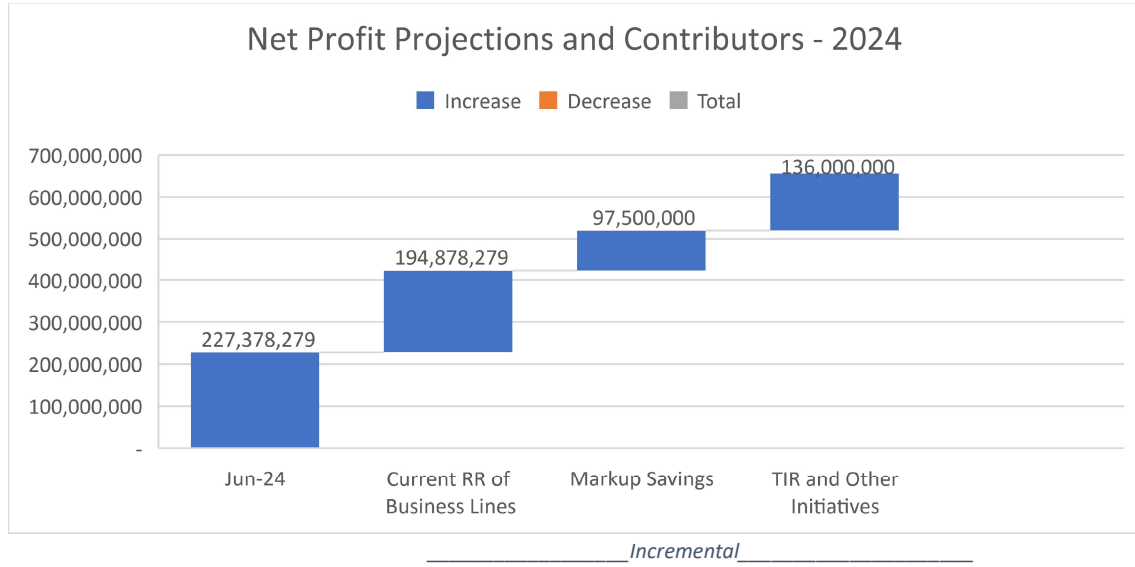
Notwithstanding the minor delays in the initiation of Tech Pivot and regional transportation, due to better than expected results in its existing Business Lines and sub-segments, the Company has exceeded the budgeted six monthly forecasted financial results (as shown in the financial model and Information Memorandum) by approximately 19%.

Against the budgeted Revenue of Rs 1,130,405,198/- and Net Profit of Rs 190,346,261 at June 30th, 2024, the Company has posted a Revenue of Rs 1,237,537,663 and Net Profit 227,378,279 respectively. The financial results are graphically illustrated in graph 1 and 2 below.



Full 2024 View

The financial results upto June 30th, 2024 covers the positive impact of deleveraging through savings in Interest Expense for a period of approximately two months only. Similarly, the six-monthly results take into account the fleet upgradation/refurbishment impact for a period of approximately six weeks only. Subject to macroeconomic stability and other internal and external business variables, the incremental positive impact of the aforementioned two major items and other under execution initiatives and organic growth in all business lines, the Company's profitability is expected to evolve as follows:



**Implementation Status of Projects/Commitments
Under Clause 16 of Public Offering Regulations, 2017**

IPO

Ruppees in Millions

S. No	Item	Commitment	Actual Spent	Remaining	Start Date	End Date	Current Status	Remarks
1	Repayment of Senior Debt	418	418	-	March-24	April-24	Completed	Multiple Banks
2	Repayment/ Conversion (Sub Debt)	40	40	-	March-24	April-24	Completed	Sponsor Loan II
3	Distribution Vehicles	30	-	30	March-24	May-24	-	Allocated to fleet upgradation
4	Regional Transportation Infrastructure	5		5	March-24	May-24	Pending	
5	Software	9		9	March-24	May-24	Pending	
6	Hardware	16		16	March-24	May-24	Pending	
7	Fleet Upgradation and Refurbishment (Tire, Spares & Misc)	32	62	(30)	March-24	April-24	Completed	
8	Semi – Trailers for TIR	20	20	-	March-24	December-24	Completed	
9	Marketing & Onboarding	5		5	March-24	December-24	Pending	
10	HR Capacity Building	25	15	10	March-24	December-24	Ongoing	
Total		600	555	45				

Pre IPO

11	Repayment of Sub Debt (non-cash tranche)	237	237	-	March-24	April-24	Completed	Karandaz Pakistan (non-cash tranche)
12	Repayment of Sub Debt (cash tranche)	248	248	-	March-24	April-24	Completed	KBP Limited
13	Repayment of Sub Debt (cash tranche)	100	100	-	March-24	April-24	Completed	Sponsor Shareholders
Total		585	585	-				

Grand Total	1,185	1,140	45
--------------------	--------------	--------------	-----------



Company Secretary

