

FY23 Annual General Meeting

20 October 2023

Delivering specialised
Industrial products,
services and
customised solutions

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About Coventry



About Coventry

1929

Coventry Group founded



972

people employed
at Coventry Group



15



Fluid Systems
branches (AUS)

41



Konnect and Artia
branches (AUS)

18



Konnect and Artia
branches (NZ)

7

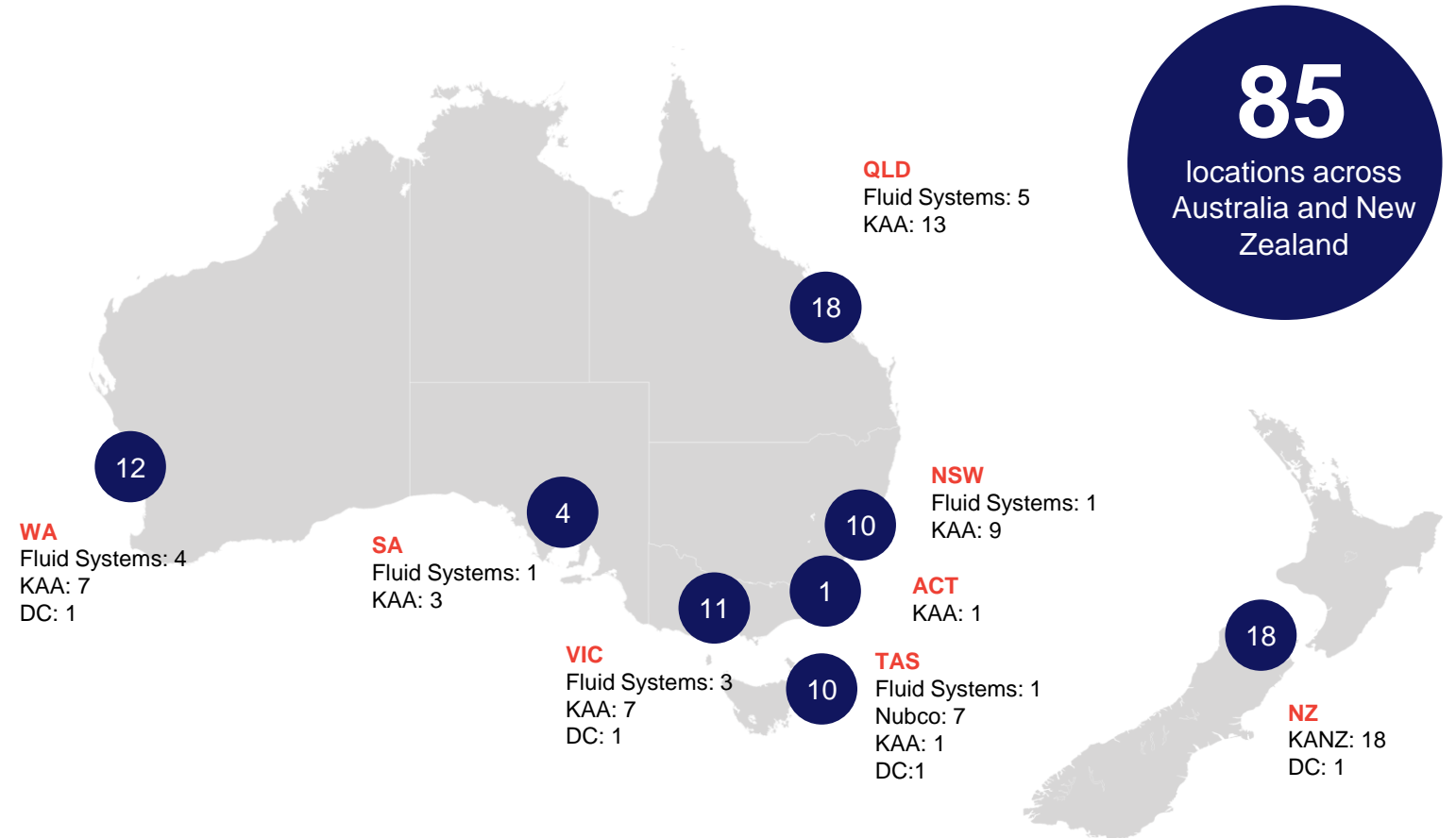


Nubco
branches (AUS)

4



Distribution Centres
(AUS & NZ)



What we do

We provide specialised industrial products, services and customised solutions to our wide network of customers through two business segments

Fluid Systems

- Fluid Systems designs, manufactures and sells hydraulic, lubrication, fluid transfer, refuelling, fire suppression, automation systems and products. Fluid Systems has the capability to design, manufacture, install, maintain and supply full turn-key customised solutions and components through a network of 15 branches in Australia.
 - Key markets are Mining and Resources, Renewable Energy, Agriculture and Aquaculture, Defence and Food & Beverage Manufacturing and allied industries.
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Trade Distribution

- Trade Distribution comprises Konnect and Artia Australia (KAA), Konnect and Artia New Zealand (KANZ), and Nubco supplying a range of fastening systems, cabinet hardware systems, industrial and construction products through a network of 48 branches in Australia and 18 branches in New Zealand.
- Key markets are Industrial, Manufacturing, Infrastructure, Building and Construction, Roofing and Cladding, Mining and Mining Services, Resources/Oil and Gas and Agriculture and Aquaculture.

Specialisation is how we win

Our operating business units provide specialised industrial products, services and customised solutions to a wide range of customers from blue chips to tradespeople

We operate across a wide range of growing markets where we have small market share

Specialisation differentiates us from our competitors

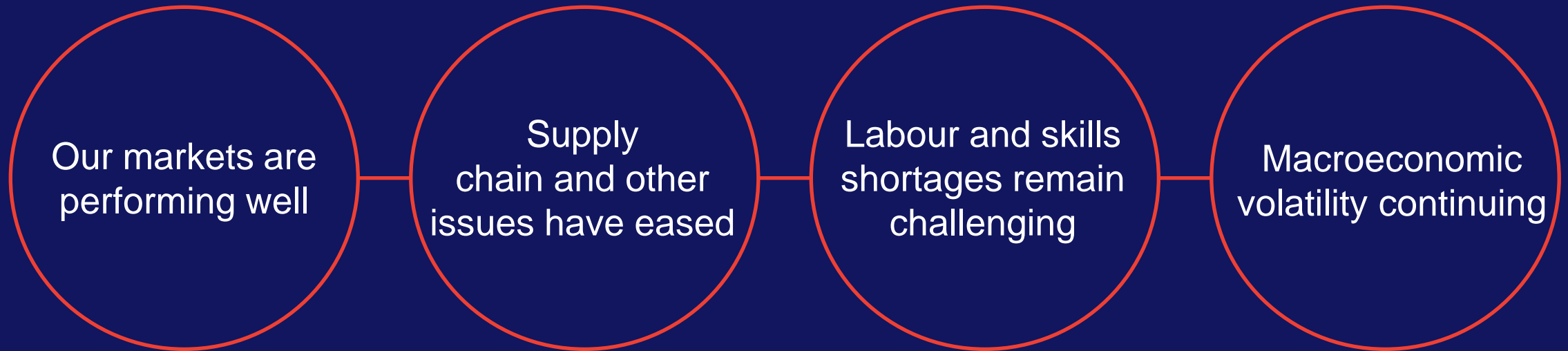


02

Markets + industries



The market + our industries



Demand remains robust from our primary end markets (mining and resources, infrastructure, commercial construction and industrial). The Group has very modest exposure to segments of the economy that are slowing, namely household discretionary expenditure and residential construction.

Coventry operates in high growth markets

Coventry has a small market share in large high growth markets with significant opportunity for organic and acquisition growth

Mining and resources

Continued strong demand for products and services from mining and energy sectors

Infrastructure

\$100b committed government spend over the next ten years

We continue to build our capability and value proposition to support the infrastructure market

Building and construction

Commercial construction markets have continued to perform well despite cost inflation and labour shortages

Coventry has limited exposure to residential construction – housing shortage and immigration to drive future demand

Industrial and manufacturing

Markets are driven by activity in the Mining and Resources, Infrastructure, Building and Construction and other markets serviced by Coventry

Other markets

Our secondary markets are all performing well:

Agriculture and aquaculture

Renewable energy

Oil and gas

Defence

Recycling

Our value proposition

Quality products, stock availability, expertise, agility, geographic coverage

03

Our Strategy



Our Strategy

Our Purpose

To provide specialised industrial products, services and solutions to our customers

Our Values

Safety first
Do the right thing
(Fairness, Integrity and Respect)
Work as a team
Be the best at everything we do

Our Vision

Zero harm
Profitable sales growth
10.0% EBITDA (Pre AASB16)
Strong cash conversion

Strategic priorities

The right people for growth
Accelerate profitable organic growth
Cash conversion
Digitize core systems – deliver the ERP project

Customer promise

Exceptional specialist services and solutions to help our customers be successful

People

How we run our business. What we want to achieve. The standards and behaviours that guide how we work together to achieve it. How we do things.

Customers

What we promise our customers. What they experience. What it looks and feels like for them. How and what we communicate.

Our organic growth opportunities

Expand network

Greenfield Konnect Australia and New Zealand Trade stores (2 new stores in progress)

Fluid Systems branches in new geographical regions

Nubco expansion into regional Australia

Improving the network

Trade store makeovers and relocations in Konnect Australia, Konnect New Zealand and Nubco to improve in store customer experience

Site expansion in Fluid Systems to deliver growth opportunities

Improve value proposition

Improving our value proposition to retain customers, increase share of wallet, acquire new customers and improve margins

Marketing and promotion programs

Alignment with key suppliers

Service and product extensions

Expanding product ranges

Enhance stud bolt capability

Increasing engineering capability in Fluid Systems

Establishing automation and electrification capabilities in Fluid Systems

Digitalisation

ERP upgrade

E-commerce

Digitalisation and continuous improvement programs to improve customer service and increase productivity

Improving people management systems to build skills and expertise for future business growth

04

FY23

performance



FY23 financial performance snapshot

Financial performance

Solid revenue and profit growth

Revenue



\$358.5m

+11.2% on FY22

EBITDA ¹



\$17.0m

+9.7% on FY22

EBIT ²



\$15.6m

+9.9% on FY22

Statutory net profit

\$2.5m

\$4.8m FY22

Cash conversion ⁴



112.5%

45.8% FY22

Net Assets

\$113.3m

\$113.6m FY22

Net Debt

\$33.5m

\$33.1m as at 30 June 2022

Net Debt impacted by

- ERP upgrade project (\$5.5m)
- Dividend payment (\$3.0m)
- Capital expenditure (\$3.7m)

Note 1: EBITDA is before significant items and excludes the impact of AASB 16 – Leases and significant items

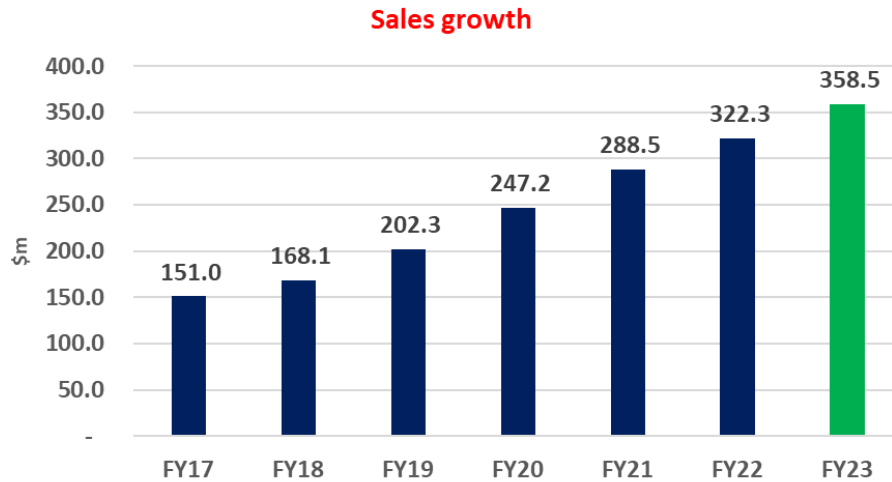
Note 2: EBIT is before significant items

Note 3: EBITDA before significant items is a non-IFRS measure and reflects how management measures performance of the Group

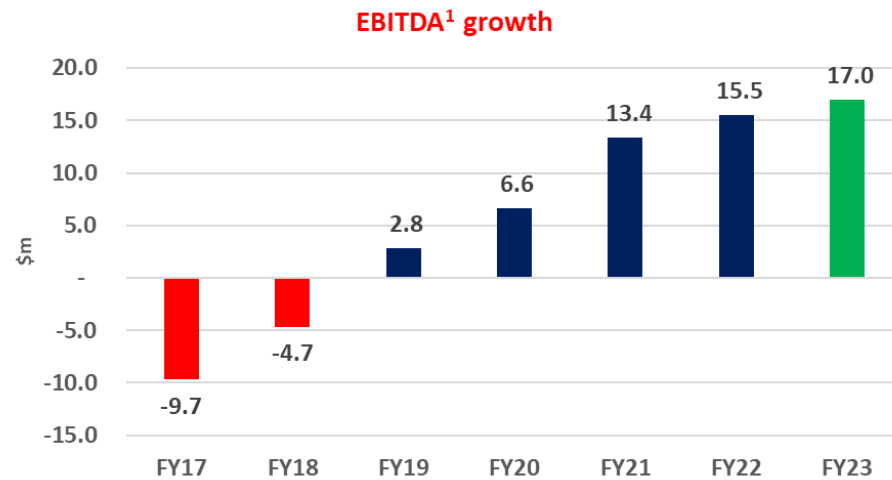
Note 4: Cash conversion = Gross operating cash flow less cash lease payments, addback significant items, divided by EBITDA¹

Historical results

Revenue



EBITDA¹



Group Revenue
up 11.2% to \$358.5m
(\$322.3m FY22)

Group EBITDA¹
up 9.7% to \$17.0m
(\$15.5m FY22)

Note 1: EBITDA is earnings before interest, tax, depreciation, amortisation before significant items and has been adjusted to exclude the impact of AASB 16 Leases.

Note 2: EBITDA before significant items is a non-IFRS measure and reflects how management measures performance of the Group.

Balance sheet and cash flow

Solid balance sheet position

\$m	As at 30 June 2023	As at 30 June 2022
Net Assets	113.0	113.6
Net Tangible Assets	36.8	36.2
Current assets less current liabilities	25.4	27.7

\$m	FY23	FY22
Adjusted gross operating cash flow	19.1	6.9
EBITDA ¹	17.0	15.5
Cash conversion % ²	112.5%	45.8%

- The Group has a solid balance sheet with Net Tangible Assets of \$36.8m and Net Assets of \$113.0m as at 30 June 2023
- The Group has a solid working capital position with Current Assets exceeding Current Liabilities by \$25.4m at 30 June 2023
- Net debt as at 30 June 2023 of \$33.5m (30 June 2022 of \$33.1m)
- Net Debt was impacted by the ERP upgrade project (\$5.5m), FY22 dividend payment (\$3.0m) and capital expenditure (\$3.7m)
- NAB debt financing facility of \$55.0m undrawn by \$17.6m as at 30 June 2023
- Significant improvement in cash conversion in FY23

Note 1: EBITDA is before significant items and excludes the impact of AASB 16 – Leases and significant items

Note 2: Cash conversion = Gross operating cash flow less cash lease payments, addback significant items, divided by EBITDA¹

FY23 Segment performance

Trading performance improved during FY23 with both business segments delivering Sales and profit year on year growth

Fluid Systems

Revenue

\$148.1m

+14.1% on FY22

EBITDA¹

\$15.3m

+19.0% on FY22

- Fluid Systems EBITDA¹ % to sales of 10.4%
- Trade Distribution EBITDA¹ % to sales of 8.1%
- Double digit sales growth achieved in Fluid Systems and Konnect and Artia Australia
- Trade Distribution impacted harder by wage, fuel and cost inflation

Trade Distribution

Revenue

\$210.1m

+8.8% on FY22

EBITDA¹

\$17.0m

+5.4% on FY22

Note 1: EBITDA is before significant items and excludes the impact of AASB 16 – Leases and significant items

05

Business update and outlook



Q1 FY24 performance

The Group delivered solid FY24 quarter one sales and unaudited EBITDA¹ growth

Group

Revenue

\$94.6m

+6.1% on Q1 FY23

EBITDA¹

\$5.4m

+10.8% on Q1 FY23

Fluid Systems

Revenue

\$38.2m

+10.8% on Q1 FY23

Trade Distribution

Revenue

\$56.4m

+3.1% on Q1 FY23

- Initiatives to grow EBITDA¹ % to Sales to 10% in the medium term have delivered early positive improvements and our strategy based on specialisation and service excellence is continuing to be resilient
- These buy-side and sell-side initiatives were implemented early in the financial year and started to become evident in the month of September with EBITDA up 26.7% on the pcp. We expect the run-rate from these initiatives to continue to improve over the December quarter.
- There was some weakness in the Konnect and Artia New Zealand business due to the recessionary environment in New Zealand and the businesses exposure to residential construction through roofing screws. Konnect is the dominant industrial fasteners business in New Zealand and we expect the business to become even stronger through this period as competitors withdraw from the market. There are already signs of green shoots in the economy driven by all-time record rates of immigration.

Business overview Fluid Systems

Fluid Systems is an innovative service provider to the Mining and Resources, Renewable Energy, Agriculture and Aquaculture, Defence and Food & Beverage Manufacturing and allied industries

Fluid Systems specialises in hydraulics, lubrication, fire suppression, refuelling and fluid transfer systems/products

Key strategic initiatives

- Focus on expanding sales in existing markets
- Diversification into markets outside of mining and resources
- Expand or relocate Mackay and Gladstone facilities to accommodate growth opportunities
- Increase engineering capability
- Develop capabilities for move from manual processes to automated and electric systems
- Explore options for branches in new geographical regions
- Explore acquisition opportunities in a fragmented market
- Successful roll out of the ERP upgrade project

Our markets are performing strongly

Our market share is less than 5%

The growth opportunity is significant

Business overview Trade Distribution

Trade Distribution comprises Konnect and Artia Australia (KAA), Konnect and Artia New Zealand (KANZ), and Nubco supplying a range of fastening systems, cabinet hardware systems, industrial and construction products through a network of 48 branches in Australia and 18 branches in New Zealand

Key markets are Industrial, Manufacturing, Infrastructure, Building and Construction, Roofing and Cladding, Mining and Mining Services, Resources/Oil and Gas and Agriculture and Aquaculture

Key strategic initiatives

Konnect and Artia Australia

- Accelerate organic growth -
 - Grow sales in our key markets focussed on our fastening systems specialisation
 - Expand our branch network by 2 to 3 stores per annum
 - Relocations and trade store upgrades – program in place for FY24
- Deliver inventory optimisation project
- Maximise our Digital Capability

Konnect and Artia New Zealand

- Accelerate organic growth
 - Expand branch network by 1 store per annum
 - Win in our key markets through specialization and a clear differentiated service proposition
 - Trade store upgrades
- Deliver inventory optimisation project
- Digitise our core systems and deliver the ERP system upgrade

Nubco

- Accelerate organic sales growth
 - Product range expansion
 - Trade store upgrades and relocations
 - Expand steel handling capabilities
- Develop advanced Digital capability
- Expansion in regional Australia

Business update

Key strategic initiatives

KAA profitability improvements

Accelerating delivery of our strategy

- Fixing underperforming branches
- Improving capability to deliver store makeovers, store relocations and new stores
- Improving margin management
- Improving supply chain and stock availability
- Close alignment with suppliers
- Operating cost reduction programs

ERP upgrade project

ERP upgrade progressing well

- The ERP upgrade continues to progress broadly to plan, schedule and budget
- Experienced project team and implementation support partners working closely together
- Requirements definition and design phases of the project completed
- Build phase well advanced
- Pilot in first branch and Finance to commence March 2024
- On target to complete project December 2024

Business update

Key strategic initiatives

Optimising financial health

Cash conversion project delivered positive results

- Inventory optimization project accelerating as supply chain and stock shortage issues reduce
- Implementing demand planning systems as part of ERP upgrade
- Cash conversion program delivering results – 112.5% in FY23

Develop marketing and digital capability

Appointment of key experienced resources

- Developing our marketing and promotion capability to increase brand recognition and awareness
- Ensuring all business units deliver an enhanced omnichannel customer experience
- Improving our digital offering

Strategic Priorities FY24

- The right people for growth
- Accelerate profitable organic growth in Trade Distribution
- Continue focus on rightsizing inventories and cash conversion
- Deliver ERP upgrade project to schedule and on budget
- Reinforce with customers our focus on specialist industrial products, services and customised solutions to build deeper partnerships and demonstrate our commitment to their success



06

Summary



Summary

Solid FY23 performance

Good start to Q1 with EBITDA¹ up +10.8%

Operating in resilient markets
and industries with the right strategy and
the right people for profitable growth

Specialisation will help us win

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