

Coventry Group H1 FY24
Investor Presentation

Delivering specialised
industrial products,
services and
customised solutions

 Coventry Group Ltd

ASX: CYG

Agenda

01

About
Coventry

02

Markets +
industries

03

Our strategy

04

H1 FY24
performance

05

Business update and
outlook

06

Summary

01

About Coventry



About Coventry

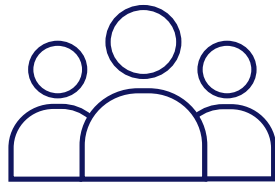
1929

Coventry Group founded



970

people employed at Coventry Group



15



Fluid Systems branches (AUS)

42



Konnect and Artia branches (AUS)

18



Konnect and Artia branches (NZ)

7

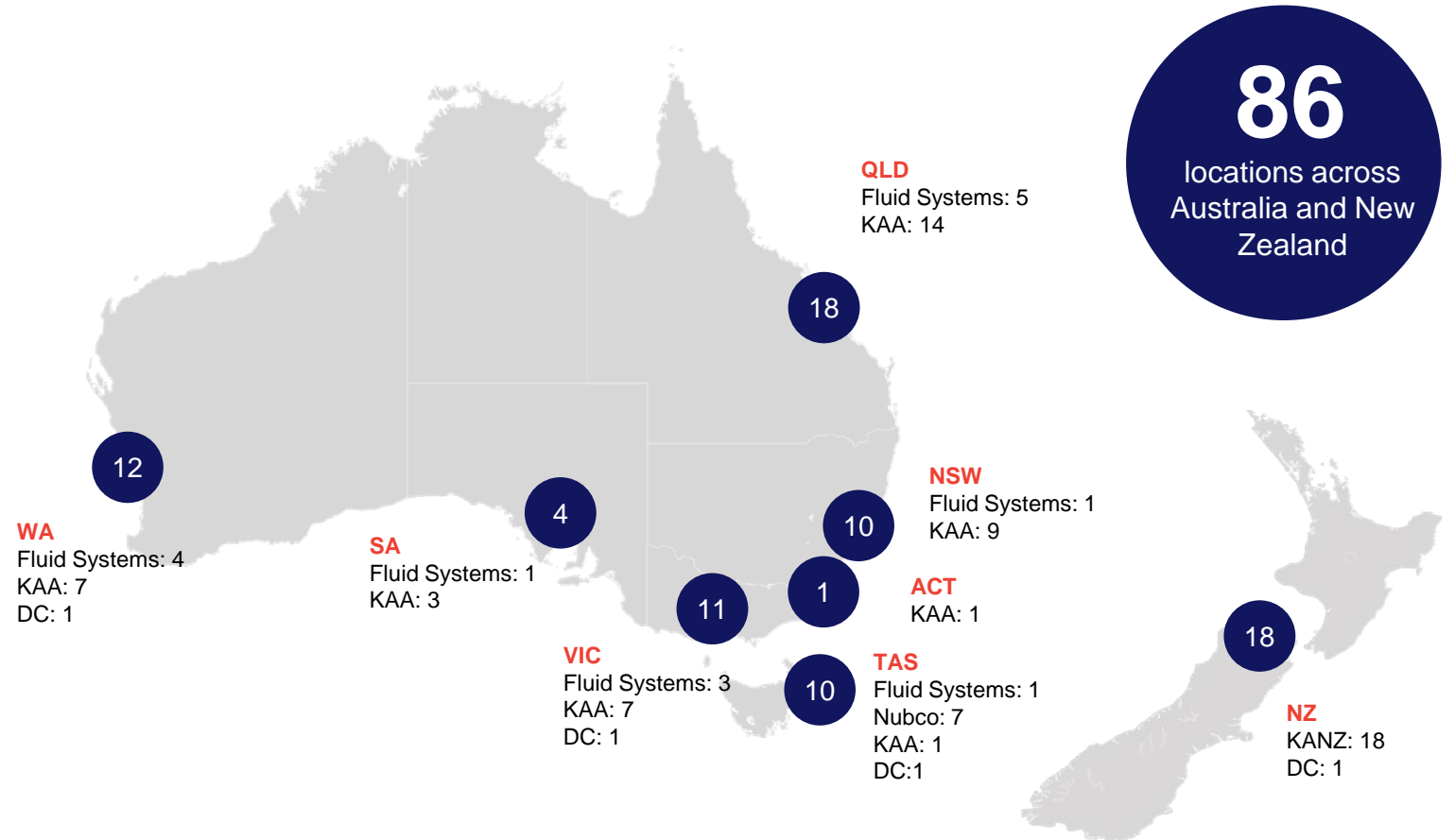


Nubco branches (AUS)

4



Distribution Centres (AUS & NZ)



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

Fluid Systems

- Focus on expanding sales in existing markets
- Diversification into markets outside of mining and resources
- Expand or relocate facilities to accommodate growth opportunities as required
- 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

Specialisation is how we win

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

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

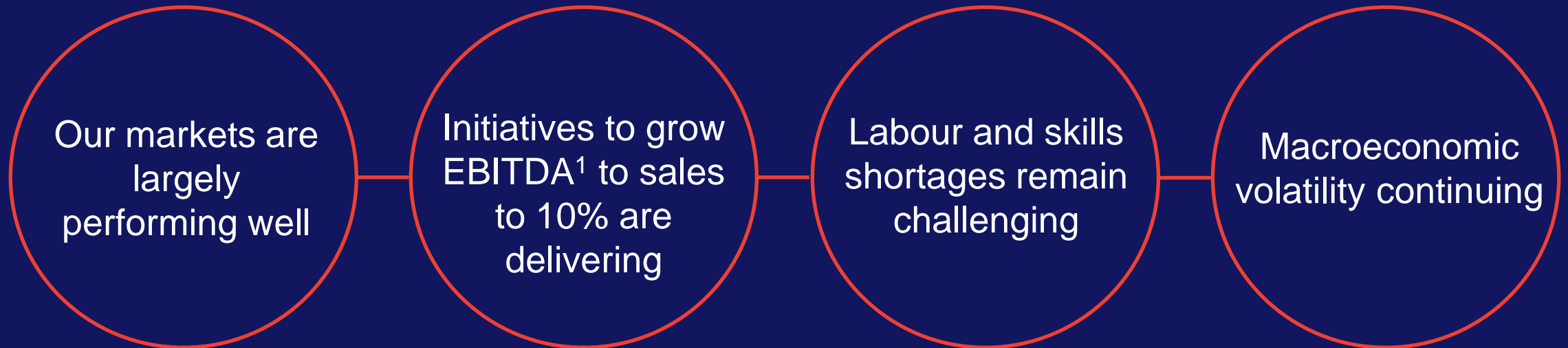


02

Markets + industries

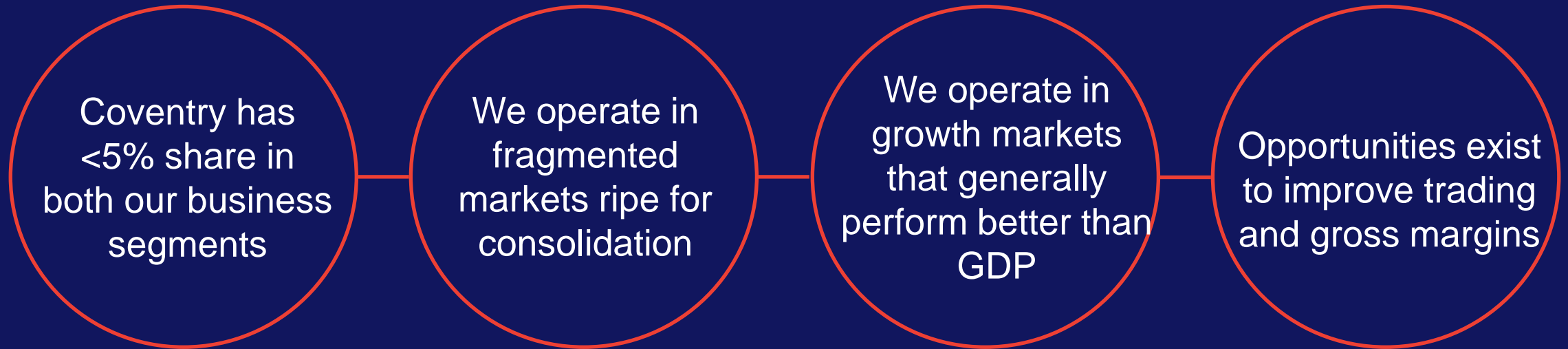


The market and environment



Demand remains robust in our primary end markets in Australia (mining and resources, infrastructure, commercial construction and industrial). The New Zealand economy has weakened due to the recessionary environment and this is having a short term negative impact on New Zealand operations, but, as a small and dynamic economy, we expect it will bounce back strongly.

The growth opportunity



Both our Fluid Systems and Trade Distribution business segments have significant organic and acquisition growth opportunities

Coventry has the opportunity to increase EBITDA¹ to 10%+ over the medium term

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 in Australia – 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 to achieve 10%+ EBITDA
Optimising financial health
Digitalizing core systems including delivering 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

Expansion into Tier 2 markets

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

H1 FY24
performance



H1FY24 financial performance snapshot

Financial performance

Solid revenue and excellent profit growth

Revenue



\$185.3m

+5.4% on H1 FY23

EBITDA ¹



\$9.8m

+18.1% on H1 FY23

EBIT ²



\$7.8m

+19.0% on H1 FY23

Statutory net loss

\$-0.4m *

\$1.5m H1 FY23

Cash conversion ⁴



93.8%

80.6% H1 FY23

Net Assets

\$112.0m

\$113.6m as at 30 June 2023

Net Debt

\$37.1m *

\$33.3m as at 30 June 2023

* **Net Loss and Net Debt impacted by:**

- ERP upgrade project (\$5.4m)
- Capital expenditure (\$2.1m)

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

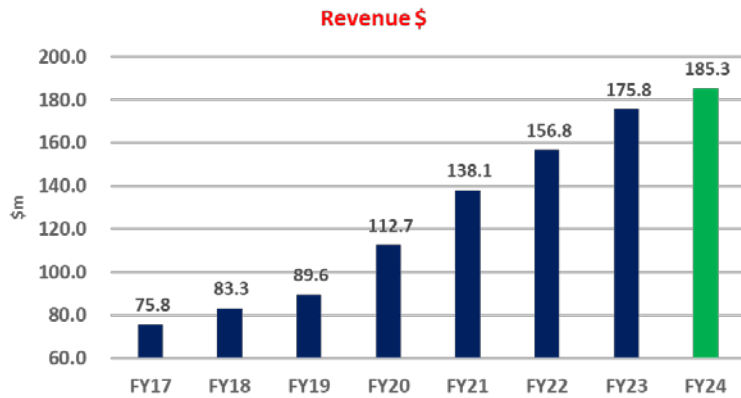
Note 2: EBIT is before significant items

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

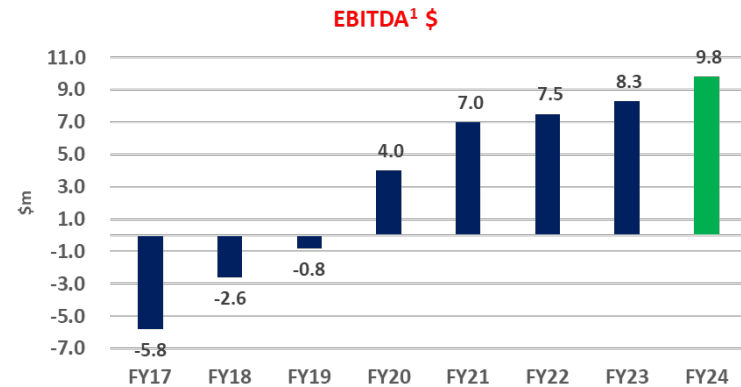
Note 4: Cash conversion = Gross operating cash flow less cash lease payments, addback significant items, divided by EBITDA¹

Half year historical results

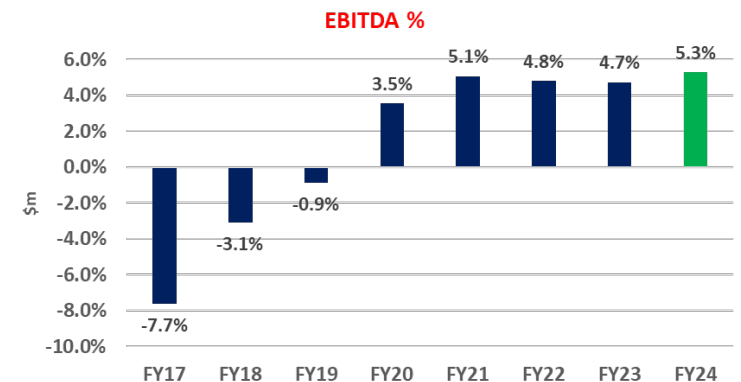
Revenue



EBITDA¹



EBITDA¹ % to sales



Group Revenue
up 5.4% to \$185.3m
(\$175.8m H1 FY23)

Group EBITDA¹
up 18.1% to \$9.8m
(\$8.3m H1 FY23)

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.

Profit and loss

Summary profit and loss

\$m	H1 FY24	H1 FY23	% change
Revenue	185.3	175.8	+5.4%
Underlying EBITDA ¹	9.8	8.3	+18.1%
Depreciation and amortisation	(2.0)	(1.8)	
EBIT ²	7.8	6.5	+19.0%
Impact of AASB16	1.1	1.0	
Significant items	(5.4)	(2.4)	
Net financing expense	(3.9)	(2.7)	
PBT (loss)	(0.4)	2.4	
Income tax expense	0.0	(0.9)	
NPAT (loss)	(0.4)	1.5	
EBITDA %	5.3%	4.7%	

- EBITDA ¹ up +\$1.5m (+18.1%) on prior year
- EBIT ² up +\$1.3m (+19.0%) on prior year
- Initiatives to grow EBITDA¹ % to Sales to 10% in the medium term delivered positive improvement. These buy-side and sell-side initiatives were implemented early in the financial year.
- The run-rate from these initiatives continued to improve in the second quarter with Q2 EBITDA¹ up +28.9% on the pcp.
- Profit before tax (PBT) and Net profit after tax (NPAT) down on the previous year principally due to Significant Items
- Significant Items relates to the ERP system upgrade (\$5.4m)

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 and excludes the impact of AASB 16 – Leases and significant items

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

Balance sheet

Solid balance sheet position

\$m	As at 31 Dec 2023	As at 30 June 2023
Total current assets	139.5	137.2
Total non-current assets	148.2	145.6
Total assets	287.7	282.8
Total current liabilities	116.8	111.8
Total non-current liabilities	58.9	58.0
Total liabilities	175.7	169.8
Net Assets	112.0	113.0
Net Tangible Assets	35.8	36.8
Current assets less current liabilities	22.7	25.4

- The Group has a solid balance sheet with Net Tangible Assets of \$35.8m and Net Assets of \$112.0m as at 31 December 2023
- The Group has a solid working capital position with Current Assets exceeding Current Liabilities by \$22.7m at 31 December 2023
- Net debt as at 31 December 2023 of \$37.1m (30 June 2023 of \$33.5m)
- Net Debt was impacted by the ERP upgrade project (\$5.4m) and capital expenditure (\$2.1m)
- NAB debt financing facility of \$55.0m undrawn by \$17.9m as at 31 December 2023

Cash flow

Cash conversion of 93.8% H1 FY24

\$m	H1 FY24	H1 FY23
Gross operating cash flow	11.1	12.3
Less Cash lease payments	(7.3)	(8.0)
Add back Significant Items	5.4	2.4
Adjusted gross operating cash flow	9.2	6.7
EBITDA ¹	9.8	8.3
Cash conversion % ²	93.8%	80.6%

- The Group's focus is on inventory management and improving cash conversion
- Inventory increased by \$5.9m due to sales growth and high levels of work in progress in Fluid Systems. Inventory levels will reduce by the end of FY24 to FY23 levels

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

H1 FY24 Segment performance

Trading performance improved during H1 FY24 with improvements in sales and profit year on year growth in Fluid Systems and Konnect and Artia Australia offset by a decline in Konnect and Artia New Zealand and Nubco

Fluid Systems

Revenue

\$77.6m

+10.0% on H1 FY23

EBITDA¹

\$9.4m

+24.1% on H1 FY23

- Fluid Systems EBITDA¹ % to sales of 12.1% (10.7% H1 FY23)

Trade Distribution

Revenue

\$107.7m

+2.2% on FY23

EBITDA¹

\$8.5m

-0.6% on FY23

- Trade Distribution EBITDA¹ % to sales of 7.9% (8.1% H1 FY23)
- KAA sales growth of 9.3% and EBITDA¹ improvement of 89.2%

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

05

Strategic update and outlook



Strategic update

Key strategic initiatives

Target 10%+ EBITDA¹

Improving overall business profitability through:

- Organic sales growth
- Margin improvements
 - Buy side initiatives
 - Sell side initiatives
- Fixing underperforming branches
- Sensible cost control

Targeting

- 14.0%+ EBITDA¹ for each business unit
- 4.0% Corporate costs to Group sales

Delivering results

- Q1 EBITDA¹ improvement of +10.8%
- Q2 EBITDA¹ improvement of +28.9%

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

Strategic update

Key strategic initiatives

KAA profitability improvements

Accelerating delivery of our strategy by:

- Fixing underperforming branches
- Improving capability to deliver store makeovers, store relocations and new stores
- Improving margin management
- Improving supply chain and stock availability
- Closer alignment with suppliers
- Implementing 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
- Build and configuration phase completed
- Testing phase commenced with minimum 5 rounds of testing
- Pilot in first branch and Finance to commence mid year 2024
- On target to complete project December 2024

Strategic update

Key strategic initiatives

Optimising financial health

Cash conversion project delivered positive results

- Inventory optimization project continuing
- Implementing demand planning systems as part of ERP upgrade
- Cash conversion program delivering results – 93.8% H1 FY24 (80.6% in H1 FY23)

Develop marketing and digital capability

Implementing e-commerce solutions

- 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
- Target 10% EBITDA¹
- 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 H1 FY24 sales growth

H1 FY24 EBITDA¹ up +18.1%

Positive January 2024 trading performance with sales and underlying EBITDA¹ ahead of pcp

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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