FY20 Half Year Results Presentation

February 2020

Delivering innovative industrial solutions and services

Coventry Group Ltd

ASX: CYG

Corporate Snapshot

Key Market Metrics

SHARE PRICE	SHARES ON ISSUE	MARKET CAPITALISATION	NET DEBT
20 February 2020			31 December 2019
$1.085	89.8M	$97.4M	$-5.9M

Substantial Shareholders

Viburnum FUNDS	SANDON CAPITAL	CASTLE POINT	Dumac
30.8%	9.5%	5.8%	5.1%

Health, Safety and Wellbeing

We value the health, safety and wellbeing of our people first and foremost.

Our aim is for zero lost time injuries.

The health, safety and wellbeing of our people is our number one priority

- 5 Lost Time Injuries (LTI's) in FY20
- All people returned to work in a short time frame

Commitment to improving our health, safety and wellbeing systems

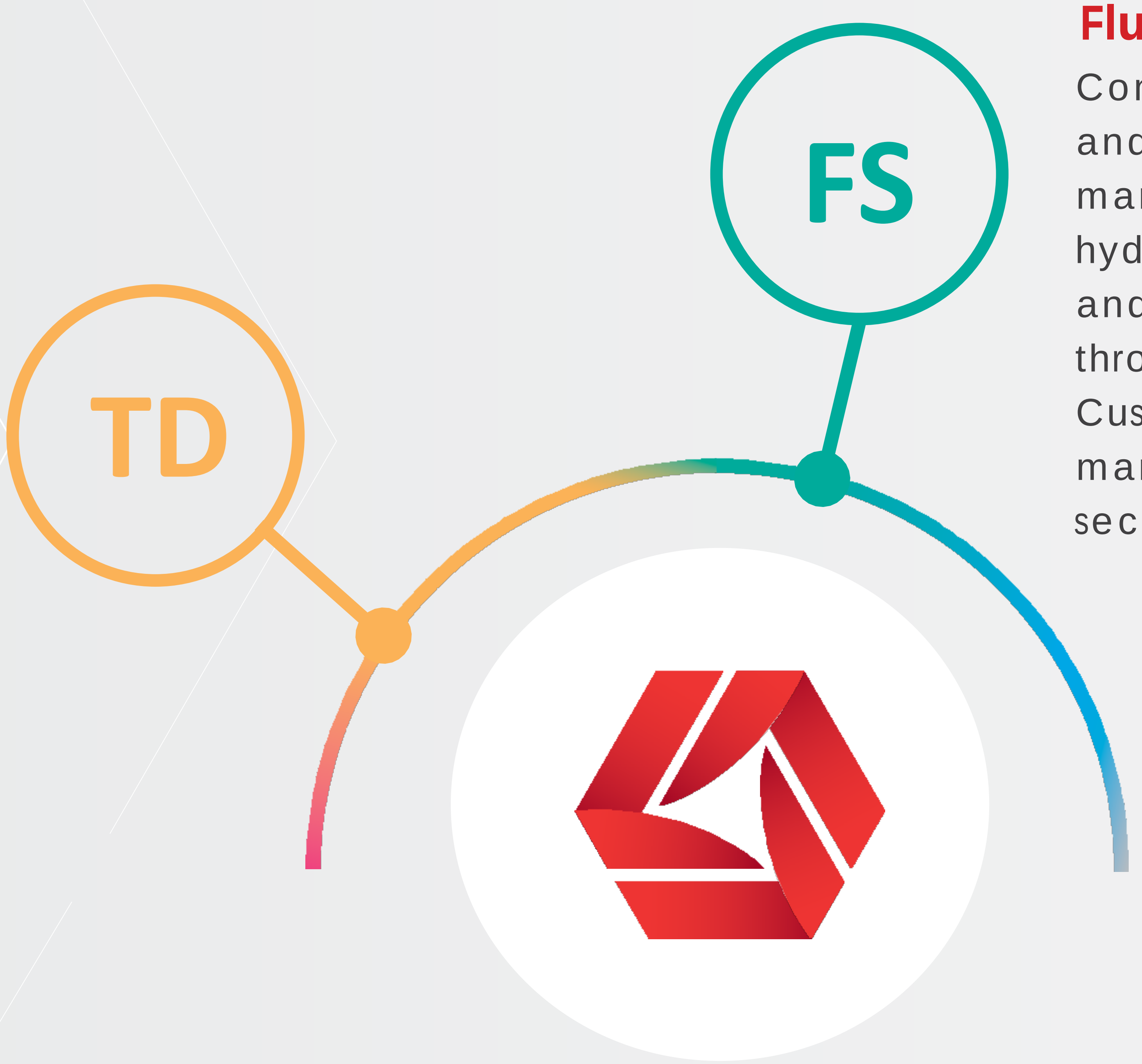
- Investment in health and safety resources
- Improving incident and near miss reporting and investigations
- Leadership Team review of all LTI's and major near misses
- Group-wide safety alerts
- Commitment to wellbeing programs and awareness through initiatives such as 'RUOK?' day, Safe Work Month and our EAP program
- Commitment to leadership training and development

Business Overview

We supply a range of fastening systems, industrial products and hydraulics, lubrication, fire suppression and refueling systems, cabinet hardware systems and other products.

Trade Distribution (TD)

Comprises Konnect and Artia Australia (KAA), Konnect and Artia New Zealand (KANZ), and Nubco. Supplies a range of fastening systems, cabinet hardware systems, industrial and construction products through a network of 49 branches in Australia and 15 branches in New Zealand. Customers are in the manufacturing, construction, agriculture and mining sectors.



Fluid Systems (FS)

Comprises Cooper Fluid Systems (CFS) and Torque Industries. Designs, manufactures, sells and maintains hydraulics, lubrication, fire suppression and refuelling systems and products through 12 branches in Australia. Customers are in the mining, manufacturing, defence and agriculture sectors.

Vision / Strategic Direction

Our vision is to create a leading Industrial Supply and Services Group achieving sustainable profitable growth through sensible organic development and acquisitions.

EXCITING OPPORTUNITY TO BUILD A LEADING SCALED INDUSTRIAL SUPPLY GROUP

The Group has stabilized performance and has a clear pathway back to sustainable profitable growth.

The Board and Executive Leadership Team have developed the vision and strategy for the business over the next five years.

The Board and Executive Leadership Team have significant experience in B2B trade / industrial supply and service distribution markets and know what the blueprint for success looks like.

The Executive Leadership Team also has substantial experience identifying, completing and integrating acquisitions.

A clear opportunity exists to build a highly focused scaled Industrial Supply and Services business with leading market positions across multiple geographies, sectors and products.

All our markets are fragmented and ripe for consolidation and acquisitions.

Growth can be achieved through a combination of:

- Organic growth (market share gains, new branches, new products and new geographies);
- Sensible strategic acquisitions.

Key People

NEIL CATHIE
Independent Non-Executive Chairman

27 year career at Australia's largest and most successful plumbing and bathroom distributor, Reece Limited, in finance and governance roles.

Non-executive director of ASX listed Experience Co Limited.

Director at and advisor to a number of private companies including Bowens Timber & Hardware and Middendorp Electric.

ROBERT BULLUSS
CEO & Managing Director

Appointed CEO in May 2017 after holding the role of CFO and Company Secretary since October 2016.

15 years as CFO within the Australian division of Bunzl plc.

ANDREW NISBET
Independent Non-Executive Director

Appointed in September 2017.

Extensive career in senior management roles at Reece Limited.

JAMES TODD
Independent Non-Executive Director

Appointed in September 2018.

Former Managing Director of Wolseley Private Equity, an independent private equity firm which he co-founded in 1999.

Non-executive director of ASX listed companies IVE Group Ltd and HRL Holdings Ltd.

ROD JACKSON
CFO

Appointed CFO in September 2017.

Spent four years as the Finance Director at Bunzl Outsourcing Services Ltd prior to joining the Coventry Group. Before this he was the CFO at Linfox.

Our Story

1929

Mr Ronald James Kyle acquires a car dealership from a liquidator and Coventry Motor Replacements is born.

1929 – 1965

The business prospers.

Appointed both Ford and Holden products distributor.

Acquires Raphaels Pty Ltd in 1958.

Grows to six branches in WA with 450 people.

1966

Listed on the ASX.

1967 – 1983

Acquires a number of businesses:

1972 – Industrial Sales Holdings.
1975 – West Coast Automatics.
1977 – Motor Traders in SA (first interstate expansion).

1984 – 2000

Numerous acquisitions including diversification into a number of Fasteners businesses and Cooper Fluid Systems.

Establishment of Coventry Auto Parts (CAP) in 1998.

By 1999 the Group has 1,900 people.

2000 – 2006

Group revenue reaches $500m.

Losses occur in CAP business.

2007 – 2016

Sale of automotive divisions.

Period of declining sales in remaining businesses.

2017

New senior management team.

Board restructure.

Sale of AA Gaskets.

Konnect and Artia Australia strategy reset.

2018 - 2019

Acquisition of Torque and capital raising.

Acquisition of Nubco and capital raise.

2020 & BEYOND

Highly focused board and management team.

Business is focused on two verticals with key competitive advantages.

Implement turnaround in Konnect and Artia Australia and drive sustainable profitable growth.

FY20 Trading Update

Coventry Group's trading performance continues to improve in FY20.

Strong H1 FY20 sales growth +36.8% including acquisitions

- Excluding acquisitions H1 FY20 sales growth +7.7% which represents solid organic growth – momentum is building as our value proposition improves.
- All business units have incremental sales projects for delivery in H2 FY20 and a strong pipeline of prospects.
- Konnect Australia sales growth H1 FY20 +5.8%, which is a significant improvement over FY19 results.

Group profitability improving

- FY20 EBITDA forecast $10m+ assuming continuation of current trends, the successful execution of key initiatives and no adverse broader market developments.

Balance sheet in a strong position

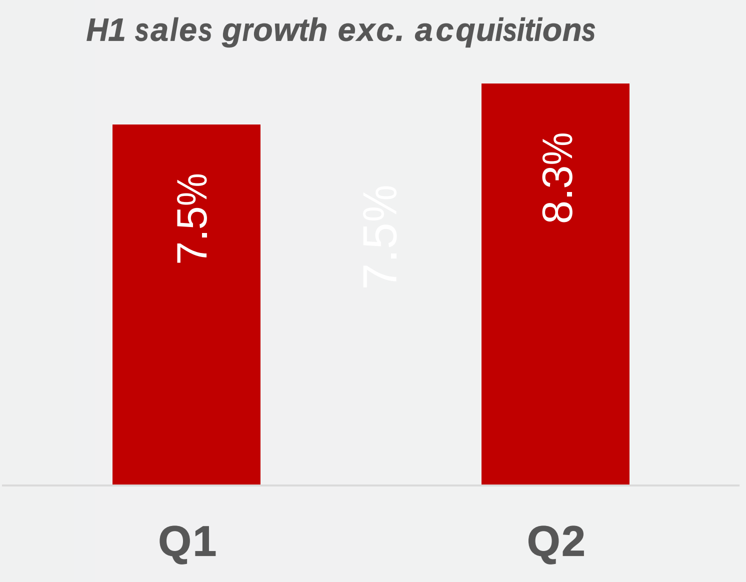
- Net assets of $103.6m.
- Net debt of -$5.9m.
- Tender process underway to secure a flexible, low cost corporate debt facility.

Acquisitions

- The Torque and Nubco acquisitions are delivering positive results for their respective segments.

Coronavirus impact

- It is too early to predict the impact of the Coronavirus on our supply chain. The Group continues to monitor the impact on our suppliers in China and other Asian regions and our marine freight carriers. We expect some impact in the near term.



Coventry Group Ltd
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FY20 Half Year Financial Results

- Sales +36.8% (including acquisitions) compared to prior corresponding period (PCP)
  - ➢ Sales +7.7% excluding acquisitions compared to PCP
  - ➢ Sales of $122.6m (FY19: $89.6m)
  - ➢ Solid growth in Fluid Systems (FS) and Trade Distribution
  - ➢ KAA sales +4.8% compared to PCP
- Underlying EBITDA of +$4.0m (including acquisitions)
- Underlying EBIT of +$2.6m (including acquisitions)
- Statutory profit after tax +$2.0m
  - ➢ Net profit increase of +$4.4m on PCP
- No interim dividend declared

($m)	H1 FY20	H1 FY19
Revenue from sale of goods	122.6	89.6
Underlying EBITDA	4.0	-0.8
Underlying EBIT	2.6	-1.5
Statutory profit/(loss) after tax	2.0	-2.4
Net debt	-5.9	
Net Tangible Assets	54.4	

Note: Underlying EBIT and EBITDA exclude the impact of AASB 16 - Leases

Balance Sheet and Cash Flow

- Net debt position at 31 December 2019 of -$5.9m
- The increase in debt is due to raising inventory levels to manage growth in the Fluid Systems business, provide coverage over Chinese New Year, improve service levels and launch new products in KAA
- ScotPac facility in place for $25.0m
- Tender process underway to secure a flexible, low cost corporate debt facility
- The Group has a strong working capital position with Current Assets exceeding Current Liabilities by $51.2m (excluding impact of AASB 16 – Leases) as at 31 December 2019
- Tax losses of $71.9m available for use in Australia
- Franking credits available $10.8m

($m)	Jun-18	Jun-19	Dec-19
Cash & cash equivalents	5.0	5.3	3.0
Trade and other receivables	30.5	39.5	35.4
Inventories	46.4	59.9	66.1
Total current assets	**81.9**	**104.7**	**104.5**
Property, Plant & Equipment	4.6	5.9	6.7
Right of use assets	-	-	53.4
Intangible assets	6.1	46.5	46.9
Deferred tax assets	6.1	1.2	2.3
Other non-current assets	-	-	1.9
Non-current assets	**16.8**	**53.6**	**111.2**
Total assets	**98.7**	**158.3**	**215.7**
Trade and other payables	30.5	38.2	38.2
Current lease liability	-	-	11.0
Debtor finance facility	-	9.4	8.9
Other non-current liabilities	4.2	6.3	6.2
Non-current liabilities	**34.7**	**53.9**	**64.3**
Non-current lease liabilities	-	-	44.5
Other non current liabilities	3.4	3.4	3.3
Non current liabilities	**3.4**	**3.4**	**47.8**
Total Liabilities	**38.1**	**57.3**	**112.1**
Net Assets	**60.6**	**101.0**	**103.6**
Issued capital	107.8	149.6	149.6
Retained earnings & reserves	-47.2	-48.6	-46.0
Total equity	**60.6**	**101.0**	**103.6**
NTA per share (cents)	1.30	0.59	0.61

Corporate costs

($m)	H1 FY20	H1 FY19
Net corporate costs	5.0	4.4
Net corporate costs as a % of revenue	4.1%	5.0%

Corporate costs are higher than PCP

- Higher insurance costs (particularly D&O liability insurance)
- IT costs required to rectify legacy issues and relocate systems to the cloud
- Costs in relation to our Digital Customer Engagement project
- Amortization of the acquisition customer lists

Corporate costs reducing as a % of sales

- Corporate costs to Group sales of 4.1% compared to 5.0% PCP

Redcliffe, WA facility

- We are actively seeking replacement tenants

Fluid Systems – Financial Overview

($m)	H1 FY20	H1 FY19
Revenue from sale of goods	46.0	37.0
EBITDA	5.1	3.9

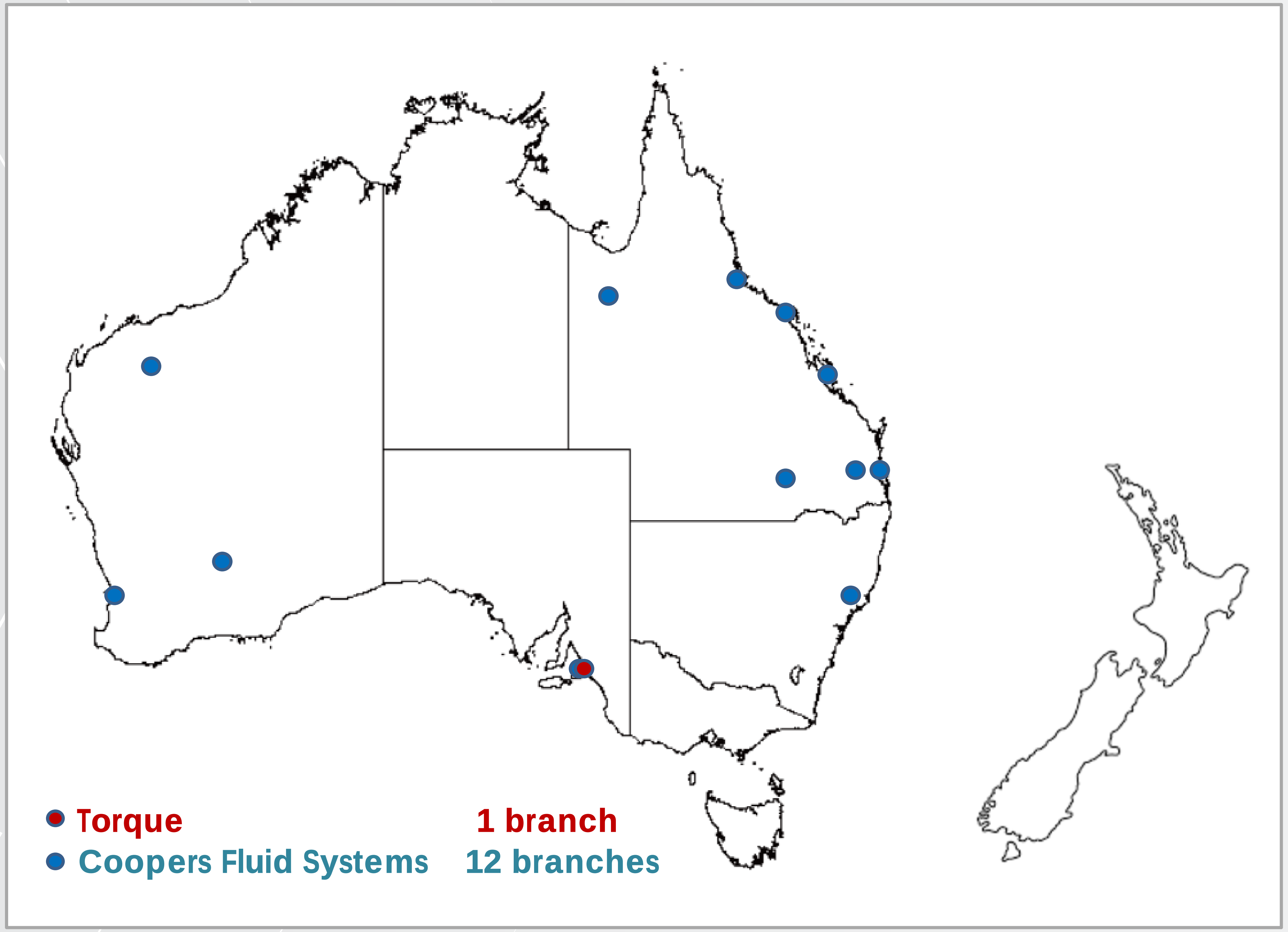
Fluid Systems sales growth +24.1%

- EBITDA improvement of 32.7% H1 FY20
- Sales growth is continuing to be driven by our strong value proposition and increase in service, maintenance, upgrade and new equipment activity in the mining and resources sector
- The integration of Torque is progressing to plan

Fluid Systems has substantial room to grow both organically and through acquisitions

- We are the market leader with less than 10% market share in a fragmented market
- Our view is the mining and resources sector will remain strong for the next few years (subject to world economic factors)
- We can continue to grow through:
  - Geographic branch expansion in areas such as Victoria, NSW, Tasmania and New Zealand
  - Expanding in the hydraulic cylinder market share – investment already made into required equipment
  - Expanding hydraulics, fluid dispensing and refuelling systems capabilities across our customer base
  - Increasing exposure to other sectors outside of mining and resources such as agriculture, oil & gas, defence and manufacturing
- A key challenge is recruiting qualified tradespeople and we are increasing our in house training efforts to counter this
- We have a positive outlook for our Fluid Systems division

Fluid Systems – Branch Network



- Relocating and integrating Torque and Cooper Fluid Systems Adelaide operations into a better quality customized facility in the second half of 2020
- Relocated Hunter Valley branch to a larger custom built facility
- Taken additional space in Mackay to cater for growth

Trade Distribution – Financial Overview

($m)	H1 FY20	H1 FY19
Revenue from sale of goods	76.6	52.3
EBITDA	3.9	-0.3

Trade Distribution sales growth +46.3%

- EBITDA improvement of $4.1m H1 FY20

Australia sales growth +65.2%

- EBITDA improvement of $3.8m compared to PCP
- In KAA our improved service and business development capability in is starting to deliver results.
- The Nubco branch network is experiencing modest margin pressure from increased competition.

New Zealand sales growth +6.7%

- Sales growth slowed as economic activity softened particularly in the Christchurch region. Despite this, the business continues to gain market share
- EBITDA improvement of 19.6% H1 FY20

Trade Distribution Australia (KAA and Nubco)

- KAA remains our biggest opportunity for sales and contribution growth. Konnect is one of only three fastener suppliers with true national supply capability. Fastening systems specialisation is being maintained with trials of selected product ranges based on the Nubco experience.
- Nubco is the market leader in Tasmania. The team is engaged and we have made minimal changes per our integration strategy. The Tasmanian economy is in good shape with infrastructure and construction spend confirmed in the state.

Drive profitable sales growth

- Our improved service and business development capability in KAA is delivering results with H1 FY20 sales growth of +4.8% on PCP
- We now have the management and business development capabilities in place to grow and increase profitability through:
  - Taking market share
  - Opening new stores
  - Expanding the product range – Pinkenba QLD store makeover is close to completion
  - Exclusive supply arrangements
- Improved capability is opening opportunities in large construction, infrastructure and mining and resources prospects.
- Improving solution selling skills.
- New Kalgoorlie branch and Mackay branch are both performing well. Planning two new stores in Q2 FY20.
- Reducing freight costs.
- The Group has a small market share (<10%) in the industrial trade supply market with lots of opportunities for growth.

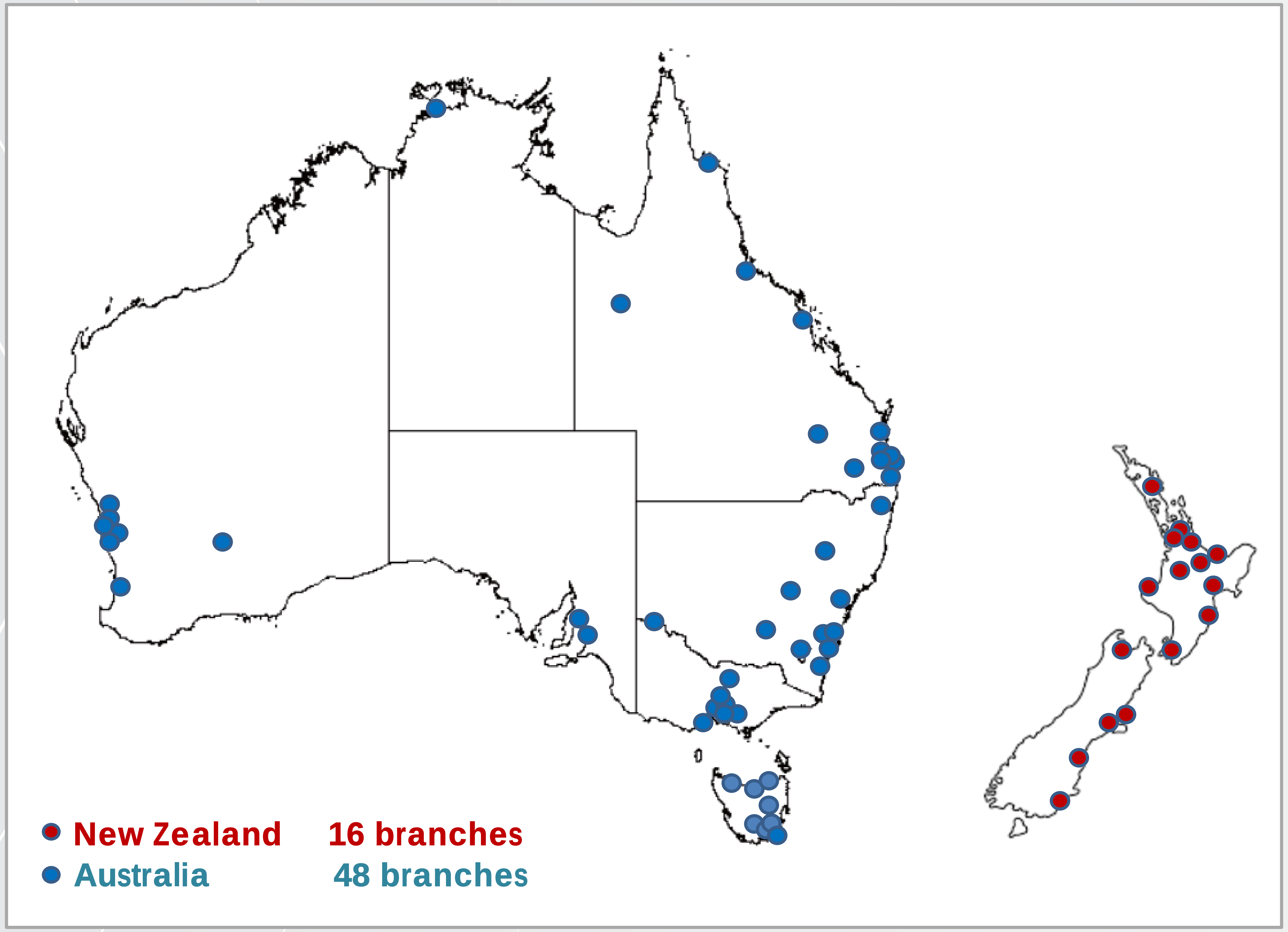
Optimise supply chain and DC footprint

- Continued optimisation of DC footprint – anticipate a further $1.0m annualised savings over the next two years.
- Review of supply chain in progress to further improve service levels and reduce cost

Trade Distribution New Zealand (KANZ)

- We are the market leader in NZ.
- We expect continuing solid performance.
- The NZ economy is going well in particular in the Auckland construction market.
- We will get the benefit of the full year impact of new stores opened in FY19 – Rotorua, Silverdale and Auckland CBD expansion.
- There is potential for additional store openings in a number of locations.
- Potential acquisitions exist.

Trade Distribution – Branch & DC Network



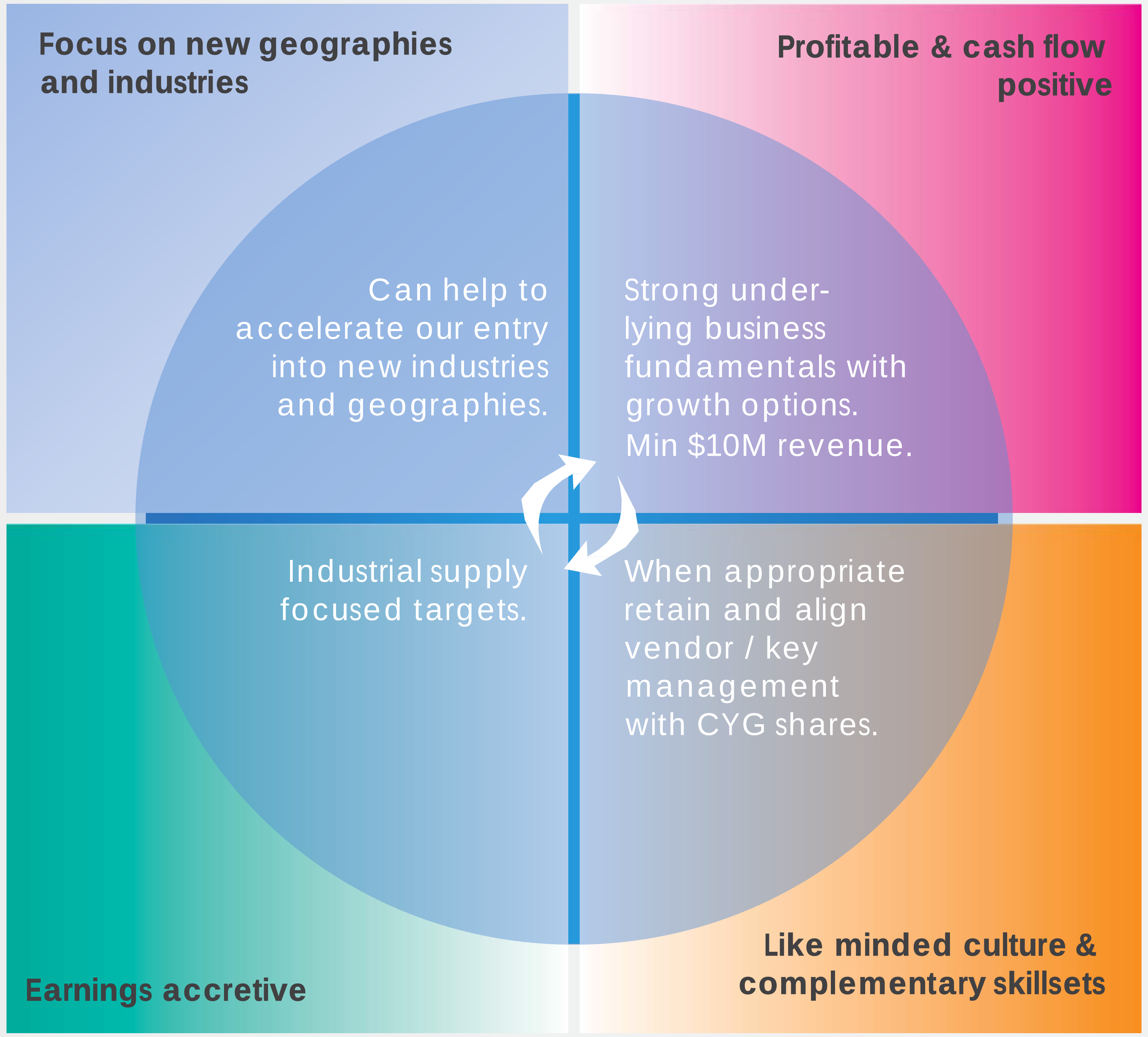
- New branches opened in Australia (Mackay) Plans for two new branches in H1 FY20
- Re-configuring Pinkenba branch applying Nubco store merchandising, marketing and promotion concepts
- Pop-up store concept successful in Mt Gambier.
- Merge of South Melbourne and Dandenong branches into a new facility in Keysborough completed

Acquisitions

We are actively assessing acquisition opportunities

Sensible strategic acquisitions

- The Group will take a highly disciplined approach to acquisitions with strict criteria.
- Team in place who have a very successful history of growing businesses through sensible and strategic acquisitions.
- We have a pipeline of interesting opportunities.
- Funding will be through debt and operating cash flows.



Outlook

The outlook is positive - the Group expects continuing improvement in financial performance in H2 FY20.

- The business has substantial operating leverage as sales grow. There are limited additional operating costs required to support sales growth – the majority of incremental gross margin should drop to the EBITDA line.
- There are significant growth opportunities across all aspects of the business – market share gains, new branches, product range extension and acquisitions.
- Team in place who have a very successful history of growing businesses through sensible and strategic acquisitions. Pipeline of interesting opportunities.
- The outlook for our end industry exposures (commercial construction, infrastructure and mining and resources) is positive. The Group has negligible exposure to residential construction markets.
- A significant improvement in profitability is forecast for FY20 with the inclusion of recent acquisitions for a full 12 months, continued sales growth, procurement savings and continued optimisation of the distribution footprint.
- FY20 EBITDA forecast $10m+ assuming continuation of current trends, the successful execution of key initiatives and no adverse broader market developments. We continue to monitor the potential impact of the Coronavirus on our supply chain. We expect some impact in the near term.
- Medium-term target to achieve 7.5% group EBITDA margins.
- Significant tax losses available to offset against future profits.

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