

ASX RELEASE

CYG – Q3 FY20 Trading Update

14 April 2020

Coventry Group Ltd (ASX: CYG) announced today an update on the Group's performance and its response to the COVID-19 situation. Sales in our Fluid Systems and Trade Distribution businesses for Q3 and year to date FY20 have grown year on year. This is despite the loss of five trading days in March in our New Zealand trade distribution network following suspension of operations due to the New Zealand Government's mandated lockdown.

Sales growth

Percentage sales growth change in the third quarter and year to date when compared with the prior corresponding period (PCP) is shown below:

Sales change	Q3 FY20 vs Q3 F19 % sales change including acquisitions	Q3 FY20 vs Q3 F19 % sales change excluding acquisitions	YTD FY20 vs YTD F19 % sales change including acquisitions	YTD FY20 vs YTD F19 % sales change excluding acquisitions
Fluid Systems	+4.4%	+5.8%	+16.7%	+9.5%
Trade Distribution	+32.9%	+6.9%	+41.6%	+5.9%
Consolidated Group	+20.2%	+6.4%	+30.8%	+7.4%

Segment Commentary

- Fluid Systems (FS) sales YTD FY20 including acquisitions up 16.7% on PCP and excluding acquisitions, up 9.5% on PCP. Sales growth is continuing to be driven by our strong value proposition and activity in the mining and resources sector.
- Trade Distribution (TD) sales YTD FY20 including acquisitions up 41.6% on PCP and excluding acquisitions up 5.9% on PCP.

COVID-19

The major impact to date on the Group from COVID-19 is the suspension of operations in New Zealand. To date, sales in Australia have continued to perform to expectations. Pre-emptive action is being taken to reduce the negative impact on our operations from an expected deterioration in market conditions in Australia and New Zealand. Operating cost and inventory reduction programs are being implemented. Where available, Government support packages are being accessed. We cannot estimate the negative impact on FY20 and FY21 earnings at this time.

Having been in turnaround mode for a number of years, the Company is well versed in carefully managing cash, strictly controlling discretionary spending and reducing or delaying CAPEX.

Our current strategy is focussed on:

- Prioritising the health, safety and wellbeing of our people along with our customers, suppliers and communities.
- Supporting our New Zealand team whilst the country and our business is in shutdown and preparing to quickly restart operations.
- Operating the Australian business as close as possible to business as usual.
- Managing the financial health and stability of the Group.
- Playing our role in reducing the spread of the virus in our communities.

Cash position

Net debt of -\$10.9m (-\$5.9m – 31 December 2019). The increase in debt is principally due to higher debtor levels as a result of sales growth.

Negotiations to extend the term and capacity of the existing ScotPac debtor finance facility of \$25.0m are close to completion. The Group is taking action to reduce inventory levels and operating costs to improve our cash position.

Outlook

Activity in our major end markets (commercial construction, infrastructure and mining) has remained solid to date. However, there is a high level of uncertainty surrounding the scale and duration of COVID-19 and the potential impact in these markets.

While it is very difficult to predict the full impact of the COVID-19 situation on the Group, we remain confident that we have the right strategic plan, the right people and operate in markets that will enable us to navigate the situation and take advantage of opportunities as they arise in the future.

Earnings guidance was withdrawn on 23 March 2020.

Authorised for release by the Board of Directors of Coventry Group Limited.

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