



# FY20 Annual General Meeting

29 October 2020

*Delivering innovative industrial solutions and services*



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

**Our aspiration is for zero incidents**

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

- 13 Lost Time Injuries (LTI's) for a total of 108 lost days in FY20. 3 LTI's year to date in FY21.
- 8 of the FY20 LTI's were in newly acquired businesses.
- All incidents and serious near misses are reviewed by the Coventry Leadership Team (CLT) to ensure we learn from each incident and improve our safety systems. In future, we will accelerate implementation of our safety systems into newly acquired businesses.
- During the COVID-19 pandemic we are prioritising the health, safety and wellbeing of our people along with our customers, suppliers and communities.

### **Commitment to improving our health, safety and wellbeing systems in FY21**

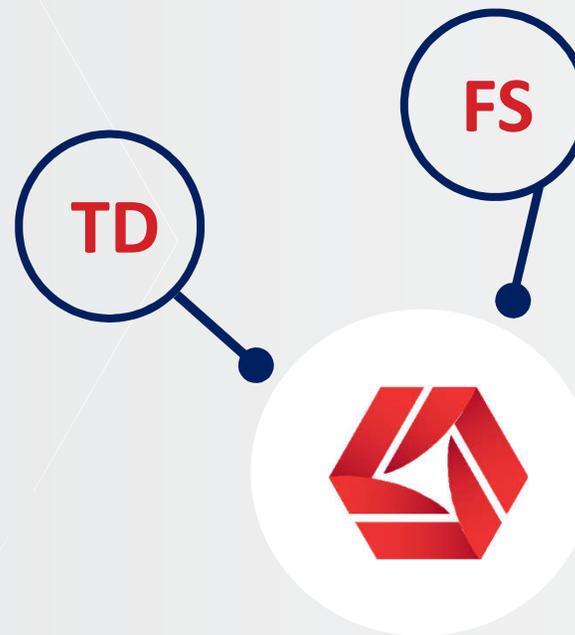
- Investment in additional health and safety resources.
- Health, safety and wellbeing awareness program launch in October as part of National Safe Work Month – **Safety 1<sup>st</sup>**.
- Improving steel and manual handling systems in the Nubco network.
- Improving return to work procedures.

## 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 47 branches in Australia and 15 branches in New Zealand. Customers are in the industrial, manufacturing, construction, infrastructure, agriculture and mining sectors.



### Fluid Systems (FS)

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

## Corporate Snapshot

### Key Market Metrics

#### SHARE PRICE

28 October 2020

\$0.965

#### SHARES ON ISSUE

90.0M

#### MARKET CAPITALISATION

\$86.9M

#### NET ASSETS

30 Sep 2020

\$104.1M

### We acknowledge the support of our substantial Shareholders



Viburnum  
FUNDS

32.7%

SANDON CAPITAL

9.5%



CASTLE POINT

6.9%

Dumac

5.0%



Coventry Group Ltd

ASX: CYG

## FY20 Financial Highlights

### Trading performance improved during FY20

- Trading performance improved during FY20 with the Group delivering underlying profitability growth for both EBITDA and EBIT.
- Our best result for many years was achieved against the backdrop of the COVID-19 pandemic shutdowns and restrictions across Australia and New Zealand and with headwinds including currency devaluation, insurance cost increases and loss of income from our Redcliffe, WA property.

### Strong FY20 sales growth of 22.3% including acquisitions

- Excluding acquisitions FY20 sales growth of 4.7% despite the loss of 23 trading days in our New Zealand trade distribution network.
- Group sales including acquisitions at \$247.6m (\$202.3m FY19).

### Group FY20 underlying EBITDA of \$6.6m

- \$16.3m EBITDA turnaround in three years.
- \$3.8m EBITDA improvement over FY19.
- Statutory net profit of \$0.8m.

### Balance sheet in a strong position - net debt of \$3.3m at 30 June 2020

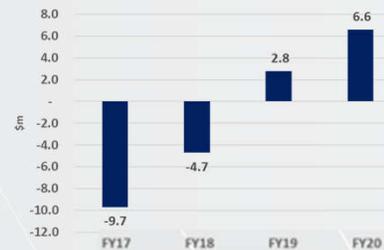
- Net assets of \$102.1m. Current Assets exceeding Current Liabilities by \$42.7m.
- At 30 June 2020 we recorded a one-off, non-cash onerous lease provision for our Redcliffe WA property of \$12.2m and a one-off, write-off of \$6.5m for legacy old and unsaleable inventory.
- Substantial Australian tax losses in the order of \$75.5m. With a return to profitability, a Deferred Tax Asset of \$13.1m was recognised.

# Our journey to profitable sustainable growth

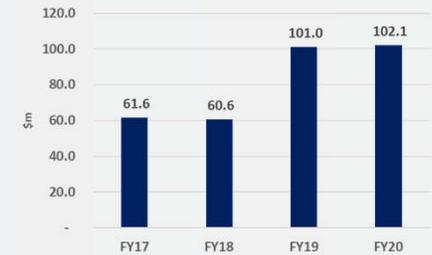
## Sales growth



## EBITDA growth



## Net assets



## Investment

- Stock availability
- Acquisitions
- Cylinder repair benches
- Facilities
- Delivery fleet
- Digital customer engagement

## Re-engagement

- People
- Customers
- Suppliers

## Challenges overcome

- Cash constraints
- Rebuild of Finance and IT services in Melbourne
- Cyber attack 2018
- COVID-19
- Redcliffe facility lost tenants

## Capital raised

\$42.6m

## Acquisitions

- Torque Industries Oct 2018
- Nubco Feb 2019
- HIS Hose (planned 1 Dec)

## Divestments

- AA Gaskets in Nov 2017



## Q1 FY21 Trading update

### Q1 FY21 Trading update

Trading performance continued to improve during Q1 FY21. Sales for Q1 FY21 of \$68.3m up 7.7% on the prior year. Fluid Systems (FS) sales Q1 FY21 up +12.7% on the prior year. Trade Distribution (TD) sales Q1 FY21 up +4.8% on the prior year. October sales growth is tracking in line with the Q1 trend.

### Net assets

The Group has a solid balance sheet with Net Assets of \$104.1m as at 30 September 2020 (\$102.1m at 30 June 2020). Net debt of \$5.1m as at 30 September 2020.

### Fluid Systems major contract win

A large order of \$8.0m from a major mining and resources sector customer during September is expected to positively impact H1 results.

### HIS Hose acquisition

Subject to Victorian Government restrictions we are targeting completion of the acquisition of HIS Hose on 1 December 2020.

### COVID-19

With the exception of Konnect and Artia Australia (KAA) in metropolitan Melbourne, all business units are currently fully operational.

## Trade Distribution

### Markets

- Industrial – performing well
- Commercial construction – performing well – expect some slow down in calendar year 2021
- Infrastructure – market is expanding and will continue to do so with further Government spend expected
- Oil and gas – expect a recovery in FY21
- Cabinet making – impacted in Melbourne only
- Roofing and cladding – performing well
- Agriculture and aquaculture – performing well and expected to grow

### Key wins/recent developments

- Mining and resources customer \$1.0m p.a. (WA)
- Infrastructure project \$1.3m (Vic)
- Commercial construction project \$1.0m (NSW)
- Manufacturing customer \$1.0m p.a. (Qld)
- Supply chain optimisation project close to completion – China Hub closed
- Nick Daw appointment to GM Nubco
- New Mount Gambier branch, Mount Manganui and Auckland CBD branches expanded, Burnie store makeover
- Stud bolt manufacturing capability built on east coast

### COVID-19

- No Government JobKeeper support received in Australia
- Minimal impact from Melbourne lockdown
- New Zealand Government lockdown resulted in lost sales of between \$2.2m to \$3.2m in FY20. Received wage subsidy during enforced New Zealand Government lockdown
- Limited impact from recent stage 3 restrictions in Auckland
- Supply chain overseas and locally is being managed
- Internet ordering capability project has been accelerated
- Nubco is a beneficiary of growth in DIY and renovations markets

### Opportunities

- Store expansion
- Product range expansion
- Increasing size and capability of business development and sales representative field team
- Steel reinforcing and concrete formwork market growth
- Fixing underperforming branches with a combination of sales, margin and cost initiatives
- Infrastructure market and large national customers
- Digital customer enhancement project
- Acquisitions

### Markets

- Mining resources
  - Iron Ore – performing very well and expected to stay solid
  - Coal – some softness in thermal coal market
- Defence – major opportunity for FS
- Transport – growing sector
- Agriculture – growing sector
- Recycling – growing sector
- Infrastructure – growing sector

### Key wins/recent developments

- Major refueling systems mining and resources customer order \$8.0m for delivery starting Sep 20 through to Jan 21
- Relocation and merge of Coopers and Torque operations to new custom built facility in Adelaide
- Aiming to complete HIS Hose acquisition 1 Dec 2020

### COVID-19

- No Government JobKeeper support received
- Minimal impact from COVID-19
- Supply chain overseas and locally is being managed

### Opportunities

- Delivery of additional services and geographic branch expansion
- Expand hydraulic cylinder market share – investment already made into required equipment
- Expand hydraulics, fluid dispensing and refuelling systems capabilities and customers
- Increase exposure to other sectors such as agriculture, oil & gas, defence, transport, recycling and manufacturing
- M&A opportunities identified and discussions active

### **With a positive start in Q1 FY21, the Group remains cautiously optimistic for the FY21 financial year**

- Despite COVID-19 uncertainty, the markets in which FS and TD operate are proving reasonably resilient. We expect some of these markets to benefit from further Government stimulus measures. We continue to position the business to ensure an attractive product and service offering to existing and new customers as we adapt to COVID-normal and as the economy rebounds.
- Given market uncertainties resulting from the pandemic's impacts, we are not providing full year guidance.
- 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 will drop to the EBITDA line.
- There are significant growth opportunities across all segments of the business – market share gains, new branches, product range extension and acquisitions.
- Significant tax losses available to offset against future profits.

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