

ASX RELEASE

CYG – FY20 Trading Update

22 January 2020

Coventry Group Ltd (ASX: CYG) announced today the Group's performance continues to improve and sales for the first six months of FY20 have grown year on year. We remain focussed on executing our strategy to achieve long term sustainable profitable growth.

Highlights

- Group sales growth for H1 FY20 including acquisitions of 36.3% compared with the prior corresponding period (PCP). Excluding acquisitions, group sales growth of 7.2% on PCP. Group sales including acquisitions at \$122.5m (\$89.9m FY19).
- Konnect Australia sales growth of 5.8% on PCP.
- All business units have incremental sales projects for delivery in H2 FY20 and a strong pipeline of prospects.
- The Torque and Nubco acquisitions are delivering positive results for the Group.
- H1 FY20 EBITDA in the order of \$4.0m (circa \$4.8m improvement on PCP) with key margin and cost initiatives implemented to drive continuing improvement in H2 FY20.
- Acquisition opportunities continue to be carefully considered, in the context of our key acquisition criteria, as they arise. One opportunity is well advanced for which there will be no requirement to raise additional capital.

Sales growth

Percentage sales growth change for the half year for FY20 when compared with the prior corresponding period (PCP) is shown below:

Sales change	Half year FY20 vs Half year F19 % sales change including acquisitions	Half year FY20 vs Half year F19 % sales change excluding acquisitions
Fluid Systems	24.1%	11.6%
Trade Distribution	44.9%	4.4%
Consolidated Group	36.3%	7.2%

Segment Commentary

- Fluid Systems (FS) sales continued to grow with sales including acquisitions up 24.1% on PCP and excluding acquisitions up 11.6% on PCP. 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. The relocation of our Hunter Valley branch to a new custom-built facility has been completed.

- Trade Distribution (TD) sales including acquisitions up 44.9% on PCP and excluding acquisitions up 4.4% on PCP.
 - Konnect and Artia Australia (KAA) sales up 4.8% on PCP. Our improved service and business development capability is starting to deliver results. Konnect sales growth of 5.8% was partly offset by a decline in sales in Artia.
 - Konnect & Artia New Zealand (KANZ) sales growth slowed as economic activity softened particularly in the Christchurch region. Despite this, the business continues to gain market share with sales up 3.5% on PCP.
 - Nubco continued to perform strongly with sales up 7.0% on PCP. The business is experiencing modest margin pressure from increased competition.

Cash position

Net debt of -\$5.9m (-\$4.9m – 30 June 2019). 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.

Outlook

The outlook for our major end markets (commercial construction, infrastructure and mining) remains positive. The Group has negligible exposure to the residential construction market. At this stage the Group has not been affected by the bushfires impacting Australia.

While the Group has experienced some margin and cost headwinds in H1 FY20 (devaluation of the AUD to USD, insurance cost increases and the loss of a sub-tenant at our Redcliffe WA property) these are expected to be more than offset by further margin and cost-out initiatives in H2 FY20. Most importantly the sales pipeline remains very robust which is the key indicator of underlying business health.

Despite these headwinds our previous guidance for FY20 EBITDA of \$10m+ remains. This assumes the continuation of current trends and no adverse broader market developments. The medium-term target of 7.5% Group EBITDA margin remains.

Overall, we remain positive about the outlook for the Group.

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

For further information contact:

Robert Bulluss
Chief Executive Officer and Managing Director (03) 9205 8219