FY20 Full Year Results Presentation

21 August 2020

Delivering innovative industrial solutions and services

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Coventry Group Ltd
ASX: CYG

Trading update

Coventry Group Ltd
ASX: CYG

Executive summary

Health and safety

The health, safety and wellbeing of our people is our number one priority. During the year we had 13 Lost Time Injuries (LTI's). We remain committed to our aspiration for zero LTI's and zero impact on our people.

Trading update

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 with headwinds including currency devaluation, insurance cost increases and loss of income from our Redcliffe, WA property.

Group underlying EBITDA of $6.6m ($2.8m FY19), a $3.8m improvement year on year.

Group underlying EBIT of $4.0m ($1.1m FY19).

Balance sheet

The Group has a solid balance sheet with Net Assets of $102.1m and Net Tangible Assets of $47.6m as at 30 June 2020. Net debt of $3.3m at 30 June 2020.

COVID-19

Our priority has been the health, safety and wellbeing of our people. The major impact on the Group in FY20 was the suspension of operations in New Zealand. Since recommencing operations, sales in New Zealand have continued to perform to expectations, as have our Australian operations. With the exception of KAA in Victoria and KANZ in Auckland, all business units are currently fully operational.

Growth strategy

Our vision is to create a leading Industrial Supply and Services Group achieving sustainable profitable growth through sensible organic development (market share gains, new branches, new products and new geographies) and sensible strategic acquisitions.

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

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

Our aspiration is for zero lost time injuries and zero impact on our people.

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.
- 8 of the 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 1st.**
- Increased focus on wellbeing and mental health, particularly during the COVID-19 pandemic.
- Improving manual handling systems in the Nubco network.
- Developing safe working from home practises and flexible working arrangements.

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Financial Highlights

Strong FY20 sales growth of 22.3% including acquisitions

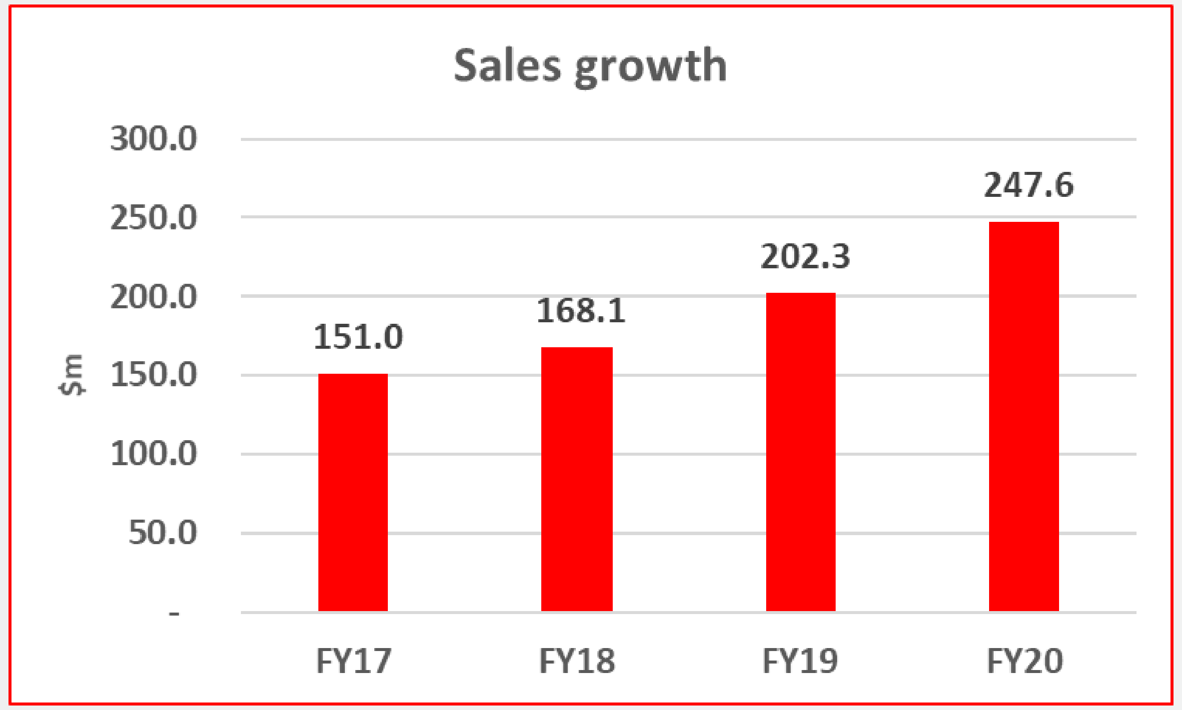
- Excluding acquisitions FY20 sales growth of 4.7% despite the loss of 23 trading days in our New Zealand trade distribution network.
- Group sales including acquisitions at $247.6m ($202.3m FY19).
- Group sales for July 2020 up 7.7% on the prior year.

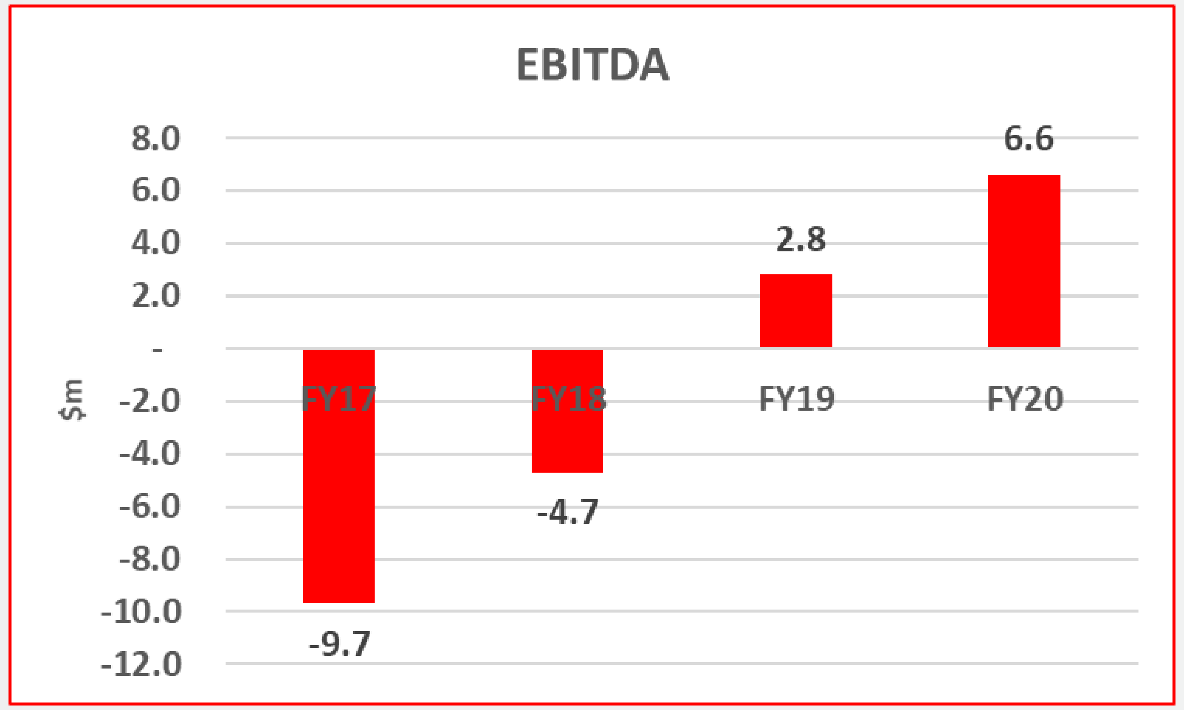
Group FY20 underlying EBITDA of $6.6m

- $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 have 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 – Tax Losses of $13.1m has been recognised in relation to these accumulated losses.
- Locked in an increased $40m securitised trade receivables facility with our principal financier, Scottish Pacific, for a 36 month term.





Trade Distribution

- Trade Distribution (TD) sales including acquisitions up 28.1% on the prior year and excluding acquisitions up 2.6% on the prior year. Underlying EBITDA for TD was $6.7m compared to $3.3m in FY19. Sales growth and EBITDA were negatively impacted by the enforced Government shutdown in New Zealand.
- Konnect & Artia New Zealand (KANZ) continued to perform strongly. Sales up 1.0% on the prior year but impacted by the loss of 23 days sales during the shutdown and continued disruption due to pandemic restrictions.
- Konnect and Artia Australia (KAA) sales up 3.4% on the prior year. Further branch consolidation with the closure in June of our unprofitable Darwin branch and merge of Chinchilla into Toowoomba and Morningside into Pinkenba. Variable cost reductions were delivered in Q4 FY20 and further savings from supply chain optimization will be delivered in Q1 FY21. We have the building blocks in place for success and remain committed to our strategy.
- Nubco network of branches had very strong sales growth. Some margin and cost pressure is being managed. In May 2020, Nubco's Sales and Marketing Manager Nick Daw was promoted to General Manager succeeding the previous owner, Paul Krawczyk. Pleasingly, this transition has been successful and well received by customers and staff.

Fluid Systems

- Fluid Systems (FS) sales have again seen very strong growth with full year sales including acquisitions up 15.2% on the prior year and excluding acquisitions up 8.5% on the prior year. The underlying EBITDA for FS was $10.3m compared to $8.8m in FY19.
- Sales growth is continuing to be driven by our strong value proposition in the mining and resources sector and our diversification into new sectors including Defence, Agriculture, Transport and Recycling.
- The integration of Torque is progressing to plan with relocation to a new custom built facility in Adelaide, SA along with our Cooper Fluid Systems operation now completed.

COVID-19

The response to the COVID-19 pandemic by the Coventry Leadership Team (CLT) and our people has been exemplary

Health, safety and wellbeing

- We have prioritised the health, safety and wellbeing of our people along with our customers, suppliers and communities.
- Working from home and flexible work arrangements have been enhanced.

Cost management

- Prudent cost management in place including restrictions on recruitment, no salary reviews and tight cost control.
- Variable cost reductions occurred quickly at the start of the COVID-19 pandemic. Areas of focus are overtime, casual labour, travel and motor vehicle costs.

Managing supply chain risk

- We have been largely successful working closely with overseas and local suppliers to minimize supply disruption.
- We continue to monitor supply chain risk and take action as required.

Managing the financial health and stability of the Group

- Cash preservation has been a major priority for the Group. We have significantly improved our Net Debt position and debt facility headroom. Inventory management and cash collections have been excellent in the last four months.

Operating the Group as close as possible to business as usual

- The major impact on the Group in FY20 was the suspension of operations in New Zealand. Since recommencing operations, sales in New Zealand have continued to perform to expectations, as have our Australian operations.
- With the exception of our KAA operations in Melbourne and KANZ operations in Auckland, all business units remain fully operational.
- Whilst our business continues to operate, it is too early to understand the impact of the Victorian government stage 4 lockdown.
- Contingency plans have been developed for various economic, operational and financial scenarios.

Detailed FY20 Financial Results

- Sales up 22.3% (including acquisitions)
  - Sales up 4.7% excluding acquisitions
  - Sales of $247.6m (FY19: $202.3m)
  - We estimate the enforced Government lockdown in NZ negatively impacted sales in the order of $2.8m to $3.2m
  - Very strong growth in FS and Nubco network
  - KAA sales growth of 3.4%
- Underlying EBITDA of $6.6m (FY19: $2.8m)
  - EBITDA improvement on prior year of $3.8m
  - Underlying EBIT of $4.0m (FY19: $1.1m)
- Net statutory profit after tax of $0.8m
- No final dividend declared

($m)	FY20	FY19
Revenue from sale of goods	247.6	202.3
EBITDA	6.6	2.8
EBIT	4.0	1.1
Net profit after tax	0.8	-1.4
Net debt	-3.3	-4.1
Net Tangible Assets	47.6	53.3

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

Balance Sheet and Cash Flow

- Net debt position at 30 June 2020 of $3.3m (net debt position as at 30 June 2019 of $4.1m)
- ScotPac facility increased to $40.0m from 25.0m and executed for a 36 month term
- The Group has a strong working capital position with Net Assets of $102.1m and Current Assets exceeding Current Liabilities by $42.7m as at 30 June 2020
- Tax losses of $75.5m available for use in Australia
- Franking credits available $11.1m

($m)	Jun-19	Jun-20	AASB16	Jun 20 Exc AASB16
Cash & cash equivalents	5.3	7.5		7.5
Trade and other receivables	35.8	33.5		33.5
Inventories	59.9	53.6		53.6
Other financial assets	2.0	2.1		2.1
Other current assets	1.5	3.5	- 0.3	3.2
Total current assets	**104.5**	**100.2**		**99.9**
Trade receivables	-	1.8	- 1.8	-
Deferred tax assets	1.2	19.0	0.3	19.3
Property, Plant & Equipment	5.9	6.8		6.8
Right of use assets	-	39.8	- 39.8	- 0.0
Intangible assets	46.6	47.9		47.9
Non-current assets	**53.7**	**115.3**		**74.0**
Total assets	**158.2**	**215.5**		**173.9**
Trade and other payables	38.2	40.8		40.8
Employee benefits	5.7	5.8		5.8
Interest bearing loans and borrowings	9.4	10.9		10.9
Lease liability	-	9.7	- 9.7	-
Provisions	-	-	11.1	11.1
Income tax (refundable).payable	0.5	-		-
Non-current liabilities	**53.8**	**67.2**		**68.6**
Employee benefits	0.2	0.3		0.3
Other payables	3.2	0.2	3.2	3.4
Provisions	-	3.1	- 3.1	-
Lease laibility	-	42.6	- 42.6	-
Non current liabilities	**3.4**	**46.2**		**3.7**
Total Liabilities	**57.2**	**113.4**		**72.3**
Net Assets	**101.0**	**102.1**		**101.6**

About the Coventry Group

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OUR VALUES

OUR PEOPLE

We believe in our people and are committed to their health, safety and wellbeing.

OUR CUSTOMERS

We are dedicated to our customer's needs.

OUR SUPPLIERS

We work in partnership with our suppliers.

RESPECT	We treat each other, our suppliers, our customers and our environment with respect.
FAIRNESS	We treat everyone at Coventry Group with fairness, wthout favourtism, or discrimiation.
TEAMWORK	We act with courage and strength together, finding new ways to grow our Company and each other.
PROFESSIONALISM	We operate with competence, good judgement and work to the best of our abilities.
INTEGRITY	We do what is right.

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

As the Group has stabilized performance over recent times and returned to profitability, the Board and Coventry Leadership Team (CLT) have spent time developing the vision and strategy for the business over the next five years.

The Board and CLT have significant experience in B2B trade / industrial supply and service distribution markets and have developed a blueprint for success.

The CLT 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.

Growth can be achieved through a combination of:

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

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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 +

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.

Corporate Snapshot

Key Market Metrics

SHARE PRICE 20 August 2020	SHARES ON ISSUE	MARKET CAPITALISATION	NET DEBT 30 June 2020
$0.61	89.8M	$54.8M	$-3.3M

Substantial Shareholders

Viburnum Funds	Sandon Capital	Castle Point	Dumac
32.7%	9.5%	5.7%	5.0%

The Board

Neil Cathie
Independent Non-Executive Chairman

- Appointed as a director September 2014 and Chairman January 2015.
- Currently a Non-executive director of Experience Co Limited, Plus Recruitment Pty Ltd, MAS National Ltd and independent board advisor at Middendorp Electric and Bowens Timber & Hardware.
- Previously Chief Financial Officer, Company Secretary and GM Finance and IT at Australia's largest and most successful plumbing and bathroom distributor Reece Ltd and Non-executive director of Millennium Services Group Ltd.
- Fellow of CPA Australia (FCPA), graduate member of the Australian Institute of Company Directors (GAICD) and a Fellow of the Governance Institute of Australia (FGIA).

Robert Bulluss
CEO and MD

- Appointed CEO in May 2017 after holding the role of CFO and company secretary since October 2016.
- 15 years within the Australian division of Bunzl plc.
- Experience across Finance, Strategy, Human Resources, Health, Safety and Environment, ICT and Technology, Operations, Project Management and all aspects of acquisitions.

Andrew Nisbet
Independent Non-Executive Director

- Appointed in September 2017.
- Extensive career in senior management roles at Reece Ltd.
- Graduate of the Australian Institute of Company Directors and advisor to a number of private companies.

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.
- Member of the Australian Institute of Company Directors.

Tony Howarth
Non-Executive Director

- Appointed May 2020.
- Strong background in the banking and finance industry and has held executive positions in government, regional and major banks as well as building societies and stockbroking.
- Currently a Non-executive director of Alinta Energy, BWP Management Ltd, Viburnum Funds and is Chairman of St John of God Foundation Inc.
- Previously held public company roles including Non-executive director of Wesfarmers Ltd, where he was Chairman of the company's Audit and Risk Committee; Managing Director of Challenge Bank Ltd; Chairman of Alinta Ltd; MMA offshore Ltd; Home Building Society Ltd and Deputy Chairman of Bank of Queensland Ltd.

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 manufacturing, construction, infrastructure, agriculture and mining sectors.

TD

FS

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.

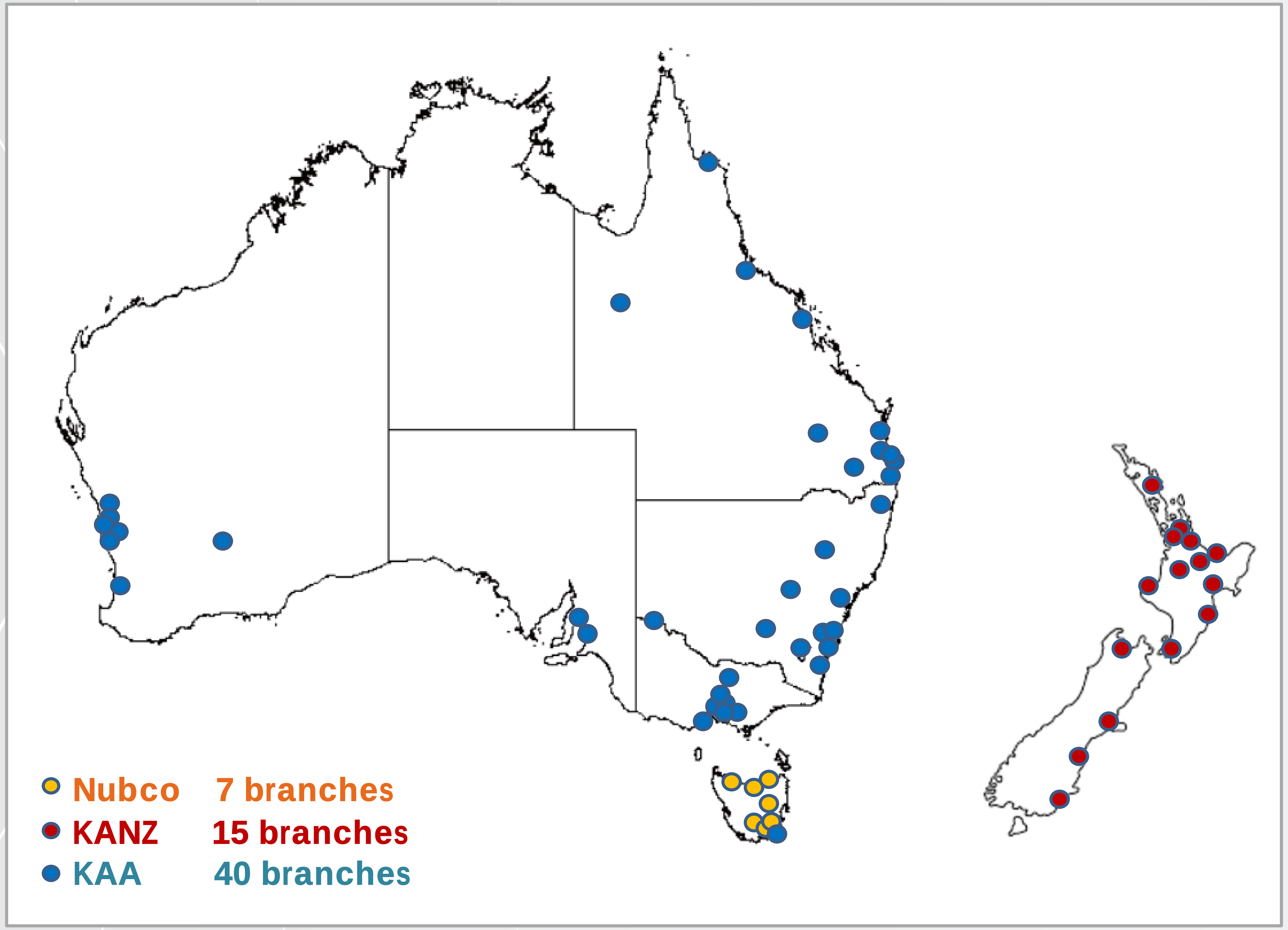
Solid progress towards sustainable profitable growth

- Trade Distribution (TD) sales for the year including acquisitions up 28.1% on the prior year and excluding acquisitions up 2.6% on the prior year.
- The underlying EBITDA for TD was $6.7m compared to $3.3m in FY19.
- Sales growth and EBITDA were both negatively impacted by the enforced Government shutdown in New Zealand.
- To accelerate the pace of progress in KAA and with the backdrop of the COVID-19 pandemic we have implemented a number of initiatives in Q4 FY21 including:
  - The merging of our Chinchilla and Toowoomba branches, and Morningside and Pinkenba branches and in June closed our unprofitable Darwin branch.
  - Action in other underperforming branches was accelerated.
  - Variable costs were reduced at the start of the COVID-19 pandemic restrictions and the majority of these savings will be on-going.

The business has significant opportunity for growth:

- We have a strong value proposition based on our large range of quality products, high stock availability, having inventory where and when the customer wants it, our expertise, extensive branch network and our flexible and adaptable service model.
- Expansion through store growth, broader product range and commercial construction and infrastructure market growth and major contract opportunities. Experienced business development team now in place.
- Nubco style makeovers for KAA and KANZ branches.
- Potential for acquisitions.
- Further cost savings through supply chain optimisation.

Trade Distribution – Branch & DC Network



- New Mackay branch opened in FY20. Currently opening two new stores in WA and SA.
- Re-configuration of Pinkenba branch applying Nubco style store merchandising, marketing and promotion concepts completed successfully. Similar works to be undertaken at our KAA Gold Coast branch.
- Mt Manganui branch in NZ relocated to larger facility.
- Program to merge stores to improve profitability completed. Morningside into Pinkenba and Chinchilla into Toowoomba.
- Unprofitable Darwin store closed.

Drive profitable sales growth

- Improving our value proposition by expanding our range of quality products, continuing to build our supplier relationships, ensuring our stock availability and DIFOT levels in the branch network remain high, increasing the level of expertise in the business through training and development and adapting to providing agile service in the changing business environment.
- Our business development teams are focussed on infrastructure projects and major contract and tender opportunities.
- Opening new stores. During the year we opened a branch in Mackay and have advanced plans for two additional new branches in Q1 FY21.
- Reviewing and refining pricing strategies and tools.
- Fixing underperforming branches with a combination of sales, margin and cost initiatives.
- Further supply chain optimisation resulting in cost reductions though the downsizing of our Thomastown DC and closure of our under-utilised 3rd party China Hub facility.
- Growing sales through our recently launched online ordering sites for Konnect and Artia. Our Customer Relationship Management (CRM) system will also go live in FY21.
- The Group has a small market share (<10%) in the industrial trade supply market with many opportunities for growth.

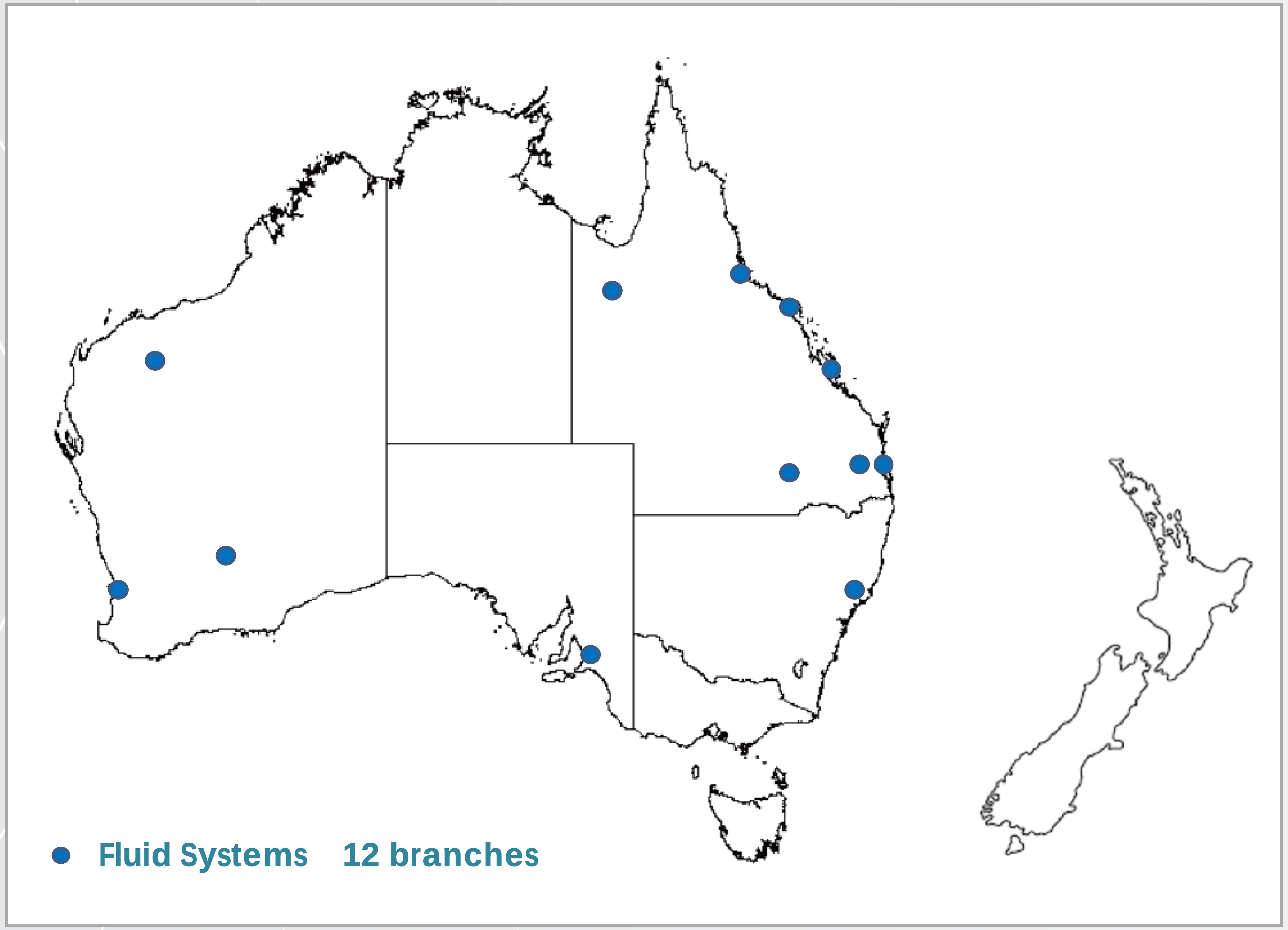
Very well run division with a great management team in place

- Fluid Systems (FS) have again seen very strong growth with full year sales including acquisitions up 15.2% and excluding acquisitions up 8.5% on the prior year.
- Underlying EBITDA for FS was $10.3m compared to $8.8m in FY19.
- We have successfully integrated the Torque and Cooper Fluid Systems businesses in Adelaide, SA and completed the relocation in early August 2020 of the merged businesses into a new custom-built facility that will cater for future growth.
- During the year we also relocated our Hunter Valley branch to a larger custom-built facility.
- HIS Hose acquisition was deferred due to the uncertainty of the COVID-19 pandemic and Victorian Government lockdown.

The business still has substantial room to grow both through organic expansion and acquisition opportunities

- Delivery of additional services and geographic branch expansion to increase market share.
- 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 outside of mining such as agriculture, oil & gas, defence, transport, recycling and manufacturing.
- M&A opportunities to diversify away from mining and resources.

Fluid Systems – Branch Network

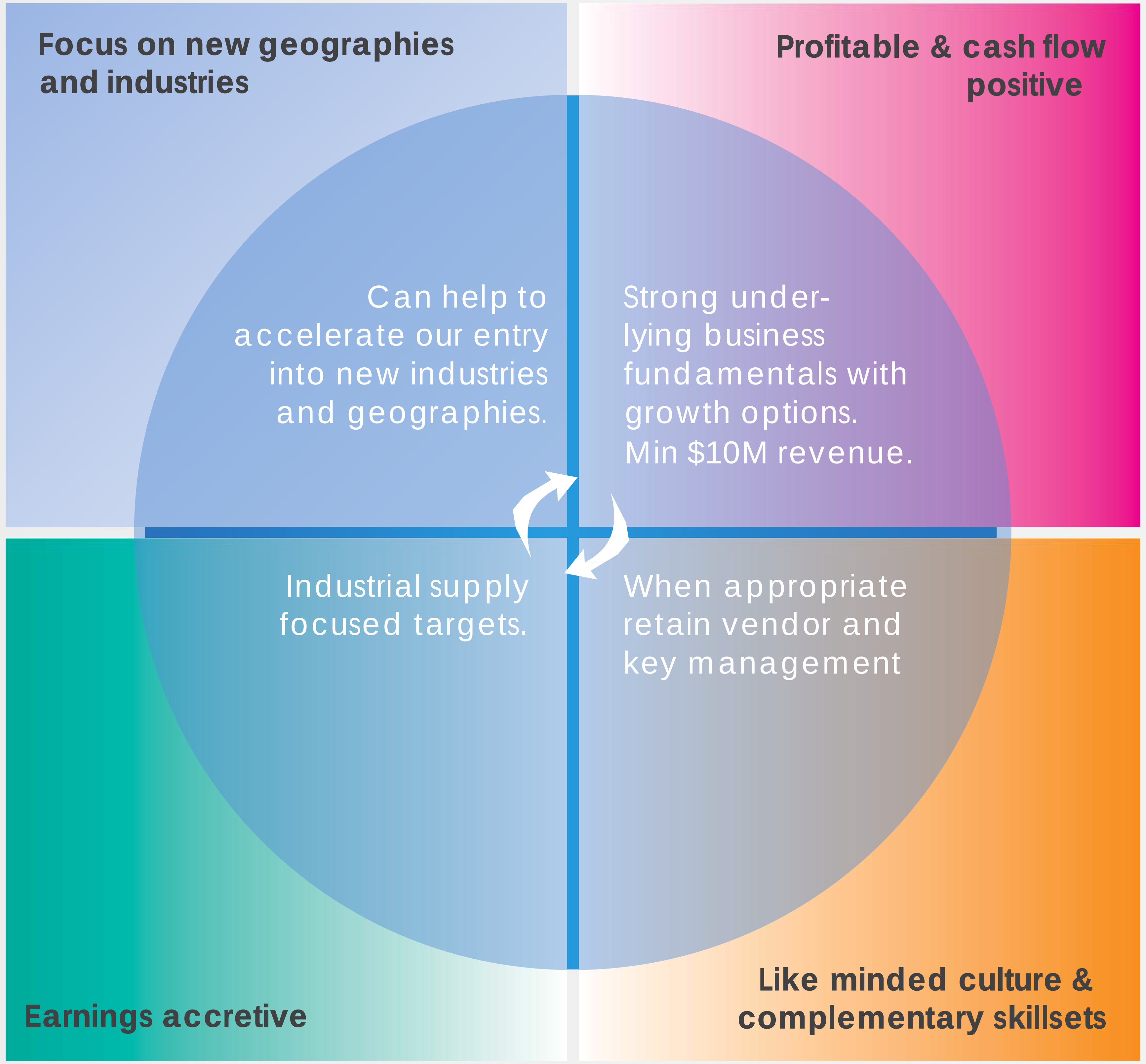


- Relocation and integration of Torque and Cooper Fluid Systems Adelaide operations into a better quality customized facility has been completed.
- Hunter Valley branch was relocated to a larger custom built facility in FY20.
- Sales and technical capability being established in Tasmania in FY21.

Acquisitions

Sensible strategic acquisitions

- The Group takes 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.



Outlook

The Group is cautiously optimistic for the FY21 financial year - subject to COVID-19 pandemic impacts

- 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 the COVID-19 pandemic and the potential impact in these markets.
- Given market uncertainties resulting from the pandemic's impacts, we are not providing full year guidance. 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.
- 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 aspects of the business – market share gains, new branches, product range extension and acquisitions.
- The team is in place who have a very successful history of growing businesses through sensible and strategic acquisitions.
- Medium-term target to achieve 7.5% group EBITDA margins.
- Significant tax losses available to offset against future profits.

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