

FY21 Half Year Results New financing facility with the NAB

26 February 2021

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

- 5 Lost Time Injuries (LTI's) for a total of 38 lost days for H1 FY21.
- Detailed root cause analysis (RCA) investigations are completed for all LTI's and serious near misses. These are reviewed by the Coventry Leadership Team (CLT) to ensure we learn from each incident, improve our safety systems and eliminate risks
- Safety audits are now completed as part of our due diligence process when acquiring businesses.
- We continue to prioritise the health, safety and wellbeing of our people during the COVID-19 pandemic.

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

- Introduced new RCA investigation tool and procedure for LTI's and serious near misses.
- Dedicated safety managers being recruited for each business unit.
- Introducing new safety app to streamline safety audits and actions
- Improving steel and manual handling systems in the Nubco network.
- Improving return to work and rehabilitation 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, Torque Industries and HIS Hose. Designs, manufactures and sells hydraulics, lubrication, fire suppression and refuelling systems and products through 15 branches in Australia. Customers are in the mining, manufacturing, defence, recycling and agriculture sectors.

Key Market Metrics

SHARE PRICE

25 February 2021

\$1.03

SHARES ON
ISSUE

90.0M

MARKET
CAPITALISATION

\$92.7M

NET ASSETS

31 Dec 2020

\$104.7M

We acknowledge the support of our substantial Shareholders



Viburnum
FUNDS

26.5%

SANDON CAPITAL

9.5%



9.2%



6.9%

Dumac

5.0%

Our journey to profitable sustainable growth

Base year - FY17
Sales \$151.0m
EBITDA -\$9.7m
Net assets \$61.6m

Right strategy, right people, right markets

FY20
Sales \$247.6m
EBITDA \$6.6m
Net assets \$102.1m

Changes in Board and Leadership Team

Torque Industries acquisition

Capital raising \$15.0m
Oct 2018

AA Gaskets divestment
Nov 2017

Return to small positive EBITDA in FY19

HIS Hose acquisition
Dec 2020

Covid-19 pandemic

NAB financing arrangement secured

Nubco acquisition

Capital raising \$27.6m
Feb 2019



H1 FY21 Trading update

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Trading performance continued to improve during H1 FY21.

Sales for H1 FY21 of \$138.1m **up +12.5%** on the prior year including acquisitions and **+11.9%** excluding acquisitions. Includes \$5.5m of the large \$8.0m order previously reported.

Fluid Systems (FS) sales H1 FY21 **up +21.1%** on the prior year. Trade Distribution (TD) sales H1 FY21 **up +7.5%** on the prior year.

Group underlying EBITDA of \$7.0m (\$4.0m FY20), a **+\$3.0m** improvement compared with the prior corresponding period.

Net assets

The Group has a solid balance sheet with Net Assets of \$104.7m as at 31 December 2020. Inventory levels have been increased to minimise the impact of global supply chain issues.

Acquisitions

Completed the acquisition of the business and assets of H.I.S. Hose Pty. Ltd. ("H.I.S. Hose"), funded through the Company's existing debt facility.

Financing arrangements

Entered a new financing arrangement including a \$45.0m Borrowing Base facility with the National Australia Bank (NAB), subject to final documentation.

COVID-19

All business units are currently fully operational.

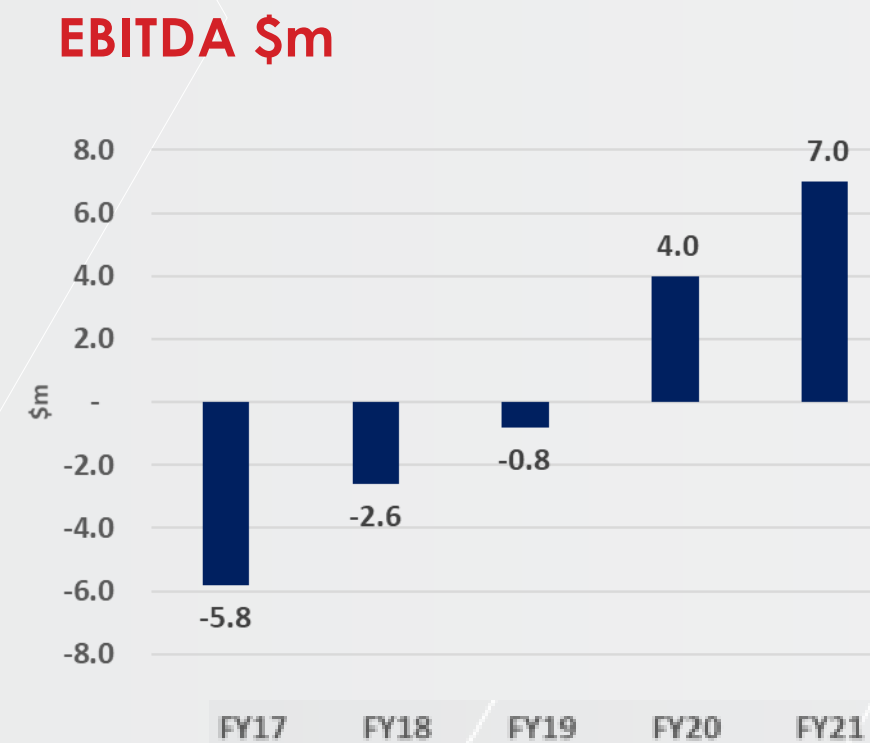
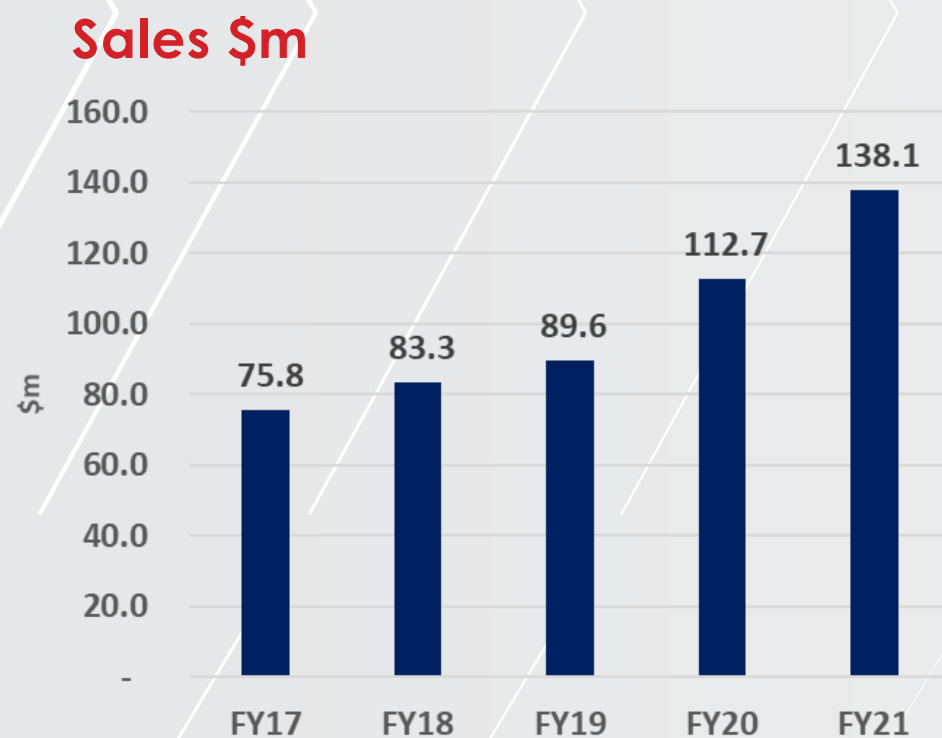
Note: Underlying EBIT, EBITDA and Net Assets exclude the impact of AASB 16 - Leases

H1 FY21 Financial results

EBITDA up **+74.5%** on prior year

(\$m)	H1 FY21 inc. acquisitions	H1 FY21 exc. acquisitions	H1 FY20	% change inc. acquisitions
Revenue from sale of goods	138.1	137.3	122.7	+12.5%
EBIT	5.5	5.5	2.6	+118.9%
EBITDA	7.0	7.0	4.0	+74.5%
Net profit after tax	2.3	2.3	2.0	+18.6%
Net debt	-11.2			
Net tangible assets	48.4			

- Sales **+12.5%** (including acquisitions) compared to prior corresponding period (PCP)
 - Sales **+11.9%** excluding acquisitions compared to PCP
 - Sales of \$138.1m (FY20: \$122.7m)
 - Solid **+21.1%** in Fluid Systems (FS) and **+7.5%** in Trade Distribution (TD)
- Underlying EBITDA of **+\$7.0m** (including acquisitions) a \$3.0m improvement on PCP.
- Underlying EBIT of **+\$5.5m** (including acquisitions)
- Statutory profit after tax **+\$2.3m**
 - Net profit increase of **+\$0.3m** on PCP
- No interim dividend declared



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

H1 FY21 Financial results

FS EBITDA up +31.1% for on prior year

TD EBITDA up +46.5% for on prior year

Fluid Systems

(\$m)	H1 FY21 inc. acquisitions	H1 FY21 exc. acquisitions	H1 FY20	% change inc. acquisitions
Revenue from sale of goods	55.6	54.9	46.0	+21.1%
EBIT	6.4	6.3	4.8	+32.5%
EBITDA	6.7	6.7	5.1	+31.1%

Trade Distribution

(\$m)	H1 FY21 inc. acquisitions	H1 FY21 exc. acquisitions	H1 FY20	% change inc. acquisitions
Revenue from sale of goods	82.5	82.5	76.6	+7.5%
EBIT	5.3	5.3	3.6	+50.1%
EBITDA	5.7	5.7	3.9	+46.5%

Fluid Systems

- An excellent half for the FS division with sales up +21.1% and EBITDA up +31.1% on the prior year.
- \$5.5m of the large \$8.0m order reported in the Q1 update has been delivered to date.
- The acquisition of H.I.S Hose was completed on 1 December 2020. Integration is progressing to plan.

Trade distribution

- TD sales H1 FY21 up +7.5% and EBITDA up +46.5% on the prior year.
- All business units in TD have improved contribution in H1.

- The Group has a solid balance sheet.
 - The Group continues to take action to manage inventory levels, debtor collections and operating costs to improve our cash position
- Net assets as at 31 December of \$104.7m.
- Net tangible assets of \$48.4m.
- Net debt as at 31 December of -\$11.2m.
 - Inventory levels have been increased to ensure high customer service levels while there are supply chain issues resulting from the COVID-19 pandemic and ahead of Chinese New Year.
 - Acquisition related payments impacted cash flow by \$5.5m.
- Tax losses of \$74.2m available for use in Australia

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 significant Federal and State Government spend commitments
- Oil and gas – expect a recovery in FY21
- Cabinet making – performing well, slow recovery in Melbourne
- Roofing and cladding – performing well
- Agriculture and aquaculture – performing well and expected to grow

Key wins/recent developments

- Supply chain optimisation project completed
- Two new branches planned in New Zealand
- Mount Gambier branch, Mount Manganui and Auckland CBD branches expanded, Gold Coast and Burnie store makeover
- Successful commissioning of Off-Coil Bender in Nubco

COVID-19

- No Government JobKeeper support received in Australia
- Minimal impact from Melbourne lockdown and stage 3 restrictions in Auckland
- 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
- Supply chain disruption 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 Australia and New Zealand
- 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 – e-commerce
- 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

COVID-19

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

Key wins/recent developments

- Major refueling systems mining and resources customer order \$8.0m delivered Sep 20 through to Jan 21
- Relocation and merge of Coopers and Torque operations to new custom built facility in Adelaide
- Completion of the HIS Hose acquisition 1 Dec 2020
- New branch opening in Q3 FY21.

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
- Acquisitions

Coventry Group acquires the business and assets of HIS Hose

- Completed the acquisition of the business and assets of H.I.S. Hose Pty. Ltd. (“HIS Hose”) on 1 December 2020, funded through the company’s existing debt facility
- H.I.S. Hose Pty Ltd is a market leader in the supply of industrial hose, fittings, flexible ducting and associated equipment including pneumatic and hydraulic components in Victoria
- H.I.S. Hose operates 3 store locations across Melbourne with its Head Office and largest branch in West Sunshine and branches in Campbellfield and Dandenong. It has a diversified customer base across industrial, manufacturing, government departments, marine, waste and agriculture industries, with little exposure to mining and resources. H.I.S. Hose has a strong value proposition and loyal customer base
- In FY20, H.I.S. Hose generated sales revenue of \$11.5m and adjusted EBITDA of \$1.2m. The acquisition represents a multiple of 4.0x FY20 EBITDA and is projected to be EPS accretive in FY21
- This acquisition offers tangible synergies that will benefit Coventry Group’s Fluid Systems business, including procurement cost savings and knowledge transfer
- H.I.S. Hose will operate as the Victorian regional operation of Fluid Systems



The HIS Hose acquisition is aligned to our Group growth strategy and acquisition strategy

Acquisition criteria	HIS Hose	Alignment with CGL Group strategy
Industrial Supply market	Excellent fit for Coventry Group and Fluid Systems segment. Provides geographical expansion (Victoria) and further diversification outside of the mining and resources sector	●
Turnover scale	A\$11.5m turnover	●
Profitable business	Adjusted EBITDA \$1.2m at 9.4% of sales	●
Disciplined approach to value	Multiple of 4.0 (EBITDA)	●
Management to be retained	Owners to be retained for handover General Manager contracted for three years	●
Clear post-acquisition integration strategy	Will operate as the Victorian region operation of Fluid Systems CGL operating system transition July 2020	●
Conservative funding strategy	Using existing finance facility	●

Partnership with the National Australia Bank

- The Coventry Group has entered a new 3 year financing arrangement with the National Australia Bank (NAB), subject to final documentation. The financing agreement provides a holistic banking offering including:
 - A \$45m Borrowing Base Facility against eligible inventory and debtors. The facility limit is scalable for future growth. Subject to final documentation intended financial close is 31/03/21.
 - A \$5.0m Senior Secured Ancillary Facility to provide security for Transactional Banking, Bank Guarantees, FX, and any other transactional facilities required by the Coventry Group. The intention is for these facilities to transition to NAB over next 3 months.
- We are very pleased to be partnering with the NAB.

With a positive start in H1 FY21, the Group remains cautiously optimistic for the FY21 financial year

- The markets in which FS and TD operate are to date performing well. Whilst pleased to report positive growth in the first half, we are not providing full year guidance due to continuing COVID-19 uncertainty.
- 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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For more information, please contact:

Robert Bulluss

CEO and Managing Director

Coventry Group Ltd (03) 9205 8219

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