

ASX RELEASE**2021 Half Year Results
New financing facility with National Australia Bank****26 February 2021****Highlights**

- Trading performance improved during H1 FY21 with the Group delivering underlying profitability growth for both EBITDA and EBIT.
- Group sales growth for H1 FY21 including acquisitions of 12.5% and excluding acquisitions of 11.9% compared with the prior corresponding period. Group sales including acquisitions at \$138.1m (\$122.7m FY20). \$5.5m of the large \$8.0m order reported in the Q1 trading update has been delivered to the end of the half year.
- Group underlying EBITDA of \$7.0m (\$4.0m FY20), a 74.5% (\$3.0m) improvement compared with the prior corresponding period.
- Group underlying EBIT of \$5.7m (\$2.6m FY20).
- Statutory net profit for the half year \$2.3m (\$2.0m FY20).
- The Group has a solid balance sheet with Net Tangible Assets of \$48.4m and Net Assets of \$104.7m as at 31 December 2020.
- Net debt of \$11.2m as at 31 December 2020.
- 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.
- Announces today the company has entered into a new financing arrangement with the National Australia Bank (NAB), subject to final documentation.
- No interim dividend declared.

Note 1: Group sales growth % excludes foreign exchange translation variance**Note 2: Underlying EBIT and EBITDA, Net Tangible Assets and Net Assets exclude the impact of AASB 16 - Leases****COVID-19**

All business units are operating with COVID-safe plans and are fully operational. We are well prepared to respond to any localised lockdowns.

Sales Growth

Percentage sales growth change for H1 FY21 when compared with the prior corresponding period is shown below:

Sales change	H1 FY21 vs H1 FY20 % sales change including acquisitions	H1 FY21 vs H1 FY20 % sales change excluding acquisitions
Fluid Systems	+21.1%	+19.4%
Trade Distribution	+7.5%	+7.5%
Consolidated Group	+12.5%	+11.9%

Divisional Commentary

- Fluid Systems (FS) had strong growth with H1 FY21 sales including acquisitions up 21.1% and excluding acquisitions up 19.4% on the prior corresponding period. Underlying EBITDA for H1 FY21 was \$6.7m compared to \$5.1m in the prior corresponding period. Sales growth is being driven by our strong value proposition in the mining and resources sector and our continuing diversification into new sectors including Defence, Agriculture, Transport and Recycling. The integration of H.I.S Hose is progressing to plan.
- Trade Distribution (TD) sales for H1 FY21 up 7.5% on the prior corresponding period. The underlying EBITDA for H1 FY21 was \$5.7m compared to \$3.9m in the prior corresponding period.
 - Konnect and Artia New Zealand (KANZ) continued to perform well. Sales up 11.0% on the prior corresponding period.
 - Konnect and Artia Australia (KAA) sales in line with the prior corresponding period. Sales have been impacted by lack of activity in large oil and gas customers. On flat sales, KAA is now trading at close to break even, a significant improvement on prior corresponding periods during which substantial losses were incurred.
 - Nubco continued to perform strongly. Sales up 18.2% on the prior corresponding period.
- Net Corporate costs of \$5.4m at 3.9% to Group sales (4.1% H1 FY20).

Net Debt Position

Net debt as at 31 December 2020 of -\$11.2m (Net debt as at 30 June 2020 of -\$3.3m). The Group continues to take action to manage inventory levels, debtor collections and operating costs to improve our cash position. Inventory levels have been increased to ensure high customer service levels while there are supply chain issues resulting from the COVID-19 pandemic. Acquisition related payments impacted cash flow by \$5.5m.

Balance Sheet

The Group has a solid working capital position with Current Assets exceeding Current Liabilities by \$42.0m at 31 December 2020.

The Group has a solid balance sheet with Net Tangible Assets of \$48.4m and Net Assets of \$104.7m as at 31 December 2020

HIS Hose Acquisition

On 1 December we 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.

The Victorian based H.I.S. Hose was acquired for \$4.575m. H.I.S. Hose is a market leader in the supply of industrial hose, fittings, flexible ducting and associated equipment including pneumatic and hydraulic components. H.I.S. Hose’s FY20 adjusted EBITDA of \$1.2m from \$11.5m of revenue. H.I.S. Hose expands Fluid Systems geographical coverage with three locations in Melbourne, Victoria and provides further diversification from the mining and resources sector.

NAB Financing Arrangements

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 3 year \$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.

Dividends

The Board has determined that no interim dividend be declared.

Outlook

The markets in which FS and TD operate are to date performing well. We expect some of these markets to benefit from further Government stimulus measures. Whilst pleased to report positive growth in the first half, we are not providing full year guidance due to continuing COVID-19 uncertainty.

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

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