

FY22 Half Year Results Presentation

24 February 2022

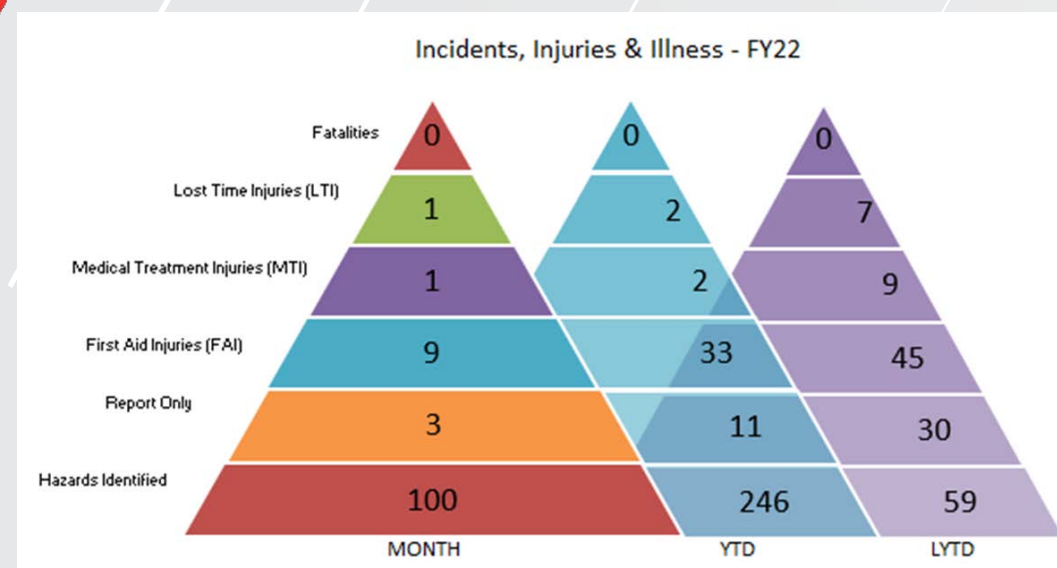
At the Coventry Group we create a sustainable future by empowering our people to deliver great customer experiences



Reduced LTI's in H1 FY22

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

Our aspiration is zero incidents



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

- 2 Lost Time Injuries (LTI) for a total of 7 lost days for H1 FY22 (5 LTI's for 38 lost days in H1 FY21)
- Detailed root cause analysis (RCA) investigations completed and shared across the business for all LTI's, Medical Treatment Injuries and Serious Near Misses to ensure we minimise risks and improve our safety systems
- Group Health, Safety and Environmental Manager role established in FY22
- Dedicated Safety Managers on the leadership team in each business unit
- Safety audits completed as part of our acquisition due diligence process
- Improved steel and manual handling systems implemented in the Nubco network

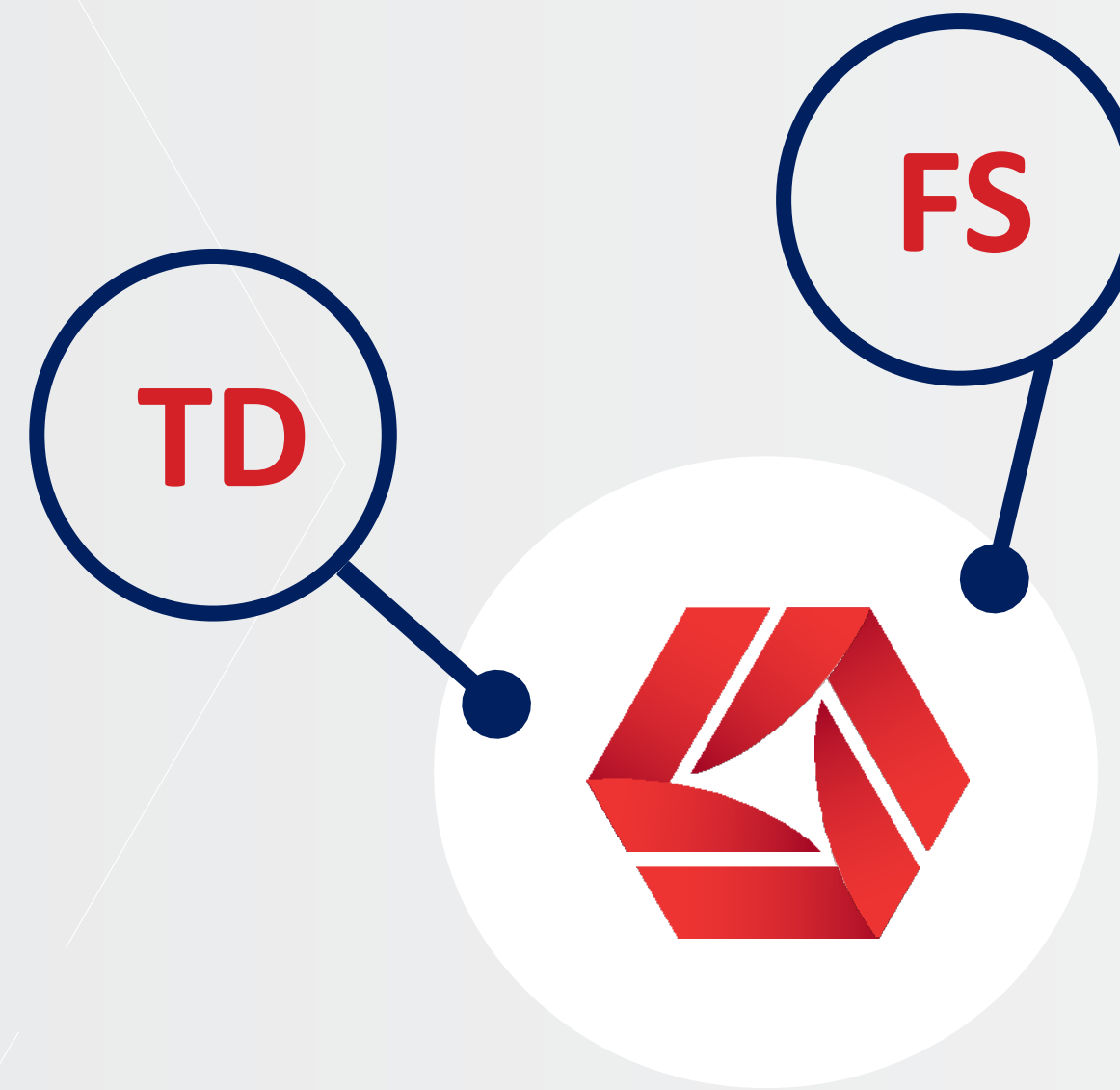
Continuous improvement plans for our health, safety and wellbeing systems in FY22

- We will continue to prioritise the health, safety and wellbeing of our people during the COVID-19 pandemic
- Introduced new business wide safety app (Donesafe) to streamline safety audits and actions
- Improving return to work and rehabilitation procedures

We supply a range of fastening systems, industrial products and hydraulics, lubrication, fire suppression and refuelling 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 49 branches in Australia and 16 branches in New Zealand. Customers are in the manufacturing, construction, infrastructure, agriculture and mining sectors.



Fluid Systems (FS)

Comprises Cooper Fluid Systems, Torque Industries, H.I.S Hose and Fluid Power Services. 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.

Market capitalisation of \$148.1m

Key Market Metrics

SHARE PRICE

24 February 2022

\$1.62

SHARES ON ISSUE

91.4M

MARKET CAPITALISATION


\$148.1M

NET DEBT

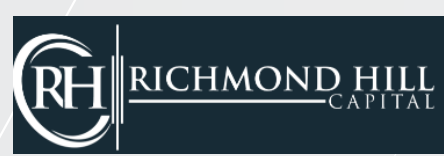
31 Dec 2021

\$-26.9M

We acknowledge the support of our substantial Shareholders



Viburnum
FUNDS
28.5%



RICHMOND HILL
CAPITAL
15.4%

SANDON CAPITAL
10.8%



CASTLE POINT
5.7%

Dumac
5.0%

Trading performance improved despite the on-going COVID-19 backdrop

H1 FY22 Trading performance

Group sales growth for H1 FY22 of **+13.9%** when compared with the prior corresponding period (pcp). Group sales at **\$157.0m** (\$137.8m H1 FY21).

Despite an estimated loss of \$750k of EBITDA due to the enforced lockdown in New Zealand, Group EBITDA of **\$7.3m** (\$7.0m H1 FY21). Proforma EBITDA up 15% compared with the prior corresponding period.

Statutory net profit for the half year of **\$2.4m** (\$1.1m H1 FY21).

Share price \$1.62 compared to \$1.45 as at 30 June 2021.

Net assets

The Group has a solid balance sheet with Net Assets of **\$111.1m** as at 31 December 2021. Inventory value has increased due to significant price inflation along with increases to inventory levels to minimise the impact of global supply chain issues and stock shortages.

Net debt

Net debt as at 31 December 2021 of **-\$26.9m** (Net debt as at 30 June 2021 of **-\$16.3m**). Net Debt was impacted by increased inventory levels during the half of \$11.3m and capital expenditure of \$2.3m.

COVID-19

Managed lockdowns and restrictions throughout our operations and markets across the period.

Note 1: EBIT and EBITDA exclude the impact of AASB 16 – Leases

Continuing our journey of sustainable profitable growth

People

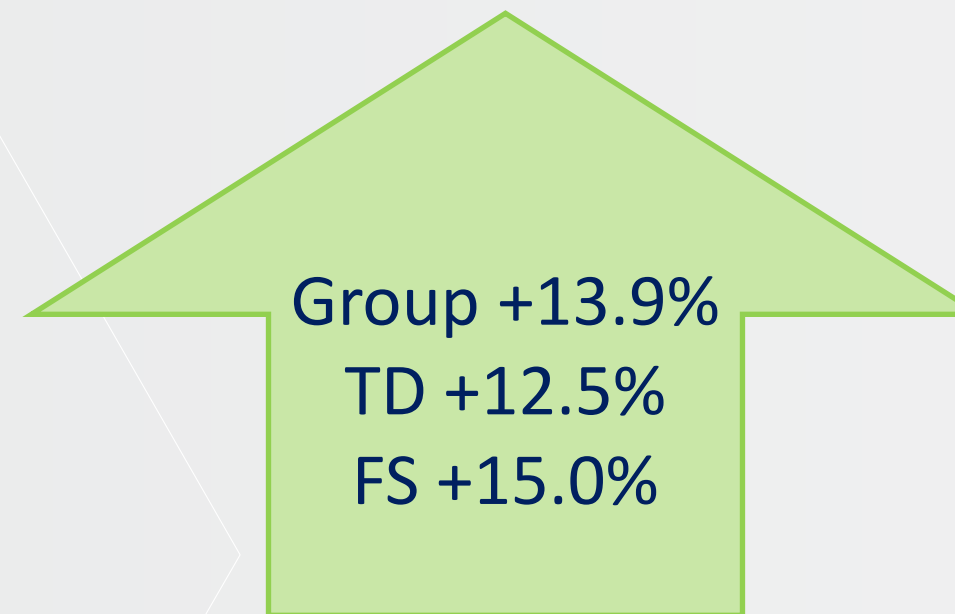
Reduced LTI's
Excellent engagement rates



Notable events

Appointment of Chief People Officer
Konnect and Artia Australia (KAA) profit up \$1.4m on H1 FY21
NZ lockdown resulted in estimated \$750k lost EBITDA

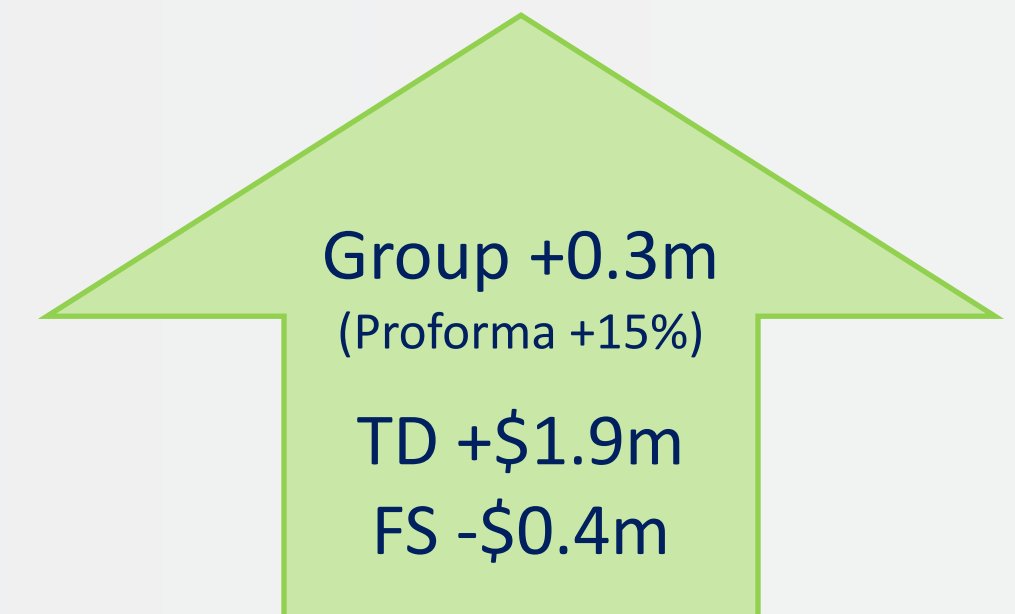
Sales growth



COVID-19 impact

NZ government enforced lockdown
Construction shutdowns NSW and Vic
Supply chain disruptions and stock shortages

EBITDA growth



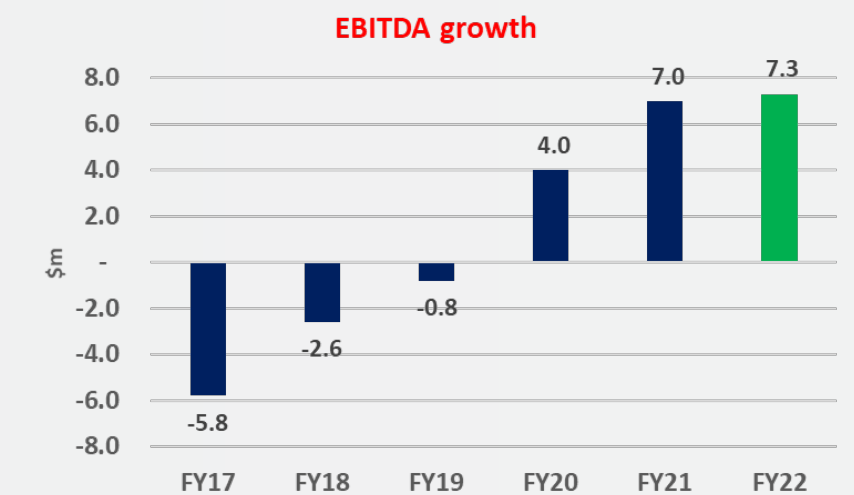
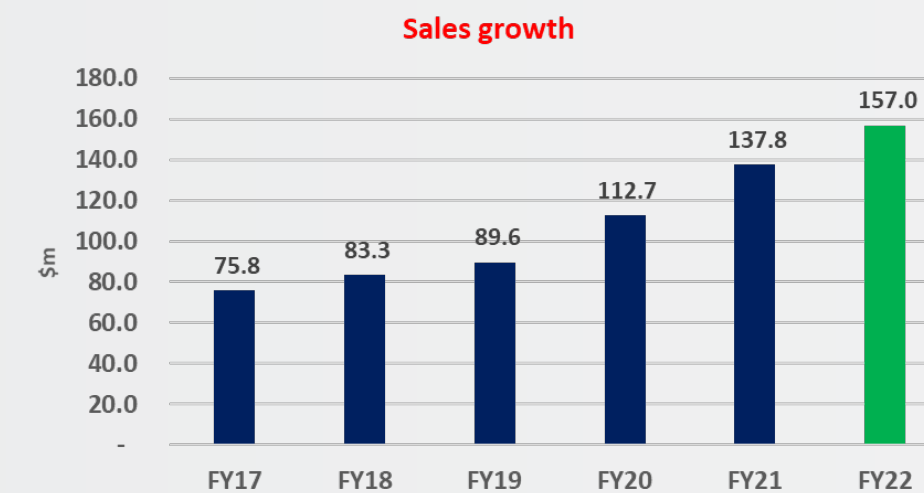
Acquisition growth

Acquisitions performing to expectations

Sales growth of 13.9%

- Sales growth of **+13.9%** compared to the pcp
 - Sales of **\$157.0m** (H1 FY21: \$137.8m)
 - Sales growth of **+15.0%** in Fluid Systems (FS) and **+12.5%** in Trade Distribution (TD)
- Despite an estimated loss of \$750k of EBITDA due to the enforced lockdown in New Zealand, Group EBITDA of **\$7.3m** (\$7.0m H1 FY21). Proforma EBITDA up 15% compared with the pcp
- Despite the estimated loss of \$750k of EBIT due to the enforced lockdown in New Zealand, Group EBIT of **\$5.8m** (\$5.7m H1 FY21)
- Statutory profit after tax for the half of **\$2.4m** (\$1.1m H1 FY21)

(\$m)	H1 FY22	H1 FY21	% change inc. acquisitions
Revenue from sale of goods	157.0	137.8	+13.9%
EBIT	5.8	5.7	+1.5%
EBITDA	7.3	7.0	+4.5%
Net profit/(loss) after tax	2.4	1.1	+218.2%
Net debt	26.9	16.6	+62.0%
Net tangible assets	111.1	109.8	+1.2%



Note 1: EBIT and EBITDA exclude the impact of AASB 16 – Leases

Sales growth achieved in both segments

Fluid Systems

(\$m)	H1 FY22	H1 FY21	% change inc. acquisitions
Revenue from sale of goods	64.0	55.7	+15.0%
EBIT	5.8	6.4	-8.3%
EBITDA	6.3	6.7	-6.6%

Trade Distribution

(\$m)	H1 FY22	H1 FY21	% change inc. acquisitions
Revenue from sale of goods	92.8	82.5	+12.5%
EBIT	7.2	5.4	+34.4%
EBITDA	7.6	5.7	+33.8%

Fluid Systems

- FS sales for H1 FY22 up +15.0% and EBITDA down -6.6% on the pcp
- H1 FY21 sales included \$5.0m of the large previously reported \$7.9m order

Trade distribution

- TD sales for H1 FY22 up +12.5% and EBITDA up +33.8% on the pcp
- Konnect and Artia Australia (KAA) and Nubco improved contribution in H1 FY22
- Konnect and Artia New Zealand (KANZ) down on the pcp but lost an estimated \$750k EBITDA due to the Government enforced lockdown

Net assets increased to \$111.1m

- Net debt position at 31 December 2021 of -\$26.9m (net debt position as at 30 June 2021 of -\$16.3m)
- Net debt was impacted by:
 - Increased inventory levels during the half of \$11.3m as a result of price inflation and to ensure high customer service levels while there are supply chain issues resulting from the COVID-19 pandemic
 - Capital expenditure of \$2.3m
- The Group has a strong working capital position with Net Assets of 111.1m and Current Assets exceeding Current Liabilities by 34.0m as at 30 June 2021
- Tax losses of \$79.6m available for use in Australia
- Franking credits available at balance date of \$9.9m

(\$m)	Jun-20	Jun-21	Dec-21
Cash & cash equivalents	7.5	8.2	9.6
Trade and other receivables	33.5	43.5	39.8
Inventories	53.6	63.9	75.2
Other financial assets	2.1	4.0	2.9
Other current assets	3.5	3.7	5.2
Total current assets	100.2	123.3	132.7
Trade and other receivables	1.8	1.8	1.7
Deferred tax assets	19.0	23.8	22.8
Property, Plant & Equipment	6.8	9.1	10.5
Right of use assets	39.8	41.4	40.7
Intangible assets	47.9	49.2	48.8
Non-current assets	115.3	125.3	124.5
Total assets	215.5	248.6	257.2
Trade and other payables	40.8	49.1	43.7
Employee benefits	5.8	6.8	7.7
Interest bearing loans and borrowings	10.9	24.5	36.5
Provisions	-	-	0.8
Lease liability	9.7	9.3	10.0
Non-current liabilities	67.2	89.7	98.7
Employee benefits	0.3	0.4	0.4
Other payables	0.2	0.3	0.3
Provisions	3.1	3.7	2.1
Lease liability	42.6	44.7	44.6
Non current liabilities	46.2	49.1	47.4
Total Liabilities	113.4	138.8	146.1
Net Assets	102.1	109.8	111.1
Issued capital	149.6	149.8	151.6
Retained earnings & reserves	- 47.5	- 40.0	- 40.5
Total equity	102.1	109.8	111.1

Fluid Systems H1 result impacted by the non-repeat of the large FY21 order

Markets

- Mining and resources
 - Iron Ore – performing well and expected to stay solid
 - Coal – performing well
- Defence – good opportunity for FS
- Transport – growing sector
- Agriculture – growing sector
- Recycling – growing sector
- Infrastructure – growing sector

COVID-19

- No Government JobKeeper support received
- Supply chain disruption overseas and locally is being managed
- Suppliers are reporting difficulties obtaining raw materials – we have expanded our forward order program to increase stock holdings
- The majority of suppliers are increasing prices – we are passing on where possible

Key wins/recent developments

- Expansion of Redcliffe WA operations to second location completed
- Integration of the H.I.S. Hose acquisition and Fluid Power Systems acquisition is largely complete
- Labour and skills shortages is resulting in wage inflation

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

Trade Distribution continues to be a big opportunity for growth

Markets

- Industrial – performing well
- Commercial construction – performing well
- Infrastructure – market is expanding and will continue to do so with significant Federal and State Government spend commitments creating new opportunities
- Oil and gas – performing well
- Cabinet making – performing well
- Roofing and cladding – performing well yet impacted by roofing screw shortages in New Zealand
- Agriculture and aquaculture – performing well and expected to grow

COVID-19

- No Government JobKeeper support received in Australia
- Government support received in New Zealand as a result of the Government enforced lockdown in August/September
- Supply chain disruption overseas and locally is being managed – we are increasing stock holdings where we can
- The majority of suppliers are increasing prices (steel and fasteners have had the largest increases) – we are passing on where possible

Key wins/recent developments

- KAA profit continuing to increase
- New branches opening in Rockhampton and Invercargill
- New branch being opened in Palmerston North
- Lismore, Laverton and Bunbury store makeovers completed.
- Artarmon, Geelong, Sunshine Coast and Auckland store relocations to larger properties
- Konnect and Artia on-line stores now live in Australia and New Zealand

Opportunities

- Store expansion and makeovers in 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
- Infrastructure market and large national customers
- Digital customer engagement – e-commerce
- Acquisitions

The Group is cautiously optimistic for the FY22 financial year

- The markets in which FS and TD operate are to date performing well despite on-going COVID-19 pandemic related disruption.
- There are significant growth opportunities across all segments of the business – market share gains, new branches, product range extension and acquisitions.
- Medium-term target to achieve 7.5% group EBITDA margins.
- Whilst pleased to report continuing positive performance, we are not providing FY22 guidance due to continuing COVID-19 uncertainty.



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