

FY23 Half Year Result

**Delivering innovative
industrial solutions**

H1 FY23 financial performance snapshot

Financial performance

Strong revenue and profit growth

Revenue



\$175.8m

+12.0% on H1 FY22

Underlying EBITDA ¹



\$8.3m

+13.2% on H1 FY22

Underlying EBIT ¹



\$6.5m

+13.1% on H1 FY22

Statutory net profit

\$1.5m

\$2.4m H1 FY22

Cash conversion ³

80.6%

Target = 80.0%

Net Assets

\$112.7m

\$113.6m H1 FY22

Net Debt

\$34.8m

+\$1.7m on 30 June 2022

Net Debt Position

- Net Debt was impacted by:
- Dividend payment (\$3.0m).
 - Capital expenditure (\$1.4m).
 - ERP upgrade project (\$1.8m).

Note 1: Underlying EBITDA and underlying EBIT exclude the impact of AASB 16 – Leases and significant items

Note 2: Underlying EBITDA and underlying EBIT are non-IFRS measures and reflect how management measures performance of the Group

Note 3: Cash conversion = Cash from operations, less lease payments, add back cash significant items / Underlying EBITDA

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About Coventry



Who is Coventry

1929

Coventry Group founded



950

people employed at Coventry Group



15



Fluid Systems branches (AUS)

41



Konnect and Artia branches (AUS)

17



Konnect and Artia branches (NZ)

7

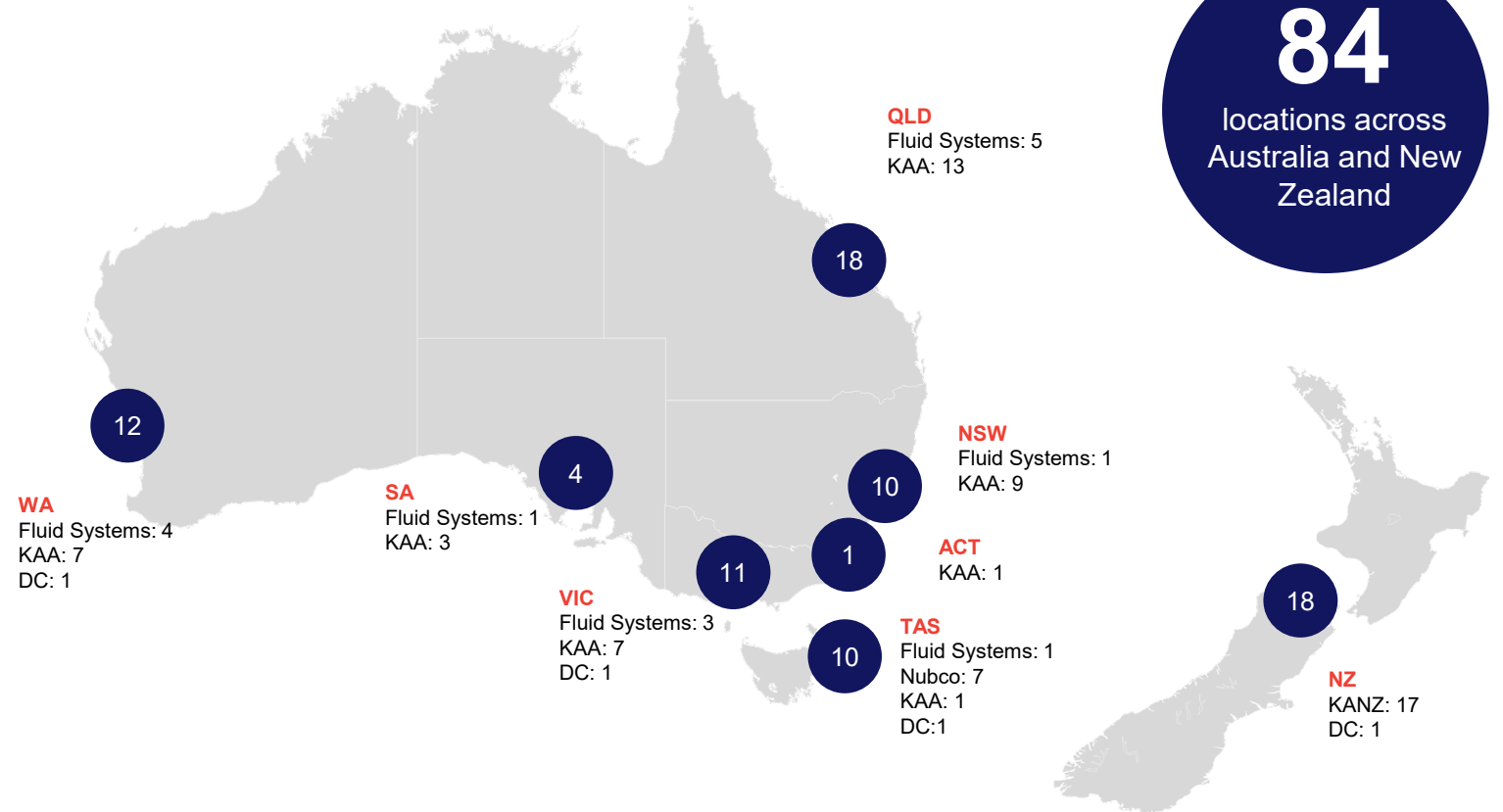


Nubco branches (AUS)

4



Distribution Centres (AUS & NZ)



What we do

We provide specialised industrial products, services and customised solutions to our wide network of customers through two business segments

Fluid Systems

- Fluid Systems designs, manufactures and sells hydraulics, lubrication, fire suppression and refuelling systems and products through 15 branches in Australia.
 - Key markets are Mining and Resources, Renewable Energy, Agriculture and Aquaculture, Defence and Food & Beverage Manufacturing and allied industries.
-

Trade Distribution

- Trade Distribution comprises Konnect and Artia Australia (KAA), Konnect and Artia New Zealand (KANZ), and Nubco supplying a range of fastening systems, cabinet hardware systems, industrial and construction products through a network of 48 branches in Australia and 17 branches in New Zealand.
- Key markets are Industrial/Manufacturing, Infrastructure, Building and Construction, Roofing and Cladding, Mining and Mining Services, Resources / Oil and Gas and Agriculture and Aquaculture.

Specialisation is how we win

Our operating business units provide specialised industrial products and services and customised solutions to a wide range of customers from blue chips to tradespeople

We operate across a wide range of growing markets where we have small market share

Specialisation differentiates us from our competitors

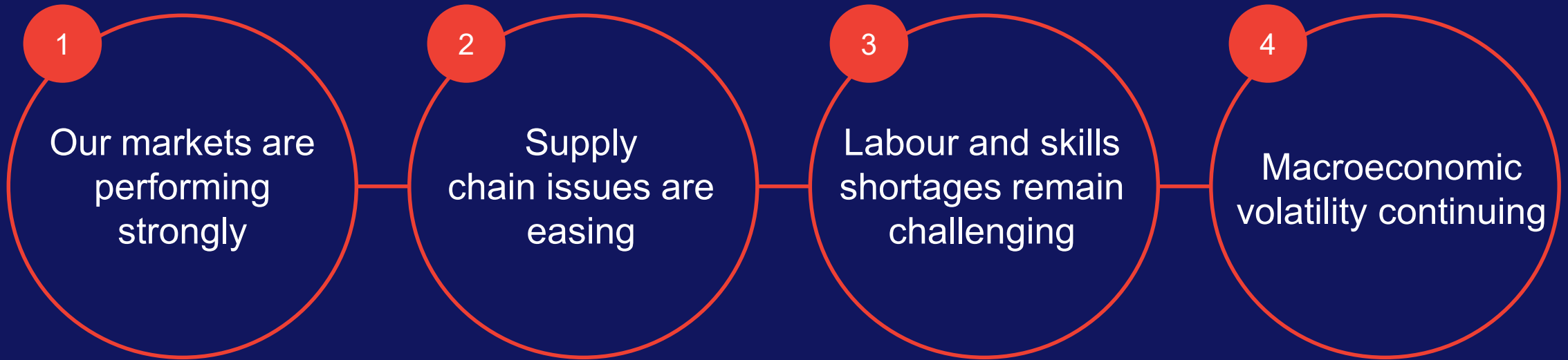


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Markets + industries



The market + our industries



Coventry (CYG) operates in high growth markets

CYG has small market share in large high growth markets with significant opportunity for organic and acquisition growth

Mining and resources

Continued strong demand for products and services from mining and energy sectors

Infrastructure

\$100b committed government spend over the next ten years

We continue to build our capability and value proposition to support the infrastructure market

Building and construction

Commercial construction markets have continued to perform well despite raw material shortages, cost inflation and labour shortages

CYG has limited exposure to residential construction

Industrial and manufacturing

Markets are driven by activity in the Mining and Resources, Infrastructure, Building and Construction and other markets serviced by CYG

Other markets

Agriculture and aquaculture
Renewable energy
Oil and gas
Defence
Recycling

Our value proposition

Quality products, stock availability, expertise, agility, geographic coverage

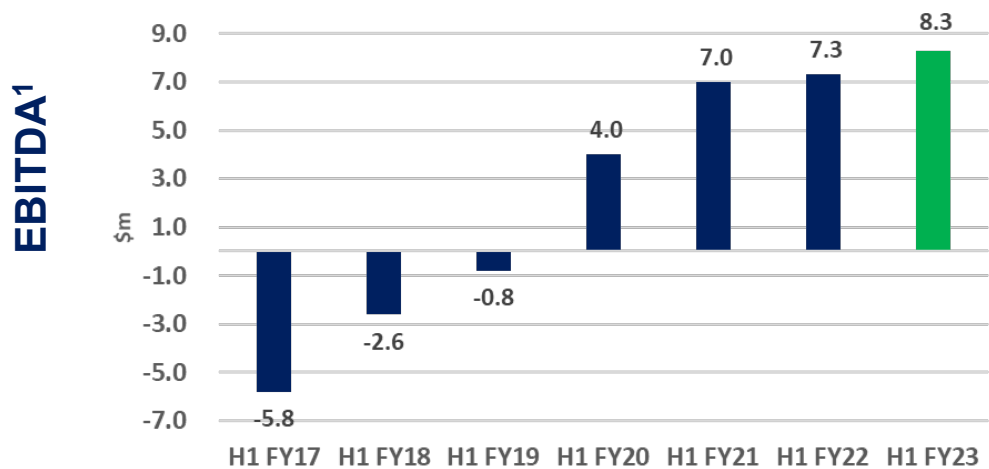
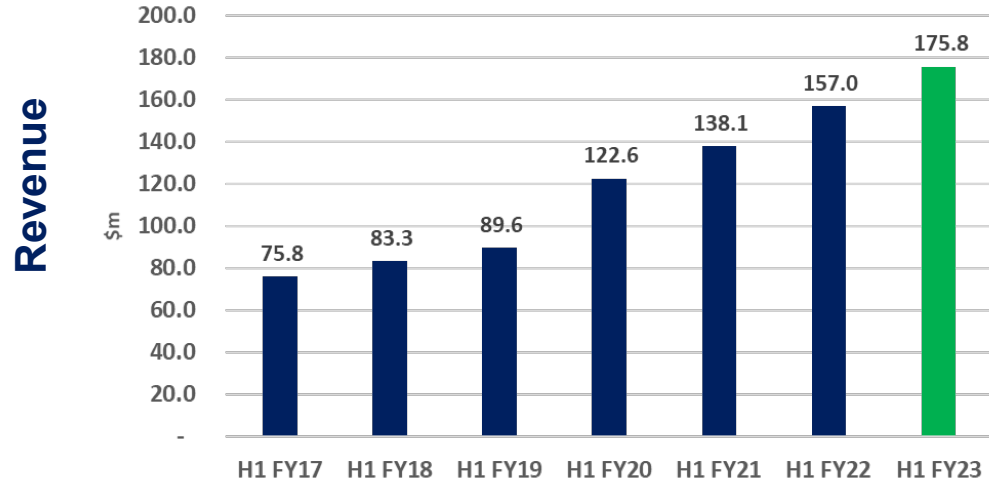
03

H1

performance



H1 FY23 Overview



Group Revenue
up 12.0% to \$175.8m
(\$157.0m H1 FY22).

Group Underlying
EBITDA¹
up 13.2% to \$8.3m
(\$7.3m H1 FY22).

Note 1: Underlying EBITDA is earnings before interest, tax, depreciation, amortisation and has been adjusted to exclude the impact of AASB 16 Leases and significant items.

Note 2: Underlying EBITDA is a non-IFRS measure and reflects how management measures performance of the Group.

Profit and loss

Summary profit and loss

\$m	H1 FY23	H1 FY22	% change
Revenue	175.8	157.0	+12.0%
Underlying EBITDA ¹	8.3	7.3	+13.2%
Depreciation and amortisation	1.8	1.5	
Underlying EBIT ¹	6.5	5.8	+13.1%
Significant items	2.4	0.4	
Net financing expense	0.7	0.5	
Impact of AASB16	1.0	1.3	
PBT	2.4	3.6	-33.9%
Income tax expense	0.9	1.2	
NPAT	1.5	2.4	-36.8%
EBITDA %	4.7%	4.7%	

- Underlying EBITDA up +1.0m (+13.2%) on prior year
- Underlying EBIT up +0.7m (+13.1%) on prior year
- Profit before tax (PBT) and Net profit after tax (NPAT) down on the previous year in the main due to costs in relation to the ERP system upgrade (\$1.8m) and acquisition related costs

Note 1: Underlying EBITDA and underlying EBIT exclude the impact of AASB 16 – Leases and significant items

Note 2: Underlying EBITDA and underlying EBIT are non-IFRS measures and reflect how management measures performance of the Group

Balance sheet

Solid balance sheet position

\$m	As at 31 Dec 2022	As at 30 June 2022
Total current assets	137.0	144.4
Total non-current assets	139.0	134.4
Total assets	276.0	278.8
Total current liabilities	110.4	116.6
Total non-current liabilities	52.9	48.6
Total liabilities	163.3	165.2
Net Assets	112.7	113.6
Net Tangible Assets	35.8	36.1
Current assets less current liabilities	26.6	27.8

- The Group has a solid balance sheet with Net Tangible Assets of \$35.8m and Net Assets of \$112.7m as at 31 December 2022
- The Group has a solid working capital position with Current Assets exceeding Current Liabilities by \$26.6m at 31 December 2022
- Net debt as at 31 December 2022 of \$34.8m (30 June 2022 of \$33.1m)
- Net Debt was impacted by the dividend payment (\$3.0m), capital expenditure (\$1.7m) and the ERP upgrade project (\$1.8m)
- NAB debt facility of \$55m undrawn by \$14.4m as at 31 December 2022

Cash flow

Cash conversion of 80.6% H1 FY23

\$m	H1 FY23	H1 FY22
Underlying cash from operations	12.3	1.1
less Lease payments	(8.0)	(7.7)
add back Significant items	2.4	0.4
Underlying cash from operations	6.7	(6.2)
Underlying EBITDA ¹	8.3	7.3
Cash conversion %	80.6%	n/a

- Cash conversion target of 80.0%
- Significant improvement in cash conversion in H1 FY23
- As supply chain issues and stock shortages experienced during COVID-19 are now easing the Group's focus is on reducing inventory levels and improving cash conversion

Note 1: Underlying EBITDA and underlying EBIT exclude the impact of AASB 16 – Leases and significant items

H1 FY23 Segment performance

Trading performance improved during H1 FY23 with both business segments delivering Sales and underlying profit year on year growth

Fluid Systems

Revenue

\$70.5m

+10.2% on H1 FY22

EBITDA ¹

\$7.6m

+20.5% on H1 FY22

- Fluid Systems EBITDA ¹ % to sales of 10.7%
- Trade Distribution EBITDA ¹ % to sales of 8.1%
- Double digit sales growth achieved in both business segment
- H1 FY23 results adversely impacted by the unplanned public holiday and weather events

Trade Distribution

Revenue

\$105.3m

+13.5% on H1 FY22

EBITDA ¹

\$8.6m

+13.1% on H1 FY22

Note 1: Underlying EBITDA excludes the impact of AASB 16 – Leases and significant items

04

Business
update and
outlook



Business overview Fluid Systems

Fluid Systems is an innovative service provider to the Mining and Resources, Renewable Energy, Agriculture and Aquaculture, Defence and Food & Beverage Manufacturing and allied industries

Fluid Systems specialises in hydraulics, lubrication, fire suppression, refuelling and fluid transfer systems/products

Key strategic initiatives

- Focus on expanding sales in existing markets
- Expand or relocate Mackay and Gladstone facilities to accommodate growth opportunities
- Develop capabilities for move from manual processes to automated and electric systems
- Explore acquisition opportunities in a fragmented market
- Successful roll out of the ERP upgrade project

Our markets are performing strongly

Our market share is less than 5%

The growth opportunity is significant

Business overview Trade Distribution

Trade Distribution comprises Konnect and Artia Australia (KAA), Konnect and Artia New Zealand (KANZ), and Nubco supplying a range of fastening systems, cabinet hardware systems, industrial and construction products through a network of 48 branches in Australia and 17 branches in New Zealand

Key markets are Industrial/Manufacturing, Infrastructure, Building and Construction, Roofing and Cladding, Mining and Mining Services, Resources / Oil and Gas and Agriculture and Aquaculture

Key strategic initiatives

Konnect and Artia Australia

- Accelerate organic growth -
 - Grow sales in our key markets focussed on our fastening systems specialisation
 - Expand our branch network by 2 to 3 stores per annum
 - Relocations and trade store upgrades – program in place for remainder of FY23 and FY24
- Deliver inventory optimisation project
- Maximise our Digital Capability

Konnect and Artia New Zealand

- Accelerate organic growth
 - Expand branch network by 1 store per annum
 - Win in our key markets through specialization and a clear differentiated service proposition
 - Trade store upgrades
- Deliver inventory optimisation project
- Digitise our core systems and deliver the ERP system upgrade

Nubco

- Accelerate organic sales growth
 - Product range expansion
 - Trade store upgrades and relocations
 - New steel handling facility in Southern Tasmania
- Develop advanced Digital capability
- Expansion in regional Victoria

Business update

Key strategic initiatives

ERP upgrade project

ERP upgrade progressing well

- Project on schedule and under budget
- Experienced project team and implementation support partner in place
- Requirements definition and design phases of the project completed
- Build phase commenced
- Pilot in first branch to commence October 2023
- On target to complete project December 2024

Cash conversion project

Cash conversion project delivered positive results

- Inventory optimization project accelerating as supply chain and stock shortage issues reduce
- Recruitment of Konnect and Artia Supply Chain leader commenced
- Implementing demand planning systems as part of ERP upgrade
- Cash conversion program delivering results

05

Strategy
update



Our Strategy

Our Purpose

To provide specialised industrial products, services and solutions to our customers

Our Values

Safety first
Do the right thing
(Fairness, Integrity and Respect)
Work as a team
Be the best at everything we do

Our Vision

In three years time we will have:
\$500m revenue
7.5% EBITDA
80% cash conversion (FY23)
Zero incidents

Strategic priorities

Build our talent pipeline
Cash conversion
Accelerate organic growth
Digitise our core systems

Customer promise

Exceptional specialist services and solutions to help our customers be successful

People

How we run our business. What we want to achieve. The standards and behaviours that guide how we work together to achieve it. How we do things.

Customers

What we promise our customers. What they experience. What it looks and feels like for them. How and what we communicate.

Our organic growth opportunities

Expand network

Greenfield Konnect Australia and New Zealand Trade stores and Fluid Systems branches in new geographical regions

Improving the network

Trade store makeovers and relocations in Konnect Australia and New Zealand and Nubco to improve in store customer experience

Property expansion in Fluid Systems to deliver growth opportunities

Improve value proposition

Improving our value proposition to retain customers, increase share of wallet and acquire new customers

Service and product extensions

Expanding product ranges

Enhance stud bolt capability

Increasing engineering capability in Fluid Systems

Establishing automation and electrification capabilities in Fluid Systems

Digitalisation

E-commerce

Digitalisation and continuous improvement programs to improve customer service and increase productivity

Improving people management systems to build talent for future business growth

06

H2
priorities



Strategic Priorities H2 FY23

- Continue focus on rightsizing inventories and cash conversion
- Accelerate organic growth in Trade Distribution
- Deliver ERP upgrade project to schedule and on budget
- Reinforce with customers our focus on specialist industrial products, services and customised solutions to build deeper partnerships and demonstrate our commitment to their success



Summary

Solid H1 performance

Double digit sales growth continuing
6 weeks into H2 FY23

Operating in resilient markets
and industries

Specialisation will help us win

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

Appendix

AASB16 Reconciliation

\$'000	Dec 22 YTD	Dec 21 YTD	Variance (\$)	Variance (%)
Profit before financial income and tax ¹	5,060	6,143	(1,083)	
Significant items	2,426	410	2,016	
Add: Depreciation ROU Asset – Property and Vehicle ²	6,141	5,772	369	
less: Lease payments - Property and vehicle (AASB 16 only) ³	(8,100)	(6,568)	(1,532)	
Add: Finance sublease rent received ⁴	203	203	-	
Add: Impairment/Onerous lease provision unwind ⁵	805	-	805	
Add: Foreign exchange translation variance/other adjustments	6	(186)	192	
Underlying EBIT ⁶	6,541	5,774	767	13.1%
Depreciation & amortization ⁷	1,761	1,557	204	
Underlying EBITDA ⁶	8,302	7,331	971	13.2%

1. Agrees to Condensed Consolidated Statement of Profit or Loss.

2. Agrees to 'Depreciation of right-of-use Assets per Segment report.

3. Proxy for actual lease payments (expense) under pre-AASB 16 lease accounting, excludes short term and low value leases. Excludes onerous lease.

4. Rent received for finance sublease previously accounted for as rent revenue that is now treated as interest income under AASB 16 accounting.

5. Unwinding of onerous lease provision, which pre-AASB 16 was accounted for as a credit to lease expense. Under AASB 16 it is instead treated as a reduction in depreciation.

6. Underlying EBITDA and underlying EBIT exclude the impact of AASB 16 – Leases and significant items.

7. Depreciation and amortisation per Segment report.