

ASX RELEASE

2019 Half Year Results

22 February 2019

Highlights

- Trading performance of the Group improved in the first half of FY19.
- Group sales increase excluding acquisitions for the first half of FY19 when compared with the prior corresponding period (PCP) of +5.2% (+7.6% including acquisitions).
- Underlying Group EBIT loss of - \$1.5m (-\$3.3m PCP excluding non-continuing operations).
- Net loss after tax of -\$2.3m (-\$5.2m PCP excluding non-continuing operations).
- Cash position of \$8.5m (\$5.0m – 30 June 2018) with no debt.
- The Group has a strong working capital position with Current Assets exceeding Current Liabilities by \$50.3m as at 31 December 2018.
- Contribution for Trade Distribution Australia is \$1.1m ahead of the PCP with rate of improvement slower than desired.
- Announced the appointment of Peter Shaw to the role of General Manager – Trade Distribution Australia (TDA) and a member of the Executive Leadership Team (ELT).
- The Torque acquisition was completed 31 October 2018. Trading for the first three months is in line with expectations.
- Coventry Group has entered into an agreement to acquire all of the shares of Nubco Proprietary Limited for \$36.0m, comprising \$34.2m in cash and \$1.8m in new Coventry shares. The acquisition is expected to complete on 1 March 2019.
- No interim dividend declared.
- The Group expects to generate a positive EBIT for FY19, subject only to unforeseen circumstances arising.

Sales growth

Percentage sales growth for the half year for FY19 when compared with the prior corresponding period (PCP) is shown below:

Revenue change	Half year F19 vs Half year F18 % revenue change
Cooper Fluid Systems	13.2%
Trade Distribution	0.5%
Consolidated Group excluding discontinuing operations and acquisitions	5.2%

Note 1: The discontinuing operations of AA Gaskets have not been included.

Note 2: Sales from the Torque acquisition have not been included.

Divisional Commentary

Cooper Fluid Systems

- Cooper Fluid Systems sales have again seen solid growth with first half sales up 13.2% on PCP. Sales growth is continuing to be driven by our strong value proposition and increase in service, maintenance, upgrade and new equipment activity in the mining and resources sector.

Trade Distribution

- Trade Distribution New Zealand continued to perform strongly with 1st half sales up 14.7% on PCP. Preparation for opening a new branch in Rotorua is advanced.
- Trade Distribution Australia sales are in line with PCP excluding one-off project sales to Chevron in WA in H1 FY18 (\$1.282m) and the impact of unprofitable store closures (\$474k). With sales momentum in TDA slowly building, we are pleased with project sales wins for Q3 in the order of \$1.6m including Hyatt Hotel Hobart, Melbourne Metro Tunnel, ANI Ship Building Facility South Australia, Sydney North Tunnel, WA equipment shutdown and Roads and Bridges upgrade on the NSW South Coast. After years of failing to be an attractive option for larger works, we are now in a much stronger position to compete. TDA will continue to implement improvements to make it a viable option for large projects and customers. This involves building expertise and using the branch network to provide agile service through high stock availability and our new delivery fleet. Plans for the opening of two new branches before the end of FY19 are underway.

Corporate

- Net Corporate costs of \$4.6m (PCP \$3.6m). The FY18 result included \$1.1m of income from the Redcliffe WA property and Cyber insurance claim not repeated in FY19. Otherwise corporate costs are slightly down on PCP.
- Minimal additional corporate costs required post the acquisition of Torque and Nubco.

Balance sheet

- Cash position of \$8.5m (\$5.0m – 30 June 2018) with no debt.
- The Group has a strong working capital position with Current Assets exceeding Current Liabilities by \$50.3m as at 31 December 2018.

Torque acquisition

On 31 October 2018, the Group completed the acquisition of the business and assets of Torque Industries. The acquisition of the diversified engineering services provider expands the Group's Australian presence and positions Cooper Fluid Systems as a leading engineering services business in South Australia. The acquisition was funded by an institutional placement and an accelerated non-renounceable pro-rata entitlement offer which raised approximately \$15million.

Trading results post completion are in line with expectations.

Nubco acquisition

On 5 February 2019 Coventry Group entered into an agreement to acquire all of the shares of Nubco Proprietary Limited for \$36.0m, comprising \$34.2m in cash and \$1.8m in new Coventry shares. The acquisition is expected to complete on 1 March 2019.

Nubco is Tasmania's largest independent supplier of industrial and hardware supplies. In FY18 Nubco generated sales revenue of \$39.4m and EBITDA of \$6.0m from a network of seven stores.

The acquisition will be funded through a fully underwritten pro rata 1 for 1.37 accelerated non-renounceable entitlement offer at \$0.75 per share to raise approximately \$27.6m before costs and debt through the company's existing facility.

Dividends

The Board has determined that no interim dividend be declared.

Outlook

Market conditions remain positive in our key markets of construction, industrial and mining and resources. The current downturn in the residential housing sector has limited impact on the Group as we focus on the commercial construction market.

Overall, we remain positive about the outlook for the Group.

For further information contact:

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