

Investor presentation – FY19 half year results

22 February 2019



Contents

- Our Group
- FY19 half year trading update
- Summary and outlook

Coventry Group

Coventry Group Ltd (ASX: CYG) delivers innovative industrial solutions to the mining, construction and manufacturing sectors.

Company overview

Coventry Group Ltd (ASX: CYG) delivers innovative industrial solutions to the mining, construction and manufacturing sectors. We supply a range of fastening systems, cabinet hardware systems and hydraulics, lubrication, fire suppression, refueling systems and products.



Trade Distribution (TD)

Comprises Konnect fastening systems and Artia cabinet hardware systems through a wholly owned branch network (41 in Australia and 15 in New Zealand) selling to customers in mining, construction and manufacturing industries.



Cooper Fluid Systems (CFS)

Designs and manufactures hydraulics, lubrication, fire suppression, refueling systems and products to customers in the mining, construction and manufacturing industries through 11 branches in Australia.



Torque Industries (Torque)

Offer hydraulic, pneumatic, filtration and lubrication product sales and service along with hydraulic cylinders, hydraulic hose repair and complete system design, installation and commissioning from its base in Adelaide.

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

Our aim is for zero lost time injuries

OUR VISION

To be an innovative Industrial Supply Group achieving sustainable profitable growth operating through specialist business units.

OUR VALUES

We value Respect, Fairness, Teamwork, Integrity and Professionalism.

Above all, we value Our People and Our Customers.

Coventry's value proposition

Renewed focus on our people and our customers

- Training
- Business Development
- Technology enhancement

Deliver service excellence

- Quality products
- Stock availability
- Employee expertise
- Geographic coverage
- Agility

Improved financial outcomes

- Grow sales
- Improve margins
- Reduce DC infrastructure costs
- Leverage existing infrastructure
- Return to profitability



Vision/strategic direction

Exciting opportunity to build a leading scaled Industrial Supply Group.

- As the Group has stabilized performance over recent times and with a clear pathway back to profitability, the Board and Executive Leadership Team have spent time developing the vision for the business over the next five years.
- The Board and Executive Leadership Team have significant experience in B2B trade / industrial supply distribution markets and know what the blueprint for success looks like.
- A clear opportunity exists to build a highly focused scaled Industrial Supply business with leading market positions across multiple geographies, sectors and products.
- Growth can be achieved through a combination of:
 - ✓ Organic growth (market share gains, new branches, new products and new geographies); and
 - ✓ Sensible strategic acquisitions.

Our vision is to create a leading Industrial Supply Group achieving sustainable profitable growth through sensible organic and acquisitive growth

Board

The Coventry Group Board of Directors has a wealth of knowledge and experience.



Neil Cathie – Independent Non-Executive Chairman

- 27 year career at Australia's largest and most successful plumbing and bathroom distributor, Reece Ltd, in finance and governance roles
- Non-executive director of ASX listed Millennium Services Group Limited and Director of and advisor to a number of private companies
- Graduate of the Australian Institute of Company Directors and fellow of CPA Australia and Governance Institute of Australia



Robert Bulluss – CEO and MD

- Appointed CEO in May 2017 after holding the role of CFO and company secretary since October 2016
- 15 years within the Australian division of Bunzl plc.
- Experience across Finance, Strategy, Human Resources, Health, Safety and Environment, ICT and Technology, Operations, Project Management and all aspects of acquisitions



Andrew Nisbet – Independent Non-Executive Director

- Appointed in September 2017
- Extensive career in senior management roles at Reece Ltd
- Graduate of the Australian Institute of Company Directors and advisor to a number of private companies



James Todd – Independent Non-Executive Director

- Appointed in September 2018
- Former Managing Director of Wolseley Private Equity, an independent private equity firm which he co-founded in 1999. Non-executive director of ASX listed companies IVE Group Ltd and HRL Holdings Ltd
- Member of the Australian Institute of Company Directors

Executive Leadership Team

Highly credentialed Executive Leadership Team with a proven track record in B2B trade distribution.

Background	
Robert Bulluss (CEO and Managing Director)	See previous slide
Rod Jackson (CFO)	Rod was appointed Chief Financial Officer in September 2017. He is an ACA qualified and experienced finance professional and prior to joining Coventry spent four years as Finance Director at Bunzl Outsourcing Services Limited. For six years prior to that he was Chief Financial Officer and Group Financial Controller at Linfox. Rod has also held senior finance roles with Remote Vision Solutions and Jetset Travel following 17 years with Deloitte Touche Tohmatsu.
Mike Wansink (GM of NZ)	Mike is an experienced General Manager with over ten years experience managing Trade Distribution New Zealand. Previously he held General Manager roles with the Extra Mile Company and Rexel Electrical Supplies and Marketing and National Sales roles with Steel and Tube. His experience has been invaluable in developing strategies for the turn around of the Australian business.
Peter Shaw (GM of TDA)	Peter joined the business 6 months ago as Northern Regional Manager in the Trade Distribution Australia business. Previously Peter held general management roles in industrial supply businesses including Worksense Workwear and Safety, Wesfarmers Industrial and Safety, Total Fasteners, Packaging House and Protector Safety. His experience and qualifications make Peter the ideal person to lead TDA through the next stage of its recovery to sustainable profitable growth.
Bruce Carter (GM of CFS)	Bruce has over 35 years experience with the Group in a number of different roles. He is currently General Manager of our profitable and growing Cooper Fluid Systems business. Prior to this he ran the Queensland region of Coventry Fasteners during a period of profitable sales growth. Bruce has broad general management experience and has provided extensive guidance and assistance with the Australian turnaround. He also has extensive experience acquiring and integrating businesses.
Tracey Gibbins (GM of People, Safety, Wellness and Quality)	Tracey was appointed General Manager of People, Safety, Wellness & Quality in January 2018. Tracey is an experienced and qualified Human Resources, Health, Safety, Environmental and Quality Strategy professional with relevant experience across a diverse range of businesses over a 25 year career.
Ken Lam (CIO)	Ken joined the business in August 2018. He has extensive IT and Project Management experience, most recently with SWC Management, Amplifon and Amcor. Ken will ensure the business has the ability to operate successfully in the Digital world.

FY19 half year results

Positive progress towards sustainable profitable growth

FY19 half year overview

- | | | |
|---|---------------------------------|---|
| 1 | People & safety | <ul style="list-style-type: none">The Group is committed to the health, safety and well being of our personnel5 minor Lost Time Injuries in 1H FY19 |
| 2 | Leadership team | <ul style="list-style-type: none">Highly credentialed Executive Leadership Team with a proven track record in B2B trade distribution and acquisitionsFurther strengthened with the appointment of Peter Shaw (General Manager – Trade Distribution Australia) |
| 3 | Business initiatives | <ul style="list-style-type: none">Continued to implement a wide-ranging program of manageable disruption touching many parts of our operations (particularly Trade Distribution Australia)Focus remains on the customer by providing the best service levels through quality products, stock availability, expertise and agility combined with our geographic coverage. Our strategy is delivering sales growth and margin improvement |
| 4 | Acquisitions | <ul style="list-style-type: none">The Torque acquisition was completed 31 October 2018. Trading for the first three months is in line with expectationsCoventry 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 |
| 5 | HY Financial performance | <ul style="list-style-type: none">Sales +5.2% (excluding the discontinuing operations of AA Gaskets and the Torque acquisition)Sales to \$89.6m (1H FY18: 83.3m)EBIT improvement of \$1.8m to a loss of -\$1.5m (1H FY18: \$3.3m) |
| 6 | Balance Sheet | <ul style="list-style-type: none">Net Tangible Assets of \$1.02 per share (as at 31 December 18)Cash position of \$8.5m with no debt (as at 31 December 18) |

FY19 half year financial highlights

- Sales +5.2% (excluding acquisitions)
 - Up to \$89.6m (1H FY18: \$83.3m)
 - Excellent growth in CFS and TDNZ
 - TDA sales decline arrested and set up for growth
- Underlying EBIT improvement of +\$1.4m (excluding acquisitions)
 - Half year loss of -\$1.5m (from -\$3.3m in 1H FY18)
- Net loss after tax from Continuing Operations –\$2.4m
 - Loss reduced by +\$2.8m from -\$5.2m loss in 1H FY18
- Net cash of \$8.5m with no debt
- No interim dividend declared

(\$m)	1H FY19 ⁽²⁾ Inc. Torque	1H FY19 ^{(1) (2)} Exc. Torque	1H FY18
Revenue from sale of goods	89.6m	87.7m	83.3m
EBITDA	-0.8m	-1.2m	-2.6m
EBIT	-1.5m	-1.9m	-3.3m
Net loss after tax from Continuing Operations	-2.4m	-2.8m	-5.2m
Net cash	8.5m	8.5m	6.3m
Net Tangible Assets p/s (\$)	1.02	1.02	1.30

Notes:

1. Excluding the discontinuing operations of AA Gaskets
2. Excluding the profit on sale of the AA Gaskets assets

Trade Distribution

(\$m)	1H FY19	1H FY18	% change
Revenue	52.6	52.3	0.5%
EBIT	-0.4	-1.9	77.8%

Improvement in both Australia (TDA) and New Zealand (TDNZ)

- TDNZ is performing strongly
- TDA is continuing to show encouraging signs as service levels and capability improve
- Sales up 0.5% on 1H FY18
 - Includes the impact of unprofitable store closures (\$474k)
- Underlying EBIT improvement of +\$1.5m in 1H FY18
 - Loss in TDA more than profit in TDNZ



Trade Distribution - Australia

(\$m)	1H FY19	1H FY18	% change
Revenue	35.5	37.4	-5.2%
EBIT (underlying)	-2.2	-3.4	33.8%

TDA continues to show signs of improvement – more to do...

- Sales are in line with PCP excluding one off items
 - Includes the impact of unprofitable store closures (\$474k)
 - Sales momentum in TDA building slowly. Project sales wins for Q3 in the order of \$1.7m 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
- Underlying EBIT improvement of \$1.2m on 1H FY18
 - Still loss making division (-\$2.2m in 1H FY18)
 - Positive impact from sales & margin initiatives, loss making branch closures and consolidations and the DC rationalization project
- Appointment of Peter Shaw as General Manager
 - Previous roles in industrial supply businesses including Worksense Workwear and Safety, Wesfarmers Industrial and Safety, Total Fasteners, Packaging House and Protector Safety



Trade Distribution - New Zealand

(\$m)	1H FY19	1H FY18	% change
Revenue	17.1	14.9	14.7%
EBIT (underlying)	1.8	1.4	25.2%

TDNZ continued to perform strongly with improvement in all key metrics

- Sales up 14.7% on 1H FY18
- Underlying EBIT up 25.2% on 1H FY18
- EBIT margin of 10.5%
- Preparation for opening a new branch in Rotorua is advanced.

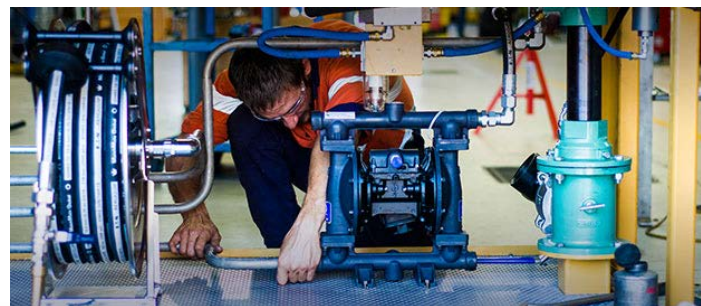


Cooper Fluid Systems

(\$m)	1H FY19	1H FY18	% change
Revenue	37.0	31.0	19.5%
EBIT (underlying)	3.6	2.3	56.5%

Continued solid growth from CFS

- Sales up 19.5% on 1H FY18
 - Sales up 13.2% excluding Torque
- Underlying EBIT up 56.5% on 1H FY18
 - EBIT up 37.4% excluding Torque
- EBIT margin of 9.7%
- Torque EBIT contribution of +\$0.4m
 - Trading in line with expectations



Corporate

(\$m)	1H FY19	1H FY18	% change
Revenue	0.0	0.0	n.a.
EBIT (underlying)	4.6	3.6	27.8%

Corporate service functions stabilized

- Net Corporate costs of \$4.6m (1H FY18 \$3.6m).
- The 1H FY18 result included \$1.1m of income not repeated in FY19 from the Redcliffe WA property and Cyber insurance claim.
- Otherwise Corporate costs are slightly down on PCP.
- Minimal additional Corporate costs required post the acquisition of Torque and Nubco.
- Completed transition of IT and Technology function to Melbourne

Balance sheet

(\$m)	Jun-17	Jun-18	Dec-18
Cash & cash equivalents	5.1	5.0	8.5
Inventories	49.3	46.4	48.4
Trade and other receivables	29.3	30.5	28.9
Total current assets	83.7	81.9	85.8
Property, Plant & Equipment	4.7	4.6	4.8
Intangible assets	5.9	6.1	14.2
Deferred tax assets	6.7	6.1	6.3
Other non-current assets	0.1	-	-
Non-current assets	17.4	16.8	25.3
Total assets	101.1	98.7	111.1
Trade and other payables	23.8	30.5	30.7
Debtor finance facility	8.0	-	-
Other non-current liabilities	4.4	4.2	4.8
Non-current liabilities	36.2	34.7	35.5
Non current liabilities	3.3	3.4	3.4
Non current liabilities	3.3	3.4	3.4
Total Liabilities	39.5	38.1	38.9
Net Assets	61.6	60.6	72.2
Issued capital	108.1	107.8	121.7
Retained earnings & reserves	- 48.7	- 47.2	- 49.5
Non-controlling interest	2.2	-	-
Total equity	61.6	60.6	72.2
NTA per share (cents)	1.30	1.30	1.02

- Cash position of \$8.5m
- The Group has a strong working capital position with Current Assets exceeding Current Liabilities by \$50.3m as at 31 December 2018
- NTA per share \$1.02



Cash flow

(\$m)	Jun-17	Jun-18	Dec-18
Net cash from operating activities	-5.0	-4.0	-1.4
Net cash from investing activities	-0.2	19.3	-9.1
Net cash used in financing activities	7.6	-14.5	13.9
Net (decrease)/increase in cash and cash equivalents	2.4	0.9	3.4
Effect of movement in exchange rates	-0.8	-1.0	0.1
Cash and cash equivalents	5.1	5.0	8.5

Solid cash management

- No debt
- ScotPac facility increased to \$25m
- Net cash decline for operating activities reducing
 - Improved accounts receivable management

Nubco acquisition



Nubco is Tasmania's largest independent retailer of industrial hardware and supplies.

Overview

- Nubco Proprietary Limited ("Nubco") is Tasmania's largest independent supplier of industrial and hardware products
- Founded in 1983
- Seven store locations across Tasmania
- Headquarters and Distribution Centre in Devonport
- Diversified customer base across trade (65%), industrial segments (20%) and retail (15%)
- Primary sales channels are trade distribution outlets, industrial contract managed by sales representatives and trade shows
- FY18 sales of \$39.4m and EBITDA of \$6.0m

Expected completion 1 March

✓	Diversified customer and product base
✓	Meets Coventry's key acquisition criteria:
✓	<ul style="list-style-type: none">• Industrial supply market
✓	<ul style="list-style-type: none">• >\$10m turnover
✓	<ul style="list-style-type: none">• Profitable business
✓	<ul style="list-style-type: none">• Management to be retained
✓	<ul style="list-style-type: none">• Clear post-acquisition integration and growth strategy
✓	<ul style="list-style-type: none">• Disciplined approach to value
✓	<ul style="list-style-type: none">• Ensure ability to adapt to ASX corporate culture
✓	Acquisition will add to Group profitability in FY19
✓	Positions Coventry Group as a leading industrial supply business in Tasmania
✓	Attractive trailing acquisition multiple of 6.0x FY18 EBITDA

Summary and outlook

February 2019

Summary and outlook

1 Experienced team is in place	Focus on sales growth and sustainable profitable growth
2 Group sales growth	Has continued in first half of FY19
3 Our key markets are performing well	In mining and resources, construction and industrial sectors
4 Strong balance sheet	No debt and finance facilities in place and available
5 FY18 initiatives implemented	Financial benefits to be fully realised in FY19
6 Growth opportunities exist in all business units	Market share, new branches and acquisitions



The Group expects to generate a positive EBIT for FY19, subject only to unforeseen circumstances arising.

Disclaimer

Reliance on third party information

The information and views expressed in this Presentation were prepared by Coventry Group Ltd (the **Company**) and may contain information that has been derived from publicly available sources that have not been independently verified. No representation or warranty is made as to the accuracy, completeness or reliability of the information. No responsibility or liability is accepted by the Company, its officers, employees, agents or contractors for any errors, misstatements in or omissions from this Presentation.

Presentation is a summary only

This Presentation is information in a summary form only and does not purport to be complete. It should be read in conjunction with the Company's 2019 half year financial report. Any information or opinions expressed in this Presentation are subject to change without notice and the Company is not under any obligation to update or keep current the information contained within this Presentation.

Not investment advice

This Presentation is not intended and should not be considered to be the giving of investment advice by the Company or any of its shareholders, directors, officers, agents, employees or advisers. The information provided in this Presentation has been prepared without taking into account the recipient's investment objectives, financial circumstances or particular needs. Each party to whom this Presentation is made available must make its own independent assessment of the Company after making such investigations and taking such advice as may be deemed necessary.

No offer of securities

Nothing in this Presentation should be construed as either an offer to sell or a solicitation of an offer to buy or sell Company securities in any jurisdiction.

Forward looking statements

This Presentation may include forward-looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, these statements are not guarantees or predictions of future performance, and involve both known and unknown risks, uncertainties and other factors, many of which are beyond the Company's control. As a result, actual results or developments may differ materially from those expressed in the statements contained in this Presentation. Investors are cautioned that statements contained in the Presentation are not guarantees or projections of future performance and actual results or developments may differ materially from those projected in forward-looking statements.

No liability

To the maximum extent permitted by law, neither the Company nor its related bodies corporate, directors, employees or agents, nor any other person, accepts any liability, including without limitation any liability arising from fault or negligence, for any direct, indirect or consequential loss arising from the use of this Presentation or its contents or otherwise arising in connection with it.

For more information, please contact:

Robert Bulluss

CEO and Managing Director, Coventry Group Ltd - (03) 9205 8219