

ASX RELEASE

2019 Full Year Results

23 August 2019

Highlights

- Trading performance improved significantly during FY19 with the Group returning to underlying profitability for both EBITDA and EBIT.
- Group sales growth for FY19 including acquisitions of 20.4% and excluding acquisitions of 7.0% when compared with the prior corresponding period (PCP). Group sales including acquisitions at \$202.3m (\$168.1m FY18).
- Group underlying EBITDA of +\$2.8m (-\$4.7m FY18 excluding discontinuing operations), a \$7.5m improvement year on year.
- Group underlying EBIT of +\$1.1m (-\$6.1m FY18 excluding discontinuing operations).
- Statutory net loss for the year from continuing operations -\$1.4m (-\$8.3m FY18 excluding the profit on sale of the AA Gaskets business).
- Announced the acquisitions of Torque and Nubco which are trading in line with expectations.
- The Group has a solid balance sheet with Net Tangible Assets of \$53.3m and Net Assets of \$101.0m as at 30 June 2019.
- Net debt of \$4.1m at 30 June 2019.
- Further key appointments to senior management roles in Konnect Artia and Australia.
- No final dividend declared.

Note: All figures are excluding the discontinuing operations of AA Gaskets

Sales Growth

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

Sales change	FY19 vs FY18 % sales change including acquisitions (1) (2)	FY19 vs FY18 % sales change excluding acquisitions (1)
Fluid Systems	+27.3%	+15.7%
Trade Distribution	+16.1%	+1.5%
Consolidated Group	+20.4%	+7.0%

Note 1: All figures exclude the discontinuing operations of AA Gaskets

Note 2: Sales from the Torque and Nubco acquisitions

Divisional Commentary

- Fluid Systems (FS) sales have again seen exceptional growth with full year sales including acquisitions up 27.3% and excluding acquisitions up 15.7% on PCP. The underlying EBITDA for FS was \$8.8m compared to \$5.5m in FY18. 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. The integration of Torque is progressing to plan. Plans are being implemented to relocate our Hunter Valley branch to a new custom-built facility to cater for growth. The Adani coal mine approval is a positive for the FS division.
- Trade Distribution (TD) sales for the year including acquisitions up 16.1% on the prior year and excluding acquisitions up 1.5% on the prior year. The underlying EBITDA for TD was \$3.3m compared to -\$2.5m loss in FY18.
 - Konnect & Artia New Zealand (KANZ) continued to perform strongly with full year sales up 13.3% on PCP. New Rotorua and Silverdale branches and expansion of the Auckland CBD branch will add further sales growth to KANZ.
 - Konnect and Artia Australia (KAA) 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 (\$1.467m). In KAA, we have made quality key appointments in the last six months including Peter Shaw (ex Wesfarmers) as General Manager, Chris Smith (ex Blackwoods) as KAA Qld Regional Manager, Mark Ramsdale (ex Bunzl Safety) as KAA NSW Regional Manager and Christian McCormack (ex Stanley Black and Decker) as Artia Manager. We are continuing to strengthen our sales team with new Business Development Manager appointments in NSW, Queensland, Victoria and WA. We are far from satisfied with the slow rate of recovery in KAA sales but remain committed to our strategy which includes building strong sales capability. Green shoots are appearing as the quality of our people improves.
 - Nubco had a positive start with the Group recording sales and earnings in line with expectations for the four months post acquisition.

Cash position

Net debt position of -\$4.1m as at 30 June 2019 (+\$5.0m net cash – 30 June 2018).

Balance sheet

The Group has a solid working capital position with Current Assets exceeding Current Liabilities by \$50.8m at 30 June 2019.

Acquisitions

The Torque acquisition was completed on 31 October 2018. The acquisition of the diversified engineering services provider expands the Group's and FS's presence in South Australia.

The Nubco acquisition was completed on 1 March 2019. Nubco is Tasmania's largest supplier of industrial and hardware products across seven store locations headquartered in Devonport. Transitional activities are being completed to plan and we are pleased with the engagement of the Nubco management team and people.

We are actively assessing acquisition opportunities that are presented to us.

Dividends

The Board has decided not to declare a final dividend for FY19.

Outlook

The outlook for our end markets (commercial construction / infrastructure and mining) is positive. The Group has negligible exposure to the residential construction market.

A significant improvement in profitability is forecast for FY20 with the inclusion of recent acquisitions for a full 12 months, continued sales growth, procurement savings and continued optimisation of the distribution footprint. We are forecasting FY20 EBITDA of \$10m+ assuming the continuation of current trends and no adverse broader market developments. The medium term target of 7.5% Group EBITDA margins remains.

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

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