

# FY22 Full Year Results Presentation

26 August 2022

*Delivering innovative industrial solutions and services*



## Agenda

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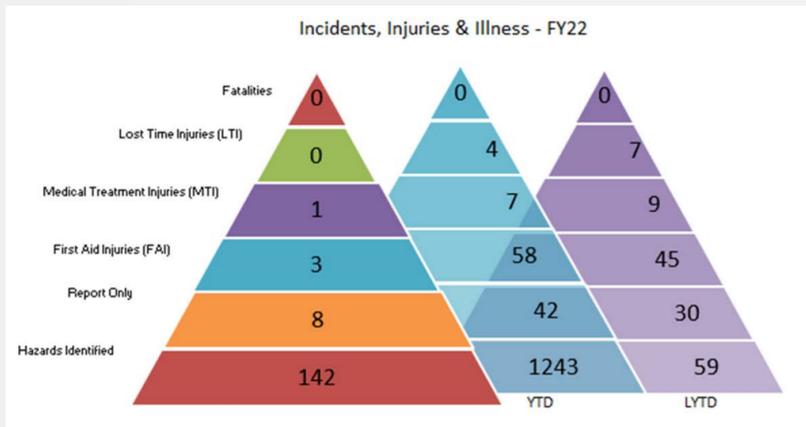
## We Value the Health, Safety and Wellbeing of Our People First and Foremost

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

- 4 Lost Time Injuries (LTI's) for a total of 63 lost days for FY22 (7 LTI's for 56 lost days in FY21)
- Detailed root cause analysis investigations completed and shared across the Group for all LTI's and serious near misses to ensure we minimise risks and improve our safety systems
- Group Health, Safety and Environmental Manager role established in FY22
- Introduced new business wide safety app (*Donesafe*) to streamline safety audits and actions – resulted in a 200% increase in hazards reported and resolved
- Safety audits completed as part of our acquisition due diligence process
- Continued to improve steel and manual handling systems implemented in the Nubco network

### Continuous improvement plans for our health, safety and wellbeing systems in FY23

- We will continue to prioritize the health, safety and wellbeing of our people



*Fifth Consecutive Year of Revenue and Profit Growth*

<p><b>Revenue</b></p> <p><b>\$322.3m</b></p> <p>+11.7% on FY21</p>	<p><b>EBITDA<sup>1</sup></b></p> <p><b>\$15.5m</b></p> <p>+16.1% on FY21</p>	<p><b>EBITDA<sup>1</sup> Margin</b></p> <p><b>4.8%</b></p> <p>Up from +4.6% in FY21</p>
<p><b>EBIT<sup>1</sup></b></p> <p><b>\$12.4m</b></p> <p>+17.0% on FY21</p>	<p><b>NPAT<sup>2</sup></b></p> <p><b>\$4.8m</b></p> <p>-49.7% on FY21</p>	<p><b>Available Tax Losses</b></p> <p><b>\$76.6m</b></p>
<p><b>EBITDA<sup>1</sup> per share</b></p> <p><b>17cps</b></p> <p>+13.9% on FY21</p>	<p><b>Dividend</b></p> <p><b>3.5 cents</b></p> <p>+16.7% on FY21</p>	<p><b>Franking Credits</b></p> <p><b>\$9.9m</b></p>

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

Note 2: Prior period included \$5.0m from the recognition of Deferred Tax Losses

Note 3: The Directors believe that the presentation of unaudited non-IFRS financial information on this slide is useful for users of the accounts as it provides useful information about the financial performance of the business.

### *Continued Organic Growth Supported by Strategically Aligned Acquisitions*

#### **FY22 Trading Performance**

Pleasing performance with all business units experiencing revenue and EBITDA growth. Continued growth in New Zealand despite enforced Government shutdowns (August and September 2021) negatively impacting sales and EBITDA by ~\$3.0m and ~\$750k respectively. Result included contributions from acquisitions completed in FY21 and 4Q22, all of which are performing to expectations.

#### **Net Assets**

The Group has a solid balance sheet with Net Assets of **\$113.6m** as at 30 June 2022.

Inventory levels were increased to minimise the impact of global supply chain issues and stock shortages. Significant price inflation also raised the value of inventory.

#### **Acquisitions**

Successfully completed the acquisition of the business and assets of Goudie Holdings Limited and NZ Plank Hire Limited ("GHL") and Fraser Coast Bolts and Industrial Supplies ("FCB") funded through the Company's debt facilities.

#### **ERP Upgrade Project**

Commenced the upgrade to a new ERP system, Microsoft Dynamics 365 Finance & Operations, to be completed over two and a half years.

## Sales Growth Achieved in Both Business Segments

### Fluid Systems

**Revenue**  
**\$129.8m**  
 +9.0% on FY21

**EBITDA**  
**\$12.9m**  
 -6.8% on FY21

### Trade Distribution

**Revenue**  
**\$193.1m**  
 +13.4% on FY21

**EBITDA**  
**\$16.1m**  
 +37.6% on FY21

### Fluid Systems

- Solid performance supported by robust core markets and full year acquisition contributions.
- 10.0% EBITDA margin, lower than FY21 with that period benefitting from a relatively high margin \$7.9m order.
- H.I.S. Hose and FPS performed to expectations in their first full year.

### Trade Distribution

- Nubco had an excellent year, revenue has compounded at >10% organically since acquisition, with strong margins.
- KAA delivered **\$2.4m** EBITDA, a **\$9.9m** improvement over five years.
- KANZ performed solidly despite COVID-19 hurdles.
- GHF and FCB performed to expectations since acquisition.

**\$2.1m EBITDA improvement on the prior year, up 16%**

FY22 Financial Results excluding impact of AASB16 – Leases on EBIT and EBITDA			
(\$m)	FY22	FY21	% change
Revenue from sale of goods	322.3	288.5	+11.7%
EBIT <sup>1</sup>	12.4	10.6	+17.0%
EBITDA <sup>1</sup>	15.5	13.4	+16.1%
Net profit/(loss) after tax <sup>2</sup>	4.8	7.2	-49.7%
Net debt	33.1	16.3	
Net assets	113.6	109.8	+3.5%

**FY23 results will be presented according to AASB16 - Leases**

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## Commentary

- Sales growth of **+11.7%** on the prior year
  - Sales of **\$322.3m** (FY21: \$288.5m)
  - Solid growth of **+9.0%** in Fluid Systems (FS) and **+13.4%** in Trade Distribution (TD)
- EBITDA <sup>1</sup> of **\$15.5m**
  - A **+\$2.1m** improvement on the prior year.
- EBIT <sup>1</sup> of **\$12.4m**
- Statutory profit after tax **\$4.8m**
  - Net profit decrease of **-\$2.4m** on the prior year
  - FY21 included **+\$5.0m** recognition of Deferred Tax losses
- Final fully franked dividend of **3.5 cents** per share declared

## Net Assets Increased to \$113.6m

\$ Million	FY22	FY21	% change
Net debt	33.1	16.3	
Net assets	113.6	109.8	+3.5%
Net tangible assets	36.1	36.8	-1.9%
Current assets - current liabilities	27.7	33.6	-17.6%

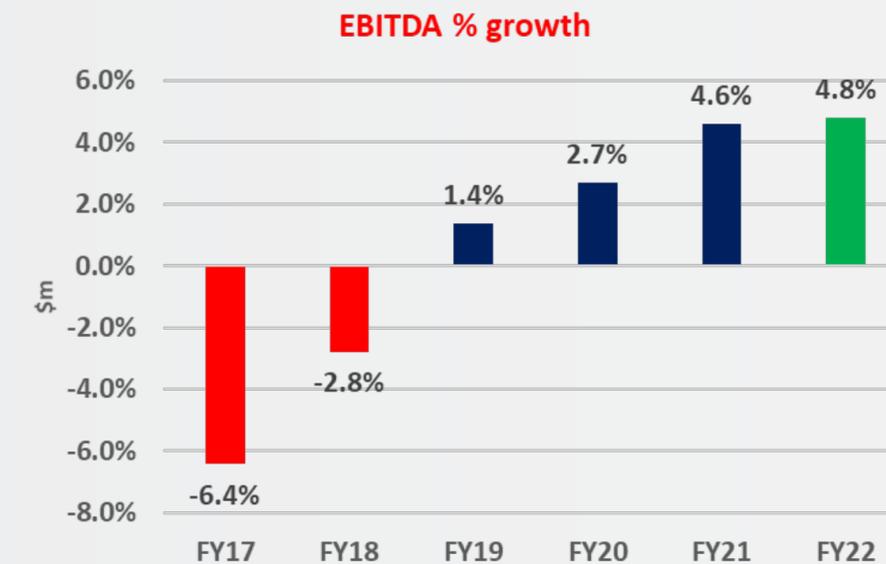
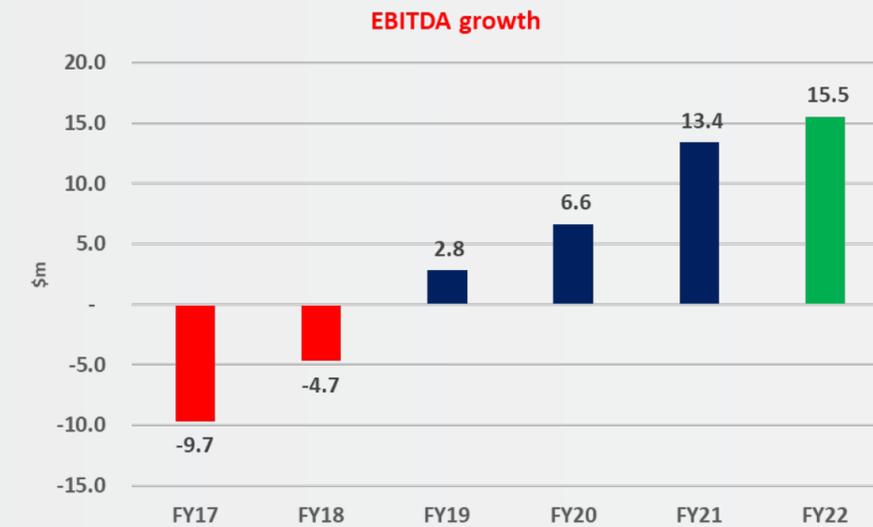
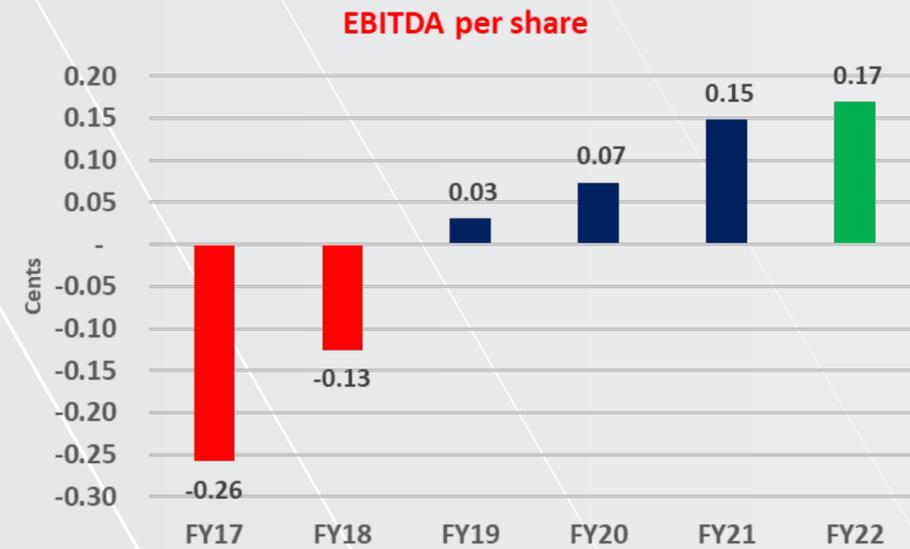
**Target cash conversion ratio of 80% to EBIT priority project for FY23 with strong focus on inventory**

**Maximising Cash conversion to Minimise Debt and Interest Charges**

### Commentary

- Net debt position at 30 June 2022 of \$33.1m (net debt position as at 30 June 2021 of \$16.3m)
- Increased net debt due to:
  - \$10.0m acquisition related payments
  - \$7.0m price inflation increasing the value of inventory
  - \$5.4m capital expenditure
  - \$4.8m build in stock holdings to maintain service levels due to global supply chain issues and business growth
- The Group has a strong working capital position with Net Assets of \$113.6m and Current Assets exceeding Current Liabilities by \$27.7m as at 30 June 2022
- Tax losses of \$76.6m available for use in Australia
- Franking credits of \$9.9m available at balance date
- Balance sheet will support \$15.0m ERP upgrade project over two and a half year project life.

EBITDA per share up \$0.43 since FY17



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*A Significant Achievement over the Last Five Years*

*Five consecutive years of sales and profit growth*

*KAA returned to profit after >10 years of losses*

*Transformed the culture in the Group based on our core values*

*Six successfully integrated acquisitions – Torque Industries, Nubco, H.I.S. Hose, Fluid Power Systems, GHl and Fraser Coast Bolts*

*Divested AA Gaskets*

*Profitably navigated the COVID-19 pandemic without emergency equity raises or asset divestments*

*Secured expanded banking arrangements with the NAB*

*Resumed dividend payments*

*Continued to improve Board governance, appointed aligned and experienced members*

# GHL Acquisition

## *GHL was our first New Zealand based acquisition and is performing to expectations*

- Completed the acquisition of the business and assets of Goudie Holdings Limited on 31 March 2022, funded through the company's debt facility
- GHL is Auckland's leading specialist in temporary fencing sales and hire and scaffolding plank hire into our existing construction and infrastructure markets.
- The business has performed strongly throughout the COVID-19 pandemic and we expect its markets to remain strong.
- GHL expands Coventry Group's Trade Distribution presence in New Zealand.
- In FY22 GHL generated sales revenue of NZ\$8.6m and adjusted EBITDA of NZ\$2.1m.

Acquisition criteria	Acquisition metrics	Alignment with CGL strategy
Industrial Supply market	Specialist in temporary fencing sales and hire and scaffolding plank hire into our construction and infrastructure markets	●
Turnover scale > \$10m	FY22 Act turnover NZ\$8.6m. This is a good size turnover business for the New Zealand market	●
Profitable business	FY22 Act EBITDA NZ\$2.1m at 24.4% of sales	●
Disciplined approach to value	4.3 times EBITDA	●
Management to be retained	Craig Goudie (General Manager) retained for a minimum of two years. Greg Goudie to be available to support post acquisition if required	●
Ensure ability to adapt to ASX corporate culture	Business operates professionally with systems in place	●
Clear post-acquisition integration strategy	Operate as a division of TDNZ Synergies exist in cross selling opportunities and buying benefits	●
Conservative funding strategy	Use NAB debt facility	●

## FCB Acquisition

### Fraser Coast Bolts was acquired 31 March 2022 and is performing to expectations

- Completed the acquisition of the business and assets of Fraser Coast Bolts and Industrial Supplies (FCB) on 31 March 2022, funded through the company's debt facility
- FCB is a leading provider of fasteners and industrial supplies in the Hervey Bay and Bundaberg regions in Queensland. FCB expands Konnect and Artia Australia's branch network.
- In FY22 FCB generated sales revenue of \$2.9m and adjusted EBITDA of \$0.6m.

Acquisition criteria	Acquisition metrics	Alignment with CGL strategy
Industrial Supply market	Supplier of fastening systems and branded and ancillary products - KAA branch equivalent	●
Turnover scale > \$10m	FY22 FCT \$2.9m turnover. This is a good size fastening systems branch and the market leader in this region	●
Profitable business	FY22 FCT \$0.6m EBITDA at 21.2% of sales	●
Disciplined approach to value	4.5 times FY22 FCT EBITDA	●
Management to be retained	Chad Curtis retained for a minimum of 12 months	●
Ensure ability to adapt to ASX corporate culture	Business operates professionally with high service levels. Chad has worked in corporates including CYG	●
Clear post-acquisition integration strategy	Operate as a branch of KAA Avoid making fundamental changes to the operations – it is very profitable	●
Conservative funding strategy	Use NAB debt facility	●

## Upgrading our Enterprise Resource System (ERP) to the latest technology

**Microsoft Dynamics 365 Finance and Operations system selected as our new Group ERP system**

**Replaces our 15 year old Oracle eBS system that no longer meets existing and future business needs**

**Project will be completed in stages over two and a half years at a total cost of \$15.0m**

**On-going costs lower in the order of \$500k per annum**

*Project costs to be reported as Significant Items throughout the life of the project*

### **The benefits of the new system are significant**

- Adoption of industry standards and best practices.
- Business process improvements and automation removing repetitive labour intensive tasks.
- New solutions and capabilities such as Point of Sale, Manufacturing, Material and Distribution Requirement Planning, Demand Planning, Budgeting and Forecasting.
- Enables future integration of acquired businesses with confidence.
- Provides a pathway of digital transformation for the entire business - reducing paper orientated manual processes.
- Fits with existing CGL IT systems such as Office, SharePoint, CRM and Power BI.
- Provides CGL with the capacity to support profitable growth by increasing staff efficiencies and productivity.

**Project delivery by an experienced dedicated project team supported by**

**FUSION5**  
Business Solutions

**Microsoft Dynamics 365**

### **Trade Distribution (TD) comprises our network of Konnect and Artia Australia (KAA), Trade Distribution New Zealand (TDNZ) and Nubco**

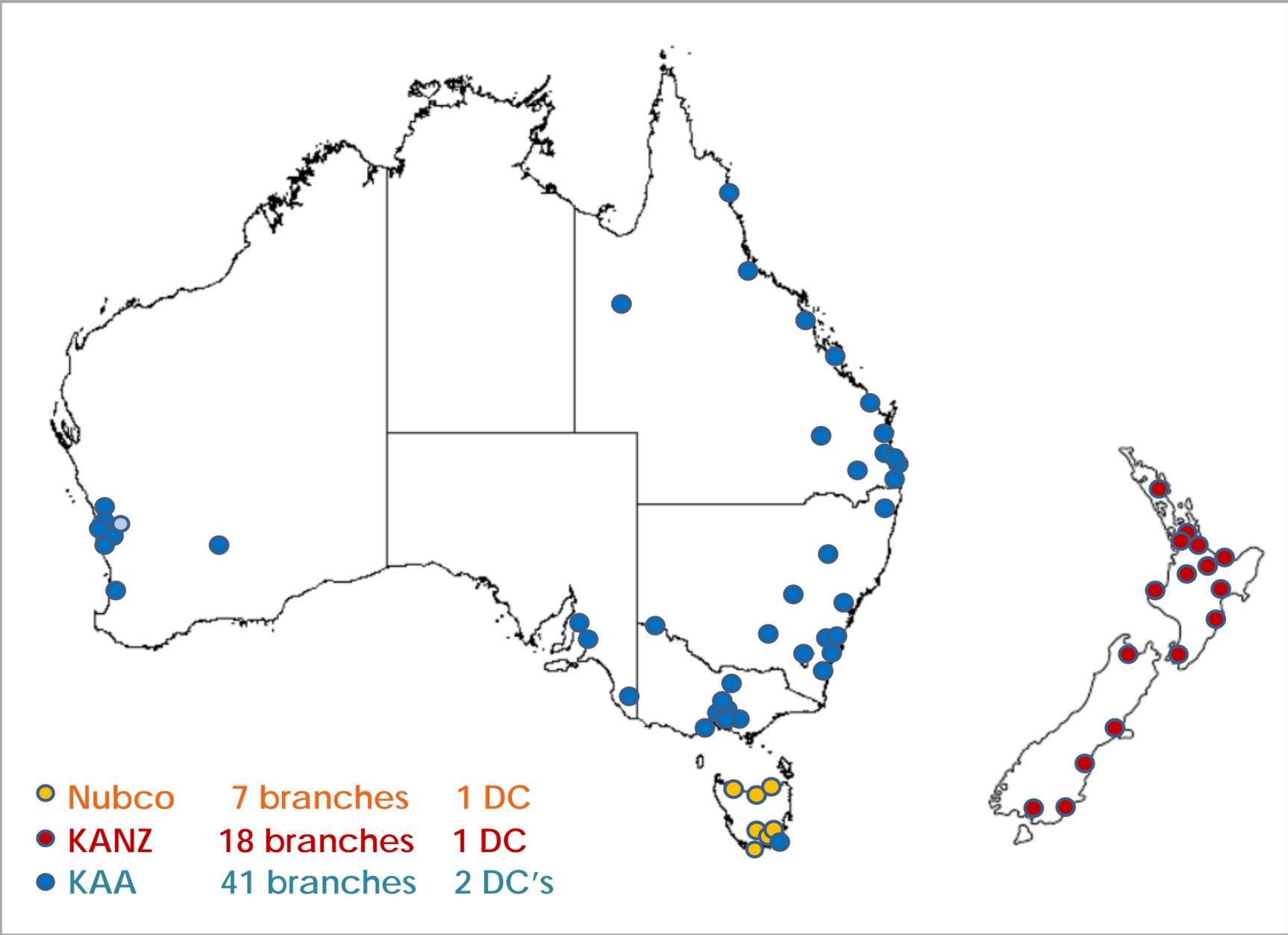
- KAA (including Fraser Coast Bolts) is one of Australia's leading fastener specialists and supplier of cabinet ware, operating through 41 branches supported by Distribution Centres in Melbourne and Perth.
- KANZ (including GHL) is New Zealand's leading fastener specialist and supplier of cabinet ware and temporary fencing, operating through 18 branches supported by a Distribution Centre in Auckland.
- Nubco is a major supplier of Steel, Reinforcing, Fasteners, Construction Products, Power Tools, Hand Tools, PPE and consumables in Tasmania through 7 branches supported by a Distribution Centre in Devonport.

### **The Business Has Significant Opportunity For Growth**

- We have a strong value proposition based on our large range of quality products, high stock availability, having inventory where and when the customer wants it, our expertise, extensive branch network and our flexible and adaptable service model.
- Opportunity for expansion exists through:
  - Greenfield store growth and targeted makeovers for KAA, KANZ and Nubco branches
  - Broader product range and commercial construction and infrastructure market growth and major contract opportunities. Experienced business development team now in place
  - E-commerce and marketing and promotions
  - Acquisition opportunities



### Trade Distribution Network Expanded to 80 Across Australia and New Zealand



- Store network expanded with opening of Rockhampton and Invercargill as well as Hervey Bay (FCB) and Auckland (GHL x 2) through acquisition.
- Completed branch re-configurations in Australia applying enhanced store merchandising, marketing and promotion concepts in Bunbury, Lismore, Redcliffe, Dunedin and Devonport.
- Relocated Artarmon, Wollongong, Sunshine Coast and Albany branches to larger store footprints in better locations.
- Plans in place for additional locations in FY23.
- No store closures in FY22 and none planned for FY23.

### *Fluid Systems Is a Market Leader, Continuing to Deliver Excellent Results*

- Fluid Systems is an innovative service provider to the mining, agriculture, defence, construction, manufacturing and allied industries – specializing in hydraulics, lubrication, fire suppression, refuelling and fluid transfer systems/products.

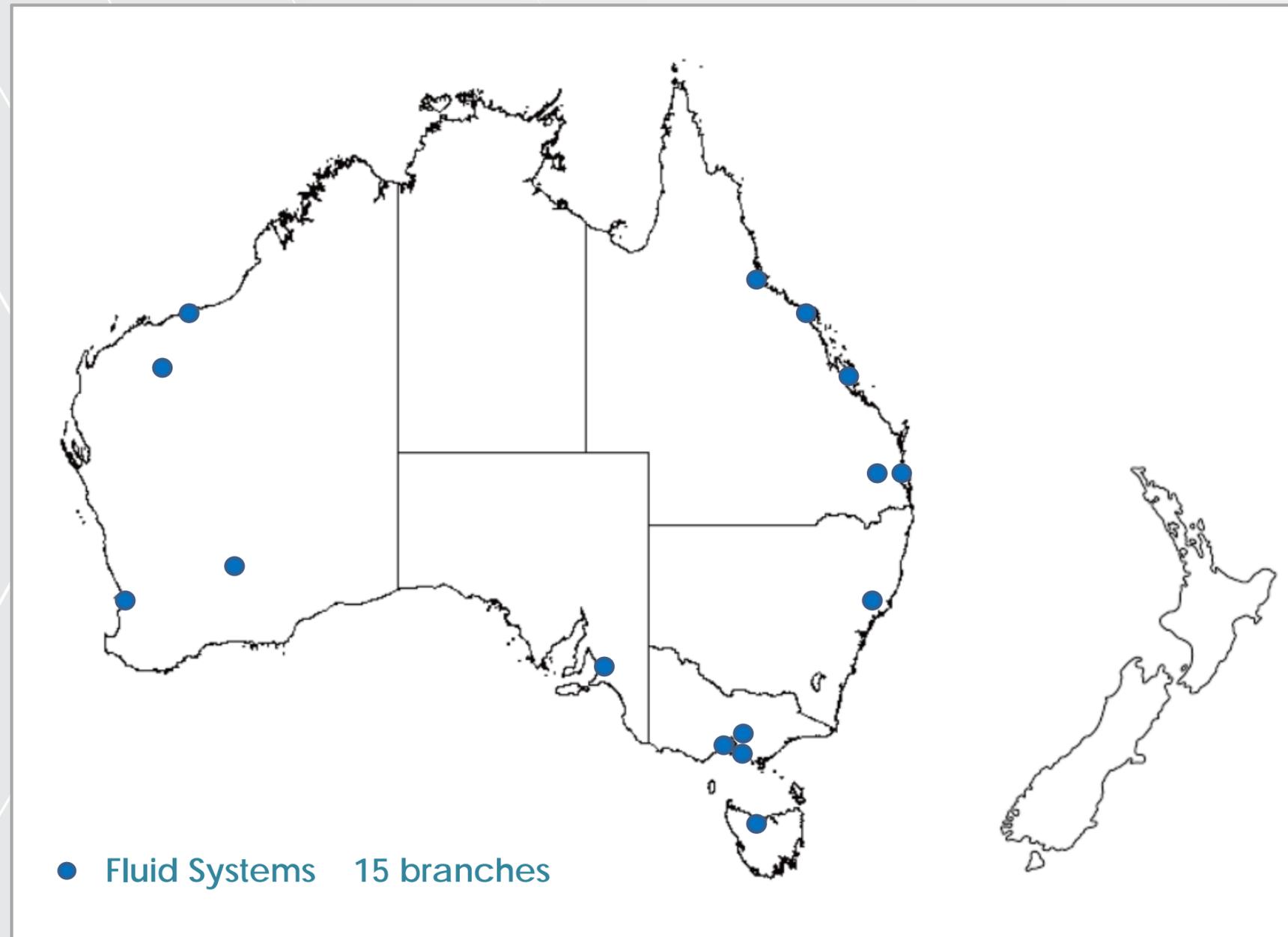


### *The Business Still Has Substantial Room to Grow Both Through Organic Expansion and Acquisition Opportunities*

- Delivery of additional services and geographic branch expansion to increase market share.
- 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 outside of mining such as agriculture, oil & gas, defence, transport, recycling and manufacturing.
- Acquisition opportunities to diversify market concentration.



### Fluid Systems network of 15 branches in Australia



- Expanded our Redcliffe operations in Perth over two locations.
- Plans in place for an additional branch in FY23.
- Closed the unprofitable Mt Isa branch

*Our Vision is to be Australia and New Zealand's Leading Industrial Supply and Services Group Where we do the Right Thing by Our People, Customers and Partners to Create a Sustainable Future*

**AN EXCITING OPPORTUNITY TO BUILD A LEADING SCALED INDUSTRIAL SUPPLY AND SERVICES GROUP**



The Board and Coventry Leadership Team (CLT) have developed a clear vision and strategy for the business for the next five years.

We are on a journey of long term sustainable profitable growth through delivery of our mission and strategic objectives.

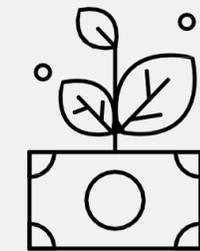


The Board and CLT have significant experience in B2B trade / industrial supply and service distribution markets and have developed a blueprint for success.

The CLT has substantial experience identifying, completing and integrating acquisitions.



A clear opportunity exists to build a highly focused scaled Industrial Supply and Services business with leading market positions across multiple geographies, market sectors and product categories.



Growth can be achieved through a combination of:

- Organic growth - market share gains, e-commerce, new branches, store makeovers, marketing and promotion, new products and new geographies
- Sensible strategic acquisitions

### *Our Purpose at the Coventry Group is to Create a Sustainable Future by Empowering Our People to Deliver Great Customer Service*

- Our values are Fairness, Integrity, Respect, Safety and Teamwork (FIRST)
- We live our values and strive to do the right thing in all our dealings with our people, customers and suppliers
- During the year we appointed an experienced Chief People Officer and expanded our Health and Safety and Human Resources team to support our growing business
- Despite a very competitive recruitment market, our reputation for having a values-based culture is attracting quality people into the organisation
- We expanded our social and community support programs during the year including supporting employees who lost possessions during the Lismore floods
- We retained and fully paid our Trade Distribution New Zealand team through the second NZ Government enforced lockdown



#### Our Vision

To be Australia and New Zealand's leading industrial supply and services group where we do the right thing by our people, customers and partners to create a sustainable future.



#### Our Values

**OUR PEOPLE**  
We trust and empower our people.

**OUR CUSTOMERS**  
We are dedicated to our customer's needs.

**OUR SUPPLIERS**  
We work in partnership with our suppliers.

**FAIRNESS**  
We treat everyone equally, without favouritism, or discrimination.

**INTEGRITY**  
We operate with competence, good judgement and work to the best of our abilities. We always do what is right.

**RESPECT**  
We treat each other, our suppliers, our customers and our environment with respect.

**SAFETY**  
We place the health, safety and wellbeing of our people first.

**TEAMWORK**  
We act with strength and resilience together, finding new ways to grow our Company and each other.



### *We are Focussed on Our Customers Needs*

- Our customers needs are our priority
- We continue to improve our value proposition, service levels and customer engagement
- We continue to strengthen our business development and sales teams to meet our customers needs
- We have prioritized service levels over reducing inventory – particularly in the current uncertain times and with global supply issues
- We are investing in our store network with makeovers and relocations to improve the customer experience
- We are introducing digital engagement strategies for customers who want to deal with us electronically



### Customer Value Proposition

Why our customers stay with us.



### Solving customer's problems through:

#### QUALITY PRODUCTS

Quality products and recognized leading brands.

#### STOCK AVAILABILITY

The stock the customer needs when and where they need it.

#### EXPERTISE

Qualified and trained teams delivering solutions for our customers.

#### AGILITY

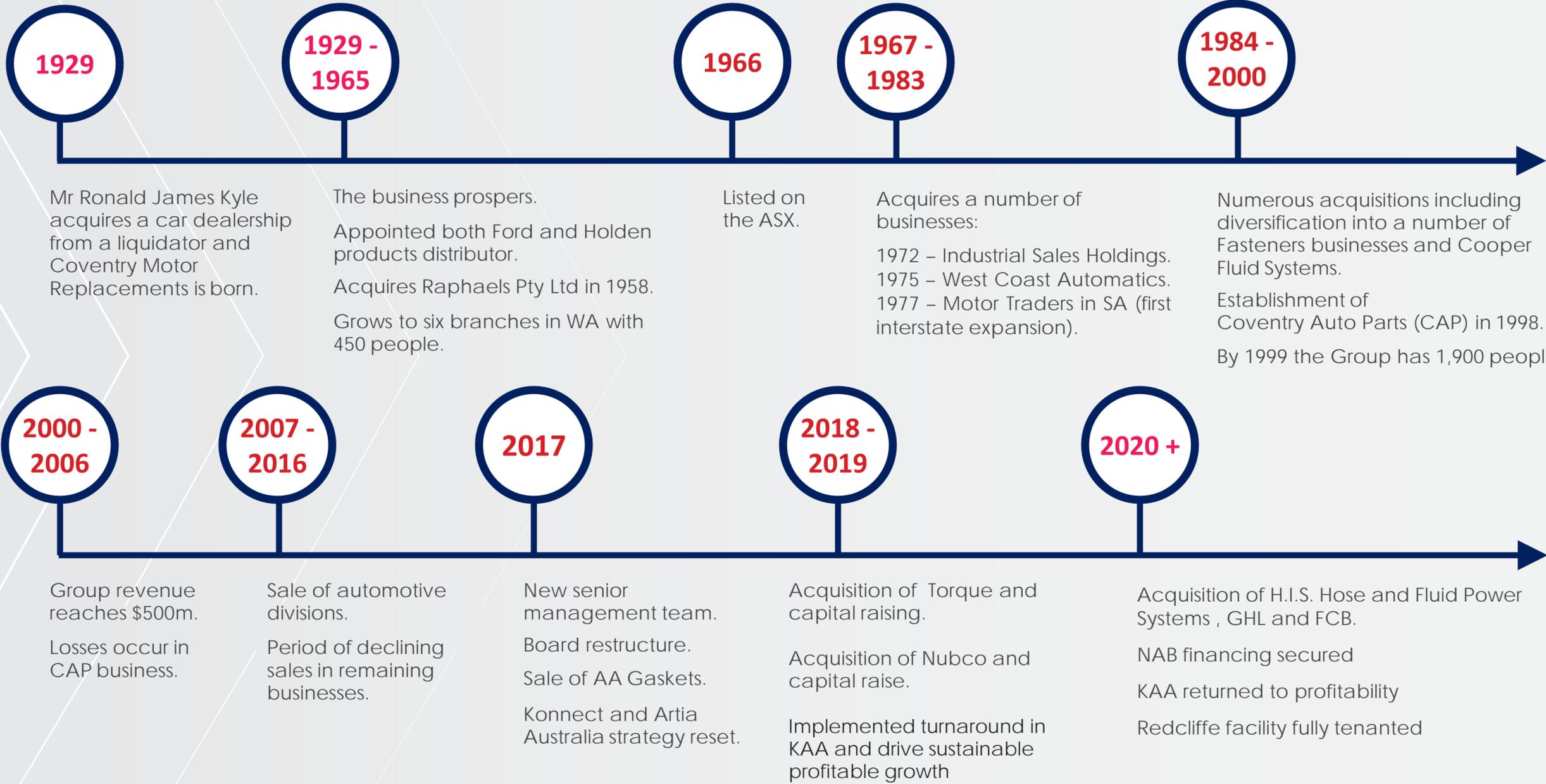
Responding to customer needs with flexible service.

#### GEOGRAPHIC COVERAGE

70+ locations across Australia and New Zealand and growing.



Coventry Group has a proud history over 90+ years



### *The Group is Cautiously Optimistic for FY23*

- There are significant growth opportunities across all segments of the business – market share gains, new branches, product range extension and acquisitions.
- Given continuing market uncertainty we will not be providing full year guidance but will continue to provide quarterly trading updates to the market.

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



# Coventry Group Ltd

