

FY23 Full Year Result

Delivering specialised
Industrial products,
services and
customised solutions

FY23 financial performance snapshot

Financial performance

Solid revenue and profit growth

Revenue



\$358.5m

+11.2% on FY22

EBITDA ¹



\$17.0m

+9.7% on FY22

EBIT ²



\$15.6m

+9.9% on FY22

Statutory net profit

\$2.5m

\$4.8m FY22

Cash conversion ⁴

112.5%

45.8% FY22

Net Assets

\$113.3m

\$113.6m FY22

Net Debt

\$33.5m

\$33.1m as at 30 June 2022

Net Debt impacted by

- ERP upgrade project (\$5.5m)
- Dividend payment (\$3.0m)
- Capital expenditure (\$3.7m)

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

Note 2: EBIT is before significant items

Note 3: EBITDA before significant items is a non-IFRS measure and reflects how management measures performance of the Group

Note 4: Cash conversion = Gross operating cash flow less cash lease payments, addback significant items, divided by EBITDA¹

Agenda

01

About
Coventry

02

Markets +
industries

03

FY23
performance

04

Business update and
outlook

05

Our strategy

06

FY24
priorities

01

About Coventry



About Coventry

1929

Coventry Group founded



972

people employed at Coventry Group

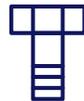


15



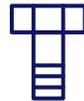
Fluid Systems branches (AUS)

41



Konnect and Artia branches (AUS)

17



Konnect and Artia branches (NZ)

7

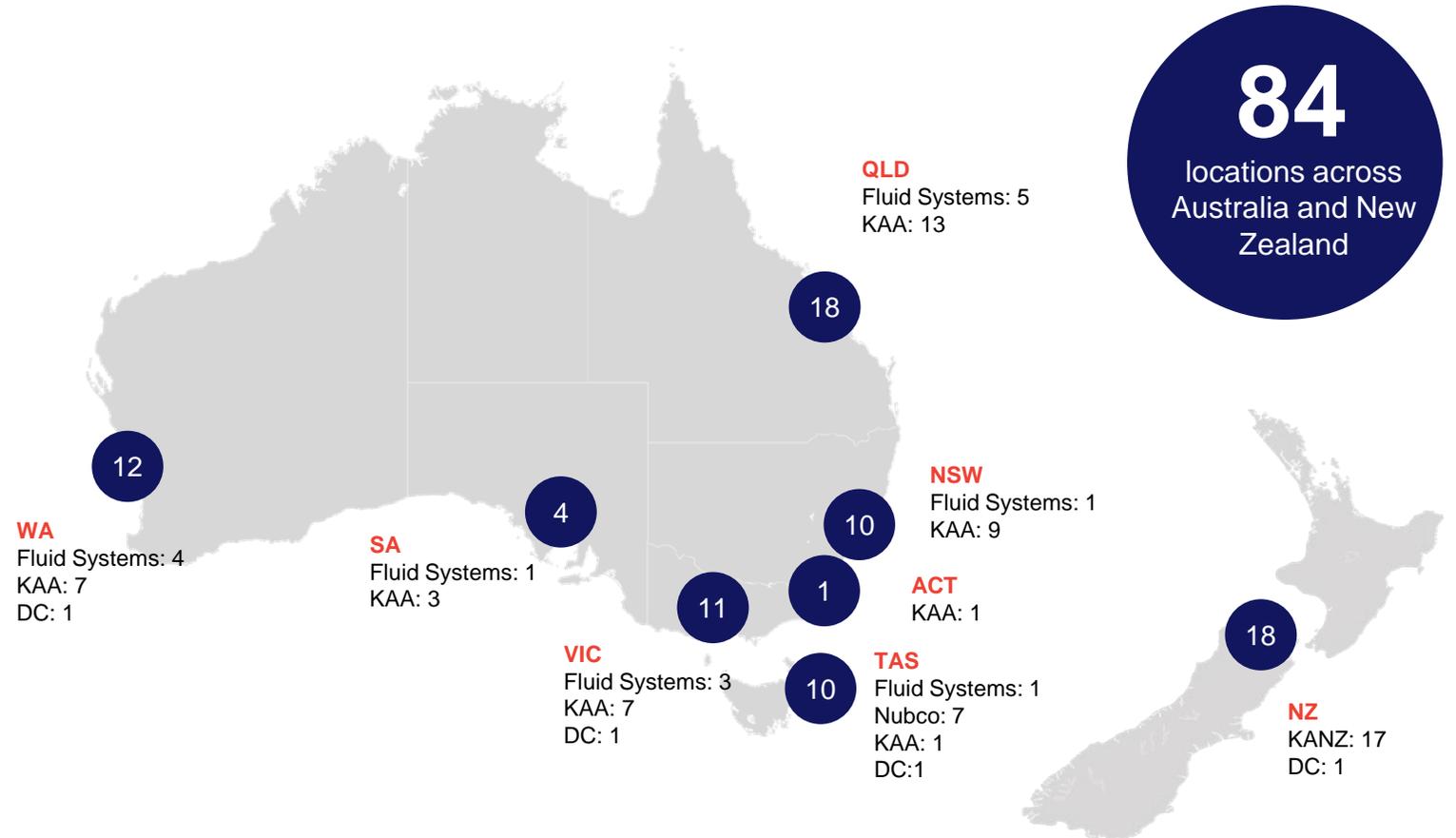


Nubco branches (AUS)

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 hydraulic, lubrication, fluid transfer, refuelling, fire suppression, automation systems and products. Fluid Systems has the capability to design, manufacture, install, maintain and supply full turn-key solutions and components through a network of 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, 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



02

Markets + industries



The market + our industries



Demand remains robust from our primary end markets (mining and resources, infrastructure, commercial construction and industrial). The Group has very modest exposure to segments of the economy that are slowing, namely household discretionary expenditure and residential construction.

Coventry operates in high growth markets

Coventry has a 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 cost inflation and labour shortages

Coventry has limited exposure to residential construction – housing shortage and immigration to drive future demand

Industrial and manufacturing

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

Other markets

Our secondary markets are all performing well:

Agriculture and aquaculture

Renewable energy

Oil and gas

Defence

Recycling

Our value proposition

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

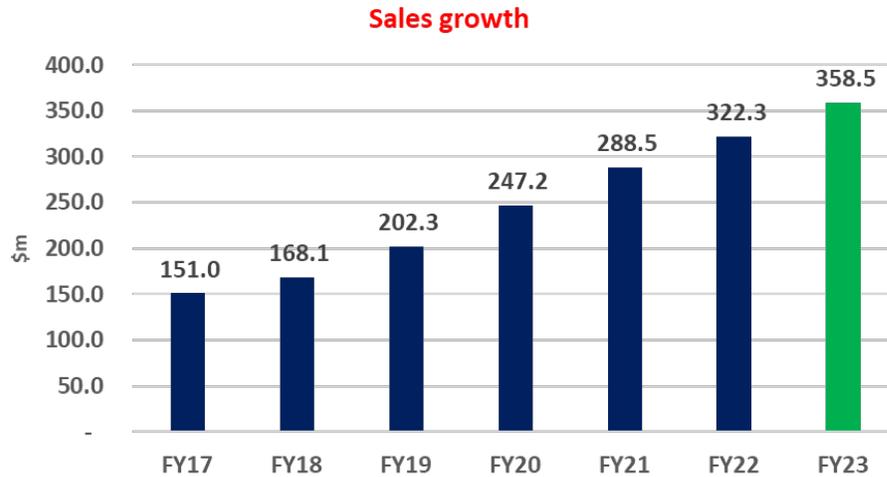
03

FY23
performance

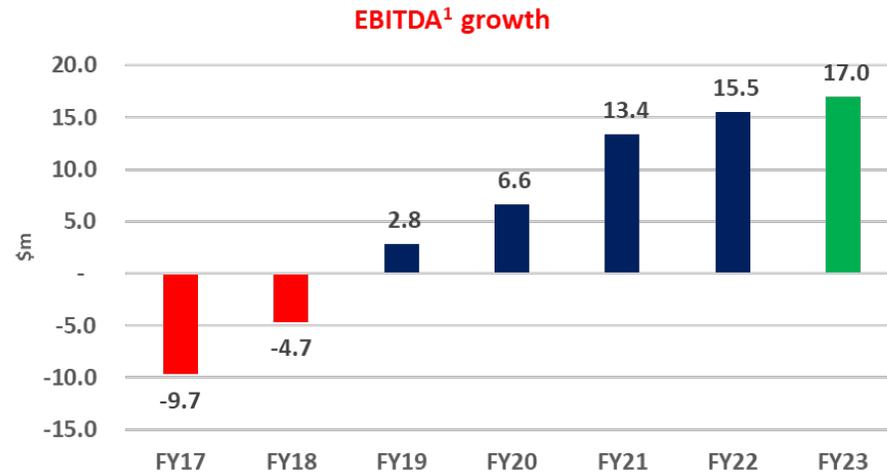


FY23 Overview

Revenue



EBITDA¹



Group Revenue
up 11.2% to \$358.5m
(\$322.3m FY22)

Group EBITDA¹
up 9.7% to \$17.0m
(\$15.5m FY22)

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

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

Profit and loss

Summary profit and loss

\$m	FY23	FY22	% change
Revenue	358.5	322.6	+11.2%
EBITDA ¹	17.0	15.5	+9.7%
Depreciation and amortisation	(3.6)	(3.1)	
Impact of AASB16	2.2	1.9	
EBIT ²	15.6	14.2	+10.0%
Significant items	(6.4)	(2.0)	
Net financing expense	(5.5)	(4.9)	
PBT	3.7	7.3	-33.9%
Income tax expense	(1.2)	(2.5)	
NPAT	2.5	4.8	-36.8%
EBITDA %	4.7%	4.8%	

- EBITDA ¹ up +\$1.5m (+9.7%) on prior year
- EBIT ² up +\$1.4m (+10.0%) on prior year
- Profit before tax (PBT) and Net profit after tax (NPAT) down on the previous year principally due to Significant Items
- Significant Items made up of ERP system upgrade (\$5.5m) and acquisition related costs (\$0.9m)

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

Note 2: EBIT is before significant items

Note 3: EBITDA before significant items is a non-IFRS measure and reflects how management measures performance of the Group

Balance sheet

Solid balance sheet position

\$m	As at 30 June 2023	As at 30 June 2022
Total current assets	137.2	144.4
Total non-current assets	145.6	134.4
Total assets	282.8	278.8
Total current liabilities	111.8	116.6
Total non-current liabilities	58.0	48.6
Total liabilities	169.8	165.2
Net Assets	113.0	113.6
Net Tangible Assets	36.8	36.2
Current assets less current liabilities	25.4	27.7

- The Group has a solid balance sheet with Net Tangible Assets of \$36.8m and Net Assets of \$113.0m as at 30 June 2023
- The Group has a solid working capital position with Current Assets exceeding Current Liabilities by \$25.4m at 30 June 2023
- Net debt as at 30 June 2023 of \$33.5m (30 June 2022 of \$33.1m)
- Net Debt was impacted by the ERP upgrade project (\$5.5m), FY22 dividend payment (\$3.0m) and capital expenditure (\$3.7m)
- NAB debt financing facility of \$55.0m undrawn by \$17.6m as at 30 June 2023

Cash flow

Cash conversion of 112.5% FY23

\$m	FY23	FY22
Gross operating cash flow	25.8	15.8
Less Cash lease payments	(13.1)	(11.1)
Add back Significant Items	6.4	2.2
Adjusted gross operating cash flow	19.1	6.9
EBITDA ¹	17.0	15.5
Cash conversion % ²	112.5%	45.8%

- Significant improvement in cash conversion in 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
- Inventory reduced by \$3.0m despite double digit sales growth and product price inflation

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

Note 2: Cash conversion = Gross operating cash flow less cash lease payments, addback significant items, divided by EBITDA¹

FY23 Segment performance

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

Fluid Systems

Revenue

\$148.1m

+14.1% on FY22

EBITDA¹

\$15.3m

+19.0% on FY22

- Fluid Systems EBITDA¹ % to sales of 10.4%
- Trade Distribution EBITDA¹ % to sales of 8.1%
- Double digit sales growth achieved in Fluid Systems and Konnect and Artia Australia
- Trade Distribution impacted harder by wage, fuel and cost inflation

Trade Distribution

Revenue

\$210.1m

+8.8% on FY22

EBITDA¹

\$17.0m

+5.4% on FY22

Note 1: EBITDA is before significant items and 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
- Diversification into markets outside of mining and resources
- Expand or relocate Mackay and Gladstone facilities to accommodate growth opportunities
- Increase engineering capability
- Develop capabilities for move from manual processes to automated and electric systems
- Explore options for branches in new geographical regions
- 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 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
 - Expand steel handling capabilities
- Develop advanced Digital capability
- Expansion in regional Australia

Business update

Key strategic initiatives

KAA profitability improvements

Accelerating delivery of our strategy

- Fixing underperforming branches
- Improving capability to deliver store makeovers, store relocations and new stores (see case studies in Our Strategy section)
- Improving margin management
- Improving supply chain and stock availability
- Close alignment with suppliers
- Operating cost reduction programs

Develop marketing and digital capability

Appointment of key experienced resources

- Appointed Sales and Marketing Managers in each of the Trade Distribution business units
- Developing our marketing and promotion capability to increase brand recognition and awareness
- Ensuring all business units deliver an enhanced omnichannel customer experience
- Improving our digital offering

Business update

Key strategic initiatives

ERP upgrade project

ERP upgrade progressing well

- Project on schedule and on budget
- Experienced project team and implementation support partners working closely together
- Requirements definition and design phases of the project completed
- Build phase well advanced
- Pilot in first branch and Finance to commence February 2024
- On target to complete project December 2024

Optimising financial health

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 completed in H2 FY23
- Implementing demand planning systems as part of ERP upgrade
- Cash conversion program delivering results – 112.5% in FY23

05

Our Strategy



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

Zero harm
Profitable sales growth
10.0% EBITDA (Pre AASB16)
Strong cash conversion

Strategic priorities

The right people for growth
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 (3 new stores in progress)

Fluid Systems branches in new geographical regions

Nubco expansion into regional Australia

Improving the network

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

Site 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

Marketing and promotion programs

Alignment with key suppliers

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

ERP upgrade

E-commerce

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

Improving people management systems to build skills and expertise for future business growth

Case studies

Sunshine Coast relocation

Relocation June 2022

- Underperforming store relocated to right sized building in prime location with full showroom
- Sales up 35.2% and contribution up 180.3% on the prior year
- Total investment of \$107k



Geelong relocation

Relocation February 2023

- Underperforming store relocated to right sized building in prime location with full showroom
- Sales up 31.3% and contribution up 195.5% on the prior year
- Total investment of \$86k



Rockhampton new store

New store opened November 2021

- Opportunity arose to open a store in a new geographical region for KAA
- Team with industry experience recruited
- Building in prime location leased
- FY23 sales of \$2.9m - now a top quartile sales branch
- Total investment of \$157k



06

FY24
priorities



Strategic Priorities FY24

- The right people for growth
- Accelerate organic growth in Trade Distribution
- Continue focus on rightsizing inventories and cash conversion
- 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 FY23 performance

Group sales growth of 11.6%
achieved in month one of FY24

Operating in resilient markets
and industries

Specialisation will help us win

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 2023 full 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.

Non-IFRS Financial Information

Coventry uses certain measures to manage and report on its business that are not recognised under Australian Accounting Standards. These measures are collectively referred to as non-IFRS financial measures. Although Coventry believes that these measures provide useful information about the financial performance of Coventry, they should be considered as supplemental to the measures calculated in accordance with Australian Accounting Standards and not as a replacement for them.

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

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

Appendix

AASB16 Reconciliation

\$'000	FY23	FY22	Variance (\$)	Variance (%)
Profit before financial income and tax ¹	9,214	12,224	(3,009)	
Significant items	6,394	2,149	2,016	
Add: Depreciation ROU Asset – Property and Vehicle ²	12,739	11,202	1,537	
less: Lease payments - Property and vehicle (AASB 16 only) ³	(17,020)	(15,099)	(1,921)	
Add: Finance sublease rent received ⁴	406	398	8	
Add: Impairment/Onerous lease provision unwind ⁵	1,662	1,670	-8	
Add: Foreign exchange translation variance/other adjustments	-19	(189)	170	
EBIT ⁶	13,377	12,355	1,022	7.6%
Depreciation & amortization ⁷	3,628	3,150	478	
EBITDA ⁶	17,005	15,505	1,500	9.7%

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

7. Depreciation and amortisation per Segment report.