ASX RELEASE

2025 Full Year Results

29 August 2025

Summary

- Group Sales for FY25 down -1.7% to $364.6m ($370.8m FY24).
- Group underlying EBITDA[1] down -40.9% to $12.3m ($20.8m FY24).
- Group underlying EBIT[2] down 59.4% to $6.9m ($19.8m FY24).
- Statutory net loss for the year of -$29.6m ($0.7m profit FY24). Statutory result impacted by $6.8m of costs relating to the ERP project and impairment of intangible assets by $24.5m.
- At 30 June 2025, the Group has Net Tangible Assets of $25.4m and Net Assets of $111.2m.
- Net debt of $56.3m at 30 June 2025.
- At 30 June 2025, the Group had available Australian gross tax losses of $53.0m.
- Dividends temporarily suspended.
- Refreshed Board and senior management.
- Mr Nik Alpert formally confirmed CEO of the Company.

Sales and EBITDA[1]

Percentage sales and EBITDA[1] change for FY25 when compared with the prior year is shown below:

	FY25 vs FY24 % Sales change	FY25 vs FY24 % EBITDA[1] change
Fluid Systems	-7.4%	-29.1%
Trade Distribution	+2.7%	-13.4%
Consolidated Group[3]	**-1.7%**	**-40.9%**

Divisional Commentary

- Fluid Systems (FS) sales for the year of $147.4m down -7.4% on the prior year. FS EBITDA[1] down -29.1% to $13.4m compared to $19.0m in FY24.
- Trade Distribution (TD) sales for the year of 217.8m up 2.7% on the prior year. TD EBITDA[1] down -13.4% to $14.4m compared to $16.8m in FY24. FY25 includes full year Steelmasters contribution as compared to two months in FY24.

Note 1: All references to EBITDA are to Pre AASB16 before Significant Items.
Note 2: All references to EBIT are before Significant Items.
Note 3: FY25 includes full year Steelmasters contribution as compared to two months in FY24.

Net debt position and banking arrangements

The Group's Net Debt at 30 June 2025 was $56.3m reflecting the impacts of poor financial performance, ERP implementation costs, a disproportionate cost base and high inventory carrying levels. Each of these factors is being addressed as a matter of urgency. We are working closely with NAB as we progress our debt reduction strategy and, effective 8 August 2025, the Group's $55m Borrowing Base Facility has been replaced by a new $55m Revolving Cash Advance Facility with an expiry of 31 July 2027. This new simplified facility reduces administrative complexity and provides covenant headroom. The new facility will sit alongside the Group's existing $18m Amortising Term Loan Facility and $5m Multi Option Facility (Letter of Credit Facility)

ERP upgrade project

The Group's new ERP Microsoft D365 is live in the Konnect (67 locations) and Fluids (15 locations) business units with plans to migrate the remaining business units, Steelmasters and Nubco, during FY26. With the benefit of trading experience informing us, fine-tuning of the new ERP is being undertaken to ensure efficiencies are extracted and the desired level of customer service is achieved. The implementation of our new ERP has been a disruptive and costly project which has impacted the Groups FY25 financial performance.

Operating Costs

Right sizing the cost base of the Group is a key focus for the Board and management and immediate action is being taken to achieve a targeted annualised cost out of approximately $10m. FY26 will see a recalibration of the Group's cost base with every part of the business being closely scrutinised. Cost out targets have been incorporated into management incentive plans and progress against targets is being closely monitored by the Board. The cost out focus will run in parallel with initiatives to drive on going sales growth whilst maintaining Gross Margins.

Balance sheet

At 30 June 2025, the Group had Current Assets exceeding Current Liabilities by $20.7m, Net Tangible Assets were $25.4m and Net Assets were $111.2m.

Significant Item – Onerous Contract Loss

Following a review of its contractual obligations, the Fluids Systems business identified an onerous contract which has resulted in a one-off, pre-tax loss of approximately $1.3m for the period. The contract was entered into in 2021 and has become onerous due to a lack of understanding of the requirements of the project when quoted and the inability to successfully negotiate with contract partners for full/partial recovery. The cash flow impact of this on the Group has been absorbed in prior periods and it is the Board's belief that there will be no further impact from this contract in FY26.

Significant Item – Impairment of Trade Distribution Segment

Following the latest review of the carrying value of the Group's assets as part of its annual impairment testing process, the Group has recognised a non-cash impairment of $24.5m in its financial result for the year ending 30 June 2025 in relation the Trade Distribution segment.

This impairment relates primarily to the right-down of goodwill and brand names, and has no impact on the Group's net debt or banking covenants.

Dividends

The Board has suspended the declaration of dividends as part of prioritising the reduction of net debt and to support the Company's growth objectives. The dividend will be reviewed periodically in line with financial performance and capital requirements.

Outlook

The Group is focused on delivering its "back to basics" strategy under a refreshed and strongly aligned new executive team. All efforts are focused on sales growth, cost reduction, cash generation, debt reduction and a step-change in financial performance in FY26.

The Board remains confident in the market opportunity for the business and now believe we have the team in place to execute. The Group has significant revenue scale, attractive gross margins and there are no underlying significant market structural issues.

Earnings guidance for FY26 is >$20m EBITDA with expectations that earnings run-rate will improve quarter-on-quarter. This does not include the benefit of the cost-out program which will be progressively delivered during the year. July sales were $34m (up 6.3% on June).

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

For further information contact:

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