Investor Presentation

Full Year Results to 30 June 2017

29 August 2017

Coventry Group Ltd

Agenda

Overview

Financials

Business conditions, strategy and outlook

Overview

- **Group financial performance for the year was disappointing**
  - Sales down 4.3% to $169.1m ($176.8m pcp)
  - Underlying EBIT -$8.7m (-$3.2m pcp)
  - Reported loss for the year of -$35.5m (after -$25.0m of significant items – largely non-cash)
- **2H17 has shown signs of improvement over 1H17**
  - Australian Trade Distribution (TDA) revenue decline has slowed
  - New Zealand Trade Distribution (TDNZ) is performing positively with strong contribution
  - Cooper Fluid Systems (CFS) has sales growth and positive contribution
  - AA Gaskets (AAG) reported a record year
- **No dividend declared**

pcp = Prior Corresponding Period, full year 2016

Setting up the business for sustainable growth

- **New management team focused on growth initiatives**
  - New CEO (Robert Bulluss)
  - New Interim CFO (Joanna Walker)
  - New GM of TD Australia (Mark Page)
  - GM of TD New Zealand (Mike Wansink)
  - CFS GM (Bruce Carter)
- **Following management team changes a revised strategy for TDA has been developed**
  - Successful strategies in TDNZ, CFS and AAG continue to be refined and implemented
- **Group vision, values and objectives have been refreshed**
  - Overall aim is to grow sales and achieve sustainable profitable growth

Focus Areas

- **Customer service**
- **Product range review**
- **Stock availability**
- **Supply chain benefits**
- **Business development**
- **Branch rationalisation**
- **Overhead reductions**
- **Supplier rationalisation**

Initiatives funded through improved working capital management

Group – financial summary

($m)	FY16	FY17	% change	H1 FY17	H2 FY17
Revenue from sale of goods	176.8	169.2	-4.3%	85.3	83.9
Underlying EBITDA	0.1	-5.8	n/m	-4.4	-1.4
Underlying EBIT	-3.2	-8.7	n/m	-5.7	-3.0
Significant Items and Impairments	-1.9	-25.0	n/m	-15.2	-9.8
Loss for the year	-1.8	-35.5	n/m	-22.2	-13.3
Net cash	3.5	5.1	%	n/a	n/a
Net Tangible Assets p/s ($)	2.03	1.30	-36.0%	n/a	n/a

- **Sales down 4.3% to $169.2m**
- **Underlying EBITDA of -$5.8m (-$1.4m in 2H17)**
- **Loss of -$35.5m (including -$25.0m of significant items and impairments)**
- **No further non-cash adjustments expected**
- **NTA per share at a premium to share price**

n/m = not meaningful

Financials

Coventry's business segments

1

Trade Distribution

KONNECT

The largest specialty fastener distributor in Australia and New Zealand

artia

Niche supplier of hardware to the kitchen & cabinet maker industry

2

COOPER FLUID SYSTEMS

Supplier of spare parts, workshop and on-site services to mining & related industries

3

aa gaskets

72.5% investment in the leader in specialised gaskets for the auto aftermarket sector

Trade Distribution

($m)	FY16	FY17	% change	1H17	2H17
Revenue	108.5	96.9	-10.6%	50.6	46.3
EBIT (underlying)	-1.0	-5.2	n/m	-3.4	-1.8

- **FY17 results are disappointing however there are signs of improvement in Q4 and YTD18**
- **EBIT loss in 2H17 reduced due to improved margin % and impact of cost reductions despite lower sales**
- **New Zealand continues to trade strongly with two new stores opened in FY17**
- **Sales decline in Australia has slowed and the outlook for the business is more positive**
- **Our focus on improving stock availability and service at branch level and directional buying and selling is aimed at producing sales and customer growth**

Cooper Fluid Systems

($m)	FY16	FY17	% change	1H17	2H17
Revenue	53.2	54.1	1.7%	25.6	28.5
EBIT	2.8	2.6	-6.9%	1.1	1.5

- **Overall positive contribution result for CFS with improvement in 2H17 and in particular the last quarter**
- **CFS has shown strong signs of sales growth in 2H17 (11.1%) as repair and maintenance spend in the resources sector increases**
- **The business is investing in additional service technicians and hydraulic servicing capability to manage expected growth**
- **CFS is well positioned to capitalise on improved market conditions in the resources sector due to experienced management and personnel**

AA Gaskets [1]

($m)	FY16	FY17	% change	1H17	2H17
Revenue	15.1	18.1	19.8%	9.1	9.0
EBIT (Underlying)	2.9	3.8	8.4%	2.0	1.8

- AA Gaskets (72.5% owned) continues to perform strongly, reporting a record year
- Market leader now servicing all of the major customers in the industry
- In 1H17 AA Gaskets won a new major customer who needed to build up their stock levels. This explains the slightly lower sales in 2H17
- We are confident of continued sales growth in FY18
- Experienced management team and personnel
- Continues to provide excellent contribution and diversification for the Group

(1) Coventry owns 72.5% of AA Gaskets

Corporate

($m)	FY16	FY17	% change	1H17	2H17
Property Operations (net)	-0.8	-0.7	0%	-0.3	-0.4
Head office operating costs (underlying)	9.5	9.1	-2%	4.8	4.3
EBIT (underlying)	-8.7	-8.4	-2%	-4.5	-3.9

- **Head office provides centralised support services to the Group**
  - Full impact of cost reduction program completed in 2H17 for Supply Chain, Category Management and IT will be realised in FY18
  - Further cost reductions in IT, consultancy, legal and travel and entertainment are expected in FY18
  - Continuing to assess opportunities to use technology to reduce operating costs
- **Corporate costs include Redcliffe, Perth property costs and income**
  - Current sub lease arrangements expire in October 2017
  - Revised lease arrangements are at lower rental rates reflecting the poor market conditions in WA
  - Overall annualised reduction in Other Income of $1.0m

Cash flow

($m)	FY16	FY17
Net cash from operating activities	-1.9	-4.9
Net cash from investing activities	-1.7	-0.2
Net cash used in financing activities	-2.6	7.5
Net (decrease)/increase in cash and cash equivalents	-6.2	2.4
Cash and cash equivalents	**3.5**	**5.1**

- **Cash balance of $5.1m**
- **Major focus is now on improving the cash position by clearing slow moving inventory and improving debtor collection activities**
- **Financing relates to $10m debtor finance facility introduced to provide short-term working capital which is backed by the Group's high quality Accounts Receivable book**
- **Sale and lease back of motor vehicle fleet generated $2.0m in cash**

Balance sheet

($m)	Jun-16	Jun-17
Cash & cash equivalents	3.5	5.1
Inventories	57.4	49.3
Trade and other receivables	30.8	29.3
Total current assets	**91.7**	**83.7**
Property, Plant & Equipment	16.0	4.7
Intangible assets	5.1	5.9
Deferred tax assets	16.1	6.7
Other non-current assets	-	0.1
Non-current assets	**37.2**	**17.4**
Total assets	**128.9**	**101.1**
Trade and other payables	21.8	23.8
Debtor finance facility	-	8.0
Other non-current liabilities	5.7	4.4
Non-current liabilities	**27.5**	**36.2**
Non current liabilities	3.2	3.3
Non current liabilities	**3.2**	**3.3**
Total Liabilities	**30.7**	**39.5**
Net Assets	**98.2**	**61.6**
Issued capital	108.1	108.1
Retained earnings & reserves	- 11.9	- 48.7
Non-controlling interest	2.0	2.2
Total equity	**98.2**	**61.6**
NTA per share (cents)	2.03	1.30

- **NTA of $1.30 per share remains at a premium to the CYG share price**
- **$25.0m of largely non-cash adjustments have reduced NTA by $0.39 per share**
- **Inventory review completed in the second half for total adjustment of $7.1m**
- **Further $2.0m de-recognition of DTA – Tax losses**
- **Product and supplier rationalisation will improve the working capital position of the group over time**

Balance sheet significant items and impairments

$9.8m in significant items 2H17

- $7.1m adjustment to stock valuation
- $2.0m de-recognition of DTA – tax losses
- $0.5m restructuring costs
- $0.6m costs in relation to cyber attack
- -$0.4m profit on sale of motor vehicle fleet

$25.0m in significant items FY17

- Includes $23.9m of non-cash adjustments

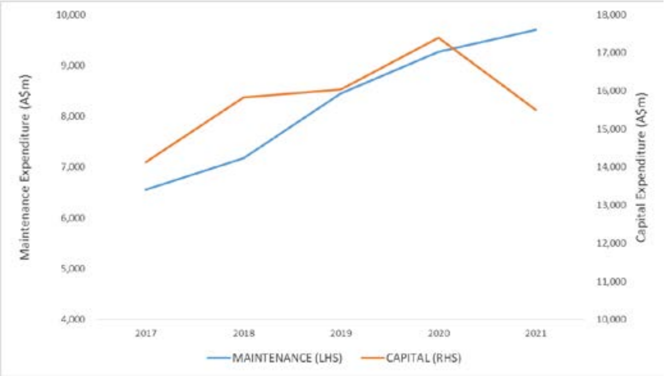
Significant items $m	**1H17**	**2H17**	**FY17**
Restructuring/Redundancy costs	0.4	0.5	0.9
Provision for Stock Obsolescence/stock adjustments	-	7.1	7.1
Cyber Attack Provision	-	0.6	0.6
De-recognition of Deferred Tax Asset	6.9	2.0	8.9
Impairment adjustments	7.9	-	7.9
Profit on sale of motor vehicle fleet	-	- 0.4	- 0.4
Total significant items	**15.2**	**9.8**	**25.0**

Business conditions, strategy and outlook

Coventry Group

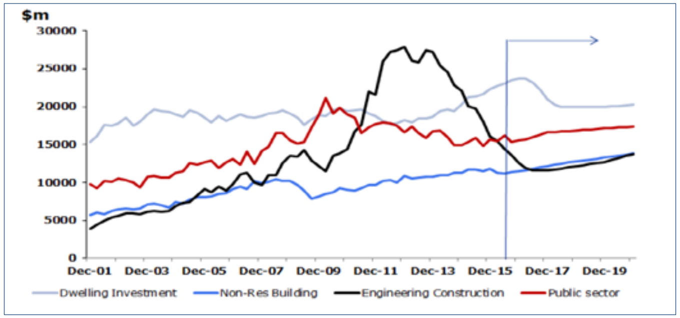
Business conditions appear to be improving

- **Mining sector and associated industries the most material component of the Group's customers**
  - 75% of Top 50 customers are exposed to mining
  - Maintenance capex is forecast to grow 10.3% p.a. to 2021
  - Spending in the mining sector (maintenance and capital) is improving which should have a positive 'flow-on' effect for CFS and Konnect Australia
  - Customer inquiry activity is continuing to increase



Source: Large listed mining companies (S&P CapitalIQ)

- **Construction is a secondary and growing market**
  - Growing this segment is an important strategy as it serves to diversify the group away from mining
  - Currently represents a small proportion of CYG sales
  - Strong market position in New Zealand that we aim to replicate in Australia



Source: ABS, Goldman Sachs Global Investment Research

Strategy update

- **Following management team changes a revised strategy for TDA was developed**
  - Successful strategies in TDNZ, CFS and AAG continue to be refined and implemented
- **TDA business strategy under new leadership:**
  - Returning to a selling model where our branches have control over the delivery of orders to the customer
  - Ensuring each branch stocks what it sells and improving stock availability of stocked lines to 98%
  - Implementation of a directional buying and selling model
  - Improving ordering systems to improve delivery of inventory to stores
  - Ensuring branches have the right resources (people, stock, store layout and merchandising, delivery capabilities) to provide excellent service
  - Potential consolidation of the branch network
  - Increasing the sales capability across the business
  - Re-engagement with suppliers to support growth initiatives
  - Investigating further cost reduction and productivity improvement opportunities
  - Reducing inventory levels through stock clearance programs

Store footprint strategy

- **Underperforming stores are being fixed, merged or closed**
- **Branch expansion strategy continues to be reviewed:**
  - **Australian** expansion on hold until business performance improves
  - **New Zealand** has opened 2 new stores and will continue to expand where there is opportunity

Outlook

- **Trading over May - MTD August is encouraging**
  - Group sales have been up on the previous year May (+5.5%), June (+3.1%), July (+8.9%), August MTD (circa +10.0%)
- **Three businesses are providing solid results and will likely continue to improve in FY18**
  - TDNZ
  - CFS
  - AAG
- **Our major focus is on improving TDA**
  - Multiple initiatives in progress
  - Improving mining and construction markets will assist
- **The business will continue to scrutinise costs and make adjustments where possible**

2018 Outlook

- **It remains difficult to predict how long it will take to return to sales growth and positive contribution for TDA**
- **The priority is implementing strategies to achieve service excellence which will likely lead to positive sustainable sales growth**

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